


Council Policy

Prudential Management



COUNCIL POLICY

 <p>Adelaide Hills COUNCIL</p>	PRUDENTIAL MANAGEMENT
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Policy Number:	GOV-09
Responsible Department(s):	Corporate Services
Other Relevant Policies:	Procurement Policy Risk Management Policy
Relevant Procedure(s):	Nil
Relevant Legislation:	<i>Local Government Act 1999</i>
Policies and Procedures Superseded by this policy on its Adoption:	Prudential Management Policy, Item 12.2, 42, 8 July 2014
Adoption Authority:	Strategic Planning & Development Policy Committee
Date of Adoption:	13 June 2017
Effective From:	27 June 2017
Minute Reference for Adoption:	Item 12.2, SP21/17
Next Review:	No later than April 2020 or as required earlier by legislation or changed circumstances.

PRUDENTIAL MANAGEMENT POLICY

1. INTRODUCTION

1.1 This document sets out the policy of the Adelaide Hills Council for meeting the prudential management requirements set out in Section 48 of the *Local Government Act 1999*.

1.2 Section 48 (aa1) prescribes that :

A council must develop and maintain prudential 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*

1.3 Prudential management attempts to foresee what adverse financial consequences might arise from any project that the Council is contemplating, and requires managing the project in such a manner as to capture the proposed benefits, while minimising, offsetting or otherwise taking into account of the foreseeable financial risks.

1.4 Prudential management can be seen as a subset of risk management in that the prudential management process is predominantly concerned with financial issues arising from a project.

2. PROJECT DEFINITION

2.1 A project may be defined as

“a new and discrete undertaking or activity that would involve the expenditure of money, deployment of resources, incurring or assuming a liability, or accepting an asset”

2.2 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. A project is a temporary endeavour with a defined beginning and end. The temporary nature of projects stands in contrast to business as usual (or operations) which are repetitive, ongoing functional activities to produce products or services.

3 POLICY STATEMENT

- 3.1 The Council is committed to maintaining a robust and integrated Governance Framework that assures stakeholders that it is pursuing its objectives and fulfilling its responsibilities with due diligence and accountability
- 3.2 An important element of this due diligence is the effective conduct of prudential management reviews of projects which fall within the requirements set down in Section 48 (1) of the *Local Government Act 1999*.

3. SCOPE

- 3.1. This policy covers the prudential review requirements when consideration is being given to a project that falls within the requirements of Section 48(1).

These requirements are:

A council must obtain and consider a report that addresses the prudential issues (set out in clause 4 of this Policy) 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):

- a) *where the expected expenditure of the council over the ensuing five years is likely to exceed 20% of the council's average operating expenses over the previous five financial years (as shown in the council's financial statements); or*
 - b) *where the expected capital costs of the project over the ensuing five years is likely to exceed \$4,000,000 (indexed); or*
 - c) *Where the council considers that it is necessary or appropriate.*
- 3.2. In accordance with Section 48(3), a report is not required in relation to
 - 3.2.1. road construction or maintenance; or
 - 3.2.2. drainage works

4. PRUDENTIAL REPORT REQUIREMENTS

- 4.1. In accordance with Section 48(2) of the *Local Government Act 1999* , the following issues to be addressed in a report required under Clause 3 above:
 - 4.1.1. the relationship between the project and relevant strategic management plans;
 - 4.1.2. the objectives of the Development Plan in the area where the project is to occur;
 - 4.1.3. 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;

- 4.1.4. 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;
 - 4.1.5. if the project is intended to produce revenue, revenue projections and potential financial risks;
 - 4.1.6. the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
 - 4.1.7. 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;
 - 4.1.8. 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);
 - 4.1.9. the most appropriate mechanisms or arrangements for carrying out the project.
- 4.2. The report must be prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out in clause 4.1.
 - 4.3. The report must not be prepared by a person who has an interest in the relevant project (but may be prepared by a person who is an employee of the council). Sections 48(6a), (6b) and (6c) set out the tests for whether a person has an interest in a project.
 - 4.4. A report must be available for public inspection at the principal office of the council once the council has made a decision on the relevant project (and may be available at an earlier time unless the council orders that the report be kept confidential until that time).
 - 4.5. The council must give reasonable consideration to a report

5. DELEGATION

- 5.1 The CEO has the delegation to approve, amend and review any procedures that shall be consistent with this Policy.

6. AVAILABILITY OF THE POLICY

- 6.1. This Policy will be available for inspection at the Council's Offices during ordinary business hours and via the Council's website www.ahc.sa.gov.au. Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.