

Finance

Financial Reserves and Provision for Accrued Leave

Objective

To provide a strategic framework for the establishment and utilisation of Financial (cash-backed) Reserves and to remain a debt-free Shire.

Policy

Scope

This Policy applies to all cash-backed reserves. Reserves are funds retained to help meet future needs and mitigate financial pressures during challenging economic times, as well as facilitate planning for major works in the future. Reserves are an important funding strategy to help balance the current needs with the future needs of the community.

Reserves are typically created as long-term savings plans for future major expenditure which cannot be managed in a single budgetary year. The use of reserves is restricted by the *Local Government Act 1995* (“Act”) and the *Local Government (Financial Management) Regulations 1996* (“Regulations”), and each reserve is required to be established with a clearly defined purpose.

Shire of Koorda Reserves

In accordance with Council resolutions in relation to each reserve account, the purpose for which the reserves are set aside are as follows:

RESERVE NAME	PURPOSE
Leave	To fund annual, long service, accrued holiday and sick leave requirements.
Plant	To ensure plant purchases are funded from funds set aside and the use of those funds determined by a ten year Forward Plan, which is reviewed annually. The intent is that at least the annual plant depreciation component is set aside.
Road	To assist future road works difficult to fund on an annual basis including acts of nature.
Council Building	To fund the major asset category the Shire owns and allow some management of the various building requirements.
Recreation	To fund future upgrading, renovations and general requirements.
IT & Administration	To fund future technology that will require future updating.
Sewerage	To fund upgrading and replacement of the town sewerage treatment plant.
Community Bus	To fund the changeover of costs of the community bus.
Waste Management	To fund future refuse development.

Reserves will be established for known or predicted liabilities, or where it is prudent to set aside funds for specific purpose expenditure in future years in an aim to remain a debt free Shire.

Council will support the establishment of reserves in the following categories:

- Minimising in any one year the financial impact of major asset purchases or other significant non-recurrent expenditure.
- Risk mitigation and strategic opportunities that minimise the impact on the Shire’s operations in any one year from unanticipated financial risks and provide funds to take advantage of opportunities that arise that are aligned to strategic directions.
- Provide for a known liability listed in the Strategic Resourcing Plan (SRP) (*incorporating the Long-Term Financial Plan and Asset Management Plan*) or is predicted to be incurred

beyond the period of the SRP and is of a magnitude warranting accumulation over the extended period.

Reserves will be managed as follows:

- To comply with requirements of legislation or other contractual requirements, inline with Shire of Koorda Policy “F - Investments.”
- Interest earned on deposits in reserves shall be aggregated into the specific Reserve, to maximise the growth in the balance.
- When the purpose for a specific reserve is complete, any residual funds will be considered to be applied towards another purpose in the Annual Budget or in accordance with the requirements of Section 6.11(2) of the *Local Government Act 1995*.
- All transfers to and from reserves shall be reflected in the Annual Budget or as determined by Council.

Provision for Leave Liability

To ensure nil or minimal impact on Council’s annual operating budget, the Executive Management Team is to confirm that the correct level of funding is allocated to Council’s Leave Reserve to cover the current liability with relation to Long Service Leave and Annual Leave.

All Staff Leave Entitlements/Council Liability shall be recognised in accordance with relevant Employment Awards or Employment Contracts, and that all such liability to Council shall be calculated on an annual basis and recorded in accordance with the latest applicable Accounting Standards, or advice received from the Department of Local Government, Sport & Cultural Industries.

Related Documents (Legislation/Local Law/Policy/Procedure/Delegation)

Local Government Act 1995

- Section 6.2(4)(e) - Reserve particulars to be disclosed in the Annual Report
- Section 6.11 - Establishment and changes in purpose or use of a reserve
- Section 6.38 - Service charges to be placed in reserve

Local Government (Financial Management) Regulations 1996

- Regulation 17 - Reserve title and reserve purpose
- Regulation 18 - Public notice to change use of reserve not required
- Regulation 27(g) - Disclosure within the notes to the Annual Budget disclosures
- Regulation 38 - Disclosure within the notes to the Annual Financial Report

Shire of Koorda Policy “F - Investments”

Shire of Koorda Strategic Resourcing Plan

Shire of Koorda Integrated Strategic Plan

Shire of Koorda Annual Budget

Review History

Date	Council Resolution	Description of review/amendment
20/05/2026	RES: 060526	V1.1. Remove reference to reserves no longer used as per RES: 221125 (NRM, TV & Medical Practitioner).
24/03/2025	RES: 040325	V1.0. Merged Former Policies F5 & F12 and updated policy wording.
Former Policy: F5 Establishment of Reserve Accounts & F12 Provision for Accrued Leave (Long Service/Annual/Sick)		
31/07/2000		Adoption of Policy (F5)
31/07/2000		Adoption of Policy (F5)
15/06/2011	RES: 110611	Amendment to Policy