



# Financial Reserves Policy

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<b>Responsible Officer:</b>	Chief Financial Officer
<b>Strategic Plan Reference:</b>	2.4 The organisation has a corporate culture that delivers quality customer service, encourages innovation and has high standards of accountability

### 1. POLICY STATEMENTS

- 1.1 To guide decision making on the nature and type of Financial Reserve Funds that need to be created to support sound financial management and good governance in accordance with the *Local Government Act 1993*.

### 2. DEFINITIONS

- 2.1 **Financial Reserve** are reserves backed by cash and the asset revaluation reserve as required under Australian Accounting Standards.
- 2.2 **Specific Purpose Reserves** are reserves that have resulted from contributions that are for a specific purpose. These reserves are cash backed.
- 2.3 **Discretionary Reserves** are reserves established by Council to ensure that sufficient funds are available when required for asset replacement. These reserves are cash backed.
- 2.4 **Asset Revaluation Reserve** are reserves required by the Australian Accounting Standards for the movement in the fair value of assets. These are not cash backed reserves.

### 3. OBJECTIVE

- 3.1 The objective of this policy is to establish and utilise Financial Reserve Funds:
  - 3.1.1 As a strategic approach to ensure that cash is available in a timely and responsible way to fund important initiatives,
  - 3.1.2 To better manage the peaks and troughs which occur in meeting the funding of major expenditure, and
  - 3.1.3 To isolate funds contributed for specific purposes.

### 4. SCOPE

- 4.1 This policy applies to all financial reserves created by Council.

### 5. PROCEDURE (POLICY DETAIL)

#### Discretionary Reserves

- 5.1 Hall Equipment Replacement
  - 5.1.1 The purpose of this reserve is to provide funds for the replacement of equipment in Council's halls.
  - 5.1.2 Each year the annual depreciation on halls is credited to this reserve.
  - 5.1.3 Expenditure on hall equipment during the year is debited from the reserve.
- 5.2 IT Equipment Replacement
  - 5.2.1 The purpose of this reserve is to provide funds for the replacement of information technology equipment. A significant proportion of the funds are utilised when Council conducts a laptop and desktop refresh for all Council staff.
  - 5.2.2 Each year the annual depreciation on IT equipment is credited to this reserve.
  - 5.2.3 Expenditure on IT equipment during the year is debited from the reserve.
- 5.3 KSC Equipment Replacement
  - 5.3.1 The purpose of this reserve is to provide funds for the replacement of equipment at the sports centre.

- 5.3.2 Each year the annual depreciation on KSC equipment is credited to this reserve.
- 5.3.3 Expenditure on KSC equipment during the year is debited from the reserve.
- 5.4 Office Equipment Replacement
  - 5.4.1 The purpose of this reserve is to provide funds for the replacement of office equipment.
  - 5.4.2 Each year the annual depreciation on office equipment is credited to this reserve.
  - 5.4.3 Expenditure on office equipment during the year is debited from the reserve.
- 5.5 Plant And Equipment Replacement
  - 5.5.1 The purpose of this reserve is to provide funds for the replacement of plant and equipment.
  - 5.5.2 Each year the annual depreciation on plant and equipment is credited to this reserve.
  - 5.5.3 Expenditure on plant and equipment as approved in Council's capital expenditure budget is debited from the reserve.
- 5.6 Infrastructure Replacement
  - 5.6.1 The purpose of this reserve is to set aside funds for future infrastructure replacement as a result of future asset life replacement needs and the physical impacts of a changing climate, such as severe weather events resulting in requirements for replacement capital expenditure.
  - 5.6.2 Each year based on Councils capital replacement requirements, an amount will be agreed with Council to add to the infrastructure replacement reserve. If replacement expenditure is equal to or greater than 90% of depreciation on infrastructure, no allocation will be made.
  - 5.6.3 Expenditure from the reserve is only for asset replacement and will be approved by Council as part of the annual capital expenditure budget.
- 5.7 KWS Capital Replacement
  - 5.7.1 The purpose of this reserve is to have funds available for capital expenditure on new initiatives for buildings, plant and equipment at the Baretta Waste Transfer Station.
  - 5.7.2 The Board of KWS will approve the payment of a dividend to Council which will be credited to this reserve with a maximum amount of \$500,000 in the reserve.
  - 5.7.3 Funds from the reserve will be for capital expenditure recommended by the KWS Board and approved as part of the Council's capital budget expenditure.
- 5.8 Car Parking Reserve
  - 5.8.1 The purpose of this reserve is to set aside funds for public parking in the municipality.
  - 5.8.2 Funds are obtained from developments where a payment is made in lieu of providing car parking spaces, via a planning permit.
  - 5.8.3 Expenditure from this reserve will be approved as part of Council's capital expenditure budget.

### **Specific Purpose Reserves**

- 5.9 Public Open Space
  - 5.9.1 The purpose of this reserve is to set aside funds for future public open space funding.

5.9.2 Funds are obtained by developers making payments in lieu of providing public open space as part of their development as outlined in Policy 6.3 Public Open Space Contributions.

5.9.3 Expenditure is approved for POS as part of the annual capital expenditure program or through a Council resolution.

### 5.10 Biodiversity Preservation

5.10.1 This reserve is for financial offsets which are contributions that compensate for the residual adverse impacts of an action on the environment, when alternatives and options to avoid those impacts have been exhausted and it is still considered desirable for other economic, social, or environmental reasons for the action to proceed.

5.10.2 Funds are obtained via a planning permit or other permit requirements.

5.10.3 Funds are allocated based on policy 6.10 Biodiversity Offset Policy.

5.10.4 The appropriateness of a financial offset is determined on merits by Council.

5.10.5 Expenditure from this reserve is as per the the Biodiversity Offset Policy and delivered through the Kingborough Environmental Fund.

5.10.6 All expenditure of financial offsets must be in accordance with the endorsed Guidelines for Expenditure of the Kingborough Environmental Fund.

5.10.7 Expenditure is approved as part of the Council's annual budget allocation.

### 5.11 Boronia Hill Reserve

5.11.1 Funds have been set aside for expenditure at the Boronia Hill reserve.

5.11.2 Expenditure from the reserve will be approved by Council in the operational budget or the capital expenditure program.

### 5.12 Unexpended Grants

5.12.1 This reserve is for grant funds received that will be spent in future years.

5.12.2 As part of the year end process, grant funds that are unspent are allocated to this reserve for use in future years.

5.12.3 Funds are transferred from this reserve in the new year to be spent on specific projects throughout the year.

## 6. REPORTING

6.1 Reporting on Reserves is provided monthly to Council in the Financial Report.

6.2 Allocation of funds from the Public Open Space Reserve will be disclosed in the 5 Year Capital Works Program.

6.3 Actual expenditure from the Public Open Space Reserve will be provided monthly in the capital expenditure report.

## 7. COMMUNICATION

7.1 The Policy will be available on Council's website.

## 8. LEGISLATION

8.1 *Local Government Act 1993* (as amended).

8.2 Australian Accounting Standards.

### **9. RELATED DOCUMENTS**

- 9.1 Public Open Space Policy 6.3.
- 9.2 Biodiversity Offset Policy 6.10.

### **10. AUDIENCE**

- 10.1 Council and the Community.