

Council

RESERVE ACCOUNTS - 2025/2026 ANNUAL
REVIEW

Annual Review of Reserve Accounts 2025/2026

Meeting Date: 28 April 2026

Number of Pages: 24



Shire of
Plantagenet

**Annual Review of
Reserve Accounts
2025/2026**

Prepared by:
Executive Manager –
Corporate & Community Services
March 2026

Contents

1. Background.....	3
2. Legislative Requirements.....	4
3. Existing Reserve Accounts	5
4. Review Framework	6
4.1 Are Existing Reserve Account Definitions/Purposes Appropriate?.....	6
4.2 Do Existing Reserves Cover All Major Future Expenditure?	10
4.3 Are Existing Reserve Account Balances Sufficient?.....	12
4.4 Are the Operational Parameters of Reserve Accounts Clearly Defined and Agreed?.....	18
5. Summary of Recommendations	20
Appendix A – Draft Council Policy.....	22

1. Background

Section 6.11 of the *Local Government Act 1995* states that ‘where a local government wishes to set aside money for use for a purpose in a future financial year, it is to establish and maintain a reserve account for each such purpose’.

Reserve accounts are one of the primary funding sources for major projects and a very important financial tool in managing the finances of the Shire day-to-day. Cash reserves are established and maintained to accumulate funds for the following purposes:

1. To smooth funding allocations over future years (e.g. Plant reserve);
2. To offset liabilities in respect of previously earned employee entitlements to the extent they require an outflow of funds not allocated in the annual budget (e.g. Employee Entitlements reserve);
3. To meet statutory obligations (e.g. Public Open Space – WAPC 99183 reserve);
4. To fund the renewal of existing physical/built assets (e.g. Hockey Ground Carpet Replacement reserve);
5. To fund future strategic initiatives and the provision of new services and facilities to future residents (e.g. Mount Barker Swimming Pool Revitalisation reserve);
6. To buffer against unpredictable events (e.g. Natural Disaster reserve);
7. To hold unspent grants and contributions (e.g. Spring Road Roadworks reserve); and/or
8. Other purposes as determined by the Council from time to time.

This review of reserve accounts seeks to ask the following questions:

- Existing reserve accounts established;
- Suitability of their current balances;
- Appropriateness of their defined purposes; and
- Operational parameters of each reserve account; and
- Deficiencies for the funding of future projects as identified in adopted forward plans.

The previous review of reserve accounts (for 2024/2025) was adopted by the Council at its meeting held 26 November 2024.

2. Legislative Requirements

Section 6.11 of the *Local Government Act 1995* legislates reserve accounts and states:

- (1) Subject to subsection (5), where a local government wishes to set aside money for use for a purpose in a future financial year, it is to establish and maintain a reserve account for each such purpose.
- (2) Subject to subsection (3), before a local government —
 - (a) changes* the purpose of a reserve account; or
 - (b) uses* the money in a reserve account for another purpose, it must give one month's local public notice of the proposed change of purpose or proposed use.
* *Absolute majority required.*
- (3) A local government is not required to give local public notice under subsection (2) —
 - (a) where the change of purpose or of proposed use of money has been disclosed in the annual budget of the local government for that financial year; or
 - (b) in such other circumstances as are prescribed.
- (4) A change of purpose of, or use of money in, a reserve account is to be disclosed in the annual financial report for the year in which the change occurs.
- (5) Regulations may prescribe the circumstances and the manner in which a local government may set aside money for use for a purpose in a future financial year without the requirement to establish and maintain a reserve account.

3. Existing Reserve Accounts

The Shire of Plantagenet currently has the following twenty-eight (28) reserve accounts:

