

COUNCIL POLICY

# Financial Reserves and Restricted Cash Policy

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## Contents

1. Purpose.....	4
2. Scope.....	4
3. Policy details .....	4
3.1 Legislative Responsibility .....	4
3.2 Objectives .....	4
3.3 Classification of Financial Reserves .....	5
3.3.1 Statutory Reserves.....	5
3.3.2 Discretionary Reserves.....	5
3.4 Establishment of Financial Reserves .....	7
3.4.1 Establishment of Statutory Reserves.....	7
3.4.2 Establishment of Discretionary Reserves.....	7
3.5 Transfer of funds into Financial Reserves .....	8
3.6 Transfer of funds out of Financial Reserves .....	8
3.7 Management of financial reserves .....	8
3.8 Closure of Financial Reserves .....	8
3.9 Unrestricted Cash Levels .....	9
4. Roles and responsibilities .....	9
5. Breaches .....	10
6. Human Rights Charter compatibility .....	10
7. Gender Impact Assessment.....	10
8. Supporting documents.....	10
9. Definitions and abbreviations .....	11
10. Approval.....	12

**DOCUMENT UNCONTROLLED WHEN PRINTED**

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**REVISION RECORD**

Date	Version	Revision description
28/4/2026	1.0	New policy adopted.

## 1. Purpose

This Policy will:

- Outline Council's commitment to the creation and maintenance of financial reserves to record future commitments for specific purpose expenditures.
- Provide a rationale for the purpose of financial reserves and ensure a consistent and formalised process around the creation of reserves, transfer to reserves and subsequent expenditure of funds from these reserves.
- Provide a framework for the management of financial reserves.
- Establish a target unrestricted cash balance that provides Council with adequate financial contingency to respond to identified and emerging risks, pressures and opportunities.

## 2. Scope

This policy applies to all Council financial reserves excluding asset revaluation reserves that arises under the Australian Accounting Standards, as it relates to change in the asset values rather than the collection of funds.

## 3. Policy details

### 3.1 LEGISLATIVE RESPONSIBILITY

Council's financial management activity is regulated by the *Local Government Act 2020*. Further legislative requirements are expressed in the *Planning and Environment Act 1987*, the *Subdivision Act 1988*, and Australian Accounting Standards.

### 3.2 OBJECTIVES

The following objectives will be achieved under this policy to accomplish the purpose of ensuring sustainable, responsible, and appropriate management of Council's cash balances and financial reserves:

- Ensure definitive classifications of Financial Reserve accounts, including cash-on-hand requirements;
- Ensure the appropriate level of funds are available at the appropriate time to meet statutory and operating requirements and to prudently manage financial risk;
- Ensure Council's reserve activity is in accordance with legislative, governance and financial management principles;
- Establish processes around the creation and classification of Financial Reserves, as well as requirements of transfers of funds into and from these reserves; and
- Establish policy or processes to administer the Financial Reserves, including restrictions of usage of funds in reserve, internal and external reporting of usage of funds in reserve and closure of reserves at end of useful life.

### 3.3 CLASSIFICATION OF FINANCIAL RESERVES

#### 3.3.1 Statutory Reserves

Statutory Reserves are subject to legal requirements that govern the use of the funds.

Statutory Reserves	
Public Open Space Reserves	<p><b>Overview</b></p> <p>This reserve is used to hold the balance of Public Open Space Contributions. The contributions are required to be paid prior to the issue of a statement of compliance for an approved subdivision of residential land, in alignment with the <i>Subdivision Act 1988</i>.</p> <p><b>Purpose of Funds</b></p> <p>The funds are to be utilised for the development of new open space and recreation assets, as well as upgrade or expansion of existing assets. Council intends to use the contributions received on projects within the vicinity of the developments from which the contributions are received.</p>

#### 3.3.2 Discretionary Reserves

Funds held by Council and segregated from general revenues, based on Council directions, to finance future expenditures or to provide for a specific project so as to ensure funds are available as required. Discretionary reserves may be varied from time to time where expenditure commitments may be created and retired.

