

POLICY– ADMINISTRATIVE

Prudential Management Administrative Policy

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1. Document control

Author – name and position (to whom changes are recommended)	Cameron King
Stakeholders (audience and engagement groups)	Constructions and Projects
Reviewed by – name and position	Jock Berry Manager, Property and Commercial Anthony Spartalis, Chief Financial Officer
Approved by (document owner)	Directors Group
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2. Preamble

The contents of and the commitments that Council makes in this policy are not intended to be and should not be interpreted to be any more than a statement of the City of Onkaparinga's general position in relation to those matters, and to facilitate its aspirations wherever it is reasonable to do so.

3. Policy purpose

The purpose of this policy is to ensure compliance with legislative requirements and to outline the objectives of the City of Onkaparinga's prudential management practices.

Prudential management is undertaken to ensure that decisions made about resource allocation are made in an informed manner with a balanced focus on community outcomes and financial sustainability.

It is acknowledged that any legislative requirement which affects Council will take precedence over Council's policies and procedures.

4. Scope

To define what is included and excluded from the scope of this procedure.

This policy applies to projects (including those performed in stages) undertaken by the City of Onkaparinga or its subsidiaries to meet the requirements outlined in Section 48 of the Local Government Act 1999 (SA) (paraphrased)

Council must obtain and consider a report that addresses the prudential issues set out in subsection (2) of the Act before the council—

- engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—
 - o where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or
 - o where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed starting 1 January 2011); or
 - o where the council considers that it is necessary or appropriate.

This policy excludes:

- Road construction or maintenance; or
- Drainage works.

5. Definitions

Project	Means a new and discrete undertaking or activity that would involve the: <ul style="list-style-type: none">• expenditure of money, and/or• deployment of resources, and/or• incurring or assuming a liability, accepting an asset or divestment of an asset.
Whole of Life Cost	A project has having a defined beginning and end. Means the total cost of owning an asset over its entire life such as design and building costs, operating costs, associated financing costs, depreciation, and disposal costs. Whole-life cost also includes environmental impact and social costs.

6. Strategic context

Onkaparinga 2035

A city with a prosperous, diverse and competitive economy

A prepared city that values natural resources, landscapes and sustainable management

6.1 PRUDENTIAL REPORTING PROCESS

The City of Onkaparinga will apply the following steps when determining prudential reporting requirements and seeking internal approvals:

- 6.2 The Chief Executive Officer will determine all prudential reporting requirements outside of legislative obligations.
- 6.3 Officers will receive approval from their Manager and Director before drafting a proposal for prudential reporting.
- 6.4 The proposal will include the following minimum details:
 - Project overview
 - Financial summary
 - Risk assessment (in alignment with Risk Management Framework)
 - Project timeline
 - Resources required
- 6.5 The Chief Executive Officer will approve the proposal prior to a prudential report being drafted.
- 6.6 Prudential reports will be approved by the Chief Executive Officer prior to being presented to Council for consideration.

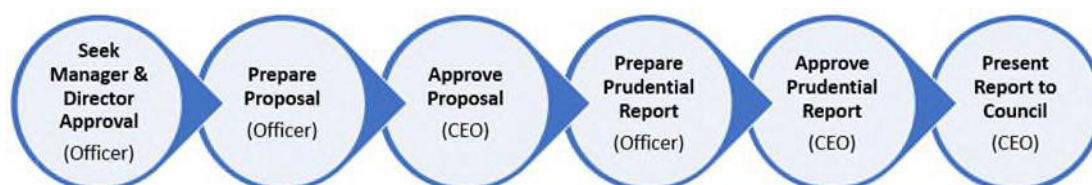


Image: Prudential reporting process

7. Policy

When the City of Onkaparinga is planning to undertake an activity that this policy applies to; a report must be prepared and presented to Council that addresses the prudential issues as outlined in Section 48 of the Local Government Act 1999.

Note: a project that is undertaken in stages does not limit it from this policy.

7.1 CONTENT OF THE REPORT

- In accordance with Section 48 of the Act, the report prepared for Council will address:
 - the relationship between the Project and relevant strategic management plans
 - the objectives of the Development Plan in the area where the Project is to occur

- 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
- 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
- if the Project is intended to produce revenue: revenue projections, underlying assumptions and validations and potential financial risks
- the recurrent and whole of life costs and underlying assumptions and validations associated with the Project including any costs arising out of proposed financial arrangements
- the financial viability of the Project, and the short and longer term estimated net effect of the Project on the financial position of the Council
- 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 the council)
- the most appropriate mechanisms or arrangements for carrying out the Project
- if the Project involves the sale or disposal of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994

7.2 AUTHOR OF THE REPORT

The Prudential Management report must be prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out in the Act.

The author must not be a person who has an interest in the relevant project. Please refer to section 48 subsection 6 of the Act to determine if a person who has an interest in a project.

7.3 CONSIDERATION OF THE REPORT

Council must give reasonable consideration to any prudential management report. The report can only be considered by Council and cannot be delegated. This includes but is not limited to an audit committee.

The report will not be read in isolation and will be considered together with the City of Onkaparinga's asset management plan, financial plan and risk management plan.

7.4 TIMING OF THE REPORT

A Prudential Management report should be considered by Council prior to the City of Onkaparinga committing to engage in a project that this policy applies to.

Preparation and consideration of the Prudential Management report is expected to occur during the tender assessment period prior to a contract being offered to the successful tenderer.

Where Council is offered a chance to participate in a project which requires an expression of interest on relatively short notice The City of Onkaparinga can consider preparing the Prudential Management report in two stages:

- 1 A relatively quick and simple report can be sought before the City of Onkaparinga submits an expression of interest, and,
- 2 a more detailed report considered before Council formally considers whether or not to commit to the project.

7.5 PUBLIC INSPECTION OF THE REPORT

Any given Prudential Management report will be available for public inspection at the City of Onkaparinga, Ramsay Place, NOARLUNGA CENTRE SA 5168 once Council has made a decision on the relevant project.

The report may be available at an earlier time unless the Council or the City of Onkaparinga determines that the report be kept confidential until that time.

The City of Onkaparinga may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the council).

7.6 ASSETS PROVIDED TO COUNCIL AT NO COST

When Council is offered a free asset, it is not required to obtain a Prudential Management report under the Act before deciding whether or not to accept the asset. However, if accepting a free asset has long-term financial implications for Council, prudential management issues must be considered.

6 Relevant legislation and references

Local Government Act 1999 – Section 48

LGA Financial Sustainability Information Paper 27 – Prudential Management, February 2015

7 Further information

It is also available for inspection, downloading or printing from our website www.onkaparingacity.com.au.