



## Prudential Management Procedure

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| Policy Author       | General Manager – Strategy and Corporate |
| Date of next review | May 2024                                 |

### 1. Purpose

Council undertakes Prudential Management for major capital projects to ensure:

- Due care, Foresight and Diligence – Council will exercise due care, foresight and diligence in the management of public resources.
- Risk Management – prudential requirements and reporting will be underpinned by Council's approach to risk assessment in accordance with its Risk Management Policy.
- Probity – Council's conduct aims to inspire confidence in Council decisions and the integrity of the decision making process.
- Accountability – Council is accountable for its activities and decisions, which are in the public interest.

Prudential Management commences prior to making a decision to proceed with a Major Project and continues throughout the life of the project.

### 2. References and Supporting Documentation

This Procedure is to be read in conjunction with the Prudential Management Policy.

- *Local Government Act 1999*
  - s48 - Prudential requirements for certain activities
- Risk Management Framework
- Treasury Management Policy
- Procurement Policy
- City of Playford Integrated Risk Management Framework
- City of Playford Project Management Framework
- City of Playford Long Term Financial Plan
- City of Playford Global Glossary

### 2. Application

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| Chief Executive Officer | <ul style="list-style-type: none"> <li>• Ensure that prudential reports are conducted by an independent and suitably qualified person</li> </ul>                       |
| Project Manager         | <ul style="list-style-type: none"> <li>• Ensure the principles of this procedure are applied when dealing with projects and appropriately managing projects</li> </ul> |

## 4 Procedure

### 4.1 Prudential Report

Projects falling within the scope of the Prudential Management Policy require a Prudential Report to be prepared. In addition to the requirements of the Section 48 of the *Local Government Act 1999*, a prudential report will also contain information on:

- The reliability of calculated revenues or costs;
- Any assumptions made;
- A sensitivity analyses on a best case, worst case and most likely outcome assuming the parameters used;
- The impact on the Council's long term financial position; and
- The proposed frequency of ongoing prudential reporting to Council through the life of the project.

### 4.2 Prudential Report Author

To obtain a section 48 prudential report, the Chief Executive Officer will appoint a suitably qualified, independent person who will be skilled in the assessment of the proposed project. This may include engineering, finance, infrastructure, and project management skills. The person appointed may be a member of staff, however in such instance the person must not have an interest in the proposed project.

The Council's external auditor cannot be engaged to provide a section 48 report. Legislation states that a Council's statutory auditor cannot undertake activities outside the scope of the auditor's functions under the *Local Government Act 1999* to avoid compromising the auditor's independence of the auditor's statutory responsibilities. However, the Council may engage a different auditor, or other suitably qualified person to prepare such a report, if that person is considered to be skilled in the assessment of the proposed project.

### 4.3 Consideration of the Report

Council cannot delegate the consideration of the report. The report must not be read in isolation and will be considered together with the Council's asset management plan, long-term financial plan, and risk management plan. The engaged author will prepare a Prudential Report in accordance with these procedures, associated policy and legislation for consideration by Council prior to the commencement of the project.

### 4.4 Access by the public to the prudential report

Subject to restrictions to protect commercial confidentiality, or other people's financial affairs, the report will become a public document after the Council has made a decision on the project (or earlier at the Council's discretion).

Council will make the document available for public inspection at its principle place of business. The prudential report will also be published on Council's website.

### 4.5 Assets to be received free of charge

Assets, including roads, land, and buildings can be received by Council for no consideration. This would have the effect of increasing the asset stock of the council and the consequent asset management costs.

Accepting any asset will impact asset management costs in the future. On the other side of the balance sheet, there may be additional rate revenue generated from a new asset.

Where appropriate, depending on the level of risk, Council staff may treat an asset being received free of charge as a Major Project under the Prudential Management Policy, making it subject to full Prudential Reporting.

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#### Administration use only

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| Version no.             | 1                                      |
| Policy link             | Prudential Management Policy           |
| Procedure author        | General Manager – Strategy & Corporate |
| Endorsed by             | Council                                |
| Resolution no.          | 4620                                   |
| Legal requirement       | <i>Local Government Act 1999</i>       |
| Review schedule         | 3 Years                                |
| Date of current version | May 2021                               |
| Date of next review     | May 2024                               |

#### Version history

| Version no. | Approval date | Approval by                    | Change        |
|-------------|---------------|--------------------------------|---------------|
| 1           | 25 May 2021   | Council<br>Resolution No. 4620 | New Procedure |

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