

Financial Reserves Policy

Council Policy



Policy Name	Financial Reserves Policy		
Type	Council Policy		
Owner	Chief Financial Officer		
Responsible Officer	Manager Finance		
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1 Purpose

This policy outlines the criteria for the classification of financial reserves and establishes the purpose of individual reserves. It also promotes the sustainable and responsible financial management of Alice Springs Town Council through the consistent application of reserve classifications and alignment with its strategic priorities.

2 Definitions

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

Term	Definition
Renewal	Expenditure on an existing asset, or on replacement of an existing asset, that returns the service capability of the asset to its original level.

3 Policy Statement

Alice Springs Town Council has cash backed reserves, which are funds set aside for future purposes. These reserves are utilised to assist in funding Council's strategic priorities as reflected in its Long-Term Financial Plan.

3.1 Creation of Reserves

Reserves are created by Council resolution.

Reserves usually have the following characteristics:

- There is no legal requirement that governs the use of the funds
- The reserve has been established for some internal purpose, however, if that purpose does not eventuate or Council changes its priorities the funding can be diverted to other priorities.

3.2 Criteria for Reserves

The criteria for reserves are as follows:

- a) Renewal of assets, including infrastructure and Information Technology assets
- b) Specific projects and initiatives which contribute to the delivery of strategic goals in the Alice Springs Liveability and Sustainability 2030
- c) Provision for emergency or unplanned priority projects
- d) Temporary repository for unexpended funding as the end of a financial year which is intended to be carried forward into the following year in which specific projects or initiatives will be completed

In accordance with Accounting Standards, cash provisions for annual leave, long service leave and restoration of landfill are held on the Balance Sheet and not part of reserves.

Developer Contributions are held in a Trust Fund, therefore are not part of reserves.

To reflect the above, the Financial Reserves consist of four sections detailed below.

3.2.1 Renewals

These reserves fund expenditure on an existing asset, or on replacement of an existing asset, that returns the service capability of the asset to its original level. Renewals do not include maintenance work completed on an ongoing basis such as pot hole repair.

The following Council reserves are established in accordance with the criteria above:

- Road renewals
- Facilities renewals
- Stormwater renewals
- Information, Communication and Technology renewals
- Alice Springs Aquatic & Leisure Centre (ASALC) renewals
- Sports Facilities, Parks and Recreation renewals
- Fleet and Plant Replacement
- Energy Efficiency renewals

The allocation of renewal funding should be reviewed annually as part of Council's annual budget and Long-Term Financial Plan and also when considering the End of Year Financial Report. This review should be informed by updated versions of the Asset Management Plan and specific condition assessments undertaken.

3.2.2 Projects and Initiatives

These reserves fund specific projects and initiatives which contribute to the delivery of strategic goals in the Alice Springs Liveability and Sustainability 2030. The list of reserves will be subject to review by Council resolution on an ongoing basis. Any reallocation should be considered in the context of the strategic plan and the Long-Term Financial Plan.

Funding allocated in Council's budget for projects or initiatives which are not anticipated to commence in the current financial year, should be transferred into this section of the reserves until required.

The following Council reserves are established in accordance with the criteria above, and are subject to ongoing review:

- Reinvigoration of the Alice Springs Town Centre
- Cemetery Masterplan
- Regional Waste Management Facility (RWMF) Future Landfill Site
- RWMF Shredder
- Public Art
- Streetlighting
- Kerbside Collection
- Tree Planting
- Elections
- Sports Facilities Advisory Committee
- Elected Member Projects
- Liquid Waste Remediation
- Lights at Sporting Ovals
- Araluen Park Upgrade
- Regional Skate Park

3.2.3 Emergency and Unplanned Priorities

This reserve provides provision for emergency or unplanned priority projects which may be required without limited notice.

The following Council reserves are established in accordance with the criteria above, subject to ongoing review:

- Disaster and Emergency
- Major Project Seed Funding
- Strategic Projects

3.2.4 Temporary Repository for Carried Forward Funds

This reserve holds, on a temporary basis, unexpended funding as the end of a financial year which is intended to be carried forward into the following year in which specific projects or initiatives will be completed. Depending on anticipated scheduling of the specific project or initiative, funding may be transferred to section 2 of the reserves.

Funding for projects and initiatives proposed to be carried forward will be listed in the reserves fund as at 30 June each year.

