



CP 2.4 | Cash Backed Reserves

Objective

The objective of this policy is to provide a strategic framework for the establishment and utilisation of Cash Backed Reserves as a prudent and responsible funding option for the City's proposed service delivery and project delivery objectives.

Scope

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

Policy statement

Retaining an appropriate level of Reserves is an important funding strategy to help balance the City'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 Cash Backed Reserves over future years are incorporated into the Long Term Financial Plan.

The use of Cash Backed 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.

1. 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. Council will support the establishment of cash backed 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 City's operations in any one year.
- Providing for a known liability listed in the Long-Term Financial Plan (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.

2. Categories of Reserve Funds

Cash Backed Reserves are to be categorised as:

- Strategic Reserves
- Asset Acquisition & Renewal Reserves
- Parking Related Reserves
- Waste Management Reserves
- Tactical Reserves
- Inactive Reserves (required for historical comparison only)

3. Purpose of Reserve Funds

Each Reserve must have a full and clear title and purpose statement 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).

4. Approved Specific Purpose Reserve Funds

The City will maintain Cash Backed Reserves having the following specified purposes:

Strategic Reserves

Enterprise & Initiative Reserve

This reserve was established to fund future strategic projects or initiatives that introduce or improve efficiencies and effectiveness in the City's operations.

Technology Upgrade Reserve

This reserve was established to provide funding to enhance the City's core technology systems to facilitate service based resource allocation models and transparent reporting of financial performance. The reserve may also be used to fund strategic acquisitions of non-financial technology systems.

Strategic Property Reserve

The purpose of this reserve is to support the funding of strategic land or commercial building acquisitions that may be used to generate future lease rental income streams to subsidise the City's rates and parking revenue streams, or to meet the City's operational or storage needs.



Sustainable & Resilient City Reserve

This reserve was established to support initiatives that enhance the City's energy resilience, drive residential population growth or build the night-time economy with the intention of strengthening and diversifying ongoing revenue streams.

Community Infrastructure Reserve

This reserve was established to provide funding to support community infrastructure capital initiatives arising from the Social Needs Analysis 2022.

Asset Acquisition & Renewal Reserves

Asset Enhancement Reserve

The purpose of this reserve is to provide funds for the enhancement, replacement, refurbishment of the City's assets and the acquisition new assets or capital works. This reserve may also be applied to fund projects that may not necessarily be controlled by the City, but which may be carried out for the ultimate benefit of the City.

Major Infrastructure Reserve

This reserve is established to provide funding flexibility to allow the accelerated delivery of large multi-year infrastructure projects where delivery synergies and cost savings can be gained through aggregation of project stages. The reserve is to be used for identified projects only.

Provisional Capital Program Reserve

This reserve was established to match delivery capacity with the proposed Capital Program.

Council House Refurbishment

This reserve was established to fund future refurbishment of Council House to optimise the use of the available floor space and encourage more effective and efficient working arrangements.

Parking Related Reserves

Parking Levy Reserve

This reserve was established to set aside funds to meet payment of the State Government's Perth Parking Levy.

Parking Facilities Development

This reserve was established to enable the development of parking facilities within the City and to fund the acquisition of parking management equipment.

Waste Management Reserves

Refuse Disposal & Treatment Reserve

The purpose of this reserve is to allow for the development, construction and purchase of facilities and plant for the treatment, transportation, and disposal of non-industrial refuse



Tactical Reserves

Heritage Incentive Reserve

This reserve was established to fund heritage incentives to benefit properties on the City of Perth's heritage register.

Employee Entitlements Reserve

This reserve was established to partially fund anticipated statutory liabilities for employee entitlements.

Neighbourhood Initiatives Reserve

This reserve was established to support Neighbourhood Place Plans through providing funding to support minor discretionary projects initiated by the six city neighbourhoods.

Sponsorship Reserve

This reserve is used to manage the cashflow implications of sponsorships spanning multiple financial years.

Major Events Activation Reserve

This reserve was established to allow the City to leverage activations associated with third party run major national or international sporting events. The reserve may also be used to allow the City to partner with state government agencies delivering events with significant state funding support. It is not available to fund City events directly.

