

POLICY

Policy Name	Prudential Management Policy
Policy Category	Statutory
Department / Officer	Office of Chief Executive Officer / Group Manager Governance and Finance
Date Adopted	24 June 2013
Date/s Reviewed	27 August 2018, 28 November 2021, 22 June 2026
Review Frequency	Every 3 Years
Strategic Plan Reference	Aspiration 6 – We are a financially sustainable and well-governed organisation

Attachments

1. Purpose

The purpose of this policy is to set out a framework for the prudential management of Council projects and commercial activities, regardless of size, that present greater than normal financial or governance risk including strategic risks, operational risks and compliance risks.

This policy supports compliance with Section 48(1) of the *Local Government Act 1999* and ensures projects are subject to appropriate due diligence, risk management, and post-implementation evaluation to achieve identified public benefits while minimising financial risks.

2. Scope

This policy applies to all City of Victor Harbor projects and commercial activities that have greater than usual financial and governance risks. A prudential report must be considered where it meets Section 48(1) of the *Local Government Act 1999*.

This Policy does not apply to road construction or maintenance; and drainage work in accordance with Section 48(3) of the *Local Government Act 1999*.

3. Policy Statement (Summary)

The City of Victor Harbor is committed to applying a proactive, transparent and risk-based approach to the assessment, approval, delivery and review of significant projects. Council will act with due care, diligence and foresight and ensure that all projects are undertaken in accordance with Council's Project Management Framework and strategic objectives.

4. Legislation and Compliance

Under Section 48 of the *Local Government Act 1999*, 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.

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 identified within this Policy (Section 48(3) of the Act).

Certain prudential reports, or parts of them, may be restricted from public release to protect commercial in confidence or other exempt information under Section 48(6) of the Act.

5. Definitions

Due Diligence means the obligation to exercise reasonable care of all aspects including but not limited to financial assurance, Workplace Health and Safety, legislative compliance, risk management, project management, expected whole-of-life costs, impact on future generations, and appropriate consultation prior to committing to a project. It will establish that Section 48(2) has been regarded but additionally identify any gaps in information and make an assessment of the adequacy of that information to support informed decision making, and accountability for the use of council and other public resources. A prudential report prepared under Section 48 of the Act will be regarded as the highest level due diligence report.

Engage in a Prudential Project means Council has committed funds or resources to commence planning, design, procurement or delivery activities.

Financial Risk means the potential for adverse financial impacts, including cost overruns, incorrect forecasting, revenue shortfalls or long-term sustainability impacts.

Organisation Risk means risks including work health and safety, public and product liability and is separate but may be linked to financial risk.

Project means a temporary endeavour with a defined beginning and end (not business as usual). 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. It will typically involve more than simply purchasing an asset or infrastructure; it does not need to entail expenditure as it may be based around the receipt of land or assets for free, or the granting of permission for a private activity on Council land.

Prudential Report means a report pertaining to a prudential project, that demonstrates due diligence has been undertaken and provides an assessment as to the adequacy of that due diligence.

Prudential Project means a project that requires prudential legislative requirements to be followed.

Senior Management Team include the Chief Executive Officer, Director Corporate and Customer Service, Director Environment and Infrastructure, Director Community and Development and the Group Manager Governance and Finance.

Suitably Qualified Independent Person means a person (who may be an employee of Council) with appropriate skills and experience and with no interest in the relevant project.

Whole-of-life cost is the full financial cost associated with a project or asset over its entire life cycle, including capital, financing, operating, maintenance, renewal, and disposal costs, used to assess long-term financial sustainability in a prudential context.

6. Policy Content

6.1 Roles and Responsibilities

6.1.1 Council

- Adopt and review Prudential Management Policy and ensure oversight of significant projects.
- Consider prudential reports and make decisions regarding project approval.

6.1.2 Chief Executive Officer

- Commission prudential reports in accordance with this Policy and Section 48 of the *Local Government Act 1999*
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- Where there is a material change in project scope, cost, funding, delivery model, risk profile, or forecast financial impacts, require the prudential report to be reviewed, updated or re-obtained.
- Provide regular prudential project updates to Council via the Audit and Risk Committee.

