

Surplus Funds Policy

Policy Number	71/03/2025/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	
Next Review Due	June 2029
CEO Adoption	

1. Purpose

The Council may generate surplus funds in the course of its activities. This policy lays down the framework of rules and processes for allocation of such funds.

2. Application

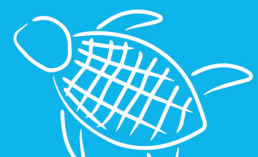
The principal objectives of this policy are to:

- Ensure that the Council follows a consistent approach and methodology for allocation of surplus funds
- Ensure that the approach and methodology is consistent with and supports the Long-Term Financial Plan of the Council and the Strategic Objectives of the Council,
- Ensure that the allocation of funds supports the long-term financial sustainability of the Council,
- Ensure that the allocation of funds is consistent with the best practices in Financial Management,
- Ensure that the provisions of Local Government Act, and the Local Government (Accounting) Regulations are complied with.

3. Definitions

Council means the East Arnhem Regional Council (EARC)

CEO means the Chief Executive Officer of EARC.



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4. Principles

4.1 Calculation of Surplus Funds

The Council will consider the availability of surplus funds at the end of each financial year.

The figures reported by the Council's Statement of Financial Position would form the basis of calculation.

The following formula would be used to identify Surplus Funds:

Total Current Assets

Less: Current Liabilities

Less: Inventory (if any)

Less: Cash backed Reserves, including unexpended grants

Less: Loan funds received and not spent for their purpose

Less: Non-Current Employee Leave Entitlements

= Available Surplus Funds

The Receivable figure in the Current Assets will be adjusted for bad debts. It means that only those receivables that are most likely to be received would be considered.

Current Liabilities will include all the amounts required to be paid out in the next 12 months.

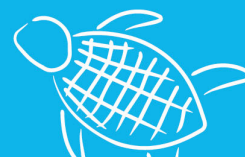
The Cash backed reserves will be reviewed and updated to reflect the current status before a calculation for identification of the surplus funds is made.

Events occurring after the day of finalisation of the Statement of Financial Position will be considered to understand the current and latest situation of the assets and liabilities of the Council, before any calculation of surplus funds is made by the Council.

The Council will consider the temporary fluctuations in the working capital to understand the actual availability of surplus funds.

Of the available surplus funds (calculated above) the Council may consider 80% as finally available surplus funds keeping balance 20% as a contingency against unforeseen events.

The Council will maintain a Liquidity Ratio of 1:1 while deciding on the amount available as Surplus Funds. If allocation / use of the funds results in the liquidity ratio falling less than 1:1 then the Council will not allocate and spend those amounts that bring down the liquidity ratio to less than 1:1.



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4.2 Allocation in use of the Surplus Funds

In general, the Council will use the Surplus Funds in the following manner, based on approval from the Council. However, the Council may use the surplus funds as per the needs identified as high priority under those circumstances.

Financial priorities set out in the Long-Term Financial Plan

- The Council will consider the priorities listed in the Long-Term Financial Plan so that the surplus funds are transferred to a reserve clearly marked for a purpose that is considered as a top priority in the Long-Term Financial Plan.
- The Council will consider those areas or projects in the Long-Term Financial Plan that could not be financed due to shortage of funds.
- The Council will consider such areas for application of the surplus funds where-in there is a chance to reduce pressure of a rate increase or additional charge.

Transfer to Reserves

Subject to the Council's Financial Reserves Policy, the Council will consider moving the whole or part of the Surplus funds to a Reserve. This would include the review of the adequacy of the existing reserves to meet the stated future objectives.

Reduction in existing borrowings

The Council will review the existing loan and borrowing arrangements to explore a possibility of early repayment of some loans. This will help in release of the funds (marked for repayment) back to the operations.

New projects / initiatives facing lack of funds

The Council may have identified new projects or initiatives that are facing funding problems particularly those that were not funded in the current budget. The surplus funds could be allocated to fund these initiatives.

After allocating to the above priorities, if further funds are available then these funds would be transferred to a reserve to fund future priorities of the Council.

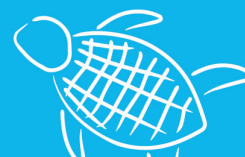
4.3 Risk Analysis

The uncertainty of the operating environment, unforeseen events or shock, external regulatory and financial factors affecting the Council etc. will have an impact on the risks that the Council will consider in allocating surplus funds.

Accordingly, the Council may decide to keep a greater portion of the surplus funds as a buffer against such risks.

4.4 Reporting on the identification and use of Surplus Funds

The Council will determine the surplus funds identified as a result of the review of the Statement of Financial Position at the end of each quarter/year.





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The identification and proposed use of the surplus funds to the extent approved by the Council will be reported in the Notes to the Financial Statements available on the website of the Council.

5. Version Control

Version	Decision Number	Adoption Date
00	100/2014	Mar 25, 2015
01	021/ 2017	Jan 18, 2017
02	Res 007/2020	Feb 26, 2020
03	Res 2025/98	Sept 18, 2025

