



Policy:

Financial Reserves

2021

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Further Document Information and Relationships	
Related Legislation	<i>Local Government Act 1993</i> <i>Local Government (General) Regulation 2005</i>
Related Policies	Nil.
Related Documents	Local Government Code of Accounting Practice and Financial Reporting

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1 Objective

The objective of this Financial Reserves Policy (“this Policy”) is to ensure that Liverpool Plains Shire Council (“Council”) creates appropriate Financial Reserve Funds, within the parameter of its revenue and reserve capacity, in order to meet known future expenditure and distribute the financial impact more evenly over time.

This Policy provides agreed direction and control in respect to the type of reserves that are required and a target in terms of the amount of cash to be held in each reserve.

2 Scope

This Policy defines the Financial Reserves Funds to be established and maintained by Council, and how reserve funds may be used.

3 Definitions

Term	Definition
Restricted Reserves	Restricted reserves refer to funds that are kept restricted for specific purpose. These reserves are either subject to some form of external statutory or contractual obligation or are set aside for the purpose of covering Council commitments that are expected to arise in the future.
Externally Restricted Reserves	Restricted reserves that relate to funds that are subject to external statutory or contractual obligations such as funds held for Council’s water and sewer fund or Developer Contributions.
Internally Restricted Reserves	Assets restricted by resolution of Council. Internal restrictions are developed by Council to cover commitments and obligations that are expected to arise in the future and where it is prudent for Council to hold cash in restrictions to cover those obligations. Internally restricted reserves are created at the discretion of Council and they are designed to meet a range of circumstances. The reserves in this Policy have principally been created based on the different activities undertaken by Council

4 Policy Statement

Council, in the interest of good financial management will restrict funds from time-to-time to either meet external statutory, or in order to set aside funding for future commitments. Further, it is prudent to plan for unforeseen events that may impact Council’s ability to maintain service levels.

Council shall set aside in its accounts following funds:

4.1 Internally Restricted Funds

4.1.1 Plant and Vehicle Replacement Reserve

The Plant and Vehicle Replacement Reserve is established to hold the balance of Council’s accumulated cash surplus relating to Council’s general fund plant operation. Funds are to be utilised to fund Council’s plant and vehicle replacement in accordance with Council’s plant replacement program.

These funds set aside are restricted for use only by the plant fund. The reserve shall have the following sources:

- Any amount (net sale proceeds) realised from the disposal of existing plant and vehicle;
- Annual surplus in plant account; and
- Annual budget allocation by the Council.

4.1.2 Employee Leave Entitlement Reserve

Council shall hold funds to cover its anticipated short to medium term liability to pay employee leave entitlements (ELE). The reserve amount will be 40% of the Council's accrued employee provisions. Council's employee provisions include liabilities for annual leave, long service leave and sick leave (vested) as at Council's annual reporting date.

4.1.3 Business System Remediation Reserve

Council shall allocate funds to replace or renew existing Information Technology (IT) infrastructure, including enterprise business systems.

4.1.4 Waste Strategy Implementation Reserve

Council shall establish a reserve to rehabilitate existing waste management facility and to commission a new waste management facility. Sources of this reserve shall be annual Tip Facility Fees charged to the ratepayers, annual budget allocation by the Council and grants, if any, received for this purpose.

4.1.5 Financial Assistance Grants

The Financial Assistance Grant Reserve is established to hold the early payment of the Financial Assistance Grant (Operational and Road) that the Council receives every year. The funds shall be used to fund general operations in the budget year for which the funding was intended.

4.1.6 Asset Management Reserve

Council shall establish a reserve for the operation and ongoing development of a system of asset management to secure a strategic programmed approach to the rehabilitation, upgrading, reassessment and replacing or developing its network of infrastructure assets and property. The reserve shall have the following sources:

- Net sale proceeds realised from the disposal of Council's assets included in the Financial Assets Register other than Plant and Vehicle.
- Annual allocation of fund by the Council.

4.2 Externally Restricted Reserves

4.2.1 Developer Contributions

Developer Contribution is an externally restricted reserve to hold the balance of contributions made by Developers to be used for the provision of infrastructure, services and amenities, in accordance with Council's Developer Contribution Plans. Sources of this fund is contribution received during the year plus annual interest allocation to the fund.

4.2.2 Water Fund Reserve

Any balance of surplus funds from the Council's Water Fund operations are externally restricted to be used only for the purpose of Water Fund.

4.2.3 Sewer Fund Reserve

Any balance of surplus funds from the Council's Sewer Fund operations are externally restricted to be used only for the purpose of Sewer Fund.

4.2.4 Specific-purpose Unexpended Grants Reserve

Council shall hold required fund for any unexpended grants which remained outstanding at the end of each financial year.

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