

Reserves Policy

Reference Number: P62
 Organisational Unit: Finance
 Responsible Position: Chief Executive Officer
 Relevant Delegations: Nil
 Date Adopted: 5 May, 2016
 Review Date: Once during Council term

Objectives

To promote the sustainable and responsible financial management of the Council through the consistent application of Reserve classifications and identification of individual Reserve funding purposes.

Legislation and Reference

Part 7 (15) (2) (c) of the Local Government (Accounting) Regulations requires the Council to disclose all specific purpose reserves in its annual financial statement.

Scope

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 requirement of major capital expenditure.

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.

Policy

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.

Internally Restricted

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

1. There is no legal requirement that governs the use of the funds; or
2. 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 Name	Purpose
Fleet and Plant Replacement Reserve	Replacement and capital upgrades to the Council's plant, fleet and equipment.
Facilities Reserve	Upgrades and refurbishment of the Council's facilities

	including visitor and staff accommodation and offices.
Waste Management Reserve	Capital upgrades of waste facilities including rehabilitation of expended sites.
Employee Leave Reserve	Financing of leave entitlements carried forward
Animal Management Reserve	Animal control programs funds collected from Animal Management Special Rates.

General Reserves

These reserves are required by the accounting standards and are not cash backed unlike externally and internally restricted reserves.

Reserve Name	Purpose
Asset Revaluation	This reserve reflects the increments and decrements of Council's fixed assets as a result of revaluations in accordance with Australian Accounting Standards.

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.

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

Part 7 (15) (2) (c) of the Local Government (Accounting) Regulations requires the Council to disclose all specific purpose reserves in its annual financial statement.

In addition to this reserves are reported on as follows:



two ways :: one outcome

- A detailed budgeted Statement of Reserves is included in the Regional Council Plan and Long Term Financial Plan
- The total balance of reserves is reported in the Statement of Financial Position “Equity” section to Council monthly

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.

Definitions

Nil

History

Date	Comment
5 May, 2016	Reviewed and updated
5 June 2015	Adopted (CRN 084/2015)