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POLICY OWNER POSITION: Manager Financial Services

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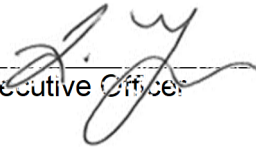
REVIEW DATE: 23/03/2027

DATE RESCINDED:

RELATED STRATEGIC DOCUMENTS, POLICIES OR PROCEDURES: Annual Budget
Financial Statements
Financial Plan

RELATED LEGISLATION: Local Government Act 1989
Local Government Act 2020

EVIDENCE OF APPROVAL:


Signed by Chief Executive Officer

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Policy documents are amended from time to time, therefore you should not rely on a printed copy being the current version. Please consult the Loddon Shire website to ensure that the version you are using is up to date.

This document is available in alternative formats (e.g. larger font) if requested.

1 PURPOSE

This policy outlines Council's commitment to the creation and maintenance of financial reserves to record future commitments for specific purpose expenditures. The policy will provide a rationale for the purpose of financial reserves and detail how the reserves funds are increased and decreased.

2 SCOPE

Financial Reserves are amounts of money set aside for specific purposes to be incurred in later years. In general, these funds do not have bank accounts of their own but are a theoretical component of the cash surplus that Council has on hand and is reported as a separate item within Council's Balance Sheet. If it is determined financially prudent to do so, a decision to amend the policy can be undertaken by Council resolution.

This policy excludes the Asset Revaluation reserve that arises under the Australian Accounting Standards, as it relates to change in the asset values rather than the collection of funds.

3 POLICY

Council will set aside funds in the reserve with amounts to be decided during the annual budget process and at any other time by Council resolution, with the amounts to be transferred accordingly.

For the reserves below, these may be approved by the Management Executive Group (MEG) as long as the movement fits within the specified purpose of the reserve. The Chief Executive Officer (CEO) may decide that approval is still required from Council via a formal report.

Council may also decide to borrow from one or several financial reserves for specific identified projects. This process will be formally approved by Council resolution which will include the total amount borrowed, from which specific reserves the borrowing will occur and a repayment schedule.

3.1 Purpose of reserves

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

This practice eliminates fluctuations in Council's annual budget for capital and large purchases and provides more consistency in the expenditure levels of Council each year.

3.2 Reporting of reserves

Council is required under the Local Government Act 2020 and financial reporting standards to disclose all reserves set aside for specific purposes in the Financial Statements. In addition to this Council is required to provide a further detailed statement in the Financial Statements and include a statement of movement and balances in the quarterly finance reports.

3.3 Current reserves

During the budget process Council outlines the expected transfers to reserves and transfers from reserves. These transactions will be in line with this policy.

The following are reserves currently used (or have been recently closed) by Council and specifies their purpose and conditions around annual movements.

Reserve name and purpose	Council transfers to the reserve	Council transfers from the reserve	Reserve movements approved by:
<p>Caravan Park Development Reserve: The Caravan Park Development Reserve is used to set aside surpluses made from the operations of Council's caravan parks to assist with financing major works carried out at those caravan parks.</p>	the annual surplus made on the operations of Council's caravan parks, to a maximum reserve level of \$800,000	funds required to finance major works undertaken at Council's caravan parks	Council
<p>Community Planning Reserve: The Community Planning Reserve is used to set aside unspent funds for community planning projects.</p>	annually cumulative unspent funds for each ward's community planning projects	the amount placed into the reserve at the end of the previous financial year	Council
<p>Flood Recovery Reserve: The Flood Recovery Reserve is used to assist with the delivery of unfunded flood restoration projects.</p>	annually an amount determined during the budget process	the net cost of unfunded flood restoration projects	Council
<p>Gravel and Sand Pit (GSP) Reserve: The GSP Reserve is used to fund land purchase and development of gravel and sand pits used by Council for the extraction of road building materials.</p>	the annual surplus on operations of gravel and sand pits, to a maximum reserve level of \$500K	the cost of purchasing new sites and development of gravel and sand pits	Council – via the Annual Budget process
<p>Land and Buildings Reserve: The Land and Buildings Reserve is used to fund the purchase and development of land and buildings which includes residential, commercial and industrial.</p>	proceeds from the sale of Council owned land and buildings	the cost of purchase and development of Council owned land and buildings	Council
<p>Urban Drainage and Reservoir Reserve: The Urban Drainage Reserve is used to fund major urban drainage and reservoir works in towns within the Shire.</p>	annually an amount determined during the budget processes sufficient to fund future projects or to offset grant applications	the cost of projects as identified through the Budget process	Council