Reserve Account Name	Balance 1 July 25
Meet Statutory Obligations:	
Public Open Space - WAPC 99183	\$14,508
Offset Liabilities:	
Employee Entitlements	\$193,406
Saleyards Operating Loss	\$322,348
Smooth Funding Allocations:	
Plant Replacement	\$875,501
Renew Existing Physical/Built Assets	
Hockey Ground Carpet Replacement	\$183,418
Standpipe	\$51,224
Museum Complex	\$22,446
Mount Barker Community Centre Building	\$280,708
Porongurup Hall	\$204,926
Plantagenet District Hall	\$51,867
Kendenup Hall	\$25,679
Narrikup Hall	\$25,679
Frost Park	\$51,867
Sounness Park	\$51,867
Mount Barker Swimming Pool Revitalisation	\$1,509,336
Dr Christopher Bourke Medical Centre	\$51,867
Shire Depot	\$102,717
Shire Administration Office	\$204,417
Future Strategic Initiatives	
Spring Road Roadworks	\$61,771
Drainage And Water Management	\$198,504
Waste Management	\$1,456,032
Waste Management Post Closure	\$10,396
Computer Software/Hardware Management	\$62,335
Saleyards Capital Improvement	\$195,273
Paths and Trails	\$72,501
Housing and Land	\$103,734
Wilson Park	\$101,700
Buffer Against Unpredictable Events	
Natural Disaster	\$76,019
	\$6,562,022

4. Review Framework

This review of reserve accounts seeks to ask the following questions:

1. Are existing reserve account definitions/purposes appropriate?
2. Do existing reserves cover all major future expenditure?
3. Are existing reserve account balances sufficient?
4. Are the operational parameters of reserve accounts clearly defined and agreed?

4.1 Are Existing Reserve Account Definitions/Purposes Appropriate?

The specific purpose for which each existing reserve account has been established (as required by the Local Government Act and adopted by the Council) are listed below. Commentary is provided where suggested improvements and/or changes could be considered.

Reserve Account & Purpose	Officer Comment
<u>Meet Statutory Obligations:</u>	
Public Open Space - WAPC 99183 To hold the cash in lieu of open space contribution held against the subdivision in WAPC reference 99183 until approval is granted to use those funds, pursuant to Section 6.11 of the Local Government Act 1995.	No change recommended.
<u>Offset Liabilities:</u>	
Employee entitlements To fund sick, annual and long service leave entitlements for former staff and unplanned payments of annual leave and LSL.	No change recommended.
Saleyards operating loss To retain a proportion of Mount Barker Regional Saleyards operating surpluses to fund operating deficits.	No change recommended.
<u>Smooth Funding Allocations:</u>	
Plant replacement To fund the purchase of vehicles, plant and machinery	No change recommended.
<u>Renew Existing Physical/Built Assets</u>	

<p>Hockey ground carpet replacement To contribute towards the planned replacement of carpet at the Sounness Park Hockey Ground.</p>	No change recommended.
<p>Standpipe To fund the repair, renewal and upgrade of water standpipes.</p>	No change recommended.
<p>Museum complex To fund the refurbishment of buildings at the Mount Barker Historical Museum Complex.</p>	No change recommended.
<p>Mount Barker Community Centre Building For the renewal, refurbishment and improvements to the Mount Barker Community Centre.</p>	No change recommended.
<p>Porongurup Hall For the renewal and upgrade of the Porongurup Hall</p>	No change recommended.
<p>Plantagenet District Hall For the renewal and upgrade of the Plantagenet District Hall.</p>	No change recommended.
<p>Kendenu Hall For the asset renewal and upgrade of the Kendenu Hall</p>	No change recommended.
<p>Narrikup Hall For the asset renewal and upgrade of the Narrikup Hall</p>	No change recommended.
<p>Frost Park For the asset renewal and upgrade of Frost Park buildings and infrastructure.</p>	No change recommended.
<p>Sounness Park For the asset renewal and upgrade of Sounness Park buildings and infrastructure</p>	No change recommended.
<p>Mount Barker swimming pool revitalisation To fund planning and capital works associated with the revitalisation of the Mount Barker Memorial Swimming Pool.</p>	No change recommended.
<p>Dr Christopher Bourke Medical Centre For the asset renewal and upgrade of the Dr Christopher Bourke Medical Centre</p>	No change recommended.
<p>Shire Depot For the asset renewal and upgrade of the Shire Depot</p>	No change recommended.