6.1.3 Senior Management Team

- Ensure relevant projects are assessed against prudential thresholds and risk
- Nominate a project sponsor and assign appropriately skilled project managers

6.1.4 Project Managers

- Undertake initial threshold and risk assessments for proposed projects
- Coordinate due diligence documentations (eg feasibility, business case, risk assessment, procurement plan)
- Maintain the project risk register and ensure quarterly reporting.

6.1.5 Audit and Risk Committee

- Review prudential reports to confirm they address all matters required under Section 48(2) of the Local Government Act 1999 and are based on appropriate and reasonable assumptions;
- Monitor whether identified gaps are appropriately addressed or resolved prior to Council making a decision on the project,
- overseeing the Significant Project Risk Register and monitoring key project risks and mitigation actions

6.2 Prudential Report

A prudential report will be prepared where a project meets the thresholds under Section 48 of the *Local Government Act 1999*:

Threshold Type	Requirement
Operating Expenses	The expected operating expenses of the project over the ensuing five years exceed 20% of Council's average annual operating expenses over the previous five financial years (as shown in Councils financial statements).
Capital cost	<p>The expected capital cost of the project over the ensuing five years exceeds the capital threshold is likely to exceed \$4,000,000 (indexed).</p> <p>Noting this amount is to be adjusted on the 1 January each year, 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.</p>
Risk-Based trigger	<p>The project is assessed:</p> <ul style="list-style-type: none"> • as a high risk under council's Risk Management Framework and exceeds \$1,000,000; or • it would materially impact forecasts in Council's Long-Term Financial Plan.

A prudential report may also be obtained where the Chief Executive Officer considers it necessary or appropriate having regard to risk, materiality and public interest.

Prudential reports must address all matters required under Section 48(2) of the *Local Government Act 1999* and be prepared by an independent, suitably qualified independent person.

Where a project subsequently meets prudential thresholds after commencement, the Chief Executive Officer must determine whether a retrospective prudential assessment or report is required, having regard to risk, financial exposure and public interest.

If it is determined that a prudential report is not required for projects that meet prudential thresholds (clause 6.2) after commencement any newly identified risks will

be added to the Significant Project Risk Register and will be included in quarterly updates to the Audit and Risk Committee.

6.3 Due Diligence Requirements

Council will ensure that prudential projects are only undertaken after an appropriate level of due diligence has been completed.

Depending on the nature of the project, the following documentation may include:

- Needs analysis and public interest assessment
- Feasibility study and options analysis
- Business case including whole-of-life costs and benefits
- Funding and financing strategy (including impacts on key financial indicators)
- Updated Long Term Financial Plan modelling (if Applicable)
- Risk Assessment aligned with the Council's Risk Management Framework, with mitigation plans
- Procurement Plan and market approach
- Stakeholder and community engagement plan proportionate to scale and risk
- Legislative and regulatory compliance analysis (including property, planning, WHS)
- Implementation plan, milestones and performance measures
- Legal and specialist consulting advice

6.4 Monitoring and Review

At the completion of a prudential report and during the project delivery, Council (through the CEO) will monitor compliance, benefits and financial risks throughout the project lifecycle.

Where underlying project assumptions materially change, the Chief Executive Officer or their delegate may require the prudential report to be revisited or amended.

Completed projects which were subject to a Prudential Review will be evaluated to confirm achievement of intended benefits and effective risk mitigation.

6.5 Exclusions during Local Government Periodic Elections

Council will not commission new prudential reports during local government periodic elections caretaker period.

6. Risk Management

Prudential risk considerations form part of Councils risk management framework. The risk management policy and framework apply to all projects, with adequate resources allocated and appropriate staff training will be provided.

7. Implementation/Delegations

The Chief Executive Officer or delegate is responsible for implementing this Policy and engaging independent suitably qualified person in accordance with Sections 48(4 and 48(4a)

of the *Local Government Act 1999*, to prepare a prudential report that includes all matters listed in Section 48(2) of the *Local Government Act 1999*.

Minor administrative changes may be approved by the Chief Executive Officer, while material changes require Council resolution.

8. Related Documents

Delegations Register
Disposal of Land and Other Assets Policy
Internal Control and Audit Policy
Major Tender and Quotation Procedure
Procurement Policy
Risk Management Policy
Risk Management Framework and Strategy

9. Availability of Policy

This policy is available on Council's website at www.victor.sa.gov.au. Adopted prudential reports will be published on Council's website for the duration of the project and remain available for at least one year following project completion.