

	<b>POLICY – FINANCIAL RESERVES</b>	<b>3.9</b>	
		<b>Version</b> 1	<b>Date</b> 25/10/06
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## 1. OBJECTIVE

To enable Council to provide cash backed financial reserves.  
This policy defines the purpose of each reserve and how they are to be managed to ensure that each year's budget accurately reflects the true cash position of Council.

## 2. SCOPE

This policy relates to all reserves of Council.

## 3. DEFINITIONS

Nil.

## 4. PROCEDURE

### **Establishment of Reserves:**

Council as a matter of policy will establish the following reserves;

1. Asset Reserve,
2. Statutory Reserves, and,
3. Restricted Reserves.

These reserves will operate within the parameters that are specified for each reserve.

### **1. Asset Reserve:**

These reserves are established for the purpose of minimising the impact on Council's operations in any one year from the expenditure of funds on assets purchases or to set aside funds to cover major expenditure on assets in future years.

#### ***A. Reserve for Sewerage Infrastructure:***

#### **Purpose of the reserve:**

To provide for the replacement and development of sewerage and stormwater infrastructure throughout the Municipality.

#### **How is the reserve to be established:**

Council will transfer to a reserve for Sewerage Infrastructure

- Any head works charges that are levied on developments via planning conditions, once they are received.
- Any reserve amount allocated as part of Council's annual Corporate Budget.
- The reserve is to be 100% cash backed.

**Classification of the reserve:**

- The reserve will be classified into the following components;
  - Bicheno Sewerage Reserve
  - Coles Bay Sewerage Reserve
  - Swansea Sewerage Reserve
  - Triabunna Sewerage Reserve
  - Orford Sewerage Reserve

**How are funds to be expended from the reserve:**

Council will transfer from the reserve:

- An amount equivalent to the cost of capital works associated with waste water treatment and infrastructure improvement.

**Term of the reserve:**

This reserve will operate in perpetuity.

***B. Reserve for Water Infrastructure:***

**Purpose of the reserve:**

To provide for the replacement and expansion of water reticulation and treatment infrastructure throughout the Municipality.

**How is the reserve to be established:**

Council will transfer to a reserve for Water Infrastructure

- Any head works charges that are levied on developments via planning conditions, once they are received.
- Any reserve amount allocated as part of Council's annual Corporate Budget.
- The reserve is to be 100% cash backed.

**Classification of the reserve:**

- The reserve will be classified into the following components;
  - Bicheno Water Reserve
  - Coles Bay Water Reserve
  - Swansea Water Reserve
  - Triabunna Water Reserve
  - Orford Water Reserve

**How are funds to be expended from the reserve:**

Council will transfer from the reserve:

- An amount equivalent to the cost of capital works associated with water treatment and infrastructure replacement or improvement.

**Term of the reserve:**

This reserve will operate in perpetuity.

**C. Reserve for Waste Management Infrastructure:****Purpose of the reserve:**

To provide for the replacement and expansion of waste management infrastructure throughout the Municipality.

**How is the reserve to be established:**

Council will transfer to a reserve for Waste Management Infrastructure

- Any reserve amount allocated as part of Council's annual Corporate Budget.
- The reserve is to be 100% cash backed.

**Classification of the reserve:**

- The reserve will be classified into the following components;
  - Bicheno Waste Management Reserve
  - Coles Bay Waste Management Reserve
  - Swansea Waste Management Reserve
  - Triabunna Waste Management Reserve
  - Orford Waste Management Reserve
  - Buckland Waste Management Reserve

**How are funds to be expended from the reserve:**

Council will transfer from the reserve:

- An amount equivalent to the cost of capital works associated with waste management infrastructure replacement or improvement.

**Term of the reserve:**

This reserve will operate in perpetuity.

**D. Reserve for Public Open Space Contributions:****Purpose of the reserve:**

To provide for the creation or development of recreation facilities and public open space infrastructure throughout the Municipality.

**How is the reserve to be established:**

Council will transfer to a reserve for Public Open Space Infrastructure

- Any contributions that are levied on developments via planning conditions, once they are received, and,
- Any contributions that are granted to Council for the benefit of the Municipality.
- Any reserve amount allocated as part of Council's annual Corporate Budget.
- The reserve is to be 100% cash backed.

**Classification of the reserve:**

- The reserve will be classified into the following components;

- Bicheno Public Open Space Reserve
- Coles Bay Public Open Space Reserve
- Swansea Public Open Space Reserve
- Triabunna Public Open Space Reserve
- Orford Public Open Space Reserve
- Buckland Public Open Space Reserve

**How are funds to be expended from the reserve:**

Council will transfer from the reserve:

- An amount equivalent to the cost of capital works associated with open space infrastructure replacement or improvement.

**Term of the reserve:**

This reserve will operate in perpetuity.

***E. Plant Replacement Reserve:***

**Purpose of reserve:**

On the basis that all items of plant have a useful life and that the upgrade or replacement of major plant (value in excess of \$100,000) is beyond the capacity of the Council to fund in any one year Council will establish a reserve for the upgrade or replacement of major plant.

**How is the reserve to be established:**

Council will transfer to a Plant Replacement Reserve:

- Any reserve amount allocated as part of Council's annual Corporate Budget.

**How are funds to be expended from the reserve:**

Council will transfer from the reserve:

- An amount equivalent to the cost of major plant replacement or upgrade.

**Term of the reserve:**

This reserve will operate in perpetuity.

***F. Reserve for Computer & Office Equipment:***

**Purpose of the reserve:**

To provide for the replacement and modernisation of office equipment and systems.

**How is the reserve to be established:**

Council will transfer to a reserve for computer and office equipment :

- Any reserve amount allocated as part of Council's annual Corporate Budget.
- The reserve is to be 100% cash backed.

**How are funds to be expended from the reserve:**

Council will transfer from the reserve:

- An amount equivalent to the cost of capital works associated with the purchase, upgrade or installation of office equipment and computer systems.

**Term of the reserve:**

This reserve will operate in perpetuity.

**2. Restricted Reserves:**

*Specific Grant Funds:*

**Purpose of the reserve:**

To meet Councils obligations to expend funds that have been received for specific purposes in accordance with grant conditions.

**How is the reserve to be established:**

- These reserves are established to set aside unexpended grant funds for future works required to be undertaken in accordance with grant conditions.
- The reserve is to be 100% cash backed.

**Council will transfer to the reserve:**

- Any grant funds for specific purposes.

**How are funds to be expended from the reserve:**

Council will transfer from the reserve:

- Any monies expended in accordance with grant conditions.

**Term of the reserve:**

This reserve will operate in perpetuity.

**Transfers to and from reserves**

Amounts to be transferred to reserves will be made at the discretion of the Manager Administrative & Financial Services, in accordance with the annual Corporate Budget.

**5. IMPLEMENTATION**

This policy is general practice.

**6. DELEGATION**

This policy delegates to the General Manager the authority to transfer amounts to/ from reserves in accordance with the adopted budget.

**7. RESPONSIBILITY**

This compliance of this policy is the responsibility of the Manager Corporate Services.

**8. REPORTING**

The balances of the reserves, and the transfers to and from the reserves for the current reporting period shall be reported Council.

## **9. STATUTORY REQUIREMENTS**

This policy is developed in association with;

- Relevant International Accounting Standards.
- The annual audit report for the Council, as tabled by the Auditor General.
- Local Government Act 1993

## **10. REFERENCES**

Nil.

## **11. ATTACHMENTS**

Nil.