3.3 Purposes of Reserves

The purposes of reserves are as follows:

RENEWALS

1.01	Road Renewals	Renewals for work in the road reserve, including new pavement, kerb and channel and footpaths.
1.02	Facilities Renewals	Renewals of Council owned facilities (Civic Centre, Depot, community facilities etc).
1.03	Stormwater Renewals	Renewal of the stormwater and open drain network infrastructure
1.04	ICT Renewals	Renewals of Council's ICT infrastructure
1.05	ASALC Renewals	Renewal of ASALC infrastructure, including plant and equipment, buildings and swimming pools
1.06	Sports Facilities, Parks and Recreation Renewals	Renewals for our sports facilities (excl. ASALC), parks and recreational facilities and equipment
1.07	Fleet and Plant Replacement	Costs associated with renewal of fleet and plant based on a replacement program and in accordance with replacement policy
1.08	Energy Efficiency Renewals	Funding for renewal of the photovoltaic system on Council assets

PROJECTS AND INITIATIVES

2.01	Reinvigorating the Alice Town Centre	Project contingency for current and future town centre projects. This is to fund works on the design and capital works within Alice Springs CBD area
2.02	Cemetery Masterplan	To fund development of the Garden Cemetery in line with the masterplan for the facility
2.03	RWMF Future Landfill Site	Provision for a future landfill site for Alice Springs
2.04	RWMF Shredder	Part funding for future purchase of shredder for the RWMF
2.05	Public Art	Provision for future public art projects in line with the Public Art Masterplan

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2.06	Streetlighting	Provision for Council owned streetlight upgrades
2.07	Kerbside Collection	Seed funding to facilitate future kerbside recycling initiatives
2.08	Tree Planting	Provision for future tree planting initiatives following the development and adoption of the Alice Springs Town Council Greening Strategy
2.09	Elections	Fund costs associated with future Council elections
2.10	Sports Facilities Advisory Committee	Sports Facility Advisory Committee contributions (Sports Clubs & Council) to be allocated via resolution of SFAC and Council
2.11	Elected Member Projects	Funds for allocation by Elected Members
2.12	Liquid Waste Remediation	Remediation and decommissioning of liquid waste ponds
2.13	Lights at Sporting Ovals	Funding for light at sporting ovals as determined by Council
2.14	Araluen Park Upgrade	Funding for upgrade of Araluen Park
2.15	Regional Skate Park	Funding for construction of Regional Skate Park

EMERGENCY AND UNPLANNED PRIORITIES

3.01	Disaster & Emergency	Natural emergency and disaster support funding
3.02	Major Project Seed Funding	Seed funding for future projects and initiatives
3.03	Strategic Projects	Fund available for strategic projects to be allocated by Council

TEMPORARY REPOSITORY FOR CARRIED FORWARD FUNDS

As part of the End of Year processes, a sub-section within this section of the reserves will be created for each proposed project or initiative for which funds are proposed to be carried forward.

3.3 Establishment of Reserves

Establishment of new reserves and discontinuation of existing reserves will be via Council resolution.

A reserve will be considered 'inactive' once funds are depleted. The reserve can be reactivated by Council resolution as required.

3.4 Transfers to and from Reserves

Transfers should be limited to the funding of those projects for which the reserve was specifically established. Funds held in reserves can be repurposed by Council resolution, subject to any external or legal restrictions, where it is deemed appropriate or necessary.

For financial management purposes all reserve transfers in and out of each reserve must be detailed separately with any specific constrained funds or projects identified within each reserve.

All transfers must be authorised by a Council resolution. This can occur as part of the adopted budget, revised budget or at any other time by Council resolution.

3.5 Assessing Adequacy of Reserve Funds

At least on an annual basis during the preparation of the annual budget and Long-Term Financial Plan, Council will review its forward projections for reserves and funding sources for major projects. This review will analyse the 'best possible use' of available funds.

3.6 Interest on Reserve Funds

Interest will only be applied to internally restricted reserve funds by exception and subject to a Council resolution. Interest will only be applied to externally restricted funds if there is a legislative requirement to do so.

The interest rate applicable will be the average return of investments for the relevant financial year.

4

Responsibilities

The Chief Financial Officer is responsible for implementation of this policy, and making the appropriate recommendations to Council.

Council is responsible for establishing reserves and approving transferring funds to and from reserves.

5

Related Documents

Allocation of Surplus Funds Policy

Financial Reserves Policy

Council Policy



6 Version History

Version	Date	Action/Description of changes made	By
V00.01	23/10/2023	Draft of new policy	Director Corporate Services
V00.02	28/11/2023	Adoption of new policy	Council

7 Communication and Training

Will this policy be communicated through internal communications?	No
Where will this policy be available?	ASTC Website
Will training needs arise from this policy? If yes, who will be responsible.	Chief Financial Officer