Inactive Reserves:

The following reserves have been identified as inactive or redundant and were formally closed as part of the 2023/24 Annual Budget process. The reserves will need to be retained with nil balances until 2024/25 for comparative figures in the annual budget and financial statements.

Concert Hall Reserve

This reserve holds the City's \$4M capital contribution towards the redevelopment of the Perth Concert Hall. The reserve is to be closed as soon as the contribution is paid to the state government.

David Jones Bridge Reserve

This reserve was established to fund major repairs, renovations or replacement of the pedestrian bridge over Murray Street Mall between David Jones and Forrest Chase. This reserve has been inactive for more than 5 years and was closed in the 2023/24 Annual Budget process.

Art Acquisition Reserve

This Reserve was established to fund future additions to the art collection of the City. This reserve has been inactive for more than 5 years and was closed in the 2023/24 Annual Budget process.



Public Art Reserve

This reserve was established to provide financial capacity to support the commission of new and enduring public art identified in the City's Public Art Strategy and to fund associated renewal costs. The reserve was not actively used as public art commissions are now funded as a component of major capital project budgets. It was closed in the 2023/24 Annual Budget process.

Organisational Reform Reserve

This reserve was established to fund the anticipated costs of the City of Perth Inquiry and to provide funding towards corporate recovery, organisational development and capacity building. The purpose for which this reserve was created is no longer relevant and the reserve was closed in the 2023/24 Annual Budget process.

Bonus Plot Ratio Reserve

This reserve was established to hold contributions in respect of Bonus Plot Ratio entitlements pending expenditure on streetscape improvements and / or public art. The balance of the reserve was consolidated into the Community Infrastructure Reserve (which has a similar purpose) during the 2023/24 Annual Budget process.

Covid 19 Economic Rebound Reserve

This reserve was established to quarantine funding for the initiatives associated with the City's Covid 19 Economic Rebound Strategy. The purpose for which this reserve was created has ceased and the reserve was closed in the 2023/24 Annual Budget process.

5. 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 Long Term Financial Plan and Annual Budget cycle by the Chief Financial Officer. The required transfers to / from Reserves will be managed in line with the objective of attaining the target values set within the Long Term Financial Plan (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.

The most advantageous financial model for the City's future financial sustainability will be proposed by the Chief Financial Officer - but will be subject to ratification / modification by Council as is appropriate.

All transfers to or from Cash Backed Reserves will be disclosed in the Long Term Financial Plan and Annual Budget and put before Council for adoption.

6. Master Schedules of Reserves

A Master Schedule of Reserve Movements (aligned to the Long Term Financial Plan) is to be maintained showing the timing and purpose of proposed transfers into and out of reserve funds across the ten year time horizon to ensure adequate cash flow to support the Long Term Financial Plan.



7. Interest Revenues

Interest revenues earned on invested Reserve funds will be allocated monthly 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.

8. Residual Balances in Reserves

When the purpose for a specific Reserve is complete, any residual funds will be considered to be applied towards another purpose in the Annual Budget or in accordance with the requirements of Section 6.11(2) of the Local Government Act (1995).

9. Disclosure of Cash Backed Reserves

Details of all Cash Backed Reserves, the purpose for which they were created and the proposed timing of use of those funds are to be maintained in the City's Long Term Financial Plan and Annual Budget for strategic financial planning purposes.

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



Document control

Policy context

Legislation, standards & external guidelines	Local Government Act 1995 – Section 6.11
Policies and procedures	Related Policy 2.3 – Strategic Financial Planning & Budgeting
Strategies, plans and frameworks	

Document custodian

Alliance	Corporate Services Alliance	Service unit	Finance Services
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Review management

Next review due	August 2026	Document management ref.	EDRMS-1336483316-831
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Document management

Version	Adopted by	Adoption date	Synopsis of changes
1.0	Ordinary Council Meeting	23 February 2021	Initial policy considered by Council.
2.0	Ordinary Council Meeting	31 May 2022	Amended policy considered by Council.
3.0	Ordinary Council Meeting	29 August 2023	Amended policy considered by Council.