

Council Financial Reserves – Council Policy No. 126

1. POLICY PURPOSE

The purpose of this policy is to define the creation and purpose of Council financial reserves.

2. DEFINITIONS

Financial Reserve: an allocation of surpluses set aside in a bank account for a particular purpose.

3. POLICY

Council will set aside funds in reserves on an annual basis for future use. Amounts to be transferred to and from the various reserves will be decided during the annual budget process and at any other time by Council resolution.

4. USE OF RESERVES

4.1. Purpose of reserves

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

This practice eliminates 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 Reserves

Reserve name and Purpose	Council transfers to the reserve	Council transfers from the reserve
Land and Buildings Reserve: is used to fund the purchase and improvement of land and buildings.	Proceeds from the sale of Council owned land and buildings.	The cost of purchase or improvement cost for Council owned land and building.
Major Project Reserve: is used to assist in attracting grant funding for major projects not identified in the current capital works plan and Council resolves to financially support.	Annually an amount determined during the budget process will be allocated to the reserve to fund approved major projects related initiatives.	The cost of major project initiatives during a financial year.
Plant and Equipment Replacement Reserve: is to assist with the funding of Council's new and replacement plant and equipment	Proceeds from the sale of plant and equipment, supported by an annual amount determined during the budget process, be allocated to the reserve to fund new and replacement plant and equipment.	Funds required for new and replacement items of plant and equipment in accordance with the replacement program.

Reserve name and Purpose	Council transfers to the reserve	Council transfers from the reserve
Long Service Leave Liability Reserve:	Annually an amount determined during the budget process will be allocated to the reserve to fund the identified shortfall.	Funds required to payout Long Service Leave Entitlements.
Unfunded Superannuation Liability Reserve: is to assist with funding any call that may be made on Council as a result of a shortfall in the Local Authorities Superannuation Fund Defined Benefits Plan.	Annually an amount determined during the budget process will be allocated to the reserve to fund potential future calls by the superannuation authority in relation to Council's unfunded superannuation liability.	Funds required to finance a call made upon Council by the superannuation authority.

5. RELATED PROCEDURES/GUIDELINES

Defined Benefit Funding Guideline

6. REFERENCES/LEGISLATION

Nil

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*.

8. 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.

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

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