



City of Salisbury Values: Respectful, Accountable, Collaborative, Helpful

Prudential Management Policy

Adopted by:	Council
Responsible Division:	Governance
First Issued/Adopted:	27 July 2015
Last Reviewed:	24 April 2023 (Resolution No. 0243/2023)
Next Review:	1 June 2026

1. Purpose

The purpose of this policy is to ensure compliance with the City of Salisbury's legislative requirements and to outline the objectives of the City of Salisbury's prudential management practices and procedures for certain project activities.

When assessing projects, the City of Salisbury will ensure that it:

- (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,

Council is committed to a pro-active prudential management approach supported by the Enterprise Risk Management Framework when undertaking projects.

2. Scope

2.1. In accordance with section 48 (1) of the *Local Government Act 1999* (the Act), this policy applies to activities where the City of Salisbury:

- (a) engages in any project:
 - (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 \$4,000,000.00 (indexed, excluding GST); or
 - (iii) where the Council considers that it is necessary or appropriate.

This policy is not intended to apply to activities in relation to:

- (a) road construction or maintenance; or
- (b) drainage works.

These works will be undertaken in accordance with Council's Procurement Policy.

Notes

- (a) The fact that a project is to be undertaken in stages does not limit the operation of this policy in relation to the project as a whole.
- (b) \$4,000,000.00 (indexed) means that amount is to be adjusted for the purposes of this policy 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.

As at January 2023, this indexed amount is \$5,489,861

3. Legislative Requirements and Corporate Policy Context

3.1. *Local Government Act 1999*

3.2. Enterprise Risk Management Framework

3.3. Capital Delivery Framework

4. Interpretation/Definitions

- 4.1. 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.

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.

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

5. Policy Principles

- 5.1. The decision-maker for any proposed project may be the Council, the Chief Executive or an officer of the Council to whom sub-delegation has been made (as reflected in the Council’s Schedule of Delegations and Sub-delegations).
- 5.2. For projects that do not meet the criteria set out in section 48(1) of the Act, the decision maker should determine the level of due care and prudential management (based on the size, complexity and amount of financial or other risk).
- 5.3. The Capital Delivery Framework Business Case template may be used to address prudential issues for capital projects that do not meet the criteria set out in section 48(1) of the Act.
- 5.4. Where the City of Salisbury is undertaking a project activity for which this policy applies, the Council (elected members) must obtain and consider a report that addresses the prudential issues of the activity, including:
 - (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 the 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 the Council);
- (i) the most appropriate mechanisms or arrangements for carrying out the project; and
- (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*.

A report required pursuant to this policy must be prepared by a person whom the Council reasonably believes to be qualified to address the prudential issues set out in this policy. Engagement of the person to draft the report and facilitate its presentation to the Council is the responsibility of the project manager for the project the subject of the prudential report.

A report required pursuant to this policy 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).

Note: refer to section 48, subsection 6 of the Act for the purpose of identifying whether a person has an interest a project.

6. Approval and History

Version:	Approval Date:	Approval By:	Change:
5	24 April 2023	Council	<p>Minor changes have been made to the policy including to make consistent with the new policy template.</p> <p>Additionally, the changed include an adjustment to the value which triggers a prudential review to reflect the latest indexed figure as required by legislation.</p>

7. Availability

- 9.1 The Policy is available to be downloaded, free of charge, from Council's website www.salisbury.sa.gov.au
- 8.2 The Policy will be available for inspection without charge at the Civic Centre during ordinary business hours and a copy may be purchased at a fee as set annually by Council.

City of Salisbury Community Hub
34 Church Street, Salisbury SA 5108
Telephone: 84068222
Email: city@salisbury.sa.gov.au

8. Review

This Policy will be reviewed within 12 months of a Council election and thereafter as necessary.

Further Information

For further information on this Policy please contact:

Responsible Officer: Manager Governance
Address: 34 Church Street, Salisbury SA 5108
Telephone: 8406 8222
Email: city@salisbury.sa.gov.au