



Policy on Financial Reserves

Policy statement	The Chinese Medicine Council of New Zealand (the Council) will retain sufficient financial reserves to best deliver (over its lifetime) the operational and strategic activities to meet its obligations set out in the Health Practitioners Competence Assurance Act 2003 (HPCA Act) including general fiduciary duties.
Purpose	This policy provides transparency of the method of calculating the appropriate level of reserves to be maintained by the Council in order to meet its obligations under the HPCA Act.
Procedure	<p>In line with prudent fiscal management and guidance from the Auditor-General's published good practice guide¹, the Council will maintain reserves that ensure the Council is able to meet its required level of legislative responsibility to the public.</p> <p>The Council has determined that it will maintain two separate reserves:</p> <ul style="list-style-type: none">• Operational reserve: The Council has determined that the operational reserve will be maintained at a level of 3-months' worth of operating costs as far as possible, to mitigate unknown and unpredictable events. This means that reserves may be reasonably used for an unexpected increase in operational costs or a decrease in income as well as to fund foreseeable capital expenditure.• Disciplinary reserve: The Council has determined that the disciplinary reserve will be maintained as far as possible at a level deemed appropriate to contain the impact of the cost of disciplinary cases under the HPCA Act. The Council will maintain a disciplinary reserve as a minimum at a level to cover six Professional Conduct Committee cases estimated at \$15,000 each and four Health Practitioners Disciplinary Tribunal (HPDT) cases estimated at \$35,000 each. This reserve level will help cover disciplinary case costs while the Council waits for the proceeds of a disciplinary levy to be recovered from registrants.

The Council has no intention to build up reserves for undefined use. However, the Council must ensure that it is able to perform its purpose and functions under the HPCA Act.

Reserves will be held in a manner that reflect:

¹ [Setting and administering fees and levies for cost recovery: Good practice guide — Office of the Auditor-General New Zealand \(oag.parliament.nz\)](https://oag.parliament.nz/publications/setting-and-administering-fees-and-levies-for-cost-recovery-good-practice-guide)



- the Treasury guidelines for setting charges in the public sector²
- the Controller and Auditor-General's good practice guide for charging fees for public sector good and services
- recommendations from the Council's auditor.

The Council will ensure a conservative approach is taken when investing funds. Funds will be invested in a sound financial institution in a way that offers little risk i.e. bank term deposit.

The Council will not use reserve funds for any purpose outside of the regulation of Chinese medicine practitioners under the HPCA Act.

The Council will continue to monitor its transparency and accountability:

- through relevant stakeholder consultation about new fee structures before they are introduced; and
- by recording the surpluses and deficits associated with the Council's fee structure in its annual report.

Policy approved	27 August 2024
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Review	It is the Council's intention to review this policy annually or sooner as needed.
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Acknowledgements	The Council would like to thank its fellow health regulators for their assistance in developing this policy.
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² [Guidelines for Setting Charges in the Public Sector | The Treasury New Zealand](#)