KING ISLAND COUNCIL

Policy

FINANCIAL RESERVES POLICY

Responsible Officer: MANAGER FINANCE

Date: 19 November 2024

Review Date: 17 September 2028

1. Purpose

This policy will ensure that the management of reserve accounts is recognised as a strategic objective of Council. Successful management of these financial resources will support the long-term viability of Council for the present and future generations.

2. Background

Financial reserves are disclosed in Council's annual financial report as Other Reserves in the Statement of Changes in Equity and associated notes.

3. Scope

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

Reserves are established to set aside funds for Council to allocate to specific purposes, as required. The reserves are managed and documented according to the following operating parameters:

- 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.

4. Policy

Council reserves included to this policy are discretionary reserves created with a specific purpose by Council resolution. The use of reserve funds is managed in accordance with the guidelines determined by Council for each reserve as per this policy.

This policy does not apply to the following reserves as classified in the annual financial statements:

- Asset revaluation reserve – this is an accounting adjustment reserve to record the valuation movement of Council's infrastructure, property, plant and equipment as at 30 June each year.
- Fair value reserve – this is an accounting adjustment reserve to record the valuation movement of Council's shareholdings in TasWater as at 30 June each year.

4.1 GUIDELINES FOR MANAGEMENT

- Reserves are to be cash backed equal to the total balance of reserve.
- Borrowing between reserve accounts is prohibited, unless authorised by resolution of Council. Should any borrowing be approved the net movement in underlying cash is to be reflected in the balance of the reserve.
- Council will not maintain a negative balance in a reserve.

Council's discretionary reserves are delineated between minor and strategic reserves:

- Minor Reserves – funds put aside for a specific community group or for the maintenance of an identified community asset.

- Strategic Reserves – funds held for the purpose of major infrastructure development and/or to provide funding for future one off costs or asset investment. Strategic reserves support a mix of capital funding sources that is cross generational. Capital projects funded from a mix of reserves, rates and borrowings are paid by past, present and future generations respectively.

4.2 MINOR RESERVES

4.2.1 Lighthouse Reserve

Background
Ownership of the Currie Light House was previously transferred to Council. Council received an initial capital grant to be applied for the ongoing maintenance purposes. The Light House is not certified for navigational purposes and is essentially of historic aesthetic interest.

Purpose
To finance the costs associated with maintaining or developing the Light House.

Calculation Basis

Transfers to Reserve	Transfers from Reserve
• Interest earned from investment of reserve balance.	• Actual annual maintenance costs as per approved Council budget. • Capital expenditure for the lighthouse as determined by Council resolution.

4.2.2 Naracoopa Jetty Reserve

Background
Ownership of the Naracoopa jetty was transferred to Council in 2008. Council received an initial capital grant to be used for the upgrading and ongoing maintenance of the jetty. The jetty is certified for pedestrian traffic loads only and is used for recreational and tourism purposes.

Purpose
To finance the costs associated with maintaining or developing the Naracoopa jetty.

Calculation Basis

Transfers to Reserve	Transfers from Reserve
• Interest earned from investment of reserve balance. • Funding with reference to the Naracoopa Jetty Business Plan and subject to Council approval.	• Actual annual maintenance costs as per approved Council budget. • Capital expenditure at the jetty as determined by Council resolution.

4.2.3 Grassy Mine Infrastructure Reserve

Background
A planning permit, and associated agreement, issued to King Island Scheelite contained provisions for the establishment and management of this reserve.

Purpose
To provide funds for infrastructure for the benefit of the Grassy Community pursuant to the planning permit part 5 agreement.

Calculation Basis

Transfers to Reserve	Transfers from Reserve
• Interest earned from investment of reserve balance. • Part 5 contributions from King Island Scheelite (G6 Metals Ltd).	• Expenditure on infrastructure at Grassy as determined by Council resolution.

4.3 STRATEGIC RESERVES

4.3.1 Waste Management Reserve

Purpose
Funds set aside to be primarily directed to major one-off waste expenses including the acquisition of bins, costs associated with the operation of the Council's landfill, plant acquisition and landfill rehabilitation costs.

The source of funds to be derived from the annual operational surplus from waste management operations inclusive of returned waste levy payments. Where approved, funding may also be allocated from Council's overall operating surplus.