<p>Shire Administration Office For the asset renewal and upgrade of the Shire Administration Office</p>	No change recommended.
<p><u>Future Strategic Initiatives</u></p>	
<p>Spring Road roadworks To fund the construction of roadworks in Spring Road, Porongurup as required by the relevant subdivision condition.</p>	No change recommended.
<p>Drainage and water management To fund the purchase of land for drainage purposes and carry out major drainage works and projects identified in the Shire of Plantagenet Water Strategy 2020</p>	<p>The reference to the Water Strategy 2020 is too specific. Suggest changing to: "To fund the purchase of land for drainage purposes and to carry out major drainage works and projects."</p>
<p>Waste management To fund waste management infrastructure and major items of associated plant and equipment.</p>	No change recommended.
<p>Waste Management – Post Closure To fund expenditure associated with the implementation of the Closure and Post Closure Management Plan for the Mount Barker Waste Management Facility</p>	No change recommended.
<p>Computer software/hardware management To fund the upgrade of business system software and hardware with latest versions and additional functionality.</p>	No change recommended.
<p>Saleyards Capital Improvement To fund capital works and purchases at the Mount Barker Regional Saleyards.</p>	<p>The current practice is for Saleyards specific loan principal repayments to also be transferred from this reserve. Recommend updating definition accordingly. E.g. "To fund capital works and purchases and loan principal repayments at the Mount Barker Regional Saleyards."</p>
<p>Paths and trails To fund the development of new pathways, cycleway infrastructure and trails.</p>	No change recommended.

<p>Housing & Land For the development of land and construction and renewal of housing assets</p>	<p>No change recommended.</p>
<p>Wilson Park For the asset renewal and major upgrade of Wilson Park</p>	<p>No change recommended.</p>
<p><u>Buffer Against Unpredictable Events</u></p>	
<p>Natural Disaster To fund the Council's proportion of natural disaster events in the Shire of Plantagenet.</p>	<p>No change recommended.</p>

Summary of Recommendations – Question 4.1:

It is recommended to change the purpose of two reserve accounts as follows:

- a) Drainage and Water Management reserve account - To fund the purchase of land for drainage purposes and to carry out major drainage works and projects**
- b) Saleyards Capital Improvement - To fund capital works and purchases and loan principal repayments at the Mount Barker Regional Saleyards.**

4.2 Do Existing Reserves Cover All Major Future Expenditure?

An analysis of the appropriateness of existing reserve accounts does not give consideration to any new areas of future expenditure whereby a reserve account currently does not exist. The key tool used to identify future major projects is the Corporate Business Plan 2025-2029. An analysis of major projects in the Corporate Business Plan that requires money to be set aside over and above the annual budget process, and the relevant existing reserve account, are as follows:

Action Number	Corporate Action (Summary)	Existing Reserve Established?
1.1.1	Wilson Park Hub	Yes - Wilson Park
1.2.4	Heritage Dam Walking Trail	Yes - Paths & Trails
1.4.1	Mount Barker Swimming Pool Redevelopment	Yes - Mount Barker swimming pool revitalisation
1.4.4	Pwakkenbak Mountain Bike Trails	Yes - Paths & Trails
1.4.9	Priority elements from Sounness & Frost Park Master Plan	Yes - Frost Park reserve account Sounness Park reserve account
1.6.4	Lighting of public open space and Council assets	Yes - Mostly covered by Individual reserve accounts established for major buildings and infrastructure assets.
2.1.9	Mount Barker Cemetery Trail	Yes - Paths & Trails
2.2.1	Upgrade existing and delivery of new playgrounds and public open spaces	No – with the exception of Wilson Park
2.3.2	Porongurup Hall	Yes – Porongurup Hall
2.3.3	Plantagenet District Hall kitchen upgrade	Yes - Plantagenet District Hall
3.4.1	Implement the Worker Housing Study	Yes - Housing & Land
3.4.3	Implement the Local Housing Strategy	Yes - Housing & Land

Summary of Recommendations – Question 4.2:

From the analysis of the list of major projects identified above, consideration could be given to creating a ‘playgrounds’ reserve account or a ‘public open space’ reserve account. However, it is recommended that asset management work be undertaken on existing playground infrastructure to better plan for renewal requirements and major maintenance on the Shire’s existing playgrounds. Any new proposed playgrounds in the future would be an attractive project for grant funding.

4.3 Are Existing Reserve Account Balances Sufficient?

If a reserve account is 'to set aside money for use in a future financial year', then by its very nature it is assumed that the balance of a reserve account should be greater than what can easily be achieved in a normal budget process. For example, a \$50,000 standpipe upgrade can easily be accommodated in the annual budget. As such, **it is recommended that all reserve accounts have a minimum balance of \$100,000** to enable leveraging into bigger scale projects. This proposed minimum balance has been added to the attached draft policy to enable regular review and indexing.