Discretionary Reserves	
Waste Reserve	<p><b>Overview</b></p> <p>Service charges for rates are raised for waste, recycling and resource recovery services as per the Circular Economy (Waste Reduction and Recycling) Act 2021. The Waste Reserve allows for all waste revenue to fund waste-related activities as outlined in the Minister's Good Practice Guidelines for Local Government Service Rates and Charges.</p> <p><b>Purpose of Funds</b></p> <p>The funds are to be utilised to assist with the cost of strategic projects, compliance and long-term planning for Council's landfills, transfer stations and waste management responsibilities.</p>

<b>Discretionary Reserves</b>	
Dinner Plain Reserve	<p><b>Overview</b></p> <p>This reserve segregates all approved Dinner Plain transactions from general Council activity. In 2024/25 Council made a decision that the Dinner Plain Reserve would cease to receive income from 30 June 2025, with Dinner Plain-related income forming a part of Council's general revenue, and waste revenue and expenses continuing to be managed through Council's Waste Reserve. Reserve funds are expended to support approved projects and services within Dinner Plain until such time as the Reserve is exhausted and subsequently close</p> <p><b>Purpose of Funds</b></p> <p>Utilise income received from Dinner Plain Council activities to fund approved Dinner Plain specific services.</p>
Capital Works Carry-forward Reserve	<p><b>Overview</b></p> <p>The Capital Works Carry-forward Reserve is established to ensure that funding is available to complete capital projects that were commenced but not finalised within the financial year. At the end of each financial year, the net cost of the unfinished capital works program for the year will be transferred from accumulated surplus to fund delivery of the program in the following year.</p> <p><b>Purpose of Funds</b></p> <p>To fund the cost of completing unfinished capital works in the next financial year.</p>
Employee Entitlements Reserve	<p><b>Overview</b></p> <p>The employee Entitlements Reserve is established to provide financial capacity to meet employee leave obligations as they arise. The reserve balance will equal 25% of current employee entitlements payable at termination, at the end of each financial year.</p> <p><b>Purpose of Funds</b></p> <p>To ensure financial capacity to meet employee entitlement liabilities.</p>

### Discretionary Reserves

Advanced Federal Financial Assistance Grants Reserve	<p><b>Overview</b></p> <p>This reserve is established to identify advance payment of the federal Financial Assistance Grants. The timing of receipt of this grant is irregular and contribute to the provision of services and infrastructure.</p> <p><b>Purpose of Funds</b></p> <p>While the federal Financial Assistance Grants are recognised as income when received, allocating advance payments to financial reserves at financial year end enables more accurate representation of Council's true unrestricted cash position.</p>
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## 3.4 ESTABLISHMENT OF FINANCIAL RESERVES

### 3.4.1 Establishment of Statutory Reserves

A reserve will be established for any value if there is a legal requirement or a requirement under the Australian Accounting Standards.

### 3.4.2 Establishment of Discretionary Reserves

As a rule, income and expenditure should be budgeted in the financial year in which it occurs and should not be "set aside" in reserves for future use. However, Council may establish a reserve where:

- It is anticipated that extensive works will require funding over a period of time;
- Funds are collected specifically for a particular strategic priority or deliverable;
- There is intention for a business activity to achieve full costs recovery; or
- For funding future asset renewals, eg. plant and fleet replacement.

Internally restricted reserves would not be created for a purpose where it is expected that the balance of the reserve would not reach \$300,000.

If a new reserve is required, a report must be prepared and submitted to Council for approval. The report will include details of:

- Why the financial reserve is required;
- Where the funds to be transferred to the reserve will come from;
- What the funds will be expended on;
- When the funds will be spent and the length of time the reserve will be required; and
- The useful life and manner in which the reserve will be closed.

This report, resolution and Council approval will form the scope of the new reserve and governs the usage of this reserve throughout its life.

### 3.5 TRANSFER OF FUNDS INTO FINANCIAL RESERVES

Transfers to financial reserves will occur at the end of the financial year during which the funding is received.

Transfers to financial reserves are limited to funds received for the agreed purpose of the reserve outlined in legislation (restricted reserve), or at establishment or subsequent resolution (discretionary reserve).

### 3.6 TRANSFER OF FUNDS OUT OF FINANCIAL RESERVES

Transfers from financial reserves will occur at the end of the financial year during which the funding is expended.

All transfers out of discretionary reserve accounts must be authorised by Council in the following manner:

- Transfers are approved as part of the Annual Budget process.
- If funding is found to be required from reserves outside of the Budget process, approval must be sought by Council resolution prior to transfers being made.

No transfer from reserve will exceed the amount of the existing reserve balance at the time of transfer.

### 3.7 MANAGEMENT OF FINANCIAL RESERVES

Council is required to disclose all reserves set aside for specific purposes in its annual financial statements.

In addition to this, details on reserves and unrestricted cash balances are to be reported to the Audit and Risk Committee:

- In a detailed statement as part of the annual reporting process; and
- In a detailed statement of forecast movement and balances as part of the Quarterly Budget Report.

### 3.8 CLOSURE OF FINANCIAL RESERVES

Reserve accounts will be closed at the end of their useful life either in alignment with the terms set out at their establishment, or through Council resolution. The resolution will determine the reallocation of funds from a financial reserve when it becomes obsolete for its initial purpose. This discretionary power enables Council to make informed decisions on directing the remaining balance of the reserve towards alternative initiatives or projects that align with the evolving needs and priorities of the community.

