

Financial Reserves Policy

Policy Number	69/03/2025/CO
Policy Category	Finance
Responsibility	General Manager – People and Corporate Services
Date to Take Effect	18 September 2025
Legislative Reference	NT Local Government Act and Regulations
Policy Reference	Surplus Funds Policy
Next Review Due	June 2029
CEO Adoption	

1. Purpose

The policy provides guidance and framework to the Council for transferring a portion of the working capital, retained earnings or operating surplus to reserves, backing up the required reserves with appropriate cash and /or liquid assets and ensuring that the reserves are used in a way planned by the Council.

2. Application

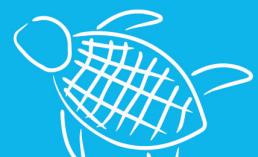
The principal objectives of this policy are to:

- Ensure that a portion of the operating surplus is transferred to reserves, subject to prescribed conditions, to build a strong financial foundation for the Council
- Ensure that the relevant reserves are backed up by suitably liquid assets so that these can be used when required
- Ensure that there is a consistent classification of reserves
- Ensure that the reserves are identified and used for the defined purpose or used as per the applicable restrictions
- Ensure that the reserves are reported in the Financial Statements as per the Local Government Act, Local Government Regulations and the Australian Accounting Standards.

3. Definitions

Council means the East Arnhem Regional Council (EARC)

CEO means the Chief Executive Officer of EARC.



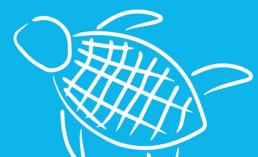
Financial Reserves Policy

4. Principles

4.1 Types of Council Reserves

The Council has adopted the following reserves:

Natural Account	Name of the Reserve	Restriction	Purpose
5310-5380	Asset Revaluation Reserves	Internal	Specific
5420	Unexpended Grant Reserve	External	Specific
5501	Fleet - Replacement/ Development Reserve	Internal	Specific
5502	Waste Management - Replacement/Development Reserve	Internal	Specific
5504	Cemeteries - Replacement /Development Reserve	Internal	Specific
5503	Roads - Replacement/ Development Reserve	Internal	Specific
5505	Building - Replacement/Development Reserve	Internal	Specific
5601	Election - Other Reserve	Internal	Specific
5602	Disaster Contingency Reserve	Internal	Specific
5603	Community Benefit Reserve	Internal	Specific
5604	Community Services Reserve	Internal	Specific
5506	Public Area Infrastructure - Replacement/Development Reserve	Internal	Specific
5605	Unexpended Allocated Projects Carry Over Reserve	Internal	Specific



Financial Reserves Policy

External restrictions are those that are legally mandated by agreements with third parties (like funding bodies). As per the terms of the agreements, externally restricted reserves could be required to be returned if these are not used for the intended activity.

Internal Restrictions are those that are created by the Council. There are no legal restrictions on the use of the internally restricted reserves.

In addition to the above-mentioned reserves, the Council will create reserves required as per Australian Accounting Standards or Local Government Act and Regulations. E.g. Asset Revaluation Reserve. For these reserves, the Law, Regulation or Standard would determine the restrictions on use.

The Council may opt to create General Reserves that are not earmarked for any specific use or purpose. E.g. Reserves - General.

Reserves could be created for future expected expenditure that is large enough to make it difficult for the Council to manage out of their Annual Budget.

Creation of new reserves must be authorised by a Council Resolution.

4.2 Compliance with Restrictions on use of Reserves

The Council will be bound to follow the external restrictions on the use of the reserves whether determined by an agreement, Law, Regulation or Standard. Where the restrictions are internally imposed by the Council, change in such restrictions can be approved by the Council if such change is:

- Warranted by fulfilment of the purpose originally intended to be achieved by the use of that reserve
- Made as a result of a Council opinion that the funds may not be set aside for the original purpose intended to be achieved
- Made to accommodate a new purpose that should be accorded higher priority in Council opinion.

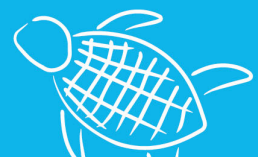
4.3 Minimum and Maximum Amounts in Reserves

The Council may decide to set aside minimum and maximum amounts in the internally restricted reserves or change such limits by a Council Resolution. The Council may also determine the maximum percentage of operating cash surplus or working capital that could be transferred to reserves in any given year.

4.4 Movements in Reserves

Movements in Council Reserves will be authorised by a Council Resolution. Movements will mean transfers in or out of the externally or internally restricted reserves.

Transfers in or out of the externally restricted reserves will be subject to the applicable agreement, Law or Standard. Transfers in or out of the internally restricted reserves will be subject to Council priorities and the minimum and maximum limits set for such reserves by the Council.



Financial Reserves Policy

From the perspective of prudent financial management of the Council funds, in the absence of grant funding, the Council will consider the most suitable financing option for financing the target activities, whether done through internal reserves or external borrowing.

Selection of an option would involve evaluation of the following:

- availability and cost of external borrowing,
- the consideration of the provisions of the Borrowing Policy of the Council,
- the opportunity cost of the internally available funds.

4.5 Periodic Review of the Adequacy of the Reserves by the Council

The Council will undertake an annual exercise to review the adequacy of the internally restricted reserves to meet the intended objectives. The Council may decide to review the adequacy of these reserves as part of its annual budgeting exercise.

The Council may undertake more frequent reviews of the adequacy of reserves if required.

4.6 Adequate Availability of Liquid Assets to Back Externally Restricted Reserves

The Council will maintain liquid assets to back up the externally restricted reserves subject to the provisions of the funding agreements. It is because these reserves would be required to be returned if not used for the stated purpose.

4.7 Reporting of the Council Reserves

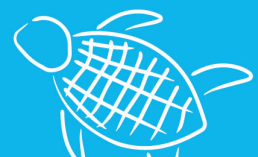
Annual Reporting

To comply with the provisions of the Local Government Legislation, the Council will disclose all the specific purpose reserves in their Annual Financial Statement.

Monthly Reporting

The available balance in individual reserves will be provided in the Monthly Financial Reports submitted to the Council.

These monthly balances would be compared with those in the Council Budget and variances if any would be reported for further Council action.





Financial Reserves Policy

5. Version Control

Version	Decision Number	Adoption Date
00	100/2014	Nov 26, 2014
01	021/ 2017	Jan 18, 2017
02	Res 007/2020	Feb 26, 2020
03	Res 2025/97	Sept 18, 2025