An analysis of current reserve account balances with an Officer comment and a recommendation for each reserve is provided below:

Reserve Account Name	Actual Balance 1 July 2025	Budgeted Balance 30 June 2026	Comment	Recommendation
<u>Meet Statutory Obligations:</u>				
Public Open Space - WAPC 99183	14,508	15,040	Money has been set aside for a specific purpose.	Actively spend the funds for the intended purpose and then close the reserve
<u>Offset Liabilities:</u>				
Employee Entitlements	193,406	200,495	Proposed Policy would set goal at \$706,484	More funds required to slowly build reserve over time.
Saleyards Operating Loss	322,348	334,163	Proposed Policy would set goal at \$300,000	Transfer excess funds (\$34,000) to the Saleyards Capital Improvement reserve
<u>Smooth Funding Allocations:</u>				

Reserve Account Name	Actual Balance 1 July 2025	Budgeted Balance 30 June 2026	Comment	Recommendation
Plant Replacement	875,501	932,277	10-year plant replacement program shows balance of reserve doesn't go below \$815,000	Nil.
<u>Renew Existing Physical/Built Assets</u>				
Hockey Ground Carpet Replacement	183,418	210,141	Balance estimated to be adequate to fund Shire's portion.	Nil.
Standpipe	51,224	3,102	Question if reserve is required for a low value asset – can be funded through normal budget processes.	Close the reserve.
Museum Complex	22,446	23,269	Represents 1.5% of building asset value. Buildings are aged	More funds required
Mount Barker Community Centre Building	280,708	190,997	Represents 2.5% of building asset value.	More funds required
Porongurup Hall	204,926	12,438	Represents 4.4% of building asset value.	More funds required
Plantagenet District Hall	51,867	53,768	Represents 3.2% of building asset value.	More funds required

Reserve Account Name	Actual Balance 1 July 2025	Budgeted Balance 30 June 2026	Comment	Recommendation
Kendenup Hall	25,679	26,620	Represents 7.1% of building asset value.	More funds required
Narrikup Hall	25,679	26,620	Represents 6.1% of building asset value.	More funds required
Frost Park	51,867	53,768	Represents 1.9% of building and infrastructure asset value.	More funds required
Sounness Park	51,867	53,768	Represents 0.8% of building and infrastructure asset value.	More funds required
Mount Barker Swimming Pool Revitalisation	1,509,336	14,661	Major upgrade imminent. Maximum funds available are required.	More funds required
Dr Christopher Bourke Medical Centre	51,867	53,768	Represents 2.4% of building asset value.	More funds required
Shire Depot	102,717	106,482	Represents 5.8% of building asset value.	
Shire Administration Office	204,417	211,910	Represents 4.3% of building asset value.	More funds required
<u>Future Strategic Initiatives</u>				
Spring Road Roadworks	61,771	64,035	Project needs to be designed and costed. It is assumed reserve will be a partial contribution to total cost.	Nil.

Reserve Account Name	Actual Balance 1 July 2025	Budgeted Balance 30 June 2026	Comment	Recommendation
Drainage And Water Management	198,504	205,780	Project needs to be designed and costed, however, will increase in importance in a drying climate.	More funds required
Waste Management	1,456,032	626,422	Refer to Closure & Post Closure Financial Plan – January 2026	Nil.
Waste Management Post Closure	10,396	58,782	Refer to Closure & Post Closure Financial Plan – January 2026	Nil.
Computer Software/Hardware Management	62,335	64,620	New ERP system required next 3-5 years approx. \$300,000 - \$500,000)	More funds required
Saleyards Capital Improvement	195,273	153,757	Future capital and asset management requirements at the Saleyards are unknown.	10year Capital Expenditure Plan needed to define saleyards requirements and ensure self-sufficient operations continue.
Paths and Trails	72,501	75,158	Significant goals set in the Corporate Business Plan (refer 1.2.4, 1.4.2, 1.4.4, 1.4.5, 1.4.6, 2.1.9, 2.2.3 and 2.2.4)	More funds required
Housing and Land	103,734	27,536	High priority issue requiring significant funds to progress.	More funds required

