

POLICY

Policy name	Cash Reserves Policy
Responsible manager(s)	Chief Financial Officer
Contact officer(s)	Chief Financial Officer
Directorate	Finance and Corporate Services
Approval date	25 March 2025
Community Strategic Plan Objective	5.3 Work together to achieve our collective vision
Delivery Program/ Operational Plan	5.3.1.2 Prepare and commence implementation of future finance strategy.

Purpose

Eurobodalla Shire Council's policy is designed to ensure that Council's cash reserves (reserves) are established and managed in accordance with legislation and best practice.

The policy aims to:

- Assist decision-makers to exercise discretionary powers in relation to utilisation of cash reserves.
- Promote an integrated framework for the governance of cash reserves.
- Ensure transparency, consistency, and fairness in the way Council uses cash reserves.
- Ensure compliance with legislative requirements under the *Local Government Act 1993*
- Promote awareness of the requirements of the Act with respect to utilisation of externally restricted cash reserve.
- Take such steps as are appropriate to ensure that the purpose and calculation of Council's internal reserves are clearly outlined.
- Make council's policies and requirements for cash reserves readily accessible and understandable to the public.

Policy criteria

1	Application This policy applies to all Council cash and investments of Eurobodalla Shire Council.
2	Legislation This policy ensures Eurobodalla Shire Council's compliance with: <i>Local Government Act 1993 (NSW)</i> <i>Local Government (General) Regulation 2021</i> <i>Crown Land Management Act 2016</i> <i>Rating and Revenue Raising Manual 2007</i> <i>Environmental Planning and Assessment Act 1979</i> <i>Water Management Act 2000</i>
3	External reserves
3.1	<u>Specific purpose unexpended loans</u> The balance of this reserve (or reserves) represents the remaining balance of specific purpose loans unexpended. It does not represent the value of the debt liability but rather the amount of cash still required to fund the project/s for which the loan funding was drawn down.

3.2	<p><u>Developer contributions</u></p> <p>The balance of this reserve (or reserves) represents the pool of developer contributions paid, less any expenditure incurred in accordance with Council's Developer Contributions plans. The balance held in this reserve at the balance date equates to the total reported in Council's annual financial statements Note G4 – Statement of Developer Contributions.</p>
3.3	<p><u>Specific purpose unexpended grants</u></p> <p>The balance of this reserve represents the total amount of grants and contributions received by Council on the condition that they be spent in a specified manner or in a future period, but are not yet spent in accordance with those conditions. The balance held in this reserve at the balance date equates to the total reported in Council's annual financial statements Note B2-4 Unspent grants and contributions.</p>
3.4	<p><u>Water</u></p> <p>The balance of this reserve represents the cash assets held by the water fund. The use of this reserve is restricted to water services. The balance held in this reserve at the balance date equates to the total reported in the statement of financial position for the water fund in the special purpose financial statements less water developer contributions.</p>
3.5	<p><u>Sewer</u></p> <p>The balance of this reserve represents the cash assets held by the sewer fund. The use of this reserve is restricted to water services. The balance held in this reserve at the balance date equates to the total reported in the statement of financial position for the water fund in the special purpose financial statements less sewer developer contributions.</p>
3.6	<p><u>Stormwater management</u></p> <p>The balance of this reserve represents the net of cash received from the annual stormwater levy, less any expenditure related to the provision of stormwater management services related projects. The use of this reserve is restricted to stormwater management. (<i>Local Government Act Section 496A</i>)</p>
3.7	<p><u>Domestic waste management</u></p> <p>The balance of this reserve represents the net of cash received from the annual domestic waste levy less any expenditure related to the provision of domestic waste services. The use of this reserve is restricted to domestic waste management (<i>Local Government Act 1993 Section 496</i>)</p>
3.8	<p><u>Crown Land</u></p> <p>The balance of this reserve represents the net of cash received from proceeds of operations on crown reserves (e.g., Leases, easements, sales, or licences) less any expenditure related to operating the crown reserves. Cash may be pooled across multiple crown reserves within the local government area. The use of this reserve is restricted to use on Crown land as outlined in the <i>Crown Land Management Act 2016 Section 3.16 (3)</i></p>
3.9	<p><u>Special rates variation</u></p> <p>The purpose of this reserve is to fund expenditure identified in Council's application for a special rate variation in 2015-16. A copy of the IPART's (Independent Pricing and Regulatory Tribunal) determination can be found on their website. Calculations for transfers to/from this reserve are also outlined in the determination.</p>
3.10	<p><u>Other (External)</u></p>

