



Reserve and Provision Funding Policy

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1. PURPOSE

- 1.1 The purpose of this policy is to:
- 1.1.1 Ensure that Golden Plains Shire Council has established Reserve Funds that account for income that has been received from specific sources for a future application,
 - 1.1.2 Establish requirements around the creation of Reserves, transfer to reserves and subsequent expenditure of funds from these reserves, and
 - 1.1.3 Establish a mechanism for the funding of provisions.

2. SCOPE

- 2.1 This policy is applicable to both Discretionary and Statutory Reserves and includes creation of reserves, transfers of funds to reserves and subsequent usage of funds from reserves.
- 2.2 The following are excluded from this policy:
- 2.2.1 Asset Revaluation Reserves that arises under the Australian Accounting Standards as it relates to the change in asset values rather than the collection of funds, and
 - 2.2.2 Employee Entitlement Provisions accounted for in Council's Balance Sheet as they relate to change in liability values rather than the collection of funds.

3. POLICY STATEMENT

- 3.1 GPSC will maintain both Statutory and Discretionary Reserves that acknowledge the receipt of funds from particular sources to be applied to programs that are consistent with the purposes of that Reserve Fund.
- 3.2 For the purposes of efficient financial management it is acknowledged that in lieu of borrowings, Reserve Funds may be used to assist funding specific projects and are not designed to assist in general operations of Council.
- 3.3 Reserves represent a future commitment, or aspirations of projects. To ensure prudent financial management of these funds expenditure from these Reserves should form part of the Annual Budget program as approved by Council.
- 3.4 Provisions will be funded from cash balances when expended. Transfers from provisions should form part of the Annual Budget program to ensure funds are available.
- 3.5 As at 30 June each year GPSC's recorded cash balances will, as a minimum, be equivalent to the total of the Statutory and Discretionary Reserves balance.

4. PROCEDURES

4.1 *Statutory Reserves*

The use of funds from Statutory Reserves is governed by legislation (or other legal requirements) and records Council's future expenditure commitments. Statutory Reserves are also funds collected from developers or funding bodies that represent future obligations. These are separately accounted for to ensure sound financial management of future operations.

Where statutory funds are collected to fund future infrastructure there are legal requirements that govern how the funds must be spent. This may include expending the funds in accordance with the terms and conditions of the funding or on projects in the vicinity of the developments that the funds were collected in respect of.

4.2 *Discretionary Reserves*

As a general rule, income and expenditure should be budgeted in the financial year in which it occurs and should not be "set aside" in reserves for future use. However, GPSC does in some instances create discretionary reserves where:

- It is anticipated that extensive works will require funding over a period of time
- Funds are collected specifically for funding of capital works
- Council feels the need to isolate additional cash amounts to complement actual or contingent liability balances
- There is a legal or legislative requirement

4.3 *Transfer of Funds to Reserves*

Amounts transferred to individual discretionary and statutory reserves come from a variety of sources including:

- Open Space Contributions – contributions received in lieu of open space land to provide improved recreational facilities will be transferred to Reserves in the financial year the contributions are received
- Developer Contributions – contributions collected from property developers to develop new community infrastructure (such as footpaths, fencing, streetscape works and lighting) will be transferred to Reserves in the financial year the contributions are received
- Budget Transfers – transfers determined as part of the budget process (e.g. unexpended projects)
- Quarry Levy – funds collected from quarry operators utilized to maintain the local road network utilised by the quarries
- Waste Management – excess of waste management charges collected from customers less waste management expenses with funds committed to

future waste management expenses to ensure the full cost of the waste function is met by waste charges without any adverse impact on the budget

4.4 ***Transfer of Funds from Reserves***

All transfers of funds from a reserve must be for the agreed purposes for which the Reserve was created. Reserve transfers will be reported as part of the Annual Budget and Annual Financial Statement process.

- Transfers approved as part of the budget process – in most cases the transfer of funds from reserves will be approved as part of the Annual Budget process. For example - capital works projects need to include details of project funding including any planned use of reserves. Projects are then evaluated and submitted to Council for approval.
- Transfers of funds in excess of approved budget – in cases where a transfer of funds from a reserve was approved in the budget but subsequently a higher level of funding is required from reserves, approval must be sought before transfers are made. For transfers less than 10% variance and \$20,000 to budget Director Corporate Services approval is required, and for any variances greater than 10% and \$20,000 Chief Executive Officer approval is required.
- Transfer of funds not approved as part of the budget process – from time to time there may be a requirement to transfer funds from a reserve for purposes not foreseen when the budget was developed. Any such transfer from a reserve for purposes outside of budget must be approved by the Chief Executive Officer.

4.5 ***Transfer of Funds to Provisions***

Provisions may be statutory or discretionary, with the following held by GPSC:

- Statutory provisions – employee entitlements
- Discretionary provisions – landfill restoration and gravel pit restoration

Amounts transferred to discretionary provisions are included as part of the Annual Budget process.

5. RESPONSIBILITIES

Compliance, monitoring and review

5.1 This policy sits in the Directorate of Corporate Services, with the Finance Manager responsible for ensuring the policy:

- aligns with Australian Accounting Standards, relevant legislation, government policy and Council's requirements;
- is implemented and monitored (i.e. the policy is followed, reflects the changing policy environment, and emerging issues are identified); and
- is reviewed to evaluate its continuing effectiveness (e.g. achieving its purpose, remains relevant/current.)

Reporting

5.2 No additional reporting is required.

Records Management

5.3 Council must maintain all records relevant to administering this policy in accordance with the *Public Records Act 1973*.

6. DEFINITIONS OF TERMS OR ABBREVIATIONS USED

Terms and definitions <delete if not required>

6.1 **Reserves** are funds that have been set aside from Operating and Capital income for future funding of Capital projects or operating commitments. From an accounting perspective the value of these funds are recorded in Equity Balance Sheet ledger accounts. There are two main categories of Reserves – Statutory Reserves and Discretionary Reserves.

6.2 **Statutory Reserves** relate to where the usage of funds is governed by legislation (or other legal requirements) to record GPSC's future expenditure commitments. Reserves include:

- Recreation Lands (Open Space)
- Developer Contributions

6.3 **Discretionary Reserves** are records of future commitments kept at Council's discretion to ensure sound financial management of GPSC's operations and include:

- Unexpended Project Reserve (carry forward projects)
- Long Service Leave
- Quarry Levy
- Waste Management

6.4 **Provisions** are the recognition of liabilities of uncertain timing or amount. Discretionary provisions recognised by GPSC include:

- Landfill Restoration
- Gravel Pit Restoration

Council may choose to establish additional Discretionary Reserves in order to contribute to anticipated future cash commitments that may result from such liabilities.

7. RELATED LEGISLATION AND DOCUMENTS

Local Government Act 1989

Australian Accounting Standards

8. POLICY OWNER

8.1 Manager Finance is the policy owner.

9. DOCUMENT INFORMATION

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