

	Policy Title:	Reserves Policy
	Policy Number.	
	Version Number/Date.	Version 2 November 2015

Purpose

The purpose of this policy is to establish requirements around the creation of Reserves, transfer to reserves and subsequent expenditure of funds from these reserves.

Scope

This policy is applicable to Discretionary Reserves, which may be varied from time to time where expenditure commitments may be created or retired.

This policy excludes the Asset Revaluation Reserve that arises under the Australian Accounting Standards because it relates to the change in asset values rather than the collection of funds.

Policy Statement

Council will maintain Discretionary Reserves that acknowledge the receipt of funds from particular sources to be applied on programs that are consistent with the purposes of that reserve fund.

For the purposes of efficient financial management it is acknowledged that in lieu of borrowings, reserve funds may only be used to fund specific budgeted expenditure, and therefore are not readily available for unbudgeted expenditure.

Reserves represent a record of future obligations. To efficiently manage the application of these funds, requests for reserve expenditure should form part of the annual budget program as approved by Council.

As at 30 June each year Council's recorded cash balances will as a minimum be equivalent to the total of the Discretionary reserve balance.

Discretionary Reserves

Discretionary Reserves are records of future obligations identified at Council's discretion; to ensure sound financial management of Council operations the following reserves are operated:

Waste Management

Purpose:

- Contribute towards remediation and future works at the Carisbrook landfill site.
- Contribute towards waste management capital works.
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This reserve was established to meet EPA's landfill financial assurance requirements in relation to the Carisbrook Landfill, transfers to and from the reserve are based on the budgeted reserve position at the end of the reporting period.

Gravel Pit

Purpose:

- Contribute towards remediation and future works of the Daisy Hill and Dunolly gravel pit sites

This reserve was established to fund future renewal works for Council's gravel pits located at Daisy Hill and Dunolly. Transfers to the reserve are based on an estimated restoration cost of \$5.10 per cubic metre of gravel used, and transfers from the reserve are in relation to actual expenditure on the gravel pits.

Defined Benefits Superannuation

Purpose:

- Provide for future liability related to Defined Benefits Superannuation.

Transfers to and from the reserve are based on the budgeted reserve position at the end of the reporting period.

Procedure

Creation of Discretionary Reserves

As a general rule, income and expenditure should be budgeted in the financial year in which it occurs and should not be “set aside” in reserves for future use.

However, Council does in some instances create discretionary reserves where:

- It is anticipated that extensive works will require funding over a period of time;
- Funds are collected specifically for funding of capital works; and
- There is a legal or legislative requirement.

If a new reserve is required, a written request must be provided to the Finance Manager for approval. The request should include the following details:

- Why the discretionary reserve is required (including any legislative requirements);
- Where the funds to be transferred to the reserve will come from;
- What the funds will be expended on, and when they will be spent;
- The value of the transfers into and out of the Reserve.

If approved, the Finance Manager will arrange for a new ledger to be created.

Arrangements will also be put in place for accounting transfers of funds to and from the reserve and the reporting of reserve balances.

From an accounting perspective the value of these funds are recorded in equity balance sheet ledger accounts, with a corresponding reserve investment in asset balance sheet ledger accounts.

Transfers of Funds to Reserves

Amounts transferred to individual reserves come from a variety of sources. For all reserves in existence the sources of funds paid into the reserves are outlined within the purpose of each reserve listed above.

For new reserves amounts transferred to the reserve must be from the sources outlined in the approved request.

Transfers of Funds from Reserves

All transfers of funds must be for the agreed purposes for which the reserve was created, listed above are the purposes for which the funds held within each reserve can be used.

- **Transfers Approved As Part of the Budget Process**

In most cases the transfer of funds from reserves will be approved as part of the budget process.

For example, capital works projects will include details of project funding including any planned use of reserves. Projects are then evaluated by the Executive team and submitted to Council for approval.

- **Transfers in Excess of the Approved Budget**

In cases where a transfer of funds from a reserve was approved in the budget but subsequently a higher level of funding is required from reserves, approval must be sought before transfers are made.

For all transfers from reserves which are in excess of the approved budget the CEO must approve the transfer.

- **Transfers of Funds not Approved as Part of the Budget Process**

From time to time there may be a requirement to transfer funds from a reserve for purposes not foreseen when the budget was developed. Any such transfer from a reserve for purposes outside of budget must be approved by the CEO and endorsed by Council (this may be as part of the Monthly Report).

Variations to this Policy

The policy should be subject to at least a bi-annual review process.

The General Manager Corporate and Community Services or their delegated representative is authorised to approve variations to this policy if required due to revised legislation or similar.

All significant changes to this policy are to be reported to the Audit Advisory Committee, within two months of the changes being made.

Definitions

Discretionary Reserves are those developed by Council where funds that have been set aside from operating and capital budgets for future funding of capital projects (or similar).

Responsibilities

Chief Executive Officer

- To oversee implementation of this policy

General Manager Corporate and Community Services

- To oversee implementation of this policy

Finance Manager

- To ensure Council Reserve funds are managed in accordance with the terms of this policy

Finance Officer

- To ensure Council Reserve funds are managed in accordance with the terms of this policy

Legislation and other references

Legislation

- Local Government Act 1989
Australian Accounting Standards

Human Rights Consideration

The implications of this Policy have been assessed in accordance with the requirements of the Charter of Human Rights and Responsibilities.

Information Privacy

This Policy has been developed to correspond with the four basic principles embedded in the *Privacy and Data Protection Act 2014*, those principles being;

- The public has a legal right of access to information.
- Local governments are required to publish information concerning the documents they hold.
- People may request that inaccurate, incomplete, out-of-date or misleading information in their personal records be amended.
- People may appeal against a decision not to give access to the information or not to amend a personal record.

Risk Assessment Reference

This Policy aligns to the core Risk Management Standards as outlined in the Central Goldfields Shire Council Risk Management Policy.

Control Information

Policy Category:	
Author	Finance Manager
Responsible Officer	General Manager Corporate & Community Services
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