

Prudential Management Policy

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1. Document control

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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 comply with requirements of Section 48 of the Local Government Act 1999 (SA) and to define council's prudential management practices ensuring decisions 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

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).

Section 48 (aa1) of the Local Government Act states that:

A council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council -

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

Section 48 (1) states that:

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

- (b) 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)—
 - (i) 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
 - (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000 (indexed); or
 - (iii) where the council considers that it is necessary or appropriate.

Section 48 (6d) states that \$4,000,000 (indexed) means that that amount is to be adjusted for the purposes of this section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009.

Under Section 48(3) of the Act a prudential report is not required for:

- 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. A project has a defined beginning and end.
Whole of Life Cost	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 of Life cost also includes environmental impact and social costs.
CPI	Means the Consumer Price Index (All Groups Index for Adelaide) published by the Australian Bureau of Statistics.

6. Strategic context

Onkaparinga 2030

- We are transparent and accountable, sharing information in clear, accessible and timely ways.

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 (SA).

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 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.

7.7 PROCEDURE

The City of Onkaparinga will apply the following steps when determining prudential reporting requirements.:

Officers will confirm prudential requirements in consultation with their Manager and Director before drafting a proposal with the following minimum details:

- Project overview
- Financial summary

- Risk assessment (in alignment with Risk Management Framework)
- Project timeline
- Resources required (e.g. budget, report author)

The Chief Executive Officer will review the proposal prior to a prudential report being drafted or any resources being allocated.

Once prepared, the draft prudential report will be approved by the Chief Executive Officer prior to being presented to the Audit and Risk Committee, and then to Council for consideration.

Council will then give reasonable consideration to the prudential report in accordance with Section 48 of the Local Government Act 1999 (SA) and must not delegate this requirement.

8. Relevant legislation and references

Local Government Act 1999 – Section 48

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

Foreign Acquisitions and Takeovers Act 1975 (Cth)

Australia's Foreign Relations (State and Territory Arrangements) Act 2020 (Cth)

9. Further information

It is also available for inspection, downloading or printing from our website

www.onkaparingacity.com.au.