

1. RATIONALE

Council will maintain Accounting Reserves as a means by which to separate monies for a particular purpose.

2. POLICY STATEMENT

Council's Reserve Funds Policy aims to provide a means for recognising and allocating funding for future purposes.

3. OBJECTIVES

Council has established a number of Accounting Reserves for different purposes. Some of these are required by Accounting Standards or law, and others are discretionary reserves that Council has chosen to establish.

Where discretionary reserves are established, these need to be appropriately funded by Council. The preferred method is to have these reserves cash-backed to a minimum of 75 %, however if current or future borrowings can be reduced or deferred then this should be given consideration. When funds are required in relation to reserves that are not cash backed, Council is to utilise surplus cash in the first instance and then draw down on borrowings as the need arises, and only to the extent that it has already reduced or deferred previously.

4. POLICY SCOPE AND IMPLEMENTATION

Council currently has the following reserves:

Asset Revaluation Reserve

Purpose - this is a statutory reserve fund required under Australian Accounting Standard AASB 1041. The balance of this reserve represents net increments associated with the revaluation of non-current assets.

Open Space Reserve

Purpose - this reserve has been established to account for the following:

- I. set aside open space contributions provided by developers in accordance with the Planning, Development and Infrastructure Act 2016 (conditions may apply)
- II. separate net proceeds associated with Road Closures.
- III. net proceeds associated with disposal of minor land holdings
- IV. funds received from the 'Urban Trees Fund'

Use of Fund - monies can be applied to the development of Open Space facilities as approved by Council and in accordance with the Open Space Policy. Interest revenues earned on contributions provided by developers are transferred to the reserve.

Grants/Carry Forward Projects Reserve

Purpose - this reserve was created to account for:

- Grants received in advance - occasionally a funding body provides Grant funds relating to the following financial year in advance. When this has occurred it has been necessary to transfer these funds to this reserve so that they can be matched against the expenditures planned to be incurred in the next financial year.
- Unexpended Grants - when grant monies have not been fully acquitted in the financial year this reserve is used to transfer the unexpended balance to the following financial year.

Carryovers - typically represent unspent capital and service improvement budgets carried forward to the following financial year.

Use of Fund - monies are utilised in accordance with the initial transfer of funds.

Asset Sustainability Reserve

Purpose - this is a reserve fund established to:

- I. Primary Purpose – Provide Council with the ability to access sufficient funds to enable it to respond to a major infrastructure failure or fund an infrastructure gap identified in periodic asset audits. A minimum balance of \$2 million will be retained in the Asset Sustainability Reserve for this purpose.
- II. Assist Council fund its Long Term Asset Management objectives.
- III. Provide a means by which to spread the cost of intergenerational assets thereby reducing the need for borrowings.
- IV. Provide a means by which Council can strategically plan to maintain its asset base within a long term Financial framework.
- V. Quarantine funds specifically set aside in the Community Facilities Partnership Program (CFPP) for the purpose of funding the renewal, upgrade and purchase of Council assets as resolved by Council. This will include encouraging organisations leasing council facilities to seek partnership funding for required renewal and upgrade of those community facilities.

The Asset Sustainability Reserve is underpinned by savings identified as part of the budgeting process (refer to Council's Budget Policy). Identified savings are allocated by Council providing a balance between funding new prioritised service improvements identified in the Strategic Plan and addressing Council's financial position.

- I. Savings identified during a financial year are forecasts only and therefore will be held for consideration by Council in the 1st Budget Review in the following year.
- II. Savings will be separated between recurrent (ongoing) and once off savings. This process is designed to develop a high level of trust in the organisation in the budget review process.
- III. Savings of a:
 - a. recurrent nature may be allocated to service improvements identified in the Strategic Plan that are of a recurrent nature.
 - b. one-off nature may be applied to capital items, new or renewal, or a non-recurrent service improvement (once off).

- IV. Council must ensure that it continues the improvement in its financial performance. It is essential that the Annual Savings Initiative focuses on achieving that objective. In relation to the long term financial plan the Annual Savings Initiative will focus on four areas:
- a. Increase expenditure on Infrastructure/Asset replacement/renewal sustainability
 - b. Reduce proposed borrowing program - debt servicing ratio improves
 - c. Retain savings to improve liquidity (cash) - working capital improves
 - d. Reduce reliance on rate revenue to achieve community objectives

The Asset Sustainability Reserve will also be funded from planned cash surpluses identified in the Long Term Financial Plan (LTFP) and from funds specifically set aside for the CFPP in the LTFP. Funds will only be set aside for this where Council maintains a breakeven funding (cash) position or better as per its Budget Policy.

The Asset Sustainability Reserve will benefit Council by enabling the allocation of funds for future capital expenditure relating to major infrastructure failures, replacing, renewing and procuring significant assets, as well as utilising funds in accordance with the CFPP eligibility criteria. This will assist in minimising the negative financial impact on rates.

Projects funded out of this Reserve will be assessed against Council's strategic framework to determine the priority and the amount of funds to be utilised.

Where a Partnership Project exists, Council will contribute up to 50% of the funds, with the remainder required to come from grants or co-contributions from the partnership organisation.

Use of Fund - Reserve transfers will be controlled by specific Council resolutions or identified as part of the approved annual Strategic Plan and Budget.

Water Reserve Fund

Purpose – this reserve is established to quarantine revenue received and savings identified from the sale and use of treated stormwater from Oaklands Wetland to further develop 3rd party supply opportunities.

Use of Fund – Reserve transfers require approval at Executive level.

5. DEFINITIONS

Reserve - any part of the accumulated surplus of Council or controlling authority set aside for a particular purpose.

6. ROLES AND RESPONSIBILITIES

The Senior Leadership Team is responsible for reviewing carryovers.

The Executive Leadership Team is responsible for approving carryovers.

Reserve Transfers required by legislation or Accounting Standards will be reviewed for appropriateness by the Manager Finance.

Other reserve transfers require Council resolution

7. REFERENCES

- *Planning, Development and Infrastructure Act 2016*
- *Australian Accounting Standards Board [AASB] 1041: Revaluation of Non-Current Assets*
- *Open Space Policy*
- *Budget Policy*
- *Treasury Management Policy*

8. REVIEW AND EVALUATION

This policy will be reviewed annually as part of the Annual Budget process.