Shire of Ngaanyatjarraku
ON A JOURNEY

Council Policy

Policy 2.10 – Cash Reserves

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Council Policy 2.10 – Cash Reserves

Policy Objective

To provide strategic support and direction for the establishment and utilisation of Cash/Financial Asset Backed Reserves (Reserves).

Background

Reserves are accounts established and held within the municipal fund to hold cash retained by the Shire for the purpose of:

- Reducing business risk;
- Improved financial management;
- Improved strategic capacity;
- meeting asset renewal needs; or
- meeting statutory obligations and other external requirements.

The balance of cash held in reserve accounts are restricted to the defined purpose for which the reserve account was established.

Changes to the purpose for which money is held or used in a Reserve is to be made in accordance with the requirements of section 6.11 of the *Local Government Act 1995*.

Policy Statement

This Policy provides direction to management in relation to a framework surrounding decisions to place funds into a reserve account.

Linkage to the Long-Term Financial Plan

Cash reserves are a mechanism to assist in achieving the strategic objectives of the Shire and the decision to allocate cash to/from a reserve account is made within the context of its implication on the long-term financial sustainability of the Shire.

Inter-Generational Equity

The Shire will seek to achieve intergenerational equity in its use of reserve savings as a means of funding long lived assets to achieve an alignment of the cost of funding the asset(s) and the consumption of the benefit.

Establishment of Reserve Accounts

The Shire will generally support the establishment of cash reserves in accordance with Appendix A of this policy, to achieve the following outcomes:

Purpose	Rationale for Establishment
Business Risk	Reserves may be established to minimise the impact on Council operations in any one year from unanticipated events. Unanticipated events can arise from the impact of natural disasters where the financial risks cannot be fully recouped under an insurance policy or disaster funding. In addition, unanticipated events may include draws on employee entitlements such as annual leave or sick leave or the unanticipated failure of assets critically important to maintaining service levels.
Financial Management	To manage the transition from a past budget period to a future period, reserves may be established to hold restricted funds to match/offset the respective expenditure. Reserves may also be established to be used to accumulate funds for operating expenses that occur on a recurrent basis but do not require an annual allocation in every budget year.
Strategic Capacity	On occasions, the Shire is offered strategic opportunities by the State/Federal government or the private sector to partner in the provision and delivery of community initiatives and programs. These are usually in the form of external grants or contributions which require a financial contribution from the Shire. Sufficient notice may not be provided to develop a specific financing strategy to take advantage of these opportunities. Strategic Reserves may be established to maintain a level of savings to access these opportunities subject to the outcomes aligning with the Shire's strategic community goals and priorities.
Meeting Future Needs	Reserves may be established to save for the future renewal of assets with the funding of anticipated future expenditure needs. This provides the Shire a financing tool to manage issues of intergenerational equity, reduce reliance on borrowing to fund long lived assets and to overcome the restriction of a single budget by smoothing the funding allocation over the longer term.
Statutory Obligations	Legislation, including the Local Government Act 1995, requires selected revenue streams to be quarantined and to only fund the purpose for which the revenue was raised. Money held in these Reserves cannot be used for any other purpose and its use must be in accordance with the relevant legislative instrument.

Interest on Investment Reserves

Interest earned on funds held in Reserve accounts is retained in the municipal fund and is not transferred to the respective Reserve, unless either of the following applies:

a) Interest treatment set out in Appendix A states an alternative; or
b) Council has adopted an alternative budget position that overrides this Policy

Where interest is retained, it is deposited into the Municipal Funds account.

Monitoring and Reporting

The minimum and maximum levels of cash held in each Reserve (if applicable) will be determined in accordance with Appendix A of this Policy. The anticipated levels of Reserves will be reported in the budget annually in accordance with minimum and maximum levels as set out in this policy.

The minimum levels as set out in this policy are to be considered as a goal and may not be able to be achieved at times due to events that impact the use of the Reserve. If minimum levels are not achieved, the long-term financial plan is to include strategies to return the cash levels to the minimum balance in accordance with this policy.

If the maximum levels, as set out in this policy, are achieved for the relevant Reserve, future transfers of cash to the Reserve are to be suspended until such time a report is prepared to the Council to review the levels and purpose of the Reserve account.

Policy History

Amendments to this Policy

Amendments to this policy require a simple majority decision of Council. This Policy is to be reviewed at least every three (3) years.

History

Policy adopted: 24 June 2020
Policy reviewed: 28 June 2023
Policy reviewed: 30 July 2025
Policy Reviewed: 28 October 2026

Previous Policy

N/A

Appendix A - Reserves

Reserve Name	Reserve Purpose	Anticipated Date of Use	Interest Treatment	Min. Target Balance	Max. Target Balance
Leave Reserve	To provide for the payment of employee entitlements	Ongoing	Interest earned to be retained in municipal fund	50% of the accumulated liability	100% of the accumulated liability
Asset Replacement, acquisition and development fund Reserve	To provide and replace the necessary equipment, furniture, plant, buildings and infrastructure comprising of roads, drains, footpaths and recreational reserves	Ongoing	Interest earned to be retained in municipal fund	Determined by the LTFP and applicable AMPs	Determined by the LTFP and applicable AMPs
Cultural Centre Reserve	To Provide for the successful operations of the Cultural Centre as provided in clause 8.2.31 of the management deed between the Shire of Ngaanyatjarraku, Warburton Community Incorporated and the Ngaanyatjarra Council (Aboriginal Corporation), transfers to the reserve representing surplus funds from the day to day operations of the Cultural Centre after deducting costs incurred by the Shire	Ongoing	Interest earned to be retained in municipal fund	Not applicable	Not applicable
Strategic Reserve	To provide for the reduction of financial risk of unanticipated events in the occurrence of a natural disaster. To provide for strategic actions in support of identified activities that cannot be funded in the one budget period. To Provide for the capacity to take-up unanticipated strategic opportunities.	Ongoing	Interest earned to be retained in municipal fund	Determined by the LTFP	Determined by the LTFP