	The balance of this reserve represents the total amount of minor donations or contributions received by Council on the condition they be spent in a specified manner or in a future period, but which are not yet spent in accordance with those conditions.
4	Internal reserves
4.1	<p><u>Employees leave entitlement</u></p> <p>The purpose of this reserve is to ensure that adequate funds are available for anticipated short to medium term employee leave entitlement expenses. The annual calculation of the balance is 35% of the Council's accrued employee leave entitlement provision for annual leave, long service leave and other leave as at Council's annual reporting date.</p>
4.2	<p><u>Financial assistance grant</u></p> <p>The purpose of this reserve is to ensure that prepayments of the federal government's financial assistance grant are restricted for use in the year to which they relate. Should the prepayment not be made in any year no cash is restricted. The annual calculation of the balance is the prepayment portion of the financial assistance grant in any given financial year.</p>
4.3	<p><u>Gravel pits</u></p> <p>The purpose of this reserve is to fund future gravel pit projects and capital expenditure including the remediation of sites. The annual calculation of transfers to/from this reserve is the net of cash received from the operations of gravel pits (sale of stock) less any cash outflows related to operating the gravel pits (extraction, administration, remediation, capital expenditure).</p>
4.4	<p><u>Elections</u></p> <p>The purpose of this reserve is to fund future elections and associated corporate reporting and engagement. In general, elections fall every four years. The annual calculation of transfers to/from this reserve is one quarter of estimated costs associated with future elections, less costs associated with current and future elections.</p>
4.5	<p><u>Waste management</u></p> <p>The purpose of this reserve is to fund future waste facility projects and capital expenditure including the remediation of landfill sites. The annual calculation of transfers to/from this reserve is the net of cash received from non-domestic waste services less any expenditure related to non-domestic waste services.</p>
4.6	<p><u>Plant and vehicle replacement</u></p> <p>The purpose of this reserve is to fund future plant operations primarily the annual plant replacement program. The annual calculation of transfers to/from this reserve is the net of cash received from plant operations including sales of assets less any cash outflows related to the plant operations including purchases of assets.</p>
4.7	<p><u>Real estate disposal</u></p> <p>The purpose of this reserve is to fund future land purchases and strategies to support Council's strategic needs. The annual calculation of transfers to/from this reserve is the net proceeds from any sales of Council land assets less any purchases of Council land.</p>
4.8	<p><u>Asset renewal</u></p> <p>The purpose of this reserve is to ensure that adequate funds are available for the renewal of existing infrastructure assets. The annual calculation of the transfers to/from this reserve is based on the annual shortfall in asset renewals to meet the</p>

	<p>target benchmark of 100% renewal ratio, provided the unrestricted cash balance does not fall below \$10 million.</p> <p>Asset renewal reserve balance = Annual infrastructure assets depreciation – Annual infrastructure asset renewal budget.</p>
4.9	<p><u>Other Internal Reserves</u></p> <p>From time to time there may be a requirement to internally restrict cash that does not fit into one of the above categories. The balance of this reserve should not exceed \$3 million.</p>
5	<p><u>Unrestricted Cash</u></p> <p>Levels of unrestricted cash should be targeted between \$5 million and \$10 million. Should the balance fall below \$5 million, reductions should be made initially to the asset renewal reserve and then the plant and vehicle replacement reserve.</p>
6	<p>Interest</p> <p>Interest income earned through investments is applied to the following reserves unless required under other legislation or contract:</p> <ul style="list-style-type: none"> • Developer Contributions • Water • Sewer • Domestic Waste • Waste Management • Crown Land <p>Total interest income is apportioned to the reserves based on the opening cash balance as a percentage of total cash. The calculated interest income is added to the balance of the reserve.</p>
7	<p>Principle</p> <p>This policy replaces any existing policy or resolution in relation to Council's internal reserves. The balances of Council's internal reserves may be subject to changes as required by Council Resolution in accordance with the underlying principles contained within this policy.</p>

Implementation

Requirements		Responsibility
8	<p>Staff</p> <p>Under supervision, applicable Council staff will be responsible for ensuring that policies are implemented appropriately within their work area, after they have received relevant training to do so.</p>	Council Officers
9	<p>Concerns</p> <p>Concerns received regarding this policy will be recorded on council's customer service request (CSR) or records system and handled in accordance with Council's Customer Service Policy. They will be used to analyse the history of concerns and requests and to help determine follow up actions.</p>	Council Officers
10	<p>Complaints</p>	Public Officer

	Complaints received regarding this policy will be lodged with the Public Officer and handled in accordance with Council's Complaints Policy.	
11	Consultation Any other consultation deemed necessary may occur when and if required with key stakeholders and may include legislative bodies, other relevant legislation, and industry guidelines.	As applicable

Review

This policy may also be reviewed and updated as necessary when legislation requires it; or Council's functions, structure or activities change; or when technological advances or new systems change the way that Council manages its cash reserves.

Reviews of the effectiveness of this policy could include the following:

Performance indicator	Data source(s)
Concerns or Complaints registered	Council records
Customer Feedback Survey Responses	Surveys
Internal or external review	Audit

Governance

This policy should be read in conjunction with any related legislation, codes of practice, relevant internal policies, and guidelines.

Related legislation and policies

Name	Link
Local Government Act 1993	www.austlii.edu.au/au/legis/nsw/consol_act/lga1993182/
Local Government (General) Regulation 2021	www.austlii.edu.au/au/legis/nsw/consol_reg/lgr2021328/
Crown Land Management Act 2016	https://www.austlii.edu.au/cgi-bin/viewdb/au/legis/nsw/consol_act/clma2016199/
Environmental Planning and Assessment Act 1979	www.austlii.edu.au/au/legis/nsw/consol_act/epaaa1979389/
Water Management Act 2000	https://www.austlii.edu.au/cgi-bin/viewdb/au/legis/nsw/consol_act/wma2000166/

Related external references

Name	Link
Office of Local Government	www.olg.nsw.gov.au
Crown Lands	www.crownland.nsw.gov.au

Definitions

Word/Term	Definition
Cash	Assets that can be immediately converted into cash includes cash, term deposits and investments
Internal reserves	Cash that is restricted by resolution or policy of Council, to fund future obligations or initiatives.

External reserves	Cash that is restricted for a specific purpose due a restriction placed by legislation or a third-party contractual agreement.
Unrestricted Cash	Cash that is not allocated to an internal or external reserve is considered unrestricted.

Change history

Version	Approval date	Approved by	Min No	File No	Change
1	25 March 2025	Council	25/41	5678454	Policy commenced

Internal use

Responsible officer		General Manager	Approved by	Council	
Min no	25/41	Report no	FCS/020	Effective date	25 March 2025
File No	5678454	Review date	As required	Pages	6