
1.9 Cash Investment Backing for Reserve Accounts Policy

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| Policy Owner | Executive Director Corporate & Commercial Services |
| Responsible Officer | Manager Finance |
| Date of Approval | 22/03/2022 |
| Amended/Revised | 25/06/2024 |

Objective

The policy is intended to ensure that where possible, all reserve accounts are backed by cash or investments.

The objectives of the Cash / Investment Backing for Reserve Accounts Policy are to:

- Provide a framework in which future reserve accounts are fully backed by acceptable funds.
- Confirm that cash or investments are an acceptable form of funds to support reserve accounts.
- 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

The policy applies to all City of Albany reserve accounts.

Policy Statement

The City of Albany:

- 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
- 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:
 - The amount of any shortfall.
 - The reason for the shortfall
 - The process whereby the shortfall will be eliminated.
 - When the shortfall is likely to be eliminated.
- Acceptable methods of eliminating shortfalls are:
 - to apply interest earned on reserve fund investments to the shortfall.
 - to apply annual operating surpluses to offset investment shortfalls.
 - loss mitigation action (e.g. legal action).
 - Council borrowings.
- Council borrowings shall be used as a last resort should the reserve funds be required for operational purposes.

Legislative and Strategic Context

- Legislation covering reserve funds includes *Local Government (Financial Management) Regulations 1996 – Regulation 38 (1) (f)*.
- This policy directly relates to the following theme and strategic goal identified in the *City of Albany Community Strategic Plan, Albany 2023*:
 - **Pillar:** Leadership.
 - **Outcome:** Strong workplace culture and performance.

Review Position and Date

This policy is to be reviewed every two years.

Associated Documents

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