



## ***Prudential Management Policy***

<b>Policy Classification</b>	Council Policy
<b>First Issued:</b>	12 April 2022
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<b>Version Number:</b>	1
<b>Applicable Legislation:</b>	<i>Local Government Act 1999</i> <i>Local Government (Financial Management) Regulations 2011</i>
<b>Related Policies or Documents:</b>	Procurement Policy Risk Management Policy
<b>Associated Forms:</b>	NA
<b>Responsible Manager:</b>	Finance Manager
<b>Approved by Council:</b>	12 April 2022
<b>Minutes Reference:</b>	C140:2022

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## **Prudential Management Policy**

### **1. Preamble**

- 1.1. This document sets out the requirements of the Kangaroo Island Council for prudential management of projects where applicable.

### **2. Purpose**

- 2.1. The Council 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.

- 2.2. The objectives of this policy is to ensure compliance with the Council legislative requirements and to ensure the Council prudential management practices and procedures are complied with for certain activities.

### **3. Scope**

- 3.1. This policy applies to activities where the Council (or its subsidiaries) 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):
- a. Where the expected operating expenses calculated on an accrual basis of the Council over the ensuring five year 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
  - b. Where the expected capital cost of the project over the ensuring five years is likely to exceed \$4 000 000 (indexed); or
  - c. Where the council considers that it is necessary or appropriate.
- 3.2. This policy does not apply to activities in relation to:
- a. Road construction or maintenance programs;
  - b. Drainage works; or
  - c. Business as usual (or operations) which are repetitive, ongoing functional activities to provide services.

### **4. Definitions**

- 4.1. **CEO** means the Chief Executive Officer of the Kangaroo Island Council.

- 4.2. **Due Diligence** is an expression used to describe the conduct of a systematic review of a transaction, prior to entering the transaction and an obligation to exercise reasonable care.

## 5. Policy Statement

- 5.1. Prudential management may be described as taking a precautionary approach to proposed projects.
- 5.2. 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 risks.
- 5.3. Where the Council is undertaking an activity for which this policy is intended to apply, the Council must obtain and consider a report, prepared by a suitably qualified independent person in accordance with section 48(4) of the *Local Government Act 1999*, (Act) that addresses the prudential issues of the activity as defined in the Act.
- 5.4. Effective due diligence will be considered to have occurred where Council has satisfied itself to how compliance, public interest benefits or needs and financial risks associated with the project have been considered in the prudential report (before, during and after completion of the project).
- 5.5. The prudential report must be made available for public inspection once the Council has made a decision on the relevant project. 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.
- 5.6. The report must not be produced by a person who has an interest in the project as defined in Section (48)(6)(a-c) of the *Local Government Act 1999*.
- 5.7. The Council must give reasonable consideration to a report prepared under this policy and must not delegate the requirement to do so.
- 5.8. Any prudential management report is to be signed off by Council on the advice of the Audit and Risk Committee.

## 6. Availability and Grievances

- 6.1. This procedure is available for inspection via the Council's website at [www.kangarooisland.sa.gov.au](http://www.kangarooisland.sa.gov.au)

Any grievances in relation to this Policy or its application should be forwarded in writing addressed to the Chief Executive Officer, Kangaroo Island Council, PO Box 121, Kingscote SA 5223.

SIGNED:



Chief Executive Officer

Date: 12 April 2022

HISTORY		
Date Reviewed:	Version:	Reason for Amendment:
12 April 2022	Version 1	Date adopted by Council.