

# Council Future Use Investments

## COUNCIL POLICY NO. 126

### 1. PURPOSE

The purpose of this policy is to define the creation and purpose of Council Future Use Investments.

### 2. DEFINITIONS

**Future Use Investment:** an allocation of Council's Cash and cash equivalents or Other financial assets that are set aside by Council resolution for a specific purpose.

**Cash and cash equivalents:** as shown in Council's Financial Statements on the Balance Sheet and they include:- Cash on hand, Cash at bank and Term deposits.

**Other financial assets:** -as shown in Council's Financial Statements on the Balance Sheet and they consist of Term deposits.

### 3. POLICY

Council will set aside a component of Cash and cash equivalents and Other financial assets for specific purpose in accordance with 'Council transfers to Future Use Investment' as detailed in this policy. Amounts to be transferred from the Future Use Investments will be in accordance with 'Council transfers from the Future Use Investment' as detailed in this policy.

### 4. USE OF FUTURE USE INVESTMENTS

Amounts to be transferred to and from the various Future Use Investments will be decided during the annual budget process and at any other time by Council resolution.

#### **4.1. Purpose of reserves**

The purpose of Future Use Investment accounting is to put aside funds in the current year for capital and operating purchases to be made in future years.

This practice helps to eliminate fluctuations in Council's annual budget by enabling Council to better plan for capital and large operating purchases, and provides more consistency in the level of rates required to be raised in any given year.

#### 4.2. Movement of Future Use Investments

Future Use Investment Name and Purpose	Council transfers to the Future Use Investment	Council transfers from the Future Use Investment
<p><b>Land and Buildings:</b> is used to fund the purchase and improvement of land and buildings.</p>	<p>Proceeds from the sale of Council owned land and buildings.</p>	<p>The cost of purchase or improvement cost for Council owned land and building.</p>
<p><b>Innovation Fund/Major Projects</b> is used to:</p> <ul style="list-style-type: none"> <li>● assist in attracting grant funding for major projects not identified in the current capital works plan and Council resolves to financially support; and</li> <li>● future major projects that need to be funded in future years</li> </ul>	<p>Annually an amount determined during the budget process will be allocated to the Future Use Investment to replenish funds used in the previous year and to fund future major projects.</p>	<p>The cost of major project by Council resolution.</p>
<p><b>Plant and Equipment :</b> is to assist with the funding of Council's new and replacement plant and equipment program.</p>	<p>Proceeds from the sale of plant and equipment, supported by an annual amount determined during the budget process, be allocated to the Future Use Investment to fund new and replacement plant and equipment.</p>	<p>Funds required for new and replacement items of plant and equipment in accordance with the replacement program.</p>
<p><b>Long Service Leave:</b> is to offset a component of the Long Service Liability</p>	<p>Annually an amount determined during the year end process will be allocated to the Future Use Investment to fund a component of the long service leave liability.</p>	<p>Funds in excess of liability may be transferred out.</p>
<p><b>Unfunded Superannuation Liability Investment:</b> is to assist with funding any call that may be made on Council as a result of shortfall in the Local Authorities Superannuation Fund Defined Benefits Plan.</p>	<p>Annually an amount determined during the budget process will be allocated to the Future Use Investment to fund potential future calls by the superannuation authority in relation to Council's unfunded superannuation liability.</p>	<p>Funds required to finance a call made upon Council by the superannuation authority.</p>

## 5. RELATED PROCEDURES/GUIDELINES

Defined Benefit Funding Guideline

## 6. REFERENCES/LEGISLATION

Australian Accounting Standards

## 7. POLICY REVIEW

Council will review this policy as required but always within two years after a general election of the Council.

At the time it was developed, this policy was compliant with the *Victorian Charter of Human Rights and Responsibilities Act 2006*.

## 6. FURTHER INFORMATION

Members of the public may inspect all policies at Gannawarra Shire Council's Kerang and Cohuna office or online at [www.gannawarra.vic.gov.au](http://www.gannawarra.vic.gov.au).

Any enquiries in relation to this policy should be directed to the Director Corporate Services on (03) 5450 9333.

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