

<b>Name of policy:</b>	<b>Restricted Funds</b>		
<b>Adoption by Council:</b>		<b>Minute number:</b>	
<b>Last review date:</b>	<b>November 2022</b>		
<b>Review timeframe:</b>	<b>2 years</b>		
<b>Next scheduled review date:</b>	<b>December 2024</b>		
<b>Related legislation:</b>	<b>Local Government Act 1993</b> <b>Environmental Planning &amp; Assessment Act 1979</b> <b>Water Management Act 2000</b> <b>Local Government (General) Regulation 2021</b>		
<b>Associated policies/documents:</b>	<b>Nil</b>		
<b>Responsible division:</b>	<b>Corporate Services</b>		

## Policy objective

This policy provides a framework for the establishment and management of Council's restricted cash funds. The policy details those funds which Council recognises as external and internal restrictions and the purposes for which the restrictions will be applied.

## Policy statement

Council will establish, manage and de-establish restrictions over its cash assets in accordance with the criteria set out within this policy.

## Coverage of the policy

This policy applies to all personnel employed by Council, either as an employee or contractor. The policy also applies to all cash restrictions held by Council.

## Strategic Plan link

This Policy supports the Community Strategic Plan Objective 4.2 – *Council demonstrates good governance and financial management to ensure decisions and transactions are ethical, efficient, safe and fair* and Strategy 4.2.1 *Use governance frameworks and processes to guide our decisions and to ensure that council is accountable to the community.*

## Policy content

Council has significant cash, cash equivalents and investments. Restrictions are established to set aside funds for Council to meet legislative requirements, to allocate funds against future projects and activities and to ensure sufficient funding is available to meet current and long-term financial obligations.

Restrictions are cash backed and are established for specific purposes. Council's restrictions are held within three funds and spread across many areas of Council operations.

Council's three funds are:

1. General Fund
2. Water Fund
3. Sewer Fund

Restrictions are of two types:

*External Restrictions* over cash, cash equivalents and investments are those where there is a legislative obligation to use the funds for the purpose for which they were paid to Council. Under section 409(3) of the Local Government Act 1993 they are of three categories

1. Money received as a result of levying a special rate or charge for a particular purpose (e.g. Domestic Waste Management charges)
2. Money that is required by legislation to be set aside of a specific purpose (e.g. developer contributions)
3. Money received from Federal or State Government for a specific purpose (e.g. specific purpose grant funding)

*Internal Restrictions* over cash, cash equivalents and investments are those funds restricted only by a resolution of the Council. Internal restrictions are adopted by Council to cover commitments that are included in Council's Long-Term Financial Plan and where it is prudent for Council to hold cash restrictions to meet those future commitments.

Unrestricted Cash are funds available to cover operational needs and unexpected or emergency costs within each fund. Unrestricted funds in the Water and Sewer funds cannot be utilised by other funds without Ministerial Approval to do so. Meanwhile, unrestricted cash in General Fund can be lent to the other funds.

#### Current Restrictions

External and Internal restricted cash balances are reported annually in Council's Annual Financial Reports and are reported quarterly to Council in the Quarterly Budget Review Reports.

#### Future Restrictions

Additional internal restrictions may be created by resolution of Council. The Council resolution must set out:

1. The name and purpose of the restriction.
2. The permitted use/s of the internally restricted funds.
3. How the funds are collected or the basis of calculating any transfer of funds to the restriction.
4. If there is an end date for the restricted funds to be utilised.

#### Interest on Restrictions

Interest must be applied to external cash restrictions where required by legislation, e.g. developer contributions. The rate of interest is equal to the average weighted cash rate for the relevant period based on the Reserve Bank of Australia's published cash rate. Interest earnings are to be added to the balance of the restriction.

Interest is not to be calculated and applied to internal restrictions. There may be individual circumstances where interest is applied to an internal restriction and this must be specified in the resolution of Council, including the interest rate to be used.

#### Compliance, monitoring and review

At least every 12 months Council will review its future need for the internal restrictions it is holding. All decisions to undertake a review of an internal restriction will be on the basis of the best use of those funds by Council. A Council resolution is required to return funds no longer required to unrestricted cash. If an urgent, unplanned or emergency need arises during the year to access internally restricted funds Council may resolve to do so outside of the annual review process.

This policy will be reviewed at a minimum every three years to evaluate its continuing effectiveness and to ensure alignment with relevant legislation.

Council may decide to review its internal restrictions at any time to meet financial obligations and requirements of Council's Long-Term Financial Plan.

#### General

The purpose of each of Council's external and internal restrictions is included in Attachment 1.

#### **Definitions**

Nil

#### **References and related documents**

Local Government Code of Accounting Practice and Financial Reporting

#### **Responsible officer (position)**

Manager Finance

#### **Attachments**

Attachment 1 – List of Council Restrictions (to be provided once reviewed by Council)

## ATTACHMENT 1

### MidCoast Council External Restrictions

Name of Restriction	Purpose of Restriction	Comment
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To be included after formal review by Council

DRAFT

## MidCoast Council Internal Restrictions

Name of Restriction	Purpose of Restriction	Comment
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To be included after formal review by Council

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