



2/019 FINANCIAL RESERVES

Objective

The objective of the Financial Reserves Policy is to provide a framework for the establishment and ongoing management of financial reserves.

Content

The Town has established a number of reserves for the purpose of setting aside funds for specific purposes with clear linkages to the adopted strategies and plans of the Town.

Reserves may be utilised only for the purpose for which they were created. As part of the ongoing management of the Financial Reserves, each Reserve will be reviewed on an annual basis as part of Budget preparation to ensure that the purpose of the Reserve is still current and maintains clear linkages with the adopted strategies and plans of the Town. The Local Government Act 1995 and Regulations prescribe the necessary steps should the Town seek to change the purpose of a Reserve or expend Reserve funds for an alternative purpose.

Reserves may be externally restricted (external funding requirement to restrict funds in a Reserve) or internally restricted (Town funds). As a general rule, interest earnings from investments will only be applied to externally restricted funds. All other interest will be applied to general purpose municipal revenue.

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 and from the reserve; and
- The proposed allocation of any unexpended balance remaining in the reserve following completion of the project.

Reserve funds may only be expended by an absolute majority resolution of Council, typically encompassed by the adoption of the budget or subsequent half yearly budget reviews.

Each month the financial report presented to Council is to include a schedule of Reserves, showing:

- Opening balance at 1 July;
- Budgeted transfer to reserves;
- Budgeted transfer from reserves;
- Estimated closing balance at 30 June; and
- Current balance

Authorised Reserves of the Town of Port Hedland

	Purpose	Calculation Funding/Basis	Target Balance
Employee Leave	To ensure that adequate funds are available to finance employee leave entitlements such as annual leave, long service leave, sick leave and redundancies.	Transfers to and from the Reserve will be based upon projected end of year non-current liabilities relating to employee leave entitlements.	100% of non-current employee leave liabilities as reported in Town of Port Hedland's Annual Financial Statements (Provisions Note).
Spoilbank	To fund the Port Hedland Spoilbank development.	Transfer to and from the Reserve are based on the contributions to and the expenditure associated with the Spoilbank development.	The Reserve will be depleted as the Spoilbank development is completed.
Asset Management – Infrastructure	To fund the ongoing maintenance, refurbishment, renewal, replacement and development of Council owned infrastructure assets within the Town of Port Hedland.	Transfers to the Reserve are dependent upon the level of rate revenue generated, contributions received, savings identified, and additional income achieved. Council can also make decisions to direct specific income to the Asset Management Infrastructure reserve. The current council decisions that have this direction are specific lease proceeds (CM201415/032) and proceeds from the sale of Kingsford	Sufficient to ensure adequate funding of annual renewal requirements set out in Council's Asset Management Plans. Target: To facilitate, on average, the attainment of a 110% Asset Sustainability Ratio every year



		Smith Business Parks lots (as per adopted budget). Transfers from the Reserve are based upon meeting the annual renewal requirements for the year in line with Council's Asset Management Plans (excluding Plant).	
Waste Management	To fund the development, operation, maintenance and capital expenditure for the Council's waste management facilities including the landfill and waste collection operations.	Transfer to and from the Reserve will represent any surplus or deficit generated from the Council's waste management facilities including landfill and waste collection operations and a return to the Municipal Fund for the return on investment.	The Reserve balance should be modelled to ensure sufficient funds are available in Reserve to meet future capital expenditure requirements as per the Landfill masterplan.
Plant	To fund the plant replacement program.	Where there are sufficient funds available, transfer an amount up to the annual plant depreciation to the Reserve. This should be adequate to meet future plant replacement funding requirements. Transfers from the Reserve will replenish the municipal fund for purchases as per the approved Plant Replacement Program.	No more than the annual depreciation of the Town's major and minor plant.

		Funds from the sale of plant and equipment are to be transferred to the reserve for use on replacement plant.	
Unfinished Works and Committed Works	To transfer unspent municipal funded expenditure on specific projects to enable identification of carryover expenditure into the next financial year.	Transfers to and from the Reserve will be based upon the unspent Municipal funded expenditure on specific projects identified at year end to enable the identification of carryover expenditure into the next financial year.	N/A
Strategic	To fund strategic projects as included in the Town's Strategic Community Plan and Corporate Business Plan.	Transfers to the reserve are dependent upon the level of rate revenue generated, contributions received, savings identified, additional income achieved. Transfers from the reserve will occur to fund strategic projects as included in the Town's Strategic Community Plan and Corporate Business Plan and identified in the Long Term Financial Plan and the annual budget.	The reserve balance will diminish as projects are completed.

Airport	To fund the future Port Hedland International Airport Capital Works commitments.	Transfer to or from the reserve will represent any surplus or deficit generated from the Port Hedland International Airport Capital Works Program being completed.	The reserve balance will diminish as capital works are completed, with any remaining balance to be transferred to the Asset Management Reserve.
Housing Reserve	To fund the maintenance, refurbishment, redevelopment and construction of Local Government provided housing.	Transfers to the reserve will be the sale proceeds from residential town properties.	A minimum, if not more than the annual depreciation of the Town's buildings – non-specialised.
Cyclone Response	To fund cyclone and emergency related projects.	Transfer to and from the Reserve are based on the contributions to and expenditure relating to Cyclone emergency response and projects that will improve the Town's ability to respond to cyclone emergencies.	The Reserve will be depleted and not replenished.
Financial risk reserve	To provide funds to mitigate against financial risks including legal cases with penalties awarded against the Town, SAT rulings upholding valuation objections on high value properties likely to cause	Transfers to the reserve are as budgeted each financial year. Transfers to the reserve will be rateable assessments that the Town deem as "at risk "of falling with in the reserves purpose (subject to legal cases, SAT rulings, valuation	No more than enough to cover any potential rate refunds that materially impact the Town's budget. The ideal balance will change on a yearly basis and is subject to an annual review.



	significantly large refunds and other unknown events potentially resulting in financial loss to the Town.	objections and may potentially result in a refund). Transfers to the reserve will not include the additional fees and charges included on the rates notice (eg. ESL levy). Transfers from the reserve will be on all assessments the Town deem as no longer at risk and will be return to the municipal funds.	
Landfill Establishment Reserve	To fund the closure and repatriation of the existing landfill facility situated at North Circular Road, South Hedland while also planning for the design, development and construction of a new landfill facility on a suitable designated site.	The required surplus generated from the Council's waste management facilities in line with the long term financial model.	The target balance will cover the long term financial modelling inclusive of all costs and requirements to meet the future capital expenditure requirements of the Landfill masterplan.



Definitions

Nil.

Relevant legislation	<i>Local Government Act 1995</i> Part 6 Division 4 s. 6.11 Reserve Accounts <i>Local Government (Financial Management) Act 1996</i>
Delegated authority	
Business unit	Financial Services
Directorate	Corporate Services

<i>Governance to complete this section</i>			
Version Control	Version No.	Resolution No.	Adoption date
	V01	CM201516/194	23 March 2016
	V02	CM201920/199	22 April 2020
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