Calculation Basis

Transfers to Reserve	Transfers from Reserve
• Surplus from waste management operations or, where approved, an allocation from Council's operating surplus. • Interest earned from investment of any reserve balance.	• Capital expenditure for waste management as determined by Council.

4.3.2 Community Reserve

Background
As part of the process of the transfer of Water and Sewer ownership from Council to TasWater, Council received payment of a capital sum in return for the transfer of assets.

Purpose
To finance discretionary projects which benefit the King Island community.

Reserve funds may also be applied to address any external funding shortfalls including the cost of emergency management works or storm damage rectification.

Calculation Basis

Transfers to Reserve	Transfers from Reserve
• Interest earned from investment of reserve balance. • Annual dividends paid to Council by Tas Water.	• Transfers from the Reserve are based on a majority resolution by Council.

4.3.3 Asset Development Reserve

Purpose

This reserve is primarily created to support future infrastructure development and asset investment including:

- Seed funding to attract future capital government grants.
- Contributions towards future asset development works within the municipality.
- Property acquisition for the purpose of staff housing.

The source of funds is to be derived from the year-end cash operating surplus and/or the net proceeds from asset sales.

Calculation Basis

Transfers to Reserve	Transfers from Reserve
• Year-end cash surplus from Council operations. • Proceeds from asset sales.	• Funding of capital expenditure project works as determined by Council.

4.3.4 Grants in Advance Reserve

Purpose

Funds held from grant monies, to be expended in future financial years, and not recognised in the Balance Sheet as 'Unearned income / revenue'. External restrictions may or may not apply in line with individual funding agreements.

Where external restrictions do apply, such restrictions will be documented in the relevant funding agreement or grant deed. Grants and subsidies may be determined as restricted if the funds are to be repayable if these requirements of the funding agreement are not met.

Grants in advance may also include financial assistance grants received in advance for allocation to the ensuing financial year. Grant funds could comprise both the financial assistance general purpose grant and the financial assistance road's purpose grant.

Calculation Basis

Transfers to Reserve	Transfers from Reserve
• Reserve funds will be transferred to the reserve at the end of the financial year.	• Reserve funds will be transferred out of reserve at the beginning of the following year in accordance with the funding agreements and/or to match the offset expenditure in the Capital works program.

4.3.5 Airport Reserve

Purpose

The purpose of this reserve is to support the long-term viability of the King Island airport. Reserve funds may be sourced from annual operating surpluses for future allocation to capital and/or other airport related projects.

Calculation Basis

Transfers to Reserve	Transfers from Reserve
• Interest earned from investment of reserve balance. • Annual operational surplus from the airport operations.	• Capital projects at the airport as determined by Council resolution.

5. Legislation, Terminology and References

Applicable legislation:

All laws in connection with *Local Government Act 1993* (TAS) including Part 8 Financial Management, Section 73 Source of Funds.

Definitions	
Term	**Meaning**
Council	King Island Council
Councillor	An elected member of Council known as a Councillor or Alderman or otherwise meeting the definition of a 'councillor' as defined under section 3 of the *Local Government Act 1993* (TAS)
Employee	A person who carries out work for Council as an employee of Council.
General Manager	The general manager of Council as appointed under section 61 of the *Local Government Act 1993* (TAS).
Manager/Supervisor	A person at the Workplace who is appointed to a position that has management/supervisory responsibilities for others or their appropriately nominated or authorised delegate.
Other Persons at the Workplace	A person, other than a Councillor, who carries out work in any capacity for Council, including work as: (a) a contractor or subcontractor. (b) an employee of a contractor or subcontractor. (c) an employee of a labour hire company who has been assigned to work at Council. (d) an apprentice or trainee. (e) a student gaining work experience; or (f) a volunteer.
Policy	Financial Reserves Policy
Workplace	A place where work is carried out for Council.

POLICY VERSION AND REVISION INFORMATION

Title: Financial Reserves Policy

Policy Maintained by: Manager Finance

Policy Commencement: 19 November 2024

Policy Review: 17 September 2028

Version No	Date	Resolution No	Responsible Officer
1.0	19.11.2024	282/24	Finance Manager