# Policy 2.2.13 – Cash Backed Reserves

## 1. Policy Purpose

The objective of this Policy is to provide a strategic framework for the establishment and utilisation of Cash Backed Reserves (Reserves) as a prudent and responsible funding option for the Shire of Harvey's (the Shire) proposed service delivery and project delivery objectives. The establishment and management of Reserves has the purpose of:

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

## 2. Policy Scope

This Policy applies to all Reserves. Reserves are funds retained by a local government to help meet future needs. Holding a certain amount of funds in reserve can help a local government to operate effectively in challenging economic times, as well as facilitating planning for major capital works in the future.

## 3. Policy

Retaining an appropriate level of Reserves is an important funding strategy to help balance the Shire's current needs with the future needs of the community. Reserves are typically created as long-term savings plans for future major expenditure which cannot be managed in a single budget year.

The proposed balance and the quantum of increments or decrements to the Reserves over future years are incorporated into the Long-Term Financial Plan (LTFP).

The use of Reserves is restricted by the *Local Government Act 1995* and Local Government (Financial Management) Regulations 1996. Each Reserve is required to be established with a clearly defined purpose.

P: 08 9729 0300 | F: 08 9729 2053 | E: shire@harvey.wa.gov.au | harvey.wa.gov.au
102 Uduc Road, Harvey. PO Box 500, Harvey Western Australia 6220

### Creation of Reserves

Reserves will be established for known or predicted liabilities, or where it is prudent to set aside funds for specific purpose expenditure in future years. The Council will support the establishment of Reserves in the following circumstances:

- Minimising in any one year, the financial impact of major asset acquisitions or replacements.
- Providing funds to take advantage of emerging opportunities that are aligned to strategic directions.
- Risk mitigation opportunities that minimise the impact of unanticipated financial risks on the Shire's operations in any one year.
- Providing for a known liability listed in the LTFP and is of a magnitude warranting accumulation of funds over an extended period.
- To comply with the requirements of legislation or other contractual requirements.
- To manage the cashflow implications of sponsorship arrangements across financial years.

## 3.2. Purpose of Reserve Funds

Each Reserve must have a full and clear title and statement of purpose that specifies how, and for what, the funds held in the reserve may be used. The purpose of a reserve can only be changed either through the annual budget process or through the statutory process detailed in Section 6.11 of the *Local Government Act 1995*.

## 3.3. Funding Appropriations / Use of Reserves

The requirement for each Reserve Fund and associated target values will be reviewed and adjusted as appropriate each year during the LTFP and Annual Budget cycle. The required transfers to / from Reserves will be managed in line with the objective of attaining the target values set within the LTFP.

Consideration of the potential transfers will be undertaken in the context of current economic conditions, Council's strategic priorities and projected budget position at year end.

All transfers to or from Reserves will be disclosed in the Annual Budget and put before the Council for adoption.

## 3.4. Interest Revenues

Interest revenues earned on invested Reserve funds will be allocated half yearly to each specific purpose Reserve in line with that specific Reserve's proportion of the total Reserve Fund balance. This will allow the Reserve balances to compound over time.

## 3.5. Residual Balances in Reserves

When the purpose for a Reserve is complete, any residual funds may only be applied to another purpose through the annual budget process or in accordance with section 6.11 of the *Local Government Act 1995*, including local public notice where required.

### 3.6. Disclosure of Cash Backed Reserves

Details of all Reserves, the purpose for which they were created and the proposed timing of use of those funds are to be maintained in the Shire’s LTFP and Annual Budget for strategic financial planning purposes.

The Reserve balances, and their subsequent accumulation or deployment to meet approved Shire expenditures, are to be disclosed in the Annual Financial Statements for accountability purposes.

## 4. Strategic Objective

The policy aligns with the following strategic objective:

| | |
|---|---|
| | **Performance**<br>A representative leadership that is future thinking, transparent and accountable. |

## 5. Definitions

Nil

## 6. Legislation

- *Local Government Act 1995* s.6.11
- Local Government (Financial Management) Regulations 1996 r. 17, 18, 27 and 38

## 7. Related Documents

Nil

| | | | |
|---|---|---|---|
| Responsible officer | Director Corporate Services | | |
| Responsible team | Corporate Services | | |
| Responsible area | Finance | | |
| Version control | Date | Resolution | Number |
| Version 1 | 24.06.2025 | Resolution | 25/123 |
| Version 2 | 28.07.2026 | Resolution | 26/156 |