Reserve name and purpose	Council transfers to the reserve	Council transfers from the reserve	Reserve movements approved by:
<p>Waste Management Reserve: (previously known as Landfill Rehabilitation Reserve) The Waste Management Reserve is used to assist with the cost of strategic projects, compliance and long-term planning for Council's landfills and transfer stations.</p>	transfer an amount determined during the budget processes sufficient to fund potential waste management projects	the cost of strategic projects, compliance and long-term planning within Council landfills and transfer stations	Council

3.4 Closed reserves

<i>Closed in accordance with Financial Reserves Policy version 13</i>		
Reserve name and purpose	Closure date	Reason
<p>Capital Expenditure Reserve: The Capital Expenditure Reserve is used to set aside funds that have been budgeted for capital works projects in one financial year but will not be fully expended by the end of that year.</p>	1 July 2026	Process established where budgeted carry forwards are reported to Council in the first quarter of each new financial year.
<p>Fleet Replacement Reserve: The Fleet Replacement Reserve is used to fund replacement of Council's office vehicles.</p>	1 July 2026	Integrated into the capital program and the annual budgeting process.
<p>Information Technology Reserve: The Information Technology Reserve is used to assist with the purchase of information technology assets.</p>	1 July 2026	Integrated into the capital program and the annual budgeting process.
<p>Major Projects Reserve: The Major Projects Reserve is used to assist with the funding of major projects identified by Council.</p>	1 July 2026	Integrated into the capital program and the annual budgeting process.
<p>Plant Replacement Reserve: The Plant Replacement Reserve is used to fund plant purchases.</p>	1 July 2026	Integrated into the capital program and the annual budgeting process.
<p>Professional Development Reserve: The Professional Development Reserve is used to fund professional development undertaken by executive officers of Council.</p>	1 July 2026	This reserve is no longer used.
<p>Unfunded Superannuation Liability Reserve: The Unfunded Superannuation Liability Reserve is used to assist with the funding any call that may be made on Council as a result of shortfall in the Local Authorities Superannuation Fund Defined Benefits Plan.</p>	1 July 2026	Transferred to accumulated surplus due to strong surplus position of the Defined Benefits Fund.

Reserve name and purpose	Closure date	Reason
Unspent Grants Reserve: The Unspent Grants Reserve is used to set aside grants received in one financial year that will not be expended until a later financial year.	1 July 2026	Management of unspent grants per the applicable accounting standards.
<i>Closed in accordance with Financial Reserves Policy version 12:</i>		
Community Loans Scheme Reserve: The Community Loans Scheme Reserve is an allocation of funds used to provide interest free loans to community groups.	1 July 2025	Purpose of the reserve remains the same for all strategic documents until reviewed.
Heritage Loan Scheme Reserve: The Heritage Loan Scheme Reserve is used to provide loans to owners of properties located in significant heritage precincts, heritage registered buildings or structures of local heritage significance, to enable repair and maintenance of those buildings with the aims of quality appearance and public safety.	1 July 2025	Purpose of the reserve remains the same for all strategic documents until reviewed.
Little Lake Boort Water Reserve: The Little Lake Boort Water Reserve is used to secure proceeds of sale of temporary water rights relating to Little Lake Boort.	1 July 2025	This reserve is no longer used.
Swimming Pool Major Projects Reserve: The Swimming Pool Major Projects Reserve is used to fund unplanned major repairs and capital works at the various swimming pool sites across the Shire.	1 July 2025	The Recreation, Open Space and Aquatic Strategy now has yearly budget allocations to avoid any unplanned repairs and capital works required.
Unightly Premises Enforcement Provision Reserve: The Unightly Premises Enforcement Provision Reserve is used to provide funds to assist with the enforcement and rectification works on determined unightly premises with costs recouped via legal or other action.	1 July 2025	Purpose of the reserve remains the same for all strategic documents until reviewed.

4 HUMAN RIGHTS STATEMENT

It is considered that this policy does not impact negatively on any rights identified in the Charter of Human Rights Act (2007). Loddon Shire Council is committed to consultation and cooperation between management and employees. The Council will formally involve elected employee Health and Safety Representatives in any workplace change that may affect the health and safety of any of its employees.

5 REVIEW

The Manager Financial Services will review this policy for any necessary amendments no later than 1 year after adoption of this current version.