

14.3 Reserve Accounts

Corporate Services



Responsible Officer:	Charlie Brown, EMCS
Author:	As above
Legislation:	<i>Local Government Act 1995; Local Government (Financial Management) Regulations 1996</i>
File Reference:	Annual Budget
Disclosure of Interest:	Nil
Attachments:	Nil

Purpose of Report



Executive Decision



Legislative Requirement

Background

With the impending 2018/19 Budget it is felt prudent that Council examine its current Reserve Funds with a view of rationalising them.

Currently Council has 13 Reserve Accounts which are listed below with their current balances:

Reserve Account	Current Balance (\$)
Employee Entitlement Reserve	528,191.69
Declared Disaster Relief Fund Reserve	8,034.42
Road Reinstatement Reserve	26,274.20
Cummings Street Units Reserve	52,091.93
Recreation Development Reserve	489,167.05
Waste Management Reserve	115,428.20
Environmental Initiatives Reserve	51,689.30
Heritage Reserve	7,551.80
Plant Replacement	923,312.15
Buildings Reserve	724,722.37
Land & Development Reserve	1,156,227.03
Unspent Grants Reserve	17,507,440.68
ITC Reserve	63,545.85
TOTAL	\$21,653,676.67

Comment

After discussions at the budget briefing session held on 15 May 2018 with Council it was agreed the following action take place:

1. the Road Reinstatement Reserve be closed and the balance be transferred to the Disaster Relief Reserve;
2. the Heritage Reserve be closed and funds be utilised in the 2018/19 Budget for the works required on the Fly Tower at Cummins Theatre; and
3. the Environmental Initiatives Reserve be closed and funds transferred to the Buildings Reserve.

Purpose

It is also felt prudent to examine the purpose of the Reserves and re-enforce the purposes of the remainder:

Employee Entitlement Reserve - to be utilised to fund staff leave as required.

Declared Disaster Relief Reserve - to be utilised to contribute to liabilities arising from a declared natural disaster to meet WAANDRA eligibility minimum spend.

Cumming Street Reserve - to be utilised for all maintenance and capital costs associated with Council owned units in Cummings Street, Merredin.

Recreation Development Reserve - to be utilised to fund future extensions at the Recreation Ground.

Change to: To be utilised to fund future development and major renewals in relation to recreation.

Waste Management Reserve - to be utilised for the collection, transport, storage, treatment, processing, sorting, recycling or disposal of waste; or the provision of receptacles for the temporary deposit of waste; or the provision of waste facilities, machinery for the disposal of waste and processes dealing with waste.

Plant Replacement Reserve - to be utilised to fund future capital plant purchases.

Building Reserve - to be utilised to fund future building construction within the Shire of Merredin.

Change to: to be utilised to fund future building construction and major maintenance with the Shire of Merredin.

Land and Development Reserve - to be utilised to fund major land development/purchases within the Shire of Merredin.

Unspent Grants Reserve - to be utilised for the quarantine of Grant monies awaiting completion.

ITC Reserve - to be utilised to fund future ITC requirements.

Policy Implications

Nil

Statutory Implications

Section 6.11 of the *Local Government Act 1995* and Regulations 17 and 27 of the *Local Government (Financial Management) Regulations 1996* apply and are detailed below.

“6.11. Reserve accounts

- (1) *Subject to subsection (5), where a local government wishes to set aside money for use for a purpose in a future financial year, it is to establish and maintain a reserve account for each such purpose.*
- (2) *Subject to subsection (3), before a local government —*
 - (a) *changes* the purpose of a reserve account; or*
 - (b) *uses* the money in a reserve account for another purpose,**it must give one month’s local public notice of the proposed change of purpose or proposed use.*

**Absolute majority required.*
- (3) *A local government is not required to give local public notice under subsection (2) —*
 - (a) *where the change of purpose or of proposed use of money has been disclosed in the annual budget of the local government for that financial year; or*
 - (b) *in such other circumstances as are prescribed.*
- (4) *A change of purpose of, or use of money in, a reserve account is to be disclosed in the annual financial report for the year in which the change occurs.*
- (5) *Regulations may prescribe the circumstances and the manner in which a local government may set aside money for use for a purpose in a future financial year without the requirement to establish and maintain a reserve account.*

17. Reserve accounts, title of etc.

- (1) *A reserve account is to have a title that clearly identifies the purpose for which the money in the account is set aside.*
- (2) *In the accounts, annual budget and financial reports of the local government a reserve account is to be referred to —*
 - (a) *in the information required by regulations 27(g) and 38, by its full title; and*
 - (b) *otherwise, by its full title or by an abbreviation of that title.*

27. Notes to annual budget, when required

The annual budget is to include or be accompanied by notes detailing —

- (a) *if the local government is to charge interest for the late payment of a rate or service charge —*

