

1.2 FUNDING RESERVES AND SELF-FUNDING ACCOUNTS POLICY

Date Adopted	Next Review	Officer Responsible
1 July 2009	1 December 2017	Chief Financial Officer

Policy Purpose:

A reserve is a component of the community's current vested interest in the Council (public equity), which has been set aside for a particular use or purpose to be undertaken in the future.

Reserves may be legally restricted or created by Council.

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council, and which may not be revised by Council without reference to the Courts or a third party. For example, reserves established by legislation, trusts or bequests are restricted. Transfers from these reserves may be only for specified purposes, or if certain conditions are met. An example is the Library Bequest.

Council created reserves are established by Council Resolution. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves is at the discretion of Council.

Legislation

Council tries to reflect council decisions within the financial accounts rather than as notional items outside the books of accounts. By reflecting reserves within the financial accounts means that the use of the reserves is part of the audit process.

Why have Reserves?

Reserves have been established to recognise a future call on funding for the following main categories:

Development Reserves: represent funds that will be required in the future for improvements to various categories of capital assets/networks.

Agency Activities: which are funds held and used in accordance with the policies of organisations external to Council (Hillary Commission, Creative NZ).

Self Funding Activities: which are reserves established for activities undertaken by Council on the basis that the activities will generate enough revenue over time to cover the cost and capital requirements of

their operation. The reserve balance at any one time represents the total operating net balance to date of such activities.

A “**Reserve**” means that an accounting appropriation has been made to recognise a future call on funds that will be required for a specific purpose. The cash funds relating to this appropriation are still merged with the rest of Council’s funds. This means that rather than sitting in specific investments, they may have been used to reduce borrowing. They can, however, be made available in the future by overall management of Council’s finances.

Policy:

Council Created Reserves

There are two Council created reserves:

- Reporoa Domain Reserve
- Waikite Valley Reserve

The purpose for which these reserves are created is listed below:

Reporoa Domain Reserve

This is a Council created reserve.

RESERVE:	Council will maintain a Reporoa Domain Reserve.
PURPOSE:	To account for the Reporoa Domain Board Committee current account balance with Rotorua District Council.
FUNDING SOURCE:	Revenue received from leases and other income derived from the domain less an administration fee of 10% on the net income.
RESERVE:	The reserve comprises recognition in the annual financial statements of a future call on Council funds. Cash represented by the reserves is included in Council’s general fund and has not been set aside separately.
INTEREST:	Is credited to the reserve in accordance with Council’s accounting policy on allocation of interest.
AVAILABLE FOR:	Expenditure in relation to the Reporoa Domain Reserve.

Waikite Valley Reserves

This is a Council created reserve.

RESERVE:	Council will maintain a Waikite Valley Reserve.
PURPOSE:	To account for the Waikite Domain Board Committee current account balance with Rotorua District Council.
FUNDING SOURCE:	Revenue received from leases and other income derived from the domain less an administration fee of 10% on the net income.

RESERVE:	The reserve comprises recognition in the annual financial statements of a future call on Council funds. Cash represented by the reserves is included in Council's general fund and has not been set aside separately.
INTEREST:	Is credited to the reserve in accordance with Council's accounting policy on allocation of interest.
AVAILABLE FOR:	Expenditure in relation to the Waikite Valley Reserves.

Restricted Reserves

Included in the category of restricted reserves are:

- Financial Contributions – see Financial Contributions Policy in Council's Long Term Plan
- Development Contributions – see Development Contributions Policy in Council's Long Term Plan
- Library Bequest – see below
- Creative N Z – see below

Library Bequest

RESERVE:	Council will maintain a Library Bequest Reserve created in the Will of Mrs Elizabeth Anne Seddon-Johnson and in accordance with Section 31 of the Local Legislative Act 1937.
PURPOSE:	The fund is an endowment for the maintenance and benefit of a public library in the Borough of Rotorua.
FUNDING SOURCE:	Nil
RESERVE FUND:	To fund by short term investments to at least the audited balance of the reserve as at the end of the previous financial year reduced by any known draw downs on the reserve since that date.
INTEREST:	Is credited to the reserve in accordance with Council's accounting policy on allocation of interest.
AVAILABLE FOR:	An amount equivalent to the interest earned on the Library Bequest is used to pay a portion of the annual operating costs of the Rotorua Library.

Creative NZ Reserve

RESERVE:	Council will administer the Creative NZ Reserve.
PURPOSE:	Creative Communities NZ funding is available for promoting the arts.
FUNDING SOURCE:	Grants received from Creative NZ. Advances/loans repaid initially advanced by this fund. Interest received on loans made from this reserve. Council funding if approved in the Estimates.

RESERVE:	The reserve comprises recognition in the annual financial statements of a future call on Council funds. Cash represented by the reserves is included in Council's general fund and has not been set aside separately.
INTEREST:	Is credited to the reserve in accordance with Council's accounting policy on allocation of interest.
AVAILABLE FOR:	Creative NZ Grants and advances approved under the scheme.

Self Funding Accounts

PURPOSE:	<p>The general purpose of self-funding accounts is to provide directly for the ongoing funding requirements of the activity with no or little recourse to general rates funding.</p> <p>This does not preclude funding from rates at Council's discretion.</p> <p>It is intended that self-funding accounts be managed over the long term on a prudent basis. This means that the account balance could operate in deficit, for example, during a period of funding capital development. The long term management of the account would identify how the deficit balance would be recovered over time.</p>
SELF FUNDING ACCOUNT:	Council will maintain Self-Funding Accounts for specified activities.
FUNDING SOURCE:	Revenue earned from the activity and funding from any other reserves.
RESERVE:	The reserve comprises recognition in the annual financial statements of a future call on Council funds. Cash represented by the reserves is included in Council's general fund and has not been set aside separately.
INTEREST:	Is credited or charged to the reserve in accordance with Councils accounting policy on allocation of interest.
AVAILABLE FOR:	Funding operating costs of the activity (excluding depreciation), as well as including capital additions.

Council has self-funding accounts for the following activities:

- Pensioner Housing
- Landfill
- Water (various)
- Refuse Collection
- Airport Operation
- Recreation Programme
- Energy Events Centre
- Wastewater
- Eastern Trunk Line (Sewerage)
- Rural Wastewater
- Roading (from 1 July 2009)
- Business and Economic Development (from 1 July 2009)