
RESERVES POLICY

APPROVALS

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CATEGORY	Administrative		
POLICY OWNER	Financial Services		
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PURPOSE

Council has established Reserve Funds that account for monies which have been received from specific sources for future application or are surplus funds which are determined to be constrained for future purposes. The Reserve Policy will provide a concise overview of the types of Reserves held by Council and the management and use of these Reserves to record future commitments for specific purpose expenditures.

SCOPE

This policy applies to both Capital and Operating Reserves held by Council and is to remain in force until otherwise determined by Council. This policy excludes the Asset Revaluation Reserve that arises under the Australian Accounting Standards due to a change in asset values rather than a collection of surplus funds.

DEFINITIONS

N/A

POLICY OBJECTIVES

Council maintains capital and operational reserve funds to meet anticipated future needs. Allocation of surplus funds are identified in the budgeting process as funds committed to repayment of debt or to be transferred to reserves. After the end of the financial year when results are completed, excess funds will be transferred as previously identified or by Council resolution if priorities have changed.

Funded depreciation which has not been utilised each financial year, will in the first instance, be used to balance out the Capital expenditure across Council through budget reviews and / or end of year processes, with any remaining excess funds then retained to the respective asset class capital sustainability reserves or to the Asset Management and Legacy Reserve.

Funding allocation from Reserves will be determined during the budget process and re-assessed during the financial year at quarterly budget reviews or through resolutions of Council.

Unless required by legislation or arrangement, interest earned on monies held in reserve will be treated as general revenue and will not be added back into the reserve balances.

Council maintains reserves that can be classified as Externally and Internally restricted. Externally restricted reserves are subject to legislative / legal requirements that govern the use of the funds and / or may be subject to an obligation or requirement to return funds to its contributor. Reserves that are classified as internally restricted typically have no legislative / legal requirement that governs the use of the funds and the reserve has been established for an internal purpose. If, however, Council changes its priorities, the funding may be diverted.

Council may at various times, hold a significant amount of funding in its financial reserves. In the interest of maximising its cash resources and minimising its net interest costs, funded reserve amounts may be utilised before entering into borrowing arrangements. The Long-Term Financial Forecast will consider the current balances of the financial reserves and allow for replenishment of these reserves as they are required.

EXTERNALLY RESTRICTED RESERVES

Developer Contributions

Developer contributions are funds collected by Council from developers to contribute towards trunk infrastructure.

Council will collect funds from developers in accordance with the *Planning Act 2016*. Funds collected will be in line with the relevant planning schemes for the following infrastructure:

- Water
- Sewerage
- Parks
- Stormwater
- Transport

Grants Subsidies & Contributions

Reserves that record the receipt of grants or subsidies from the State Government or Federal Government and contributions received from external parties which are to be used for specific operational or capital purposes within the financial year. Funds are expended from the reserves to fund the projects as works are undertaken. Additional funds may be retained in the reserve where they are not restricted by specific performance obligations.

Special Rates Reserves

In line with sections 94 and 95 of the *Local Government Regulation 2012*, these reserves record special rate or charge funds constrained for future expenditure in line with the identified overall plan for the service, facility or activity to which the special rates or charges apply.

Mining Town Asset Reserves

Reserves which relate to funds retained through the previous administration of separate mining town funding arrangements prior to the normalisation of rating. Funds are constrained for future expenditure on Council owned assets in the respective mining towns or localities.

INTERNALLY RESTRICTED RESERVES

Land & Building Reserve

Funds reserved for the future development, renewal or upgrade of Council owned Land, Housing or Building assets. Any funded building depreciation for a financial year not expended in the financial year should be constrained to this reserve.

Plant Reserve

This reserve consists of funds set aside for the future replacement of plant and equipment. Council may constrain surplus funds towards funding the purchase, renewal or upgrade of Council owned plant and fleet assets. Any capital revenue received through the auction or trade-in of the fleet replacement program over and above the amount budgeted in a financial year should also be constrained to this reserve.

Roads Infrastructure Reserve

The roads infrastructure reserve is to be utilised to fund the expansion, renewal or upgrade of Council's road, bridge or drainage network assets. Any funded roads, bridges or drainage depreciation for a financial year not expended in the financial year should be constrained to this reserve.

Carryover Reserve

This reserve holds the balance of unexpended capital works funds that are requested to be carried forward to the following financial year and ensures the proper management of those funds. The constrained funds are then allocated for the cost of completing the works in the following financial year / s.

Water Infrastructure Reserve

This reserve consists of funds set aside for the future expansion, renewal or upgrade of water assets. Any funded water depreciation for a financial year not expended in the financial year should be constrained to this reserve.

Sewerage Infrastructure Reserve

This reserve consists of funds set aside for the future expansion, renewal or upgrade of sewerage (wastewater) assets. Any funded sewerage depreciation for a financial year not expended in that financial year should be constrained to this reserve.

Disaster Recovery Fund Arrangements Reserve

This reserve consists of funds received or constrained for works associated with the response and recovery of natural disasters which impact on Council owned assets. This typically relates to any State / Federal Government grant funding programs such as DRFA. Council may also constrain surplus funds to this reserve to be utilised for future trigger point contributions or to contribute to complimentary works.

Asset Management & Legacy Reserve

This reserve will be established to constrain funds for the future commitment of establishing, restoring or maintaining Council infrastructure. The reserve acknowledges that demand on infrastructure to support industry and residents can be unpredictable and place immediate demands on Council resources.

Funds in this reserve are anticipated to be used for purposes such as:

- Managing impacts of economic / industry cycles resulting in increased demand on Council infrastructure

- Managing legacy asset issues such as contributed or donated assets with limited remaining life or requiring significant renewal / restoration
- Managing legacy asset issues discovered through continuing improvement of Council asset management practices and external review

Surplus funds at the end of the financial year can be constrained to this reserve to offset this future obligation.

Pandemic & Recession Recovery Reserve

This reserve funds future commitments of Council that may result from a pandemic situation and associated economic recession. The reserve may be used for operational and capital purposes that will assist the Council and community in recovery from the economic and social impacts of a declared pandemic. Council may constrain budgeted surpluses to this reserve.

Landfill Remediation Reserve

Council may constrain surplus funds towards funding the remediation of Council's waste assets. Any funded waste amortisation / landfill provision for a financial year not expended in the financial year should be constrained to this reserve.

Insurance Reserve

Council will maintain a reserve that records the receipt of funds from Insurance Claims which are to be used to repair or rebuild assets.

Operational Sustainability Reserve

This reserve will be established to constrain funds for the future management of operational impacts to Council's budget from time to time.

Funds in this reserve are anticipated to be used for purposes such as:

- Managing cashflow impacts of the timing of grant funds (i.e. advance payments) such as the Federal Assistance Grant or other grants which are operational in nature
- Managing impacts of economic / industry cycles resulting in increased demand on Council services which may require external expert or legal assistance
- Managing legacy asset issues such as contributed or donated assets with limited remaining life or requiring significant repairs as opposed to capital renewal / restoration
- Managing cashflow of maintenance contributions received for specific purposes

Surplus funds at the end of the financial year can be constrained to this reserve to offset this future obligation.

LEGISLATIONS AND RELATED GUIDELINES

- *Local Government Act 2009*
- *Local Government Regulation 2012*
- Australian Accounting Standards