- (i) *the rate of interest; and*
 - (ii) *an estimate of the total amount of revenue from the imposition of the interest;*
- and*
- (b) *if the local government is to charge interest under section 6.13 for the late payment of any amount of money —*
 - (i) *the rate of interest; and*
 - (ii) *an estimate of the total amount of revenue from the imposition of the interest;*
- and*
- (c) *the instalment options of the local government under section 6.45 including —*
 - (i) *the due dates of each instalment under each option;*
- and, where applicable —*
 - (ii) *the rate of interest; and*
 - (iii) *the additional charge; and*
 - (iv) *an estimate of the total amount of revenue from the imposition of the interest and additional charge;*
- and*
- (d) *in relation to the disposal of a class of assets —*
 - (i) *the net book value of that class of assets; and*
 - (ii) *an estimate of the sale price of the class of assets; and*
 - (iii) *an estimate of the profit or loss on the sale of that class of assets;*
- and*
- (e) *in relation to investment by the local government, the information set forth in regulation 28; and*
- (f) *in relation to the borrowings of the local government, the information set forth in regulation 29; and*
- (g) *in relation to each reserve account, an estimate of —*
 - (i) *the opening balance brought forward on 1 July; and*
 - (ii) *the amount to be set aside during the financial year; and*
 - (iii) *the amount to be used during the financial year; and*
 - (iv) *the closing balance at 30 June;*
- and*
- (h) *if all or part of the money in a reserve account is to be used or set aside for a purpose other than the purpose for which the account was established —*
 - (i) *the proposed purpose; and*

- (ii) *an estimate of the amount to be used or set aside; and*
 - (iii) *the objects of, and reasons for, the change of use or purpose;**and*
- (i) *separately, in relation to each trading undertaking —*
 - (i) *in the form of an income statement, projected revenue and expenditure; and*
 - (ii) *such other information as is necessary to provide full and complete information on the undertaking;**and*
- (j) *in relation to each major trading undertaking, all other estimated revenue and expenditure which is not included in the income statement referred to in paragraph (i)(i) but which has been used in the pricing structure for goods or services to be provided by the undertaking; and*
- (k) *separately, in relation to each major land transaction (according to nature or type classification) —*
 - (i) *an estimate of revenue and expenditure for the financial year; and*
 - (ii) *where the transaction was initially entered into in a previous financial year, the estimated assets and liabilities at 1 July of the year for which the annual budget is prepared; and*
 - (iii) *such other information as is necessary to provide full and complete information on the transaction;**and*
- (l) *in relation to fees, expenses or allowances proposed to be paid to council members, the mayor or the president —*
 - (i) *the nature of the fee, expense or allowance; and*
 - (ii) *an estimate of the total amount or value of each class of fee, expense or allowance;**and*
- (m) *in relation to each program, the type of activities within the program; and*
- (n) *in relation to depreciation on non-current assets, an estimate of the depreciation for the financial year included in the operating expenditure for each program in the income statement.”*

Strategic Implications

➤ Strategic Community Plan

Vision Element: Developing
Strategic Goal: The population and economic base is expanding sustainably
Key Priority: Governance

➤ **Corporate Business Plan**

Strategy: SP.D4.3 – Practice prudent management of financial resources
Action #: 1
Action: Deliver long term financial planning for asset replacement and new capital projects
Action #: 2
Action: Continue to provide prudent financial controls and compliance systems
Directorate: Corporate Services
Timeline: Ongoing

Sustainability Implications

➤ **Strategic Resource Plan**

Nil

➤ **Workforce Plan**

Directorate: Nil
Activity: Nil
Current Staff: Nil
Focus Area: Nil
Strategy Code: Nil
Strategy: Nil
Implications: Nil

Risk Implications

Council would be contravening the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996* if this item was not presented to Council.

Financial Implications

Nil

Voting Requirements



Simple Majority



Absolute Majority

Officer's Recommendation / Resolution

Moved: Cr Flockart

Seconded: Cr Patroni

82195 That:

1. the purpose of the Reserve funds be as follows:

Reserve	Purpose
Employee Entitlement Reserve	To be utilised to fund staff leave as required

Reserve (...Cont/)	Purpose
Declared Disaster Relief Reserve	To be utilised to contribute to liabilities arising from a declared natural disaster to meet WAANDRA eligibility minimum spend
Cummings Street Reserve	To be utilised for all maintenance and capital costs associated with Council owned units in Cummings Street, Merredin
Recreation Development Reserve	To be utilised to fund future development and major renewals in relation to recreation
Waste Management Reserve	To be utilised for the collection, transport, storage, treatment, processing, sorting, recycling or disposal of waste; or the provision of receptacles for the temporary deposit of waste; or the provision of waste facilities, machinery for the disposal of waste and processes dealing with waste
Plant Replacement Reserve	To be utilised to fund future capital plant purchases
Building Reserve	To be utilised to fund future building construction and major maintenance within the Shire of Merredin
Land and Development Reserve	To be utilised to fund major land development/purchases within the Shire of Merredin
Unspent Grants Reserve	To be utilised for the quarantine of Grant monies awaiting completion of works
ITC Reserve	To be utilised to fund future ITC requirements

2. Council rationalise its Reserve Accounts as follows:

- a. the Road Reinstatement Reserve be closed and the balance be transferred to the Disaster Relief Reserve;
- b. the Heritage Reserve be closed and the funds be utilised in the 2018/19 Budget for the works required on the Fly Tower at Cummins Theatre; and
- c. the Environmental Initiatives Reserve be closed and the funds transferred to the Buildings Reserve.

CARRIED BY ABSOLUTE MAJORITY 9/o