FINANCIAL RESERVES POLICY

1.0 Purpose

The Financial Reserves Policy will:

a. Support sustainable and responsible management of City of Ballarat's cash balances through consistent identification, administration and use of restricted and discretionary reserves.

b. Ensure a consistent and formalised process around the creation of reserves, transfer to reserves and subsequent expenditure of funds from these reserves.

c. Ensure that the City of Ballarat has established reserve funds that account for income that has been received from specific sources for a future application.

2.0 Scope

This policy applies to both restricted and discretionary financial reserves.

This policy does not apply to the Asset Revaluation Reserve which arises under the Australian Accounting Standards to reflect changes in asset values rather than a collection of funds for the management of future capital expenditure.

3.0 Policy Statement

A financial reserve will be established by City of Ballarat officers for any value if there is a legal requirement or a requirement under the Australian Accounting Standards.

A Council resolution is required for the creation of any discretionary reserves.
All financial reserves are required to be 100% backed by cash and cash equivalents and/or current other financial assets at the end of each financial year.

Transfers to and from financial reserves must be made only for the agreed purpose of the reserve outlined in legislation, at establishment or subsequent resolution. Transfers from restricted reserves must occur in line with their legislative requirements.

Additional discretionary reserve transfers during the year, not included in the budget must be approved by resolution of Council.

Financial reserves must be reconciled at the end of each financial year and reported within the audited Financial Statements.

Financial reserves represent a record of future obligations. To ensure prudent management of these funds, expenditure from these reserves should form part of the Annual Budget process as approved by Council.

3.1 Restricted Reserves

a. Restricted reserves record revenues received where the purpose is subject to legislation or other legal requirements. This includes:
   i. Contributions received under Developer Contribution Plans (DCPs) or section 173 agreements. Restrictions apply as set out in both the DCP and under provisions outlined in the *Planning and Environment Act 1987*.
   ii. Public Open Space contributions received according to the legislative requirements of the *Planning and Environment Act 1987*, and the *Subdivisions Act 1988*.

b. All restricted reserves are required to be 100% backed by cash and cash equivalents and/or current other financial assets at the end of each financial year, unless there is a specific Council resolution to borrow from a discretionary reserve to fund a significant capital project.

3.2 Discretionary Reserves

a. Generally, income and expenditure should be budgeted in the financial year in which it occurs and should not be set aside in financial reserves for future use. However, it is acknowledged that situations may arise where Council elects to create a discretionary reserve. Council may establish and maintain a discretionary reserve where:
   i. Large expenditure needs to be funded over a period of time.
   ii. Funds are collected specifically for funding of a particular capital works project.

b. All discretionary reserves are required to be 100% backed by cash and cash equivalents and/or current other financial assets at the end of each financial year, unless there is a specific Council resolution to borrow from a discretionary reserve to fund a significant capital project.

c. Discretionary reserves will generally not be created where the funds are held for operational requirements or where the reserve balance will not reach $500,000.

d. Discretionary reserves are not subject to legal requirements governing the use of the funds. The reserves are established for specific internal purpose and if the purpose does not eventuate or Council changes its priorities, the funding can be diverted through a Council resolution.

3.3 Establishment of financial reserves

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

b. Council approval through resolution is required for the creation of any discretionary reserves.

3.4 Transfers to financial reserves

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

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

3.5 Transfer from financial reserves

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

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

c. Transfers not approved through the budget process must be approved by Council through resolution.

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

e. Identified savings in a discretionary reserve can be transferred out following resolution of Council.

3.6 Borrowing from reserves

a. From time to time it may be an option for Council to borrow funds from a financial reserve. In this case a Council resolution will be required which clearly sets out the purpose for the loan and the terms of the loan, such as timing of repayments and any applicable interest rate.

3.7 Reporting and management

b. Financial reserves will be reconciled at the end of each financial year and reported within the audited Financial Statements.

c. Reserve accounts will be closed at the end of their useful life by Council resolution, in the manner that was set out when the reserve was established or in accordance with legislation.

4.0 Supporting documents and references

4.1 Legislation

- *Local Government Act 2020*
- *Planning and Environment Act 1987*
- *Gender Equality Act 2020*
- *Subdivisions Act 1988*

4.2 Associated Documents

- Australian Accounting Standards
- Budget Management and Forecast Procedure
- Financial Management Policy
- Investment Procedure

4.3 Definitions

Asset Revaluation Reserve	Records the change in asset values arising from revaluation as required by Australian Accounting Standards.
Budget process	Processes relating to the setting and reporting of Council's Annual Budget, including adoption and quarterly budget reports as required by section 94 to 96 of the *Local Government Act 2020*.
Cash and Cash Equivalents	Cash on hand, cash at bank and term deposits with an original maturity date of less than 3 months.
Current Other Financial Assets	Term deposits with an original maturity date of 3 to 12 months.
Discretionary Reserves	Financial reserves established by City of Ballarat to record future obligations. The reserve is internally restricted and not subject to legal requirements governing the use of the funds.
Financial reserves	Funds that have been set aside for a specified future application.

Restricted Reserves	Financial reserves for which the purpose is subject to external restrictions. External restrictions generally relate to legislated conditions.

5.0 Administrative Updates

From time to time, circumstances may change leading to the need for minor administrative changes to this policy. Where an update does not materially alter this policy, such a change may be made administratively. Examples of minor administrative changes include changes to names of Council departments or positions, change to names of Federal or State Government departments or a minor amendment to legislation that does not have material impact. Where any change or update may materially change the intent of this policy, it must be considered by Council.

6.0 Policy owner

Executive Manager Financial Services

7.0 Authorisation

Adopted by Ballarat City Council on 30 April 2025 (R68/25).