



Prudential Management Policy

Strategic Reference	Provide leadership, good governance, and efficient, effective and responsive Council services
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Responsibility	Chief Executive
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Minute Book Reference	C
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Applicable Legislation	Local Government Act 1999
Related Policies	Risk Management Policy
Related Procedures / Documents	

1. Objective

Section 48 (aa1) of the Local Government Act 1999 (the Act) requires each council to have prudential management policies, practices and procedures which ensure that Council:

- (a) acts with due care diligence and foresight;
- (b) identifies and manages risks associated with a project;
- (c) makes informed decisions; and
- (d) is accountable for the use of council and other public resources.

The Prudential Management Policy seeks to outline Council's approach towards prudential management and to meet the requirements of the Act. It imposes a standard of governance that encompasses effective prudential management and proper consideration of the impact of decisions for major projects.

The Policy ensures that Council acts with due care, diligence and foresight, identifies and manages risks associated with major projects, makes informed decisions and is accountable for the use of public resources.

Prudential management commences prior to making a decision to proceed with a major project and continues throughout the life of the project.

2. Scope

This Policy covers the prudential review requirements when consideration is being given to a project that falls within the requirements of Section 48 (1) of the Local Government Act 1999 (as amended).

Council recognises that due diligence and effective project management is necessary for all projects regardless of size; however it is neither practical nor efficient for all projects to be subject to full prudential management reporting requirements.

This Prudential Management Policy applies to all projects subject to the criteria listed under 4.1.

3. Definition

Project - A project is a one-off endeavour with a defined beginning and end. The one-off nature of projects stands in contrast to business as usual (or operations) which are repetitive, ongoing functional activities to provide services. A project is a new and discrete temporary undertaking or activity involving the expenditure of money, deployment of resources, incurring or assuming a liability, or accepting an asset".

Note: This should not be interpreted to mean that all council activities are 'projects'. Regular, ongoing deliveries of council services are not "new and discrete" activities so therefore are not included within this definition.

Due Diligence - The conduct of a systematic review of a transaction, prior to entering the transaction.

4. Policy Statement

- 4.1. Requirement for a Prudential Report For large commercial or non-commercial projects (including through a subsidiary or participation in a joint venture, trust, partnership or other similar body), Section 48(1) of the Act requires that a full Prudential Report be prepared for Council.

Council will therefore obtain a report that addresses prudential issues, in relation to a proposed project:

1. Where the expected expenditure of Council over the ensuing five years is likely to exceed 20% of Council's average operating expenses over the previous five financial years (as shown in the Council's financial statements); and
2. Where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 million (indexed). Council may also obtain a report:

The Act provides, under Section 48(3) that a Prudential Report is not required in relation to road construction or maintenance or drainage works, even when the cost of such works would exceed the expenditure levels cited above.

4.2. Preparer of the Prudential Report

Section 48(4) of the Act provides that this report must be prepared by a person whom the Council reasonably believes to be qualified to address the prudential issues as required per legislation.

The Chief Executive Officer will ensure that prudential management reporting, as outlined above, is undertaken by a suitably qualified person independent of the project.

Council's auditors are precluded from preparing reports.

4.3. Content of the Prudential Report

In accordance with Section 48(2) of the Act, the report obtained for Council will address:

- (a) The relationship between the project and relevant strategic management plans;
- (b) The objectives of the Development Plan in the area where the project is to occur;
- (c) The expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;
- (d) The level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them and the means by which the community can influence or contribute to the project or its outcomes;
- (e) If the project is intended to produce revenue, revenue projections and potential financial risks;
- (f) The recurrent and whole of life costs associated with the project including any costs arising out of proposed financial arrangements;
- (g) The financial viability of the project and the short and longer term estimated net effect of the project on the financial position of Council;
- (h) Any risks associated with the project and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the Chief Executive Officer and to Council); and
- (i) The most appropriate mechanisms or arrangements for carrying out the project.
- (j) If the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.

The report may contain further information about the risks of the project and how these risks will be managed and a consideration as to whether these risks have been adequately addressed.

4.4. Consideration of Prudential Report

Council cannot delegate the consideration of the report.

Administration will consider the impact that the whole of life costs of an asset or project will have on Council's Long Term Financial Plan and, if relevant, on the Council's Asset Management Plan and Risk Management Plan. The careful integration of these plans should result in a successfully managed, implemented and administered project regardless of the size of the project.

5. Further Information

This policy will be available for inspection at the Council office listed below during ordinary business hours and provided to interested parties as per Council's Fees and Charges Register. Copies are available to be downloaded, free of charge, from Council's website: www.yankalilla.sa.gov.au/policies

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Office hours: Monday to Friday, 9.00am to 5.00pm (except public holidays)

6. Grievances

Any grievances in relation to this policy or its application should be forwarded in writing addressed to the Chief Executive Officer of Council.

7. Review Cycle

This document is subject to review in two (2) years from the date of authorisation.

8. Document History

Date	Version	Council Resolution No.	Description of changes
		C	Adoption of Policy
			Review of Policy