

# FINANCIAL MANGEMENT – RESERVE ACCOUNTS POLICY

## 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.

Document Control			
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<b>Reviewer</b>	Executive Manager	<b>Approval</b>	Council
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