Following the Council resolution to close a reserve account, the Finance department will process the necessary journal entries in the finance system to close the reserve. These journal entries will align with the resolution, directing the balance to a specific project, another reserve, or the allocation of the amount to accumulated surpluses.

### 3.9 UNRESTRICTED CASH LEVELS

Unrestricted cash is Council's financial contingency for risk, representing funds that can be deployed to respond to emerging risks, pressures and opportunities, including those relating to:

- Natural disaster
- Asset failure
- Economic fluctuations
- Budget shortfall
- Unfunded strategies and plans
- Responding to external funding opportunities (i.e. bringing forward projects identified in forward planning to take advantage of funding opportunities)

Council's unrestricted cash balance is the level of cash and other financial assets less:

- All Financial Reserves
- Trust funds and deposits
- Unspent conditional grants

The targeted level of unrestricted cash shall be equal to or greater than \$10m. In the event that Council forecasts an unrestricted cash position less than \$10m, management will provide an out-of-cycle report outlining actions to be undertaken to meet threshold.

## 4. Roles and responsibilities

The following positions are responsible for:

Responsibility	Role / Position
Approval	Council
Creation of new reserves may be recommended by Executive to Council and are subject to Council approval per Section 3.4.	Executive
Enforcement and compliance with all financial management policies.	Manager Corporate
The day-to-day management of the Policy, including: <ul style="list-style-type: none"> <li>• Compliance with this policy</li> <li>• Ensuring that reserve activity is in accordance with legislative, governance and common law principles.</li> </ul>	Accountant

Responsibility	Role / Position
<ul style="list-style-type: none"> <li>Transfers to and from reserves are subject to the responsibilities outlined in Section 3.5 and 3.6 of the Policy.</li> </ul>	

## 5. Breaches

Non-compliance with this Policy has the potential to negatively impact on the reputation of Council.

In the event of policy non-compliance, an assessment will be conducted during the Council's next budget or quarterly budget report, whichever comes first. This evaluation aims to address any deviations from established policies and enact corrective measures to regain compliance.

## 6. Human Rights Charter compatibility

This policy has been assessed as being compatible with the *Charter of Human Rights and Responsibilities Act 2006 [Vic]*.

## 7. Gender Impact Assessment

In accordance with the *Gender Equality Act 2020*, a Gender Impact Assessment was not required in relation to the subject matter of this policy.

## 8. Supporting documents

This policy should be read in conjunction with all other relevant, Council policies and procedures, as well as relevant legislative requirements.

### Related Legislation

- *Local Government Act 2020 [Vic]*
- *Planning and Environment Act 1987*
- *Subdivision Act 1988*
- *Australian Accounting Standards*
- *Gender Equality Act 2020*
- *Privacy & Data Protection Act 2014*
- *Circular Economy (Waste Reduction and Recycling) Act 2021*

### Related Guidelines, Operational Directives or Policies

- Financial Plan
- Annual Budget
- Asset Plan
- Financial Sustainability Strategy

- Revenue and Rating Plan
- Borrowing Policy #128
- Financial Investments Policy #78

## 9. Definitions and abbreviations

Term	Meaning
Asset Revaluation Reserve	Reserves required by the Australian Accounting Standards and are not cash backed
Statutory Reserves	Funds received subject to statutory or contractual obligations, such as developer contributions under the <i>Planning and Environment Act 1987</i> or the <i>Subdivisions Act 1988</i> .
Discretionary Reserves	Funds set aside by Council for specific purposes, including capital works or future liabilities.
Restricted Cash	Cash and cash equivalents subject to internal and external restrictions, including trusts, deposits, unspent conditional grants and financial reserves.
Unrestricted Cash	All cash and cash equivalents other than restricted cash.
Cash and cash equivalent	Cash on hand, cash at bank, and term deposits with an original maturity of 90 days or less as per the annual financial report.
Other Financial Assets	Term deposits with an original maturity of more than 90 days as per the annual financial report.

## 10. Approval

Adoption by Council

THE COMMON SEAL OF THE  
ALPINE SHIRE COUNCIL was  
hereunto affixed this 28th day of April  
2026  
in the presence of:

DAVE BYRNE  
COUNCILLOR

JOHN ANDRASEK  
COUNCILLOR

WILL JEREMY  
CHIEF EXECUTIVE OFFICER

Version 1 of the Financial Reserves and Restricted Cash Policy was adopted at the Ordinary Council Meeting held on 28 April 2026.

The signed copy is held in Council's records.