



FINANCIAL RESERVES POLICY

Policy No.	C93	Adoption Date:	Council Meeting 26 June 2024
Directorate:	Performance and Innovation	Department:	Financial Strategy
Revision Date:	June 2028		
GOOD GOVERNANCE FRAMEWORK – OVERARCHING PRINCIPLES			
Supporting Pillar:	Pillar 1. Direction & Leadership Pillar 4. Structure, Systems & Policies Pillar 8. Monitoring & Performance Review		
Link to Pillar:	This Policy strengthens Council's financial sustainability by establishing the principles that Council officers are to consider in Reserve fund management.		

1. PURPOSE

1.1. The purpose of the *Financial Reserves Policy (C93)* (the Policy) is to:

- 1.1.1. Set out the Principles for the maintenance and creation of financial reserves to record future commitments for specific purpose expenditures.
- 1.1.2. Provide rationale for the Policy and detail how the reserves funds are increased and decreased.

1.2. This Policy has been developed to ensure the accountability, transparency and compliance with the *Local Government Act 2020*.

2. SCOPE

2.1. This Policy excludes the Asset Revaluation Reserve that arises under the Australian Accounting Standards, as it relates to changes in asset values rather than the collection of funds.

3. POLICY PRINCIPLES

- 3.1. Financial Reserves are amounts of money set aside for specific purposes to be incurred in later years. In general, these funds do not have bank accounts of their own but are a theoretical split up of the cash surplus that Council has on-hand.
- 3.2. Council has two types of reserves – Statutory and Discretionary Reserves.

Statutory Reserves

3.3. The use of funds from Statutory Reserves is governed by legislation (or other legal requirements) and records Council's future expenditure commitments.



These are separately accounted for to ensure sound financial management of future operations.

- 3.4. Typical type of statutory reserves includes, public open space, car parking, native vegetation, subdivision road work and community infrastructure.
- 3.5. Where statutory funds are collected to fund future infrastructure, there are legal requirements that govern how the funds are to be spent. This may include expending the funds in accordance with the terms and conditions of the funding, or on projects in the vicinity of the developments that the funds were collected.

Creation of Statutory Reserves

- 3.6. Statutory reserves are a legislative requirement and will be created when the relevant legislation comes into effect. The use of these reserves will be identified and approved by Council through the annual budget process.

Discretionary Reserves

- 3.7. Discretionary Reserves are funds held by Council and segregated from general revenues, based on Council directions, to finance future expenditures or to provide for a specific project so as to ensure funds are available as required.
- 3.8. Discretionary Reserves may be varied from time to time where expenditure commitments may be created and retired.
- 3.9. These reserves are not subject to legal requirements governing the use of the funds.
- 3.10. The reserves are established for a specific internal purpose and if the purpose does not eventuate or Council changes its priorities, the funding can be diverted to other purposes.

Creation of Discretionary Reserves

- 3.11. Council may create a discretionary reserve to set aside funds for future expenditure commitments. These reserves may include:
 - 3.11.1. Large expenditure needs are required to be funded over a period of time;
 - 3.11.2. Funds are collected specifically for funding of a particular capital works program; or
 - 3.11.3. Setting aside funds to repay loans.

Compliance

- 3.12. Reserve funds are to be drawn down to fund expenditure that is consistent with the purpose of the reserve as noted in this Policy and meets the criteria to enable transferring funds from each applicable reserve. For each existing or future reserves, they must be cash-backed.
- 3.13. Reserve accounts will be closed at the end of their useful life by Council resolution or in the manner that was set out when the reserve was established.

Reporting on Financial Reserves

- 3.14. Council is required under section 243 of the *Local Government Act 1989* and *Australian Accounting Standard AASB 101, Presentation of Financial Statements*, to disclose all reserves set aside for specific purposes in its Annual Financial Statements. In addition to this, details on reserves are to be reported:



3.14.1. In a detailed statement as part of the Annual Financial Statements and Annual Report, and

3.14.2. In a detailed statement of movement and balances as part of the quarterly financial reports.

3.15. Council's reserve funds are described in the following **Table 1**:

Statutory Reserve	Purpose
Public Open Space	Funds to be utilised for the development of land for public purposes, new open space and recreation assets, as well as upgrade or expansion of existing assets. The intention is to spend these funds on assets within the vicinity of the developments from which the funds were received.
Development Contributions	Funds held from the collection of development contribution levy income to be expended on infrastructure projects in line with the requirements of the Developer Contribution Plan.
Discretionary Reserve	Purpose
Caravan Parks	This reserve is created for the development of future funding for caravan park projects.
Corner Inlet Reserve	Reserve for the maintenance of a seawall to protect private lands from flooding.
Venus Bay Surf Lifesaving Club	Reserve to hold funds from a community capital works allocation to allow the club time to attract further funding from other agencies.
Unexpended Grants and Contributions	Funds held from grant monies, to be expended in future financial years, and not recognised in the Balance Sheet as 'Grants in Advance' at the end of each financial year. External restrictions may or may not apply in line with individual funding agreements.
Asset Development Reserve	Funds set aside for contingency planning purposes as well as for contribution to future major projects. Source of funds is to be derived from the year-end cash operating surplus. Up to 50% of available cash surplus / savings may be allocated to the reserve.
Renewable Energy Reserve	Funds held to develop, support and maintain sustainable energy programs. Source of funds may include: savings from existing renewable energy sources (eg EV charging stations). operating surplus derived from Council funded renewable energy programs.
Carry Forward Projects Reserve	Funds held from unexpended projects at the completion of a financial year. Reserve funds are to be applied to carried forward projects expected to be completed in a future financial year.
General Reserve	This reserve holds contribution funds to address shortfalls resulting from the cost of emergency management works and storm damage rectification and adaptation planning. Source of funds is to be derived from the year-end cash operating surplus.



4. RISK ASSESSMENT

This Policy mitigates Council's risks as described below:

Financial

4.1. The effective management of financial resources and legislative compliance are strategic risks for Council. This Policy ensures prudent and transparent management of Council current funds for future use.

5. IMPLEMENTATION STATEMENT

Human Rights Charter

5.1. This Policy has considered the *Charter of Human Rights and Responsibilities Act 2006*.

Gender Equality

5.2. This Policy has considered the *Gender Equality Act 2020* in its development.

6. MONITORING, EVALUATION AND REVIEW

6.1. This Policy will be reviewed and adopted by Council on a four-year cycle.

6.2. Policies may be reviewed earlier than a four-year cycle if legislative provisions, Industry or organisation requirements change.

7. REFERENCE DOCUMENTS

Legislative Provisions	Charter of Human Rights and Responsibility Act 2006 Gender Equality Act 2020 Local Government Act 2020 Local Government (Financial Management) Regulations 2011 Subdivision Act 1988, section 18
Council Supporting Documents	Annual Budget Annual Financial Statements Annual Report Quarterly Financial Reports
External Documents	Australian Accounting Standards

8. DEFINITIONS

Cash-backed	Financial reserves that have sufficient cash & cash equivalent assets to fund them.
Discretionary Reserves	Financial reserves established by Council to fund works over a period of time, there are no legislative or legal requirements governing the use of these funds.
Reserves	Funds that have been set aside from operating and capital incomes for future funding of projects. From an accounting perspective the value of these funds is recorded in equity balance sheet ledger accounts.
Statutory Reserves	Are financial reserves where the usage of the funds is governed by Legislation or other legal requirements, e.g. public open space contributions.

9. REVISION HISTORY

Approved By	Approval Date	Sections Modified	CM9 Ref#
Council Meeting	26 June 2024	New Policy	D9273723