

	<b>POLICY – FINANCIAL RESERVES</b>	<b>3.9</b>	
		<b>Version</b> 2	<b>Date</b> 15/03/2020
<b>Minutes Dated</b> 24 March 2020	<b>Approved By : Council</b> <b>Decision No : 82/20</b>	<b>Review Date -</b> <b>As required but no later than 2023</b>	

## 1. OBJECTIVE

To enable Council to provide cash backed financial reserves to meet contractual obligations such as:

- development contributions for council assets to be built in a future year;
- specific grant funds not spent in the same year as received;
- to meet future Eldercare obligations; and
- provide for replacement of assets.

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 financial reserves of Council.

## 3. DEFINITIONS

**Financial reserves:** an amount held in equity, that has been identified for a specific future purpose.

**Asset reserve:** a type of discretionary financial reserve that identifies an amount for the replacement of assets.

**Discretionary reserves:** are financial reserves that are determined and spent at the discretion of Council.

**Restricted reserves:** are financial reserves that are to meet contractual or statutory obligations.

**Cash backed reserves:** financial reserves that have sufficient cash & cash equivalent assets to fund them.

## 4. PROCEDURE

### Establishment of Reserves:

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

1. Asset Reserves, and

## 2. 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 by setting aside funding for asset replacement inline with consumption.

#### ***1.1 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 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 Budget.
- Only amounts that can be 100% cash back should be moved into reserve.

##### **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.

#### ***1.2 Asset Replacement Reserve***

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

On the basis that all infrastructure assets have a useful life and that the renewal of infrastructure assets occurs at various and uneven stages and may also need to be replaced or renewed in the event of an emergency such as a flood.

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

Council will transfer to an Asset Replacement Reserve:

- Any reserve amount allocated as part of Council's Budget.
- Taking into account infrastructure depreciation expense less amount spent on capital renewals for the year.
- Only amounts that can be 100% cash backed should be moved into reserve.

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

Council will transfer from the reserve:

- Any amount of capital asset renewals identified in Council's annual budget to be funded from the Asset Renewal Reserve.

- In the event of an emergency any amount approved by Council at a Council meeting as a budget variation.

**Term of the reserve**

This reserve will operate in perpetuity.

**2. Restricted Reserves**

***2.1 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 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 open space infrastructure replacement or improvement as allocated in the Council Budget.

**Term of the reserve**

This reserve will operate in perpetuity.

***2.2 Other Developer Contributions***

**Purpose of the reserve:**

To provide for the creation of new infrastructure within the Municipality in areas specific to where contributions have been received.

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

Council will transfer to a reserve for Other Developer Contributions

- Any contributions that are levied on developments via planning conditions, once they are received, and,
- 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 new infrastructure as allocated in the Council Budget that align to the areas that the contribution has been received.

**Term of the reserve:**

This reserve will operate in perpetuity.

### **2.3 *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**

- This reserve is 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 unexpended 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.

### **2.4 *Eldercare Reserve***

**Purpose of the reserve**

To provide for future upgrades and expansion of the Council owned Eldercare Units that provide independent aged care housing within the Municipality.

**How is the reserve to be established**

- This reserve is established to set aside unexpended Eldercare income for future works required to be undertaken.
- The reserve is to be 100% cash backed.

**Council will transfer to the reserve**

- Any excess income received from Eldercare rent, after paying for maintenance and capital works completed during the year.

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

Council will transfer from the reserve:

- Any monies expended on capital works that was included in the Council annual budget to be funded from the Eldercare Reserve.

**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 Senior Finance Officer in accordance with this policy.

**5. IMPLEMENTATION**

General Manager

**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 General Manager.

**8. REPORTING**

The balances of the reserves, and the transfers to and from the reserves for the current reporting period shall be reported to Council. All reserve balances should have be cash backed.

**9. STATUTORY REQUIREMENTS**

This policy is developed in association with;

- Relevant International Accounting Standards.
- The annual financial statements for the Council and model financial statements published by the Tasmanian Audit Office.
- Local Government Act 1993

**10. REFERENCES**

Nil.

**11. ATTACHMENTS**

Nil.