

	POLICY TITLE:	CASH RESERVES POLICY
	POLICY NUMBER:	P16
	CATEGORY:	COUNCIL POLICY
	RESPONSIBLE OFFICER:	CHIEF EXECUTIVE OFFICER

1. PURPOSE

This Policy ensures sustainable and responsible financial management of Wagait Shire Council's Cash Reserves, through consistent identification, administration and usage of these reserves.

2. SCOPE

Council has limited cash investments of which a portion of those funds are to be set aside for future purposes. 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. In addition, Reserves also include externally restricted funds.

3. DEFINITIONS

For the purposes of this policy, the following definitions apply:

Term	Definition
Internally Restricted Reserves	Are reserves established by Council to ensure that sufficient funds are available when required for a specific purpose. These reserves are cash backed.
Externally Restricted Reserves	Are reserves that are subject to external restrictions in their purpose. These reserves are cash backed.
Internal Borrowing	The transfer of reserve funds from one reserve to another, as an alternative to external borrowing, to be repaid at a future date as determined by council.

4. POLICY

4.1 Classification of Financial Reserves

4.1.1 Externally Restricted Reserves

The following criteria apply to externally restricted reserves:

- the reserve is subject to legal requirements that govern the use of the funds; or
- the reserve includes funds that have not been utilised for the purpose for which they were received, and an obligation or requirement to return funds to its contributor exist.

The following Council reserve is an externally restricted reserve:

Unexpended Grants and Contributions

This reserve holds the balance of unexpended grants and contributions received from

external contributors. The funds are held in this reserve until expensed in line with the funding conditions. External restrictions apply in line with the individual funding agreements.

4.1.3 Internally Restricted Reserves

The following criteria apply to internally restricted reserves:

- the reserve is not subject to legal requirements governing the use of the funds or;
- the reserve has been established for a specific internal purpose, however, if that purpose does not eventuate or Council changes its priorities the funding can be diverted to other purposes.

The following Council reserves are internally restricted reserves:

Asset Renewal Reserve

The reserve holds funding for renewal, replacement or upgrading of existing assets, including infrastructure, property and fleet. Specific renewals must be identified, and funds are to be allocated to those.

Election Expense Reserve

This reserve will hold funds for any upcoming Council election, or to help fund a by-election.

Major Initiatives Reserve

This reserve will fund major initiatives for the future development of Wagait Shire in line with identified major capital works, the Shire Plan and the Long-Term Financial Plan. Specific initiatives must be identified, and funds are to be allocated to those.

Unexpended Capital Works Reserve

This reserve holds the balance of unexpended capital works funds that are requested to be carried forward to the following financial year.

Disaster Recovery Reserve

This reserve will fund expenses incurred due to storms, cyclones, floods or any other natural disaster. The fund will enable Wagait Shire to recover from these disasters and return to normal operations.

4.2 Establishment of Financial Reserves

Asset Revaluation Reserves - Establishment of reserves follows the Australian Accounting Standards.

Externally Restricted Reserves - A reserve will be established for any value if there is a legal requirement or a requirement under the Australian Accounting Standards.

Internally Restricted Reserves - An establishment of a new reserve must be authorised by Council and generally, shall not be established for an amount less than \$100,000. Where possible, values less than this should be accommodated within the annual budget.

4.3 Transfer of Funds In/ Out of Financial 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 financial management purposes, all reserves 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.

Appropriate records and sufficient detail must accompany any reserve transfer. All transfers of reserves shall be assessed during the preparation of the annual budget and the annual financial statements. Budgeted reserve movements will also be reviewed during the budget review process.

4.4 Reporting on Finance Reserves

In line with the *Local Government (Accounting) Regulations*, Council is required to disclose all reserves set aside for a specific purpose in its annual financial statements. In addition, these reserves are reported on as follows:

- A detailed statement with expected movements as part of the annual budget.
- A detailed statement with expected performance compared to current approved annual budget as part of the budget review reports.
- A statement of approved budgeted balances as part of the monthly finance report.

5. ASSOCIATED DOCUMENTS

Wagait Shire Council Audited Financial Statements
Wagait Shire Council Long Term Financial Plan
Wagait Shire Council Shire Plan

6. REFERENCES AND LEGISLATION

Local Government Act 2008 (NT)

7. REVIEW HISTORY

Date Approved:	19.5.2015	Approved By: Moved: Cr T Dyer Seconded: Cr S Gamble Vote: Carried	Councillors – Resolution No. 2017/34	Date for review:	2020
Date Approved:	19.11.2019	Approved By: Moved: Cr N White Seconded: Cr G Drake Vote: AIF	Councillors – Resolution No. 2019/543	Date for review:	Next Term of Council