

## 1.9 Cash Investment Backing for Reserve Accounts Policy

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<b>Policy Owner</b>	Executive Director Corporate & Commercial Services
<b>Responsible Officer</b>	Manager Finance
<b>Date of Approval</b>	01/07/2025
<b>Amended/Revised</b>	03/07/2025

### 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

Document to be reviewed annually.

## 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 \(1.32\)](#)