



FINANCIAL RESERVES POLICY

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POLICY OWNER POSITION: Manager Financial Services

INTERNAL COMMITTEE ENDORSEMENT: Audit and Risk Committee

APPROVED BY: Council

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RELATED STRATEGIC DOCUMENTS, POLICIES OR PROCEDURES: Annual Budget
Financial Statements
Financial Plan

RELATED LEGISLATION: Local Government Act 1989
Local Government Act 2020

EVIDENCE OF APPROVAL:

Signed by Chief Executive Officer

A handwritten signature in black ink, appearing to be "S. J. ...", written over a horizontal line.

FILE LOCATION: <K:\EXECUTIVE\Strategies policies and procedures\Policies - adopted PDF and Word Financial Reserves Policy v11.1>

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This document is available in alternative formats (e.g. larger font) if requested.

1 PURPOSE

This policy outlines the creation and purpose of Council reserves.

2 SCOPE

Council can use reserve funds in line with the purposes outlined in this policy.

If it is determined financially prudent to do so, a decision to amend the policy can be undertaken by Council resolution.

3 POLICY

Council will set aside funds in the reserve with amounts to be decided during the annual budget process and at any other time by Council resolution, with the amounts to be transferred accordingly.

For reserves listed at 3.2.2, these may be approved by the Management Executive Group (MEG) as long as the movement fits within the specified purpose of the reserve. The Chief Executive Officer (CEO) may decide that approval is still required from Council via a formal report.

Council may also decide to borrow from one or several financial reserves for specific identified projects. This process will be formally approved by Council resolution which will include the total amount borrowed, from which specific reserves the borrowing will occur and a repayment schedule.

3.1 Purpose of reserves

The purpose of reserve accounting is to put aside funds in the current year for capital and other purchases to be made in future years.

This practice eliminates fluctuations in Council's annual budget for capital and large purchases, and provides more consistency in the level of rates required each year.

3.2 Movement of reserves

During the budget process Council outlines the expected transfers to reserves and transfers from reserves. These transactions will be in line with this policy.

At the end of each financial year the relevant amounts will be transferred to or from the reserves bank account (where a specific reserve account exists) and general bank account of Council. The reserves bank account will reflect the level of reserves Council currently holds for the individual reserve accounts.

The following are reserves currently used (or have been recently closed) by Council and specifies their purpose and conditions around annual movements.

3.2.1 Movements approved only by Council

Reserve name and purpose	Council transfers to the reserve	Council transfers from the reserve
<p>Capital Expenditure Reserve: The Capital Expenditure Reserve is used to set aside funds that have been budgeted for capital works projects in one financial year but will not be fully expended by the end of that year.</p>	the unexpended budget amounts for capital works and other projects that will be undertaken in the following financial year	the amount placed into the reserve at the end of the previous financial year
<p>Caravan Park Development Reserve: The Caravan Park Development Reserve is used to set aside surpluses made from the operations of Council's caravan parks to assist with financing major works carried out at those caravan parks.</p>	the annual surplus made on the operations of Council's caravan parks	funds required to finance major works undertaken at Council's caravan parks
<p>Community Planning Reserve: The Community Planning Reserve is used to set aside unspent funds for community planning projects.</p>	annually cumulative unspent funds for each ward's community planning projects	the amount placed into the reserve at the end of the previous financial year
<p>Flood Recovery Reserve: The Flood Recovery Reserve is used to assist with the delivery of unfunded flood restoration projects.</p>	annually an amount determined during the budget process	the net cost of unfunded flood restoration projects
<p>Gravel & Sand Pit (G.S.P.) Restoration Reserve: The G.S.P. Restoration Reserve is used to fund land purchase, development and restoration of gravel and sand pits used by Council for the extraction of road building materials.</p>	the annual surplus on operations of gravel and sand pits, to a maximum reserve level of \$500K	the cost of purchasing new sites, development and restoration of gravel and sand pits
<p>Heritage Loan Scheme Reserve: The Heritage Loan Scheme Reserve is used to provide loans to owners of properties located in significant heritage precincts, heritage registered buildings or structures of local heritage significance, to enable repair and maintenance of those buildings with the aims of quality appearance and public safety.</p>	after establishment of the initial reserve in 2014/2015, there will be no movements in this reserve movements are reflected in debtor account for heritage loans	
<p>Land and Buildings Reserve: The Land and Buildings Reserve is used to fund the purchase and development of land and buildings which includes residential, commercial and industrial.</p>	proceeds from the sale of Council owned land and buildings	the cost of purchase and development of Council owned land and buildings
<p>Little Lake Boort Water Reserve: The Little Lake Boort Water Reserve is used to secure proceeds of sale of temporary water rights relating to Little Lake Boort.</p>	proceeds from the sale of temporary water rights	amounts required to purchase water rights or for other major work expenditures relating to Little Lake Boort

