

Cash / Investment Backing for Reserve Accounts Policy

Objective

1. The policy is intended to ensure that where possible, all reserve accounts are backed by cash or investments.
2. The objectives of the Cash / Investment Backing for Reserve Accounts Policy are to:
 - a. Provide a framework in which future reserve accounts are fully backed by acceptable funds.
 - b. Confirm that cash or investments are an acceptable form of funds to support reserve accounts.
 - c. Ensure that, where reserve accounts are not currently fully backed by cash or investments, a strategy is in place to identify, report and manage any shortfalls.

Scope

3. The policy applies to all City of Albany reserve accounts.

Policy Statement

4. Although there is no statutory requirement, it is the policy of the City of Albany that where possible, reserve accounts will be 100% backed by either cash, or investments made under the Investment of Surplus Funds Policy.
5. Where, due to the erosion of the fair value of investments, reserve accounts are not fully cash / investment backed (a funding shortfall), the City will in the next annual accounts identify:
 - a. the amount of any shortfall.
 - b. the reason for the shortfall.
 - c. the process whereby the shortfall will be eliminated.
 - d. when the shortfall is likely to be eliminated.
6. Acceptable methods of eliminating shortfalls are:
 - a. to apply interest earned on reserve fund investments to the shortfall.
 - b. to apply annual operating surpluses to offset investment shortfalls.
 - c. loss mitigation action (e.g. legal action).
 - d. Council borrowings.

7. Council borrowings shall be used as a last resort should the reserve funds be required for operational purposes.

Legislative and Strategic Context

8. Legislation covering reserves funds includes Local Government (Financial Management) Regulations 1996 – Regulation 38 (1) (f).
9. This policy relates to the following elements of the City of Albany Strategic Community Plan:
 - Pillar: Leadership.
 - Outcome: Strong workplace culture and performance.

Review Position and Date

10. This policy is to be reviewed by the document owner every two years.

Associated Documents

11. Related documents that have a bearing on this policy and that may be useful reference material for users of this policy, include:
 - Local Government (Financial Management) Regulations 1996
 - Investment of Surplus Funds Policy

Document Approval

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Manager Finance		Executive Director Corporate & Commercial Services	
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