

	<h1>District Council of Cleve</h1>	<b>Version No:</b>	6
		<b>Issued:</b>	June 2021
		<b>Next Review:</b>	June 2023

Policy Name: 7.7 - RESERVE

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## 1. INTRODUCTION

Council has significant cash backed reserves. Council currently does not account for reserves separately but instead invests cash funds for future expenditure as per Council's Cash Summary presented to Council as an addendum to its Annual Financial Statements. A cash backed reserve is when Council deducts from its budget result cash sufficient to fund these reserves.

Cash backed reserves are funds set aside for future purposes. For example the replacement of the Council's assets, whether they are plant and equipment or infrastructure. Until these funds are required they can be used for other purposes via internal borrowings.

Over the term of the Long Term Financial Plan there are some years where there will be peaks in asset expenditure. If funds are not set aside for these peaks then further borrowings will be required. The repayment of those borrowings will then reduce the ongoing funds available for further asset expenditure.

## 2. OBJECTIVES

This Reserve Policy provides clear direction to management, staff and Council in relation to the reserve function and establishes a decision framework that:

- when funds are to be set aside for future expenditure.
- reduces the requirement for borrowing in the Long Term Financial Plan.
- provides a framework for access to funded reserves in lieu of borrowing.

## 3. LEGISLATIVE REQUIREMENTS

There are legislative requirements to set funds aside for unspent separate rates and service charges. Funds also need to be quarantined for developer contributions and Community Waste Management Schemes (CWMS).

## 4. WHEN DOES COUNCIL HAVE RESERVES

An alternative to borrowing, in the case of capital expenditure peaks and troughs, is to build up cash reserves in years when capital expenditures are lower and to use the cash reserves in years when higher expenditures are incurred. An inherent danger in cash reserves is that they can readily be diverted to other uses than those originally intended, leaving the Council with the alternative of raising funds from other sources or reducing operational expenditure. Cash reserves need to be carefully managed to both achieve optimum investment incomes and to be available when needed for the planned capital expenditure. Additionally, cash reserves and borrowings need to be monitored carefully to ensure an optimal net interest impact.

As part of the annual budget process Council will also consider existing cash backed reserves held and the interest savings on using those funds rather than external debt.

**5. USING CASH BACKED RESERVES FOR OTHER PURPOSES**

Some cash backed reserves will not need to be drawn upon for many years. Where additional funds are required in the budget it may be more cost effective for Council to use these funds rather than borrow externally. However subsequent budgets in line with the Long Term Financial Plan, need to allow for the replenishment of these cash backed reserves for when they are required.

**6. BUDGET RESULT**

Council has to maintain liquidity to be able to pay its liabilities when they fall due. Council's budget result is defined as follows:

Current Assets  
Less: Trade & Other Payables  
Less: Short Term Provisions  
Less: Cash Backed Reserves

**Equals the Budget Result**

**7. ANNUAL REVIEW**

Each year a report will be prepared which summarises borrowings from cash backed reserves and their scheduled repayment.

**8. AVAILABILITY OF THE POLICY**

This Policy will be available for inspection at the Council's offices during ordinary business hours and via the Council's website <http://www.cleve.sa.gov.au>. Electronic versions are the controlled version. Printed copies are considered uncontrolled. Before using a printed copy, verify that it is the current version.

**9. ADOPTION OF POLICY**

This Policy was adopted by the Council at its Ordinary Council meeting on 14 December 2021.



Rob Donaldson  
Acting Chief Executive Officer

**10. DOCUMENT REVIEW**

The Council may review this policy from time to time, however it is anticipated that a review of the policy will be under taken every two (2) years. Council has the right to review this policy at any time, if considered desirable.

## 11. REVIEW HISTORY

Version	Issue Date	Author	Reason for Change
6	14/12/2021	M Quinn	Minor updates following Council election 2018 Formatting Added legislation, availability of policy, adoption of policy, document review and review history sections.