



Policy title:	RESERVES POLICY
Policy number:	1.5.10
Objective:	To state the intended use and management of reserve funds
Link to community vision/service:	Leadership and participation
Program Area:	Finance
Policy created: 11/10/05	Council reviewed: 11/10/05, 10/10/06,24/10/07, 21/10/08, 20/10/09, 26/10/10, 27/10/11, 23/10/12, 08/10/13, 14/10/14, 13/10/15, 10/5/16. 11/09/18, 26/11/19, 13/4/21
Last reviewed by staff: 13/4/21	TRIM Ref: ED21/9605

BACKGROUND

This Policy is to clearly state the intended use of and management of reserve funds – cash, cash equivalents and investments – held by Council that can be used for any purpose determined by Council. For financial reporting purposes these are called ‘Internal Restrictions’ or ‘Unrestricted’ funds.

PURPOSE

Council controlled funds are to be reserved for the following purpose: -

- a) Funds Council holds on behalf of other parties, or
- b) Unexpended Special Rate Variation funds, or
- c) Carry forward or revote works funds, or
- d) Emergencies, or
- e) Economic development and growth, or
- f) Public infrastructure and buildings assets.

OPERATIONG GUIDELINES

- a) Funds Council holds on behalf of other parties
 - Applies to all funds that meet this category description.
- b) Unexpended Special Rate Variation funds
 - Applies to all funds that meet this category description.
- c) Carry forward or revote works funds
 - Applies to all funds that meet this category description.
- d) Emergencies
 - Definition: To provide funding for emergencies including natural disasters, pandemics, or essential/critical business failures.
 - Target Balance: Maximum Amount – \$1.1 million.

- Rules of Use:
 - a. All other funding sources must be used first.
 - b. Cannot be used for other reserve purposes, unless resolved by Council and lawful.
 - c. Cannot be used for Sewerage or Water Fund activities.

- e) Economic development and growth
 - Definition: To provide funding to support implementation of the Economic Development Strategy and economic growth opportunities.
 - Target Balance: Maximum Amount – \$1.0 million
 - Rules of Use:
 - a. Used as a co-contribution or investment for a project that has an approved business case and is included in the Delivery Program or Operational Plan and supports the Economic Development Strategy or economic growth.
 - b. Cannot be used for other reserve purposes, unless resolved by Council and lawful.
 - c. Cannot be used for Sewerage or Water Fund activities.

- f) Public infrastructure and buildings assets
 - Definition: To provide funding for asset renewal, rehabilitation or remediation requirements excluding road infrastructure.
 - Target Balance: \$3.0 million.
 - Rules of Use:
 - a. Must be used for renewal, rehabilitation or remediation of assets that will continue to provide functions/services specified in the Operational Plan or Delivery Program.
 - b. Where multiple assets seek access to funds the Council will resolve expenditure based on meeting legislative or public service obligations e.g. where the Council needs to choose between rehabilitating the quarry to get a better sale price or rehabilitating the waste facility to meet EPA requirements, the Council would choose the later as the best use of this reserve.
 - c. Cannot be used for other reserve purposes, unless resolved by Council and lawful.
 - d. Cannot be used for Sewerage or Water Fund activities.

MANAGEMENT

- Council to determine all reserves movements.
- Interest paid on reserves will be calculated using the average of opening/closing balances and CPI.
- All reserves must be cash, cash equivalent or investment funded. There will be no internal loans or working capital components.
- A summary of reserve balances and movements is to be reported with each Quarterly Budget Review Statement.
- An annual report must be presented to Council each year detailing all reserve movements.
- The Policy is to be reviewed at least once during each Council term.