Reserve Account Name	Actual Balance 1 July 2025	Budgeted Balance 30 June 2026	Comment	Recommendation
Wilson Park	101,700	5,428	Major upgrade imminent. Maximum funds possible are required for stage 1 & 2.	More funds required
<u>Buffer Against Unpredictable Events</u>				
Natural Disaster	76,019	378,805	Funds (\$267,286) utilised in previous financial year for flood event. Funds should be replenished when work is acquitted as per amended budget.	Nil.
	\$6,562,022	\$4,183,610		

Summary of Recommendations – Question 4.3:

1. The proposed Council Policy to include a position statement that all reserve accounts maintain a minimum balance of \$100,000; and
2. Seek to actively spend the funds and close the following reserve accounts in the 2026/2027 Draft Budget:
 - a. Public Open Space - WAPC 99183;
 - b. Standpipe
3. The following Reserve Accounts to have additional funds allocated to them in the 2026/2027 Draft Budget:
 - a. Employee Entitlements;
 - b. Museum Complex;
 - c. Mount Barker Community Centre Building;
 - d. Porongurup Hall;
 - e. Plantagenet District Hall;
 - f. Kendenup Hall;
 - g. Narrikup Hall;
 - h. Frost Park;
 - i. Sounness Park;
 - j. Mount Barker Swimming Pool Revitalisation;
 - k. Dr Christopher Bourke Medical Centre;
 - l. Shire Administration Office;
 - m. Drainage And Water Management;
 - n. Computer Software/Hardware Management
 - o. Paths and Trails
 - p. Housing and Land
 - q. Wilson Park
4. The 2026/2027 Draft Budget include a transfer of excess funds (\$34,000) from the 'Saleyards Operating Loss' reserve account to the 'Saleyards Capital Improvement' reserve account.

4.4 Are the Operational Parameters of Reserve Accounts Clearly Defined and Agreed?

The existing reserve accounts held by the Shire have been well managed in the past according to a variety of ad-hoc criteria and processes. It is recommended that these be defined in writing and form part of a Council Policy to ensure they receive (at minimum) a regular review.

The unwritten criteria currently in use that has been identified by staff are as follows:

(a) Plant Replacement

- The average annual net (after trade-in) expenditure on plant replacement over the life of the plant replacement program is transferred into this reserve account each year. (e.g. \$6m net expenditure over 10 years = \$600,000 per annum)
- The annual net (after trade-in) expenditure on plant replacement is transferred out of this account each year.

(b) Waste Management

- 100% of the Annual Waste Levy raised is allocated to this reserve.

(c) Mount Barker Regional Saleyards capital improvement

- The annual operating profit/loss (less depreciation) of the Saleyards to be transferred to/from this account each year.
- This reserve account funds all saleyards capital expenditure and saleyards loan principal repayments each year.

(d) Mount Barker Regional Saleyards operating loss

- Ideally, the balance of this reserve will remain at approximately \$300,000 (or 35% of annual Saleyards Fees and Charges (account 3130420)) to fund any possible losses incurred at the saleyards.

(e) Hockey ground carpet replacement

- \$20,000 is transferred into this reserve account each year.

It is recommended that the following new reserve operational parameters also be agreed (Council position over and above that currently identified above):

(a) Employee Leave

As a minimum, the level of this reserve should meet both the:

- Annual leave liability of each staff member in excess of one year's accrual; and
- long service leave liability for staff with seven (7) years or more continual service in local government.

This funding goal is to be implemented over several financial years to manage the financial impact.

(b) Waste Management

5% of the Annual Waste Levy raised is allocated to this reserve.

(c) Waste Management – Post Closure

95% of the Annual Waste Levy raised is allocated to this reserve.

(d) 'Renew Existing Physical/Built Assets' reserve accounts

These asset renewal reserve accounts to have a goal of being between 5% and 10% of asset value to cover major asset renewal requirements (such as roof replacement).

It is recommended that a new Council policy be created addressing specific reserve account treatments and minimum balances as listed above.

A recommended draft policy is attached as Appendix A.

