

Financial Reserves Policy

Date Adopted: 28 May 2024

Version: 3.1

Policy Objectives

Council's long term financial plan incorporates the establishment and management of financial reserves to ensure long term financial sustainability and capacity to provide infrastructure and services into the future.

This policy provides agreed direction and control in respect to the type of reserves that are required and a target in terms of the balance to be held in each reserve

Policy Scope

This policy applies to the establishment and management of all Council financial reserves. It applies to all officers involved in the management of such reserves, including the preparation of financial returns and other statutory reports of Council.

Policy Statement

Council's long term financial plan is designed to ensure sufficient funding is available for current and future operating requirements, capital expenditure and debt servicing. Further, it provides financial capacity for addressing unforeseen events that may impact on Council's ability to maintain service levels.

To assist in achieving these aims, externally and internally restricted financial reserves are established and managed.

Council may use funds for any purpose allowed by the Local Government Act or other Acts other than:

- a) money that has been received as a result of the levying of a special rate or charge which must be used for the purpose for which the rate or charge was levied, and
- b) money that is subject to legislative provisions that state that the money may be used only for a specific purpose.

Council must create a reserve where unexpended funds must be applied for a particular purpose as required by an Act. Funds held in accordance with legislation are described as 'externally restricted' reserves.

Funds held in reserve at the discretion of Council are described as 'internally restricted' reserves.

Externally Restricted Financial Reserves

Externally restricted financial reserves are established to meet legislative requirements. There is no target reserve balance as they are established and managed on an as needed basis.

DEVELOPER CONTRIBUTIONS	
Purpose	Contributions paid by developers to Council, under Sections 7.11 and 7.12 of the Environmental Planning & Assessment Act 1979. The funds are applied towards the cost of providing local public infrastructure and facilities required to support new residents and businesses. This reserve allows for the unexpended funds to be isolated and retained for this future expenditure in accordance with adopted development plans.
Target	Not Applicable

UNEXPENDED GRANTS	
Purpose	Council receives grant funds for specific projects and purposes. It is common that grants will be expended across different financial years and this reserve allows unexpended grant funds to be isolated and retained for expenditure on the project for which the grant was received.
Target	Not Applicable

DOMESTIC WASTE MANAGEMENT	
Purpose	Council operates a domestic waste collection and disposal service. Any surplus (or deficit) on operations are credited (debited) to (from) this reserve. The reserve is used only for domestic waste collection and disposal services.
Target	Not Applicable

Internally Restricted Reserves

Internally restricted financial reserves are created at the discretion of Council and they are designed to meet a range of circumstances. Target reserve balances have been established, but the preferred position may not always be achievable as a result of changed Council priorities or financial performance. There needs to be a degree of flexibility when considering reserve balances.

ASSET MANAGEMENT	
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Purpose	Maintain funds for emergent asset construction/maintenance needs of Council, outside of recurrent capital works programming.
Target	No target specified. Variable depending on Council requirements.

CAPITAL WORKS	
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Purpose	Maintain funds for approved capital works construction needs of Council.
Target	No target specified. Variable depending on Council requirements.

CARRY OVER WORKS	
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Purpose	To provide funding for those Council approved activities that remain in progress at year end.
Target	Approved carry over works.

ECONOMIC DEVELOPMENT	
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Purpose	To provide funding for identified for economic development initiatives within Council.
Target	Target calculation is on as needs basis from year to year.

ELECTION COST	
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Purpose	To provide for the cost of local council elections over the 4-year cycle.
Target	Council Election Costs.

EMPLOYEE LEAVE ENTITLEMENTS	
Purpose	Support annual operational plans by reserving funds for the payment of untaken employee leave accrued where leave activity may impact on liquidity in the short to medium term.
Target	Equal to 25% of the leave entitlements adjusted for any potential key staff movements.

ENVIRONMENTAL WORKS	
Purpose	Provide funding for environmental initiatives as identified by Council.
Target	Adhoc target based on Council approved activity.

FINANCIAL ASSISTANCE GRANT	
Purpose	The annual Financial Assistance Grant is partly prepaid before the commencement of the new financial year. This amount prepaid is held as an internal reserve for expenditure in the relevant year.
Target	The amount prepaid.

GENERAL PURPOSE	
PANDEMIC/EMERGENCY RESPONSE	
Purpose	Provide funding for operating activities and initiatives responding to community impact of pandemics or other declared emergencies, and to address the impacts on revenue and funding of Council services.
Target	None established - as per Council resolution from identified operating expense savings.

PLANT REPLACEMENT	
Purpose	Provide funding for the replacement of plant (excluding passenger motor vehicles)
Target	Value of the replacement program over the next 12 months

TECHNOLOGY	
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Purpose	To fund the updates to Council's Information and Communications Technologies.
Target	Funding to support requirements over a five-year cycle.

UNEXPENDED LOANS	
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Purpose	Provide for loan funds unspent at the end of the financial year that will be spent in future year on capital activity.
Target	No target specified as variable.

WORKERS COMPENSATION	
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Purpose	To support annual operational plans and accommodate unexpected insurance premium increases where costs exceed the initial budget for workers compensation activity in any one year.
Target	Insurance premium costs for 12 months.

WASTE TRANSFER STATION CONSTRUCTION	
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Purpose	To fund construction of future Waste Transfer Station.
Target	Sufficient funds set aside to fund construction planned for 20/21.

WASTE DISPOSAL SITE CONSTRUCTION	
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Purpose	To support annual operational plans by providing funds for capital expenditure at Council's waste disposal site.
Target	Target calculation is on as needs basis from year to year.

WASTE DISPOSAL SITE REHABILITATION	
Purpose	To fund the rehabilitation of the Mount Vincent waste disposal site on closure.
Target	Set aside enough funds over the life of the land fill to fund the rehabilitation based on the most recent rehabilitation valuation model.

Policy Administration

Business Group:	Finance
Responsible officer:	Michael Burfitt
Council reference:	Ordinary Council Meeting -28 May 2024 - Item 11.3
Policy review date:	Every four (4) years
File number:	2/8/26
Relevant legislation	<i>Local Government Act 1993 (NSW)</i> <i>Local Government (General) Regulation 2005 NSW)</i> Local Government Code of Accounting Practice
Related documents	Resourcing Strategy - Long Term Financial Plan

Policy History

VERSION	DATE APPROVED	DESCRIPTION OF CHANGES
1.0	28 July 2020	New policy adopted
2.0	23 August 2022	Updated and new Plant Replacement reserve added
3.0	28 May 2024	New Capital Works Reserve added
3.1	-	Updated to new branding. No content changed.