

## 3.18 Financial Reserves

### 1. POLICY PURPOSE

To outline the framework for the establishment and ongoing management of Financial Reserves.

### 2. POLICY SCOPE

This policy covers all Reserves created and held by the Shire of Merredin.

### 3. LEGISLATIVE REQUIREMENTS

*Local Government Act 1995*

*Local Government (Financial Management) Regulations 1996*

### 4. POLICY STATEMENT

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

#### 1.1 Creation of Reserves

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.

#### 1.2 Transfer of funds to and from Reserves

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

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

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

- Opening balance as at previous month;
- Interest earned during the month;
- Any transfers in or out during the month; and
- Closing balance as at end of month (Actual).

#### 1.3 Shire of Merredin Reserve Accounts and their Purpose

<b>Reserve Name:</b>	<b><i>Employee Entitlements Reserve</i></b>
<b>Purpose:</b>	To ensure that adequate funds are available to finance the Shire's liability for employee leave entitlements.
<b>Calculation Basis:</b>	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.

<b>Target Balance:</b>	Minimum of 75% of the employee leave liabilities as reported in the Shire's Annual Financial Statements.
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<b>Reserve Name:</b>	<b><i>Plant Replacement Reserve</i></b>
<b>Purpose:</b>	To ensure adequate funds are available to purchase a responsive and modern plant fleet at the optimum replacement point.
<b>Calculation Basis:</b>	Transfers from the Reserve are based on plant purchases as per the Plant Replacement Program and authorised by resolution of Council.
<b>Target Balance:</b>	Sufficient to ensure adequate funding of appropriate upgrades of the Shire's plant purchases as per the Plant Replacement Program.

<b>Reserve Name:</b>	<b><i>Buildings Reserve</i></b>
<b>Purpose:</b>	To ensure adequate funds are available to finance future building construction and major maintenance of the Shire of Merredin's property portfolio.
<b>Calculation Basis:</b>	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 Asset Management Plan.
<b>Target Balance:</b>	Sufficient to ensure adequate funding of appropriate upgrades of the Shire's Property Stocks as per the Asset Management Plan.

<b>Reserve Name:</b>	<b><i>Land and Development Reserve</i></b>
<b>Purpose:</b>	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.
<b>Calculation Basis:</b>	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.
<b>Target Balance:</b>	Sufficient to ensure adequate funding of land development and purchase proposals.

<b>Reserve Name:</b>	<b><i>Recreation Development Reserve</i></b>
<b>Purpose:</b>	To ensure adequate funds are available to fund future developments and major renewals of recreation facilities within the Shire of Merredin.
<b>Calculation Basis:</b>	Transfers from Reserve to be in accordance with Council Resolution or budgeted expenditure in line with the Shire of Merredin's Strategic Community Plan.
<b>Target Balance:</b>	Sufficient to ensure adequate funding of capital upgrades of the Merredin Shire's Recreation Facilities in accordance with the Shire of Merredin's Strategic Community Plan.

<b>Reserve Name:</b>	<b><i>Cummings Street Units Reserve</i></b>
<b>Purpose:</b>	To ensure adequate funds are available to meet the Shire's obligation to maintain the Cummings Street Units in accordance with the Joint Venture arrangement with the Department of Communities.
<b>Calculation Basis:</b>	Transfers to Reserve includes all excess income over expenditure as per the Joint Venture agreement.
<b>Target Balance:</b>	Sufficient to ensure adequate funding of appropriate maintenance and repairs to the Cummings Street Units.

<b>Reserve Name:</b>	<b><i>Waste Management Reserve</i></b>
<b>Purpose:</b>	To be utilised 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.
<b>Calculation Basis:</b>	Transfers to the Reserve are to be funded from the Shire's Refuse Maintenance Charge (UV & GRV) as required.
<b>Target Balance:</b>	Sufficient to ensure adequate funding of related projects as per the Shire of Merredin's Strategic Community Plan.

<b>Reserve Name:</b>	<b><i>Declared Disaster Reserve</i></b>
<b>Purpose:</b>	To ensure adequate funds are available to meet the Shire's obligation in the event of a natural disaster that is declared under the current Disaster Recovery Funding Arrangements WA (DRFAWA) system.
<b>Calculation Basis:</b>	Initial transfer to Reserve included the matching amount required by DRFAWA, \$240,000.00. Further transfers will be made if the required amount increases. Council may consider allocating additional funds to cover events not declared as a disaster under the DRFAWA guidelines.
<b>Target Balance:</b>	Sufficient to meet the needs as determined by DRFAWA Guidelines.

<b>Reserve Name:</b>	<b><i>Information and Communication Technologies (ICT) Reserve</i></b>
<b>Purpose:</b>	To be utilised for the continuing upgrade of the Shire's ICT requirements keeping council abreast with modern technology.
<b>Calculation Basis:</b>	Transfers to and from Reserve are based on budgeted expenditure and Council foreseen future requirements.
<b>Target Balance:</b>	Sufficient to ensure adequate funding of related ICT projects and future requirements.

<b>Reserve Name:</b>	<b><i>Apex Park Redevelopment Reserve</i></b>
<b>Purpose:</b>	To ensure adequate funds are available to fund future redevelopment and extensions of Apex Park.
<b>Calculation Basis:</b>	Transfers from Reserve to be in accordance with Council Resolution or budgeted expenditure in line with the Shire of Merredin's Strategic Community Plan.
<b>Target Balance:</b>	Sufficient to ensure adequate funding of capital upgrades of Apex Park Facilities in accordance with the Shire of Merredin's Strategic Community Plan.

<b>Reserve Name:</b>	<b><i>Unspent Grants Reserve</i></b>
<b>Purpose:</b>	To be utilised for any unspent grants paid to the Shire of Merredin and remaining unspent as at the 30 June of any year.
<b>Calculation Basis:</b>	Transfers to and from Reserve are based on budgeted expenditure.
<b>Target Balance:</b>	No defined Target.

<b>Reserve Name:</b>	<b><i>Roads Construction Merredin-Narembeen Road Reserve</i></b>
<b>Purpose:</b>	Future maintenance and construction of the Merredin-Narembeen Road.
<b>Calculation Basis:</b>	Transfers to and from Reserve are based on income received from

	Explaurum Operations Pty Ltd (Ramelius Resources) and budgeted expenditure.
<b>Target Balance:</b>	No defined Target.

<b>Reserve Name:</b>	<b><i>Housing Reserve</i></b>
<b>Purpose:</b>	To ensure adequate funds are available to finance future residential housing development and/ or upgrades.
<b>Calculation Basis:</b>	Transfers to and from the Reserve are to be by Council resolution or in accordance with the Shire of Merredin Annual Budget.
<b>Target Balance:</b>	Sufficient to ensure adequate funding of capital renewal or upgrades to Shire Residential Housing stock in accordance with the Shire of Merredin's strategic planning documentation.

## 5. KEY POLICY DEFINITIONS

N/A

## 6. ROLES AND RESPONSIBILITIES

The CEO is responsible for implementing this policy.

## 7. MONITOR AND REVIEW

This policy will be reviewed by the Executive Management Team every two years.

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