

# City of Wagga Wagga

## FINANCIAL RESERVES FOR FUTURE EXPENDITURES POLICY

<b>REFERENCE NUMBER</b>	POL 021		
<b>ORIGINAL APPROVAL DATE</b>	August 2004		
<b>RESPONSIBLE MANAGER</b>	Manager Finance		
<b>RESPONSIBLE DIRECTORATE</b>	Finance		
<p>This document is to be reviewed: every four years or in the first twelve months of the new term of Council, whichever is the earliest. Next Review Date: May 2021</p>			
<b>Revision number</b>	<b>Issue Date</b>	<b>Council Resolution</b>	<b>Council Meeting Date</b>
1	23/08/2004	Res. No. 04/243	
2	1/07/2009	Res. No. 09/077	27 July 2009
3	May 2013	E-Team	18 June 2013
4	August 2013	Res No: 13/244.1	26 August 2013
5	August 2017	Res No: 17/279	28 August 2017
6	May 2018	General Manager	15 May 2018

## PART 1: INTRODUCTION

The setting aside of amounts of cash from revenues to fund future capital expenditures by establishing Reserves is a key component of Local Government financial management. It is a procedure almost universally adopted throughout Australian local government, and in most States - including NSW - all such Reserves must be cash-backed, with the Reserve balances included in Council's overall investment portfolio balance.

Because the cash set aside is not available for current operational or capital expenditure, the operation of these Reserves has a direct and immediate impact on Council's operational budget.

### 1.1 Policy Objectives

To establish a framework for the creation and maintenance of Reserves.

### 1.2 Scope of Policy

This Policy applies to all Reserves established by Council.

### 1.3 Definitions

Council	Wagga Wagga City Council
Declared business operation	Operations declared by Council for the purposes of the implementation of National Competition Policy
External restriction	Cash, cash equivalents and investments which are required by law to be set aside for the specific identified purpose
Internal restriction	Cash, cash equivalents and investments which have been set aside by Council for a specific identified purpose

### 1.4 Legislative Documents

Local Government Act 1993 (as amended)  
 Local Government (General) Regulations  
 Local Government Code of Accounting Practice and Financial Reporting  
 Council's adopted Long Term Financial Plan and adopted Operational Plan

## **1.5 Related Documents**

Wagga Wagga City Council Long Term Financial Plan  
Wagga Wagga City Council Operational Plan  
Loans Borrowing Policy - POL 019  
Investment Policy – POL 075

## **1.6 Responsibilities**

The Manager Finance is to actively monitor the Reserves to ensure that they are at an appropriate level in line with budget allocations referenced in Council's Long Term Financial Plan.

## **1.7 Approval Arrangements**

The establishment of a Reserve requires a resolution of Council.

## **1.8 Reporting Requirement**

On an annual basis with the submission of the Annual Financial Statements a summary of all Reserve movements is to be presented to Council.

## **1.9 Review procedures**

This policy must be reviewed every four years.

## **PART 2: POLICY CONTENT**

Council may create and maintain Reserves for the following types of expenditure:

- For the discharge of accrued employee benefit liabilities in excess of budget provision.
- For the discharge of liabilities or contingent liabilities for the restoration or rehabilitation of land to meet planning requirements or environmental standards.
- To provide for the replacement of major plant and equipment such that the annual cash requirement as expressed in the management plan is consistent from year to year.
- For the purposes of sewerage fund, domestic waste management, or declared business operations in accordance with approved management plans, and for the isolation of surpluses or deficits relating to these operations.
- For a specific named concept plan, or capital expenditure proposal provided that the project is capable of completion within a period of not more than years from the date of creation of the reserve.
- For specific items of works authorised and voted in the previous financial year, that have not yet commenced or represent works in progress at the end of the financial year. Creation of this reserve does not remove the need for Council to re-vote the expenditure, and the utilisation of this reserve, for the works not completed. Works may only be re-voted to the extent of funds allocated to the reserve.

The creation and use of Reserves are reported to Council in the Operational Plan, Quarterly Budget Review Statement. The balances of Reserves are reported with the Financial Statements annually.

Interest is allocated based on the annual closing balances of all externally restricted Reserves - currently Sewer Fund Reserve, Solid Waste Fund Reserve and the Developer Contributions Reserve, along with the internally restricted Infrastructure Replacement Reserve.