

ADOPTED		VERSION NO	1.6
COUNCIL MEETING MIN NO	101/24	REVIEW DATE	APRIL 2028
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Objective

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

Legislative requirements

- Local Government Act 1993
- Local Government (General) Regulation 2021

Related policies and plans

Reserves are established to set aside funds for Council to allocate to specific projects, as required. 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 should have a specific purpose, and relate back to the adopted Integrating Planning and Reporting (IP&R) strategies and plans of Council. There should be a clear link between this policy, the Operational Plan/Delivery Program, and Councils Asset Management Plans and Community Plans.

Expenditure from and transfers to Reserves can only be authorised by resolution of Council, which must specify the amount. No transfer from any Reserve shall exceed the amount of the existing balance of the Reserve at the time of transfer, unless the Reserve overdraft has been approved by resolution of Council with the full impact of such overdraft taken into account for any financial management plans, and there is sufficient funds within the total Reserves balance to allow a temporary overdraft. Interest should be paid from the overdrawn Reserve account if the balance is material and interest is specified in the Reserve information as set out in the Authorised Reserves listing below.

Each Quarterly Budget Review Statement is to include a schedule of Reserves, showing:

- Opening Balance at 1 July;
- Estimated Transfer to Reserves;
- Estimated Transfer from Reserves;
- Estimated Closing Balance at 30 June; and
- Current Balance.

Authorised Reserves of Mid-Western Regional Council

INTERNALLY RESTRICTED RESERVES

Internally Restricted Reserves are funds that Council has determined will be used for a specific purpose. Council may resolve to change the purpose of these funds.

RESERVE NAME EMPLOYEE LEAVE ENTITLEMENTS RESERVE

Purpose: To ensure that adequate funds are available to finance employee leave entitlements such as long service leave, vesting sick leave, annual leave and redundancies.

Calculation Basis: Transfers to and from the Reserve will be based upon projected end of year liabilities relating to employee leave entitlements. The calculation of such liabilities takes into consideration the anticipated timing of employee leave entitlement payments based on a number of factors, including age demographics of employees.

Target Balance: The target balance will be based upon the age and anticipated payout date for each employee. The following levels of funding will be held to fund various age bands, based on expected employee leave liabilities at financial year end.

AGE BAND	% FUNDING OF GROSS ENTITLEMENT
60+	100%
55-60	60%
50-55	40%
45-50	20%
<45	10%

RESERVE NAME LAND DEVELOPMENT RESERVE

Purpose: To set aside funds for the costs associated with development and sale of land surplus to Council’s requirements and development of commercial property portfolio based upon the endorsed Fit For the Future Business Improvement Plan.

Calculation Basis: Transfers to and from the Reserve are based upon expenses related to specific land development endorsed by Council. This includes the purchase of land. Surplus balance may be transferred to unrestricted cash when endorsed by Council.

Target Balance: Funds are only to accumulate based on specific purpose requirements.

RESERVE NAME ELECTIONS RESERVE

Purpose: To finance the costs of elections.

Calculation Basis: Transfers to and from the Reserve are based upon the estimated costs of conducting elections every four years.

Target Balance: Sufficient to ensure funding of the next scheduled election.

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 to and from the Reserve are based upon

- Plant operating results
- Plant depreciation
- Plant purchases as per the approved plant replacement schedule
- Profit/loss on sales of plant

Target Balance: Operating Surplus + Depreciation + Profit on DOA – Purchases. This Reserve must maintain a minimum balance of \$250,000.

RESERVE NAME ASSET REPLACEMENT RESERVE

Purpose: To ensure adequate funds are available to replace existing assets to their previous level of service. Assets include infrastructure, office equipment and furniture.

Calculation Basis: Transfers to and from the Reserve are based upon projects adopted in the IP&R strategies and plans.

Target Balance: Sufficient to ensure funding of related projects as per IP&R strategies and plans.

RESERVE NAME CAPITAL PROGRAM RESERVE

Purpose: To provide funding for capital projects and Council initiatives not specifically identified in other reserves.

Calculation Basis: Transfers to and from the Reserve are based on the existence of, or proposal for, an annual budget allocation for an identified specific capital project or Council initiative.

Target Balance: Funds are only to accumulate based on specific purpose requirements.

RESERVE NAME STATE ROADS WARRANTY RESERVE

Purpose: To provide a quasi self-insurance for State Road works contracts, should cost of contracts exceed agreed Transport for NSW (TfNSW) contributions or road failures need repair as per TfNSW contract requirements.

Calculation Basis: Transfers from the Reserve are only permitted where State Road actuals fail to achieve budgeted results by a significant amount, impacting Council's levels of unrestricted working capital.

Target Balance: \$500,000

RESERVE NAME FUTURE FUND RESERVE

Purpose: To set aside funds in order to invest in future employment growth opportunities to support alternate economic development to the coal industry within the Mid-Western Region.

Calculation Basis: Transfers to and from the Reserve are based on the existence of or proposal for an annual budget allocation for future economic development opportunities.

Target Balance: Sufficient to ensure funding of economic and job growth initiatives as they are raised.

RESERVE NAME MUDGEES BICENTENARY

Purpose: To set aside funds for Mudgee's Bicentenary Celebration.

Calculation Basis: Transfers to and from the Reserve are based on approved funding towards events for Mudgee Bicentenary Celebrations.

