# FINANCIAL POLICIES AND PROCEDURES

## SECTION 3: CAPITAL EXPENDITURE, INVESTMENTS & RESERVES

## POLICY 1: RESERVES & RESTRICTED FUNDS

### Policy Rationale

In meeting the needs of its constituents both today and into the future, [organisation] needs to ensure it is both financially sustainable and has sufficient reserves to leverage off.

To assist this, [organisation] should have policies in place to determine what the acceptable minimum level of reserves is, and also guidelines for the application of any excess reserves or restricted funds.

### Policy Statement(s)

[organisation] is committed to maintaining sufficient reserves & restricted funds in order to ensure both the current and future sustainability of [organisation], specifically:

* A general reserve of $x shall be maintained, being a level of funds required to enable the future sustainability of [organisation], and a precautionary level of self-insurance against unexpected financial demands, or sudden loss of revenues.
* A continuity or cash reserve of $x shall be maintained, being x% of the planned level of expenditure in any financial year. This reserve should be sufficient to cover any possible negative cash flows and should be sufficiently topped-up to a sum equal to x% of the approved budget for the current and / or subsequent financial year.
* [Add] special reserves or restricted funds as required.
* [organisation]’s Board, on advice from the Audit, Finance & Risk Committee will determine:
* [organisation]’s minimum reserves target(s) and the level of cash reserves required to support its operational needs.
* [organisation]’s Board will also determine the criteria for which any excess reserves or restricted funds are able to be used.

In determining reserves or restricted fund targets, [organisation]’s Board shall acknowledge:

* [organisation]’s future funding requirements, including any anticipated capital expenditure or long-term projects
* that increases in reserves and restricted funds will need to be funded through the generation of operational surpluses
* that all restricted or reserved funds should be maintained in a separate bank account from operational funds or term deposits

### Policy Implementation and Related Procedure Documents

The implementation and review of these Reserves & Restricted Funds policies are the responsibility of [organisation]’s Audit, Finance & Risk Committee.

[organisation]’s Board will determine and communicate to the CEO and CFO / Finance Manager, a reserve target and a cash reserves level.

[organisation]’s Audit, Finance & Risk Committee will have the right to amend the reserves target and a cash reserves level (with Board ratification) where deemed necessary and urgent.

[organisation]’s CEO in conjunction with the CFO / Finance Manager will determine the basis under which the reserves target, and cash reserves level will be achieved and included in the annual budget accordingly.

The following [organisation] policies and frameworks should be referred to in this regard:

* Finance Manual
* CEO Financial Management Policy
* Budgeting & Forecasting Policy
* Risk Management Policy

### Legislative Compliance Considerations

* Incorporated Society Rules [if an Incorporated Society registered under the 1908 Act]
* Incorporated Society Constitution [if an Incorporated Society registered under the 2022 Act]
* Trust Deed [if a Trust]
* Constitution [if a Company]

### Review Protocol

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| --- | --- |
| Policy Reviewed By: | Audit, Finance & Risk Committee |
| Date Reviewed: | [Date] |
| Next Review Date: | [Date] |
| Revokes Policy Reviewed: | [Date] |