

POLICY NUMBER	-	3.18
POLICY SUBJECT	-	3.18 Financial Reserves
ADOPTED	-	16 March 2010 (CM Ref 30274)
REVIEWED	-	19 June 2012 (CM Ref 30903)
REVIEWED	-	19 February 2013 (CM Ref 31058)
REVIEWED	-	17 March 2020 (CM Ref xxxxx)

OBJECTIVE

To establish a framework for the establishment and ongoing management of Cash Backed Reserves.

POLICY

Reserves are established to set aside funds for specific projects as determined.

Prior to the creation of a Reserve, Council shall adopt operating parameters in relation to the Reserve which are to set out:

- The purpose of the Reserve;
- The basis of calculation for any transfer to the Reserve;
- The basis of calculation for any transfer from the Reserve; and
- The proposed allocation of any unexpended balance remaining in the Reserve following completion of the project.

Every Reserve created must have a specific purpose and relate to the adopted 'Strategic Plan/Plan for the Future' of Council.

Expenditure from and transfers to Reserves can only be authorized by resolution of Council, specifying the amount of the transfer.

Each Monthly Financial Report to Council is to include a Schedule of Reserves, showing:

- Closing Balance as at the End of the Month (Actual).

Interest from Investments will be allocated to each of the Reserve Funds on a percentage weighting basis.

Authorised Reserves of Merredin Shire Council

Reserve Name: *Employee Entitlements Reserve*

Purpose: To ensure that adequate funds are available to finance Council's liability for employee leave entitlements.

Calculation Basis: Transfers to and from the Reserve will be based upon projected end of year liabilities relating to employees leave entitlements. The calculation of liabilities will consider such factors as length of

service of employees, applicable on-costs and probability of employees to reach applicable service levels.

Target Balance: Minimum of 75% of the employee leave liabilities as reported in Council's Annual Financial Statements.

Reserve Name: *Plant Replacement Reserve*

Purpose: To ensure adequate funds are available to purchase a responsive and modern plant fleet at the optimum replacement point.

Calculation Basis: Transfers from the Reserve are based plant purchases as per the Plant Replacement program and authorized by resolution of Council.

Target Balance: Sufficient to ensure adequate funding of appropriate upgrades of Council's plant purchases as per the Plant Replacement Program.

Reserve Name: *Building Reserve*

Purpose: To ensure adequate funds are available to fund future building construction and major maintenance of Shire of Merredin's Property portfolio.

Calculation Basis: Transfers to and from the Reserve are based upon the existence of, or proposal for, an annual budget allocation for an identified specific capital project and/or Long-Term Building Maintenance Program.

Target Balance: Sufficient to ensure adequate funding of appropriate upgrades of Council's Property Stocks as per the Long-Term Building Program.

Reserve Name: *Land and Development Reserve*

Purpose: To ensure adequate funds are available to fund major land developments/purchases within the Shire of Merredin, in addition to any feasibility studies or business cases.

Calculation Basis: Transfers to and from the reserve are based upon the net of sales and expenses related to land development. In the absence of such sales, an annual budget allocation may be determined by Council.

Target Balance: Sufficient to ensure adequate funding of land development and purchase proposals.

Reserve Name: *Recreation Development Reserve*

Purpose: To ensure adequate funds are available to fund future developments and major renewals of recreation facilities within the Shire of Merredin.

Calculation Basis: Transfers from Reserve to be in accordance with Council Resolution or budgeted expenditure in line with the Shire of Merredin's Plan for the Future/Strategic Plan.

Target Balance: Sufficient to ensure adequate funding of capital upgrades of the Merredin Shire's Recreation Facilities in accordance with the Shire of Merredin's Plan for the Future/Strategic Plan.

Reserve Name: *Cummings Street Units Reserve*

Purpose: To ensure adequate funds are available to meet Council's obligation to maintain the Cummings Crescent Units in accordance with the Joint Venture arrangement with Department of Housing.

Calculation Basis: Transfers to Reserve includes all excess income over expenditure as per the Joint Venture agreement.

Target Balance: Sufficient to ensure adequate funding of appropriate maintenance and repairs to the Cummings Crescent Unit.

Reserve Name: *Waste Management Reserve*

Purpose: To be utilized for the collection, transport, storage, treatment, processing, sorting, recycling or disposal of waste; the provision of receptacles for the temporary deposit of waste; the provision and management of waste facilities, machinery for the disposal of waste and processes for dealing with waste, and rehabilitation.

Calculation Basis: Transfers to and from Reserve are to include, income from Councils Refuse Maintenance Charge UV & GRV.

Target Balance: Sufficient to ensure adequate funding of related projects as per the Shire of Merredin's Plan for the

Future/Strategic Plan.

Reserve Name: *Declared Disaster Reserve*

Purpose: To ensure adequate funds are available to meet Council's obligation in the event of a natural disaster that is declared under the current WANDRAA system.

Calculation Basis: Transfers to Reserve includes the matching amount required, currently \$240,000.00. Council may consider allocating funds to cover events not declare as a disaster under the WANDRAA guidelines.

Target Balance: Sufficient to meet the needs as determined by WANDRAA Guidelines.

Reserve Name: *Information and Communication Technologies Reserve*

Purpose: To be utilized for the continuing upgrade of council's ICT requirements keeping council abreast with modern technology.

Calculation Basis: Transfers to and from Reserve are based on budgeted expenditure and Council foreseen future requirements.

Target Balance: Sufficient to ensure adequate funding of related ICT projects and future requirements

Reserve Name: *Apex Park Redevelopment Reserve*

Purpose: To ensure adequate funds are available to fund future redevelopment and extensions of Apex park.

Calculation Basis: Transfers from Reserve to be in accordance with Council Resolution or budgeted expenditure in line with the Shire of Merredin's Plan for the Future/Strategic Plan.

Target Balance: Sufficient to ensure adequate funding of capital upgrades of Apex Park Facilities in accordance with the Shire of Merredin's Plan for the Future/Strategic Plan.

Reserve Name: *Unspent Grants Reserve*

Purpose: To be utilized for any unspent grants paid to the Shire of Merredin and remaining unspent as at the 30th June of any year.

Calculation Basis: Transfers to and from Reserve are based on budgeted expenditure.

Target Balance: No defined Target.