
FP010 – Cash Reserves

1. Intention

To provide strategic support or direction for the establishment and utilisation of Cash Backed Reserves.

2. Scope

This policy applies to Elected Members and employees of the Shire of Waroona.

3. Statement

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 in a cash reserve can be achieved in accordance with the requirements as set out in the *Local Government Act 1995*.

3.1 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.

3.2 Intergenerational 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.

3.3 Establishment of Reserve Accounts

Council will generally support the establishment of Cash Reserves to maintain and accumulate funds for the following purposes:

- To offset liabilities in respect of previously earned employee entitlements to the extent they require an outflow of funds not allocated in the annual budget.
- To fund future strategic initiatives and the provision of new services and facilities to future residents.
- To fund renewal of existing physical/built assets.
- To smooth funding allocations over future years.
- To buffer against unpredictable events.
- To hold unspent grants and contributions.
- To meet statutory obligations

- Other purposes as determined by Council from time to time.
- To provide for matching funds associated with grant funding applications.

3.4 Interest on Reserve Account Investments

Interest earned on cash in Reserve Accounts shall be accumulated to the individual reserve account.

3.5 Reporting

The level of reserves will be reported in the annual budget and annual accounts in accordance with Australia accounting standards.

Council's Long Term Financial Plan is to include strategies indicating reserve account movements including returning cash to reserves whereby such transfers have been authorised by the Council subsequent to annual budget adoption.

4. Legislative and Strategic Context

The *Local Government Act 1995* and the associated subsidiary legislation provide the broad framework within which this policy operates.

5. Review

This policy is to be reviewed triennially.

6. Associated Documents

Nil.

Division	Finance				
Policy Number	FP010				
Contact Officer	Director Corporate Services				
Related Legislation	Local Government Act 1995 Local Government (Financial Management) Regulations 1996				
Related Shire Documents	Annual Budget				
Risk Rating	Low	Review Frequency	Triennially	Next Review	June 2027
Date Adopted	18/12/2018				OCM18/12/126

Amendments		
Date	Details of Amendment	Reference
22/06/2021	Updated as part of major review and reformatted.	OCM21/06/071
25/06/2024	Reviewed without amendment	OCM24/06/090
Previous Policies		
FIN023 – Cash Reserves		