

POLICY



Date adopted: 30/05/2017
File no: 536437-1
Minute number: 148/2017

Policy title: **APPROPRIATION, CAPITAL AND EQUITY TRANSACTIONS**

Directorate: ORGANISATIONAL SERVICES

Branch: FINANCE

Policy objective: To ensure a level of control over equity transactions.

Policy scope:

This policy provides an explanation of the types of equity transactions permitted and their reporting and approval requirements.

For the purposes of this policy, an 'approval' means approval by Logan City Council through ordinary Council resolution and includes approval through budget or budget revision by Council resolution.

Unless otherwise specified, projects means operational and/or capital projects as described in the body of this policy. Capital projects are inclusive of Council investments in shares and loan redemptions.

Definitions:

Not applicable.

Policy statement:

1. Equity transactions

The types of equity transactions governed by this policy are:

- (a) revenue transfers to/from capital reserve
- (b) revenue transfers to/from capital funding
- (c) revenue transfers to/from reserves
- (d) reserve transfers to/from capital funding.

Revaluation transactions related to the adjustment of carrying values of Non Current Assets (NCA) are addressed in council's revaluation policy.

The Finance Manager is to manage and to advise council on the appropriateness of transfers.

Individual branch managers are responsible for the proper administration and reporting of funds transactions in relation to branches under their control.

- (a) Transfers to/from capital reserve are permitted in the following circumstances:
 - (i) Gain/(loss) on sale of non current assets and valuation of investment property is transferred to/(from) council capital reserve from/(to) council's appropriation statement to recognise an increase/(decrease) in community equity through capital gain/(loss).

- (ii) A write off of council non current assets per council policy is funded by a transfer from council capital reserve to council's appropriation statement to recognise a resultant decrease in community equity.
 - (iii) Council approved adjustments from capital reserve to fund operations.
 - (iv) Any other legal capital adjustment approved by council.
 - (b) Transfers to/from revenue for capital funding purposes are permitted in all circumstances approved by council. Types of transfers envisaged by this policy include:
 - (i) donated and contributed assets
 - (ii) capital grants and subsidies
 - (iii) divisional improvement funds approved by council for capital purposes
 - (iv) general revenue approved by Council for capital purposes
 - (v) cash contributions.
 - (c) Transfers from revenue and reserves are permitted in all circumstances approved by council per the Local Government Regulation 2012.
 Funds transferred to reserve may be for specific or general purpose and appropriate records are to be retained by branch management to ensure that funds are used in the approved manner.
 Types of transfers from revenue to reserves envisaged by this policy include:
 - (i) Internal funds approved by council as funding for operational or capital projects to be undertaken in the future.
 - (ii) External funds received by council from external contributors as general funding or as funding for specific operational or capital projects to be undertaken in the future. External funds received would include contributions provided to council by developers.
 - (d) Types of transfers from reserves to revenue envisaged by this policy include:
 - (i) Internal and external funds previously approved by council for general or specific operational purpose. The timing of transfer is to coincide with the related expenditure.
 - (ii) Refunds of contributions previously transferred to reserve.
 - (e) Transfers to/from reserves for capital funding purposes are permitted in all circumstances approved by council.
 The types of transfers from reserves to capital funding envisaged by this policy include:
 - (i) Internal and external contributions previously transferred to reserve as funding for future projects.
 - (ii) Approved allocation of interest raised on reserves to fund capital projects.
2. Internal funding reserve
- (a) An internal funding reserve is used for the temporary provision of existing reserve funds for project purposes.
 - (b) Allocations to the internal funding reserve are administered and governed by council's borrowing (externally and internally) policy.
3. Interest on reserves
- (a) Reserve balances are to be augmented through the transfer of additional funds to cater for the effect of inflation on future project costs.

- (b) Monies in reserves represent an accumulation of funds for future projects. Reserve funds held and invested on behalf of Logan City ratepayers are augmented by interest earned on investments, as a safeguard against inflation.
 - (c) The purpose of interest transfers to reserves is to warrant that sufficient funds exist to meet project needs in times of rising prices and to safeguard against the absorption of these revenues in the funding of current activities.
 - (d) Interest is applied to monthly reserve balances, excluding reprovitions, and the rate used is the average rate earned on council investments discounted by an administration charge as determined by council's Finance Manager.
4. Reporting and control
- (a) The Finance branch is to produce monthly appropriation and capital funding reports, by branch.
 - (b) Appropriation and capital funding statements are to be included in council's annual financial statements.
 - (c) Branch managers are to be responsible for the control and explanation of the following in relation to branches under their control:
 - (i) reserve balances and purpose
 - (ii) all appropriation, capital and equity transactions
 - (iii) sources and application of operational and capital funds.
5. Reprovitions
- (a) Reprovitions are a transfer of funds, previously allocated to appropriation or capital funding statements for operational or capital use respectively, to reserve.
 - (b) Reprovitions are permitted through the budget and amended budget process after scrutiny by Executive Leadership Team.
 - (c) Reprovitions approved in accordance with clause 23 will occur where funds received within a particular financial period have not been expended for the purpose intended and expenditure will take place in a future period for this purpose only.

Related policies/legislation/other documents:

DOC ID	DOCUMENT TYPE	DOCUMENT NAME
-	Legislation	Local Government Regulation 2012