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| POLICY TITLE: | CASH RESERVES POLICY |
| POLICY NUMBER: | P16 |
| CATEGORY: | COUNCIL POLICY |
| CLASSIFICATION: | GOVERNANCE |
| STRATEGIC PLAN REFERENCE: | FINANCIAL MANAGEMENT |
| CORPORATE GOVERNANCE AND PERFORMANCE: Asset and Financial Management Plan to include a 10 year Building Upgrade/Replacement Program | |
| STATUS: Confirmed | Council Resolution: 2017/34 |
| Date Approved: Tuesday 18 April 2017 | Date for review: 2020 |

SUMMARY

This Policy outlines criteria for the classification of Reserves and establishes the purpose of individual Reserves.

OBJECTIVE

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

BACKGROUND

Council has limited cash investments of which a portion of those funds are to be set aside for future purposes; for example the replacement of Council's assets, whether they be plant and equipment or infrastructure. Over the term of Council's Long Term Financial Plan, cash backed reserves are used to fund and secure additional external funding required for major capital projects. This is in line with the definition of a sustainable financial strategy:

A sustainable financial strategy is one that allows for the adequate provision for 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

Classification of Reserves

1.1 Externally Restricted

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

- There is a legal requirement that governs the use of the funds; or
- 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 may meet this criteria are as follows:

1.2 Unspent Grants and Contributions

This reserve will hold the balance of unspent grants and contributions received that are subject to specific expenditure requirements. The funds are held in this reserve until expended in accordance with the funding conditions. The grants and contributions held in this reserve are actual funds received and not accruals or debtors raised in lieu of funds to be received at year end.

2.1 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;
- 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

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 must be detailed separately with any specific constrained funds for projects identified within each reserve.

All transfers must be authorised by Council resolution.

Assessing Adequacy of Reserve Funds

At least on an annual basis during the preparation of the budget and Long Term Financial Plan, Council will review its forward projections for reserves, borrowings and funding for major projects. All decisions to undertake reserve transfers will take into account projected borrowings and an analysis of the 'best possible use' of available funds.

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 intended purpose of the funds and term of the loan must be considered.

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

- Disclosure in Municipal Plan
- May only be undertaken by resolution of Council

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:

- A detailed budgeted Statement of Reserves is included in the Municipal Plan and Long Term Financial Plan
- The total balance of reserves is reported in the Statement of Financial Position to Council on a monthly

Implementation and delegation

Implementation

This Policy will be implemented by the Chief Executive Officer.

Delegation Authority

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

Evaluation and review

This Policy will be reviewed once during the term of the Council or as required.

REFERENCES:

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.