



Name	FIN04 Financial Reserves
Policy Type	Council
Responsible Officer	Manager Corporate Services
Approval Date	21/06/2022
Review Date	20/06/2026

1. Purpose

To ensure sustainable and responsible financial management of Litchfield Council, through consistent identification, administration and usage of externally and internally restricted reserves.

2. Scope

This policy applies to all funds held in reserve.

3. Definitions

For the purposes of this Policy, the following definitions apply:

Financial Reserves	The term includes Asset Revaluation Reserves under Australian accounting Standards and other reserves as described in this policy.
Asset Revaluation Reserves	Reserves required by the Australian Accounting Standards and are not cash backed reserves.
Internally Restricted Reserves	Reserves established by Council to ensure that sufficient funds are available when required for a specific purpose. These reserves are cash backed.
Externally Restricted Reserves	Reserves that are subject to external restrictions in their purpose. These reserves are cash backed.

4. Policy Statement**4.1 Classification of Financial Reserves****4.1.1 Asset Revaluation Reserves**

This reserve is established under the requirements of the Australian Accounting Standards. It reflects the increments or decrements of fixed asset values as result of an asset revaluation.

4.1.2 Externally Restricted Reserves

The following criteria apply to externally restricted reserves:

- The reserve is subject to legal requirements that govern the use of the funds; or
- The reserve includes funds that have not been utilised for the purpose for which they were received, and an obligation or requirement to return funds to its contributor exist.

The following Council reserves are externally restricted reserves:

Externally Restricted Reserves	
Unexpended Grants and Contributions	This reserve holds the balance of unexpended grants and contributions received from external contributors. The funds are held in this reserve until expensed in line with the funding conditions. External restrictions apply in line with the individual funding agreements and Australian Accounting Standards.
Developer Contribution Reserve	This reserve holds contributions received by Council by developers in line with the Litchfield Council Developer Contribution Plan. Restrictions apply as set out in both the Plan and under provisions outlined in the Planning Act.
Waste Management Reserve	This reserve holds funds generated specifically from the Waste Management Department. In line with legislation requirements of charges being spent for the purposes raised these reserves will only be expensed on activities relating to Waste Management such as the renewal, replacement or upgrading of existing assets, the establishment of new assets in line with Council's Asset Management Plan, remedial works or strategic development of the Waste Service delivery.

4.1.3 Internally Restricted Reserves

The following criteria apply to internally restricted reserves:

- The reserve is not subject to legal requirements governing the use of the funds; or
- The reserve has been established for a specific internal purpose, however, if that purpose does not eventuate or Council changes its priorities the funding can be diverted to other purposes

The following Council reserves are internally restricted reserves:

Internally Restricted Reserves	
Asset Reserve	The reserve holds funding for renewal, replacement or upgrading of existing assets and/or the establishment of new assets in line with Council's Asset Management Plans.
Unexpended Capital Works Reserve	This reserve holds the balance of unexpended capital works funds that are requested to be carried forward to the following financial year.
Election Reserve	The reserve will fund expenses related to Council Member election including, unplanned By-Elections.
Disaster Recovery Reserve	This reserve will fund expenses occurred due to storms, storm surges, and floods or any other natural disaster. The fund will enable Litchfield Council to recover from these disasters and return to operations.
Strategic Initiatives Reserve	This reserve will fund strategic initiatives for the future development of Litchfield Council in line with the Municipal Plan and the Long Term Financial Plan. Specific initiatives must be identified in order to have funds allocated.
Thorak Regional Cemetery	This reserve holds surplus funds generated by Thorak Regional Cemetery.
Cash for Cans Reserve	Income from the cash for cans deposit scheme and old car batteries is used to support community projects and activities which address local needs, strengthen community relationships, build environmental sustainability and enhance the well-being of Litchfield residents. This reserve supports the Community Grants Scheme, and is utilised for identified need for financial support outside of the Community Grant Scheme, provided it is for direct community benefit.

4.2 Establishment of Financial Reserves

Asset Revaluation Reserves	Establishment of the reserve follows the Australian Accounting Standards.
Externally Restricted Reserves	A reserve will be established for any value if there is a legal requirement or a requirement under the Australian Accounting Standards.
Internally Restricted Reserves	The establishment of a new reserve must be authorised by Council and shall not be established for an amount less than \$100,000.

4.3 Transfer of funds in/out of Financial Reserves

For financial management purposes, all reserve transfers must be detailed separately.

Asset Revaluation Reserves	Transfer of funds follows the Australian Accounting Standards.
Externally Restricted Reserves	Transfer of funds is restricted to the relevant legal requirements and accounting standards.
Internally Restricted Reserves	Transfer of funds is made in line with 4.4 of this policy unless otherwise determined by Council resolution.

- 4.3.1 All transfers for reserves shall be assessed at least annually during the preparation of the budget and the Long Term Financial Plan. Transfers of reserves made under this policy require authorisation by Council resolution.
- 4.3.2 The total of all reserves shall not exceed the current assets less current liabilities held by Council.

4.4 Maintaining Balance of Financial Reserves

Transfers made at the end of the financial year shall be made with consideration to the following.

Thorak Regional Cemetery Reserve	Calculated as Thorak Regional Cemetery surplus/deficit (excluding depreciation), plus capital grant funding, minus capital expenditure
Election Reserve	This reserve shall be maintained at no more than \$200,000
Disaster Recovery Reserve	This reserve shall be maintained at or near \$400,000
Strategic Initiatives Reserve	This reserve shall be maintained at no more than \$500,000
Unexpended Capital Reserve	This reserve shall hold the balance of uncompleted capital works approved to carry over from the previous financial year
Asset Reserve	Will receive any surplus reserves once all other reserves have been replenished

4.5 Reporting on Financial Reserves

Council is required under Part 6 (13) (1) (c) of the Local Government (General) Regulations to disclose all reserves set aside for a specific purpose in its annual financial statement. In addition to this, reserves are reported on as follows:

- A detailed statement with movements as part of the annual budget.
- A detailed statement with actual performance compared to annual budget as part of the budget review reports.
- A statement of balances as part of the monthly finance report.

5. Associated Documents

Litchfield Council Policies
 Litchfield Council Municipal Plan
 Litchfield Council Long Term Financial Plan
 Litchfield Council Asset Management Plans
 Litchfield Council Asset Management Policy
 Litchfield Council Subdivisional Guidelines
 Litchfield Council Developer Contributions Plan

6. References and Legislation

Northern Territory Local Government Act 2019

Northern Territory Local Government (General) Regulations 2021, section 11

Australian Accounting Standards

7. Review History

Date Reviewed	Description of changes (Inc Decision No. if applicable)
17 September 2015	New policy 15/0097/02
13 December 2017	Reviewed
16 June 2021	Reviewed and updated
21 June 2022	Reviewed and updated