5. Summary of Recommendations

- 1. Change the purpose of the following reserve accounts to:**
 - i. Drainage and Water Management reserve account - To fund the purchase of land for drainage purposes and to carry out major drainage works and projects**
 - ii. Saleyards Capital Improvement - To fund capital works and purchases and loan principal repayments at the Mount Barker Regional Saleyards.**

- 2. While no new reserve accounts are required, it is recommended that asset management planning be undertaken on:**
 - i. Existing playground infrastructure to better plan for renewal requirements and major maintenance on the Shire's existing playgrounds; and**
 - ii. Future capital and upgrade requirements at the Saleyards, via a 10-year capital expenditure plan.**

- 3. Seek to actively spend the funds and close the following reserve accounts in the 2026/2027 Draft Budget:**
 - a. Public Open Space - WAPC 99183;**
 - b. Standpipe**

- 4. The following Reserve Accounts to have additional funds allocated to them in the 2026/2027 Draft Budget:**
 - c. Employee Entitlements;**
 - d. Museum Complex;**
 - e. Mount Barker Community Centre Building;**
 - f. Porongurup Hall;**
 - g. Plantagenet District Hall;**
 - h. Kendenup Hall;**
 - i. Narrikup Hall;**
 - j. Frost Park;**
 - k. Sounness Park;**
 - l. Mount Barker Swimming Pool Revitalisation;**
 - m. Dr Christopher Bourke Medical Centre;**
 - n. Shire Administration Office;**
 - o. Drainage And Water Management;**
 - p. Computer Software/Hardware Management**

- q. Paths and Trails**
- r. Housing and Land**
- s. Wilson Park**

- 5. The 2026/2027 Draft Budget include a transfer of excess funds (\$34,000) from the 'Saleyards Operating Loss' reserve account to the 'Saleyards Capital Improvement' reserve account.**

- 6. Adopt the attached draft Council policy titled 'Financial Management – Reserve Accounts'.**

Appendix A – Draft Council Policy

DRAFT COUNCIL POLICY Financial Management – Reserve Accounts

Purpose

When preparing the annual budget each year, consideration will be given to the adequacy of reserve accounts for funding major projects as contained within the Community Strategic Plan, Corporate Business Plan and Long-Term Financial Plan. Ideally, the funding goal for major capital projects will be a one-third split between reserves, grants and borrowings.

The Executive Manager - Corporate and Community Services will conduct an annual review of all reserve accounts for the Council addressing the:

- Existing reserve accounts established;
- Suitability of their current balances;
- Appropriateness of their defined purposes; and
- Operational parameters of each reserve account; and
- Deficiencies for the funding of future projects as identified in adopted forward plans.

Policy

Minimum Reserve Account Balances

The balance of each reserve account should be greater than what can easily be achieved in a normal budget process, to enable leveraging into bigger scale projects. As such, all reserve accounts will ideally maintain a minimum balance of \$100,000.

'Renew Existing Physical/Built Assets' reserve accounts:

In addition to all reserve accounts maintaining a minimum balance of \$100,000, the asset renewal reserve accounts will also have a goal of the balance being between 5% and 10% of asset value, to cover major asset renewal requirements such as a roof replacement.

Operational Parameters

Specifically, the following criteria and guidelines are set for individual reserve account balances:

(a) Employee Entitlements

As a minimum, the level of this reserve should meet both:

- Annual leave liability of each staff member in excess of one year's accrual; and

- long service leave liability for staff with seven (7) years or more continual service in local government.

This funding goal is to be implemented over several financial years to manage the financial impact.

(b) Mount Barker Regional Saleyards operating loss

Ideally, the balance of this reserve will remain at approximately \$300,000 (or 35% of annual Saleyards Fees and Charges (account 3130420)) to fund any possible losses incurred at the saleyards.

(c) Plant Replacement

The average annual net (after trade-in) expenditure on plant replacement over the life of the plant replacement program is transferred into this account each year. (e.g. \$6m net expenditure over 10 years = \$600,000 per annum)

The annual net (after trade-in) expenditure on plant replacement is transferred out of this account each year.

(d) Hockey ground carpet replacement

\$20,000 is transferred into this reserve account each year.

(e) Waste Management

5% of the Annual Waste Levy raised is allocated to this reserve.

(f) Waste Management – Post Closure

95% of the Annual Waste Levy raised is allocated to this reserve.

(g) Mount Barker Regional Saleyards capital improvement

The annual operating profit or loss (less depreciation) of the Saleyards to be transferred to/from this account each year.

This reserve account funds all saleyards capital expenditure and saleyards loan principal repayments each year.