

Prudential Management Policy

Strategic Alignment - Our Corporation

Public

Tuesday, 19 November 2024
City Finance and Governance
Committee

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EXECUTIVE SUMMARY

Section 48 of the *Local Government Act 1999 (SA)* (the Act) requires that “a council must develop and maintain prudential management policies, practices and procedures for the assessment of projects”.

The Prudential Management Policy requires a report be prepared for Council where the expected capital cost of a project over five years is likely to exceed the prudential report threshold (\$4,000,000 indexed). Under the recent Local Government Reforms, Council’s Audit Committee is now required to review any such report.

As required by Section 48(6d) of the Act, the \$4,000,000 prudential report threshold is to be indexed on 1 January of each year, starting 1 January 2011, and was last updated and adopted by Council in December 2023 ([Link 1](#)). A tracked changes version of the document is available at [Link 2](#).

Council has previously been asked annually to adopt the Prudential Management Policy. The only amendment to the policy each year is the dollar value of the prudential reporting threshold, which is indexed annually as required by the Act, and the remainder of the policy remains unchanged as it states the requirements of the Act.

The proposed Prudential Management Policy (2024) (**Attachment A**) has made minor amendments to the administrative sections of the current policy, removing the need to seek annual Council adoption of the Prudential Management Policy. As of 1 January 2025, the prudential report threshold will be published annually in an E-News to Council Members and on the City of Adelaide’s [Doing business with Council](#) web page. The Policy will then be presented to Council on a four yearly basis for adoption or where material changes to the policy occurs.

RECOMMENDATION

The following recommendation will be presented to Council on 26 November 2024 for consideration

THAT THE CITY FINANCE AND GOVERNANCE COMMITTEE RECOMMENDS TO COUNCIL

THAT COUNCIL

1. Adopts the updated Prudential Management Policy (2024) as per Attachment A to Item 7.10 on the Agenda for the City Finance and Governance Committee held on 19 November 2024.
 2. Notes that the annual indexed prudential report threshold will be published annually in an E-News to Council Members as well as on the City of Adelaide’s [Doing business with Council](#) web page.
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IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Corporation
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Compliance with Section 48 of the <i>Local Government Act 1999 (SA)</i> .
Opportunities	Compliance with the policy may lead to further risk identification and opportunities for risk mitigation; and greater value for money outcomes.
24/25 Budget Allocation	Not as a result of this report
Proposed 25/26 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
24/25 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (e.g. maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

DISCUSSION

1. Section 48 of the *Local Government Act 1999 (SA)* (the Act) requires that “a council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council:
 - 1.1. acts with due care, diligence, and foresight; and
 - 1.2. identifies and manages risks associated with a project; and
 - 1.3. makes informed decisions; and
 - 1.4. is accountable for the use of council and other public resources.”
2. Council has continued to comply with its prudential reporting requirements pursuant to Section 48 of the Act.
3. The recent Local Government Reforms saw a change to the Act whereby, under Section 126(4)(i), the Audit Committee is required to review any report obtained by the Council under section 48.
4. The purpose of a Prudential Report is to ensure the Council has the necessary information to enable an informed decision to be made on whether or not to proceed with a project.
5. A prudential report is required under the Act where the City of Adelaide (or its subsidiaries):
 - 5.1. 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):
 - 5.1.1 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
 - 5.1.2 where the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000 (indexed, excluding GST); or
 - 5.1.3. where the Council considers that it is necessary or appropriate.
 - 5.2. a report is not required in relation to:
 - 5.2.1. road construction or maintenance; or
 - 5.2.2. drainage works.
 - 5.3. The prudential report threshold is set at 1 January each year, based on the preceding September CPI from the previous year.
6. While the Australian Bureau of Statistics (ABS) is responsible for measuring and reporting inflation, the ABS website directs users to the Reserve Bank of Australia (RBA) Inflation Calculator.
7. The ABS website direction to visit the RBA website is at:
<https://search.abs.gov.au/s/search.html?query=inflation+calculator&collection=abs-search&form=simple>
8. The RBA Inflation Calculator is at: <https://www.rba.gov.au/calculator/quarterDecimal.html>
9. The indexed Prudential Report Threshold in this Policy document will be reviewed every 12 months unless legislative or operational change occurs beforehand. The next review is required in 2025.
10. The revised indexed prudential report threshold will be published annually in an E-News to Council Members as well as on the City of Adelaide's [Doing business with Council](#) web page from January 2026.
11. The indexed amount from 1 January 2025 is \$5,931,769.72 referred to in paragraph 5.3 above and will be used as the basis for determining if a report is required under this policy during the 2025 calendar year.
12. The Policy will be reviewed in 2028 and presented to Council for adoption.

DATA AND SUPPORTING INFORMATION

Link 1 – Prudential Management Policy, endorsed by Council 14 Dec 2023

Link 2 – Tracked Changes version of the Prudential Management Policy

ATTACHMENTS

Attachment A – Prudential Management Policy (2024)

- END OF REPORT -