

FIN016 Reserves Policy

1. POLICY CERTIFICATION

Policy title:	Reserves Policy
Policy number:	FIN016
Category:	Council Policy
Classification:	Finance
Link to Strategic Plan Goals:	Goal 1: Strong Leadership through Good Governance. Strong Financial Management, Corporate Planning and Operational Support
Link to Strategic Plan Strategy:	Goal 1: Further strengthen corporate governance and financial sustainability
Link to Business Plan Strategy:	Goal 1: Achieve strong Corporate Governance
Status:	Approved

2. PURPOSE

To promote the sustainable and responsible financial management of the Council through the consistent identification, management and reporting of internally and externally restricted reserves.

3. ORGANISATIONAL SCOPE

This Policy is applicable to Council's financial management activities and fall within the scope of the Directorate of Corporate Governance.

4. POLICY STATEMENT

Council recognises that to ensure the long term sustainability of the Council the Council needs to establish cash backed reserves to help smooth out funding requirements for major projects or contingencies.

Council defines a sustainable financial strategy as one which allows for the adequate provision for its programs (including capital expenditure) and services into the future with the intention that there is a predictable trend in the overall rate burden. The aim of Council's financial strategy is to allow for an equitable distribution of the costs of establishing and maintaining council assets and services between current and future ratepayers.

5. PRINCIPLES

Externally Restricted

Reserves that are classified as externally restricted must meet the following criteria:

1. There is a legal requirement that governs the use of the funds; or
2. If the funds are not utilised for the purpose for which they were received, there is a requirement or obligation to return the funding to its contributor

Council's Reserves that currently meet this criteria are typically unspent grants that are subject to specific expenditure requirements. The funds are held in this reserve until expended in accordance with the funding conditions.

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Internally Restricted

Reserves that are classified as internally restricted usually have the following characteristics:

- There is no legal requirement that governs the use of the funds; or
- The reserve has been established for some internal purpose, however, if that purpose does not eventuate or Council changes its priorities the funding can be diverted to something else

Council's Reserves that currently meet this criteria are as follows:

Reserve	Purpose
Roads Future Reserve	The reserve holds funding for renewal, replacement or upgrading of existing road infrastructure and/or the establishment of new road infrastructure in line with Council's Asset Management Plan for Infrastructure.
Waste Management Reserve	The reserve holds funding for renewal, replacement or upgrading of existing waste management assets and/or the establishment of new waste management assets.
Animal Management Reserve	This reserve holds funding for implementation of the Animal Management Plan including the development of assets, educational programs or other initiatives associated with the Animal Management program.
Election Reserve	The reserve will fund expenses related to Local Government elections and By-Elections.

Establishment of Reserves

A reserve will be established for any value if there is a legal requirement to do so or a requirement under the accounting standards.

Generally, internally restricted reserves will not be established for future expenditure for amounts less than \$100,000. Where possible, values less than this should be accommodated within the annual budget. Establishment of new reserves must be authorised by Council resolution.

Transfer of Funds in and out of Reserves

Subject to a review of the adequacy of reserves, transfers should be limited to the funding of those projects for which the reserve was specifically created for.

For financial management purposes all reserve transfers in and out of each reserve must be detailed separately with any specific constrained funds for projects identified within each reserve.

Distribution of surplus funds to internal reserves at the end of the financial year shall be undertaken under this policy such that any surplus funds allocated specifically for the purpose shall be distributed to the appropriate reserve. Distribution according to this policy do not require authorisation by Council resolution.

The total of all reserves shall not exceed the current assets held by Council. Required adjustments at the end of the financial year will be made in line with the surplus distribution mentioned above and do not need authorisation by Council resolution.

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Maintaining Balance of the Financial Reserves

Reserve	Purpose
Election Reserve	This reserve shall be maintained at no more than \$100,000

Internal Borrowings from Reserves

Internal borrowings may only occur from internally restricted reserves and not from externally restricted reserves. In determining whether internal borrowing should occur the criteria in Council's Borrowing Policy should be considered including intended purpose of the funds and term of the loan.

Internal borrowings are subject to the same requirements as external borrowings including:

Reporting on Reserves

Reporting on Financial Reserves

Council is required under Part 7 (15) (2) (c) of the Local Government (Accounting) 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.

Implementation and delegation

Implementation

This Policy will be implemented by the Finance Manager.

Delegation Authority

All transfers from reserves including any internal borrowing must be approved by Council by adoption of the budget and budget variations.

7. REFERENCES

Acknowledgements	Nil
Related Policies	FI001 Financial Delegations Manual; FIN006 Accounting and Policy Manual; FIN011 Investment Policy; FIN012 Revenue Growth and Financial Sustainability Policy.
Related Publications	Part 7 - Local Government (Accounting) Regulations
Related Supporting Documents	Nil

8. DOCUMENT CONTROL

Policy Number	FIN016
Policy Owner	Chief Executive Officer
Approved By	Council
Approval Date	29 May 2019

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Revisions	Nil
Amendments	Nil
Next revision due	June 2021

10. CONTACT PERSON

Position **Chief Financial Officer**
Contact number **08 8972 900**