POLICY 5.26
Finance and Internal Controls
Reserves
Version: 4 | Next Review: March 2028

DISTRICT COUNCIL of TUMBY BAY

1. INTRODUCTION

Council has several cash backed reserves. A reserve is where accumulated surpluses have been set aside for a specific purpose. 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.

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. POLICY OBJECTIVE

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

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

3. LEGISLATIVE REQUIREMENTS

As per section 155 of the *Local Government Act 1999*, there are legislative requirements to set funds aside for unspent separate rates and service charges. Funds also need to be quarantined for some developer contributions and unspent grant monies.

4. WHEN DOES COUNCIL HAVE RESERVES?

4.1 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 (borrowing) 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 and business plan process Council will also consider existing cash backed reserves held and the interest savings on using those funds rather than external debt.

4.2 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.

5. ANNUAL BUDGET SUMMARY – UNIFORM PRESENTATION OF FINANCES

Uniform Presentation of Finances means the high-level summary of both operating and capital investment activities of the Council prepared on a modified Uniform Presentation Framework basis, adjusted for timing differences associated with prepaid Federal Assistance Grants required to be recognised as revenue on receipt in accordance with Australian Accounting Standards. All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

6. ANNUAL REVIEW

Each year a report is to be presented to the Audit and Risk Committee which summarises borrowings from cash backed reserves and their scheduled repayment.

7. POLICY REVIEW

This Policy will be reviewed every two (2) years. The Council has the right to review this policy at any time, if considered desirable.

8. AVAILABILITY OF THIS POLICY

This Policy will be available for inspection at the Council's Office during ordinary business hours and via the Council's website, www.tumbybay.sa.gov.au. Copies will also be provided to the public upon request and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.

9. FURTHER INFORMATION

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Responsibility	Deputy Chief Executive Officer
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Minutes reference	DCEO 1/626 DCEO 1626 - Review of Finance & Internal Control Policies
Next review date	March 2028
Applicable Legislation	*Local Government Act 1999* *Local Government (Financial Management) Regulations 2011*
Related Policies	
Related Procedures	

AUTHORITY:

Adopted by Council:	8/10/2013	{Motion 11c/102013}
Reviewed by Council:	10/11/2015	{Motion 7c/112015}
Amended by Council:	12/05/2020	{Motion 3c/52020}
Adopted by Council:	30/06/2026	{Motion 6c/62026}

SIGNED: 

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Responsible Officer

DATED: 30/06/2026