Target Balance: No target. Reserve to be closed once Mudgee Bicentenary Celebrations are complete.

RESERVE NAME SEAL EXTENSION PROGRAM

Purpose: To set aside surplus funds from road work contributions to invest into a seal extension program

Calculation Basis: Transfers to the Reserve are based on the risk margin achieved on capital road work projects funded by private contributions, and are to be included in the reserve at Councils discretion. Transfers from the Reserve are to be for seal extension work

Target Balance: No target. The balance will capture surplus funds at any given time.

RESERVE NAME COMMERCIAL RESERVE

Purpose: To mitigate the operational financial risk associated with Council business areas that operate in an environment where financial returns may be variable, such as accommodation services and solar array operations. The reserve aims to smooth out variable results in order to reduce risk of impacts on unrestricted cash.

Calculation Basis: Transfers to and from the reserve are identified in the operational plan based on the forecast cash flow of the business areas, expected risks and Council's unrestricted cash levels.

Target Balance: No target. The balance held will depend on available surplus cash and assessment of cash required to address future estimate risk.

EXTERNALLY RESTRICTED RESERVES

Externally Restricted Reserves are where legislation governs the use of the funds. These funds must be spent for the specific purpose defined and cannot be used by Council for general operations.

RESERVE NAME WATER SUPPLY RESERVE

Purpose: To ensure adequate funds are available to replace existing water supply assets to their previous level of service and upgrade assets to meet future needs.

Calculation Basis: Transfers to and from the Water Supply Reserve will be in accordance with the adopted 30 year financial plan for the Water Supply Fund.

Target Balance: Sufficient to ensure adequate funding of related projects as per the IP&R strategies and plans and Council's 30 year financial plan.

RESERVE NAME SEWER RESERVE

Purpose: To ensure adequate funds are available to replace existing sewerage assets to their previous level of service and upgrade assets to meet future needs.

Calculation Basis: Transfers to and from the Sewerage Reserve will be in accordance with the adopted 30 year financial plan for the Sewerage Fund.

Target Balance: Sufficient to ensure funding of related projects as per the IP&R strategies and plans and Council's 30 year financial plan.

RESERVE NAME WASTE MANAGEMENT RESERVE

Purpose: To ensure adequate funds are available to replace existing waste management assets to their previous level of service and upgrade assets to meet future needs.

Calculation Basis: Transfers to and from the Waste Management Reserve will be in accordance with the adopted 30 year financial plan for the Waste Management Fund.

Target Balance: Sufficient to ensure funding of related projects as per the IP&R strategies and plans and Council's 30 year financial plan.

RESERVE NAME COMMUNITY SERVICES RESERVE

Purpose: To carry out Community Services projects and capture any operating surpluses of specific community service programs.

Calculation Basis: Funds transferred to and from Reserves will represent any surplus or deficit operating results (excluding surplus grant income), and savings to carry out specific planned capital projects.

Target Balance: \$100,000 maximum.

RESERVE NAME COMMUNITY TRANSPORT VEHICLE RESERVE

Purpose: To set aside funds for the purchase and replacement of Community Transports vehicle fleet, including necessary upgrades to make vehicles fit for purpose as required under the Community Transport Funding Agreement.

Calculation Basis: Funds transferred to and from Reserves will represent any surplus or deficit operating results (excluding specific purpose surplus grant income), and savings to carry out vehicle fleet replacement.

Target Balance: Sufficient to ensure funds are available to purchase vehicles as required under the Community Transport Funding Agreement.

RESERVE NAME COMMUNITY TENANCY SCHEME

Purpose: To carry out asset replacement and upgrades of existing properties held under the Community Tenancy Scheme or additional housing under the scheme, in accordance with the associated Deed of Agreement.

Calculation Basis: Funds transferred to and from the Reserve will represent any surplus or deficit operating results (excluding surplus grant income), and savings to carry out specific planned capital projects.

Target Balance: Sufficient to ensure funds are available to replace assets as identified in asset management planning.

RESERVE NAME BEQUEST – SIMPKINS PARK

Purpose: To preserve in trust the funds bequeathed to Council from the Estate of Phyllis Leeton Simpkins until such time as the expiration of the period limited by Perpetuity Act 1984 (estimated date of expiration is 2086).

Calculation Basis: Funds may only be transferred from the Reserve upon the expiration period (2086), and are restricted to use for further improvements and beautification of Simpkins Park.

Target Balance: No target. Interest on reserve is allocated annually and added to the principal funds. This is preserved until the expiration date.

RESERVE NAME FAMILY DAY CARE

Purpose: To ensure adequate funds are available to replace existing Family Day Care assets to their previous level of service.

Calculation Basis: Funds transferred to and from Reserves will represent any surplus or deficit annual results (excluding surplus grant income), and Councils designated operating contributions.

Target Balance As required to capture surplus funds at any given time.

RESERVE NAME PUBLIC ROAD CLOSURE COMPENSATION

Purpose: To ensure the compensation received from the disposal of public roads is recorded and expenditure is restricted for use on public roads as required under the Roads Act 1993.

Calculation Basis: All compensation received from the disposal of a public road is to be transferred to the Reserve. Funds transferred from Reserves will represent any approved expenditure for acquiring land for public roads or for carrying out road work on public roads.

Target Balance No target.