Reserve name and purpose	Council transfers to the reserve	Council transfers from the reserve
Major Projects Reserve: The Major Projects Reserve is used to assist with the funding of major projects identified by Council.	unspent allocations within the annual budget determined during the budget process as sufficient to fund major projects	funds required to finance major works identified by Council
Community Loans Scheme Reserve: The Community Loans Scheme Reserve is an allocation of funds used to provide interest free loans to community groups.	after establishment of the initial reserve, there are no movements in this reserve movements are reflected in the debtor account for interest free loans	
Unfunded Superannuation Liability Reserve: The Unfunded Superannuation Liability Reserve is used to assist with the funding any call that may be made on Council as a result of shortfall in the Local Authorities Superannuation Fund Defined Benefits Plan.	annually an amount determined during the budget processes sufficient to fund potential future calls by the superannuation authority in relation to an unfunded superannuation liability	any funds required to finance a call made upon Council by the superannuation authority
Unspent Grants Reserve: The Unspent Grants Reserve is used to set aside grants received in one financial year that will not be expended until a later financial year.	grants received during the financial year that have not been expended	the amount placed into the reserve at the end of the previous financial year
Waste Management Reserve: (Was previously Landfill Rehabilitation Reserve) The Waste Management Reserve is used to assist with the cost of strategic projects, compliance and long term planning for Council's landfills and transfer stations.	annually \$10 per kerbside collection levy	the cost of strategic projects, compliance and long term planning within Council landfills and transfer stations

3.2.2 Movements approved by the MEG where it fits within the purpose of the reserve or by Council where determined by the CEO

Reserve name and purpose	Council transfers to the reserve	Council transfers from the reserve
Fleet Replacement Reserve: The Fleet Replacement Reserve is used to fund replacement of Council's office vehicles.	\$150K annually to fund the fleet replacement program	the net cost of fleet purchases for the year
Information Technology Reserve: The Information Technology Reserve is used to assist with the purchase of information technology assets.	\$150K annually to fund information technology assets, to a maximum reserve level of \$800K	the net cost of information technology assets for the year
Plant Replacement Reserve: The Plant Replacement Reserve is used to fund plant purchases.	\$950K annually to fund the plant replacement program	the net cost of plant purchases for the year

Reserve name and purpose	Council transfers to the reserve	Council transfers from the reserve
Professional Development Reserve: The Professional Development Reserve is used to fund professional development undertaken by executive officers of Council.	an annual allocation provided to each executive officer in accordance with their contract of employment	the cost of professional development undertaken during the year by executive officers
Swimming Pool Major Projects Reserve: The Swimming Pool Major Projects Reserve is used to fund unplanned major repairs and capital works at the various swimming pool sites across the Shire.	annually an amount determined during the budget process, to a maximum reserve level of \$200K	the net cost of unplanned major repairs and capital works
Unightly Premises Enforcement Provision Reserve: The Unightly Premises Enforcement Provision Reserve is used to provide funds to assist with the enforcement and rectification works on determined unightly premises with costs recouped via legal or other action.	after establishment of the initial reserve in 2016/2017, there will be no movements in this reserve movements are reflected in debtor account for unightly premises enforcement	
Urban Drainage Reserve: The Urban Drainage Reserve is used to fund urban drainage works in towns within the Shire.	annually an amount determined during the budget processes sufficient to fund the urban drainage program	the annual cost of urban drainage works

3.2.3 Closed reserves

Reserve name and purpose	Council transfers to the reserve	Council transfers from the reserve
Boundary and Township Signage Reserve: The Boundary and Township Signage Reserve is used to fund replacement of Council's boundary and township signage Reserve closed in 2021/22.	annually an amount determined during the budget process as sufficient to fund the boundary and township signage replacement program, to a maximum reserve level of \$100K	the net cost of boundary and township signage purchases and installation for the year
Economic Development Reserve: The Economic Development Reserve is used to assist with economic development initiatives that Council wishes to financially support. Reserve closed in 2021/22.	annually an amount determined during the budget process as sufficient to fund economic development initiatives, and proceeds from the sale of industrial land	the cost of economic development initiatives during the financial year

Reserve name and purpose	Council transfers to the reserve	Council transfers from the reserve
Units Reserve: The Units Reserve is used to fund the purchase or improvement of Council owned elderly persons' units. Reserve closed in 2021/22.	annually the net surplus generated from rental income to a maximum reserve level of \$60K	the cost of capital works undertaken at elderly persons' units
Unspent Contributions Reserve: The Unspent Contributions Reserve is used to set aside contributions received for a specific purpose in one financial year that will not be expended until a later financial year. Reserve closed in 2021/22.	contributions received during the financial year that have not been expended	the amount placed into the reserve at the end of the previous financial year

4 HUMAN RIGHTS STATEMENT

It is considered that this policy does not impact negatively on any rights identified in the Charter of Human Rights Act (2007). Loddon Shire Council is committed to consultation and cooperation between management and employees. The Council will formally involve elected employee Health and Safety Representatives in any workplace change that may affect the health and safety of any of its employees.

5 REVIEW

The Manager Financial Services will review this policy for any necessary amendments no later than 1 year after adoption of this current version.

6 VERSION CHANGES

Date approved	Change type	Version	Next review date
December 2023	Review and update	11	December 2024
April 2024	Addition of the Flood Restoration Reserve as per Council Resolution at the April 2024 Council Meeting	11.1	December 2024