

# PRUDENTIAL MANAGEMENT POLICY

November 2024

Legislative

## PURPOSE

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

This policy is intended to apply to activities where the City of Adelaide (or its subsidiaries):

- (a) engage in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body):
  - (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 (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.

## 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 (indexed) means that 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 of 1 January 2025, the indexed Prudential Report Threshold will be published each January on the City of Adelaide [Doing business with Council](#) web page. Councillors will be informed of the indexed Prudential Report Threshold annually through E-News.

### STATEMENT

The City of Adelaide 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, throughout its prudential management practices and procedures for certain activities.

Where the City of Adelaide is undertaking an activity for which this policy is intended to apply, 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;
- (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(6a) – (6c) of the *Local Government Act 1999* (SA) for the purpose of identifying whether a person has an interest a project.

**Application of this document**

The Audit and Risk Committee is required to review each report and provide a recommendation to Council. The Council (elected members) must give reasonable consideration to a report prepared under this policy (and must not delegate the requirement to do so).

A report prepared pursuant to this policy 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). However, the Council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the Council).

**OTHER USEFUL DOCUMENTS****Related documents**

- Nil

**Relevant legislation**

- Section 48 of the *Local Government Act 1999* (SA)

**GLOSSARY**

Throughout this document, the below terms have been used and are defined as:

**Project:** 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

**Prudential Report Threshold:** The current indexed amount where the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000 (indexed, excluding GST)

**ADMINISTRATIVE**

As part of Council's commitment to deliver the City of Adelaide Strategic Plan, services to the community and the provision of transparent information, all policy documents are reviewed as per legislative requirements or when there is no such provision a risk assessment approach is taken to guide the review timeframe.

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**.

As of 1 January 2025, the indexed Prudential Report Threshold will be published each January on the City of Adelaide's [Doing business with Council](#) web page. Councillors will be informed of the indexed Prudential Report Threshold annually through E-News.

The next review of the Policy is required in 2028.

**Review history:**

## PRUDENTIAL MANAGEMENT POLICY

Trim Reference	Authorising Body	Date/ Decision ID	Description of Edits
ACC2018/13505	Council	27/02/2018	Decision ID#18298
ACC2021/173144			Updated as Policy identified out of date as per audit
ACC2023/153503	Council	28/11/2023	Updated to align with current indexation amount and date references.
ACC2024/157171	Council		Updated to reflect the publishing of the Prudential Report Threshold on the City of Adelaide website annually, and a review of the Policy every 4 years

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