

# COUNCIL POLICY LG504

## FINANCIAL RESERVE ACCOUNTS

KEY FOCUS AREA **Leadership and Governance**



### Purpose

Reserve Accounts are used to fund important initiatives, and to better manage the peaks and troughs which occur in meeting the funding of major expenditures. The focus of this policy is on responsible financial management. The Town also has a Long Term Financial plan (LTFP), which details the estimated revenue and expenditure over a 10 year period, and identifies projects and initiatives which may require the Town to use the Reserve Accounts to ensure it has the funds available when needed.

The purpose of this policy is to ensure that:

- The maximisation of community benefit through exercising responsible financial management which includes the proper consideration of accessing the most appropriate funding sources (property rates, fees and user charges, grants / subsidies, borrowings, reserve funds, etc.).
- Reserve Accounts are established as sustainable financial management strategy to ensure funds are available to properly maintain, renew, enhance or provide community assets.
- The peaks and troughs which occur in funding requirements can be managed in a financially viable and sustainable way.
- Funds are correctly allocated and utilised in the Reserve Account established for that purpose.
- Funds are not retained at the expense of deteriorating infrastructure assets.

The *Local Government Act 1995* provides that the Town may set aside money for use for a purpose in a future financial year.

The *Local Government (Financial Management) Regulations 1996* requires that a Reserve Account has a title which identifies the purpose for which the funds have been reserved.

## Policy

Subject to funding requirement and capacity, the following principles are to be applied when determining Reserve Account allocations:

1. Funds are to be committed to the Town's Reserve accounts on an annual basis through the budgeting process;
2. Funds are to be set aside in accounts which identify their purpose and are set aside to be used for the established purpose at the appropriate time;
3. The LTFP provides guidance to Council on the financial sustainability of the Town and the use of Reserve Accounts to meet the funding needs of the Town.
4. The continued development of a Programmed Infrastructure Maintenance System is endorsed, to assist in determining resource commitments to asset funding as an ongoing improvement program;
5. Any surplus funds allocated for expenditure from the Reserve Accounts remaining at year end are to be carried over, or where appropriate, to be retained in the specified Reserve Account.

The purpose of all reserves shall be reviewed annually as part of the budget process.

Document Control Box			
<b>Legislation:</b>	<i>Local Government Act 1995</i> <i>Local Government (Financial Management) Regulations 1996</i>		
<b>Organisational:</b>	Nil		
Version #	Decision:	OCM Date:	Resolution Number:
1.	Adopted	6 December 2005	442/05
2.	Reviewed	December 2009	N/A
3.	Reviewed	5 October 2010	210/10
4.	Reviewed	10 December 2013	360/13
5.	Reviewed	9 December 2014	203/14
6.	Reviewed	13 December 2016	206/16
7.	Reviewed	18 December 2018	228/18
8.	Modified	28 November 2023	164/23