



NAME OF POLICY: Prudential Management Policy

POLICY MANUAL: Finance

PURPOSE

The purpose of this Policy is to provide guidance to the Council, the community and staff, with in respect to the requirements for appropriate due diligence and prudential management of projects.

BACKGROUND

Prudential Management requires financial risks or adverse financial consequences to be considered, minimised or offset to ensure that the proposed benefits are achieved.

LEGISLATIVE CONTEXT

Section 48 of the *Local Government Act 1999* (the Act), requires the Council's to maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the Council;

- acts with due care, diligence and foresight;
- identifies and manages risks associated with a project
- makes informed decision; and
- is accountable for the use of Council and other public resources

A Prudential Management Report must be prepared by a qualified person for projects where;

- the expected expenditure over the ensuing 5 years is likely to exceed 20% of the Council's average annual operating expense for the previous five years;
- the expected capital cost of the project over the ensuing 5 years is likely to exceed \$4.0* million (indexed); or
- the Council considers it necessary or appropriate.

The Prudential Management Report must address the issues outlined in Section 48 (2) of the Act.

PRINCIPLE

The Principles of this Policy are:

- To ensure that the Council undertakes projects only after an appropriate level of 'due diligence' is applied to the proposed projects; and
- Each project is managed during and evaluated after to ensure that the project achieved the identified public benefit and or needs and to minimise financial risk.

POLICY

1. The Council will be guided by the requirements of Section 48 of the Act when assessing projects.
2. For projects greater than \$5.1 million (indexed to Sept 2021), the Council will prepare a Prudential Management Report which complies with the requirements of Section 48(2) of the Act.
3. The Chief Executive Officer will appoint a suitably qualified independent person to prepare the Prudential Management Report.

* Indexed to Sept 2021 Adelaide CPI

* At the date of adoption, the project value requiring a Prudential Management Report is \$5.1 million

4. The suitably qualified independent person may be an employee of the Council, whom is not engaged with the project.
5. Prudential projects will not commence until the Council has considered and adopted the Prudential Management Report.
6. Except where information is required to be protected under Section 48 (5), once adopted Prudential Management Reports will be made available to the public on the Council's website and for inspection at the Council's Principal Office.
7. The Council will not call for the preparation of a Prudential Management Report during the Local Government Election Caretaker Period.
8. For projects less than \$5.1* million (indexed to Sept 2021), the Council will prepare a Due Diligence Report (Funding Submissions) which at a minimum are required to assess the following;
 - the benefits (financial or otherwise) and the needs of the project;
 - identification and quantification of the whole of life financial and other costs, including staffing and project management;
 - assessment of associated risks (including the risk of delaying or not proceeding) and considerations of ways the risk can be managed or mitigated.
9. The Council will manage and evaluate projects with reference to the Due Diligence Report or Prudential Management Report.

REVIEW PROCESS

The Council will review this Policy within 36 months of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is Council's General Manager, Corporate Services, telephone 8366 4585.

ADOPTION OF THE POLICY

This Policy was endorsed by the Audit Committee on 26 February 2018.

This Policy was adopted by the Council on 5 March 2018.

This Policy was endorsed by the Audit Committee on 25 July 2022.

This Policy was adopted by the Council on 4 July 2022.

TO BE REVIEWED

February 2025

* Indexed to Sept 2021 Adelaide CPI

* At the date of adoption, the project value requiring a Prudential Management Report is \$5.1 million