



SHIRE COUNCIL
Blayney

Restricted and Unrestricted Cash Policy

Policy	3K
Officer Responsible	Chief Financial Officer
Last Review Date	9/03/2018

Strategic Policy

Objectives

To provide a framework for the establishment and management of restricted and unrestricted cash.

1. BACKGROUND

Council has significant restricted cash set aside for future purposes. They appear in Council's balance sheet under "Cash, cash equivalents and investments". The funds are invested in accordance with Council's Investment Policy.

Over the term of the Long Term Financial Plan these restrictions are used to smooth out funding requirements for Council's programs outside the scope of normal operational activities. This allows for the equitable spread of the costs burden in establishing and maintaining Council's assets and services.

2. CLASSIFICATION OF RESTRICTED CASH

Restricted cash are funds set aside by Council for a purpose to meet future expenses. They are over and above the expenses provided for in the annual budget which are voted annually as part of the adoption of the Operational Plan.

Restricted Cash falls into three categories based on their use:

(a) External cash restrictions

These are funds received by Council where there is a legal 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:

- (i) money received as a result of levying a special rate or charge for a particular purpose (e.g. proceeds of a special rate variation);
- (ii) money that is required by legislation to be set aside for a specific purpose (e.g. developer contributions); and
- (iii) money received from the government for a specific purpose (e.g. tied grants).

(b) Internal cash restrictions

These are funds set aside by resolution of Council for a particular purpose, where there is no legal or legislative requirement governing their use. If the purpose for which the

cash restriction was established does not eventuate or Council changes its priorities, these funds may be reapplied for a different purpose by resolution of Council.

(c) Unrestricted cash

These are funds which are available to be used to cover unexpected or emergency expenses not provided for in the annual budget and not covered by an available internal restriction. They are also available for:

- (i) bringing forward projects identified in the Long Term Financial Plan;
- (ii) renewing or replacing current Council assets; and
- (iii) reducing Council's asset backlog.

Any application of funds to be drawn from unrestricted cash for capital projects, where required, would need to comply with the Capital Expenditure Guidelines of the NSW Office of Local Government.

3. ESTABLISHMENT OF CASH RESTRICTIONS

(a) Current Restrictions

The purpose of each internal cash restriction is articulated in Schedule 1.

Audited externally and internally restricted cash balances can be found in the Annual Financial Statements, Note 6(c), included in the Annual Report available on Council's website <http://www.blayney.nsw.gov.au/your-council/council-publications/annual-reports/annual-reports>.

(b) Future Restrictions

Additional internally restricted cash may be created by resolution of Council. The resolution must set out:

- (i) the name and purpose of the cash, which must be specific and relate to the then current Community Strategic Plan and Delivery Plan of Council; and
- (ii) the basis of calculating any transfer of funds to internally restricted cash.

4. INTEREST ON RESTRICTED CASH

Interest must be applied to external cash restrictions where required by legislation or otherwise, such as s94 developer charges. Interest is added to the balance in the relevant cash restriction. The rate of interest is equal to the average return on investments for the financial year.

If interest is paid on internally restricted cash, the interest is paid into the general fund.

5. BORROWINGS FROM RESTRICTED CASH

Council may borrow from internally restricted cash, [but not from externally restricted cash without consent from the Minister of Local Government]. Any such borrowing must be authorised by resolution of Council and the full impact of the borrowing disclosed. Interest must be paid on any such borrowings.

6. TRANSFERS TO AND FROM RESTRICTED CASH

Funds may only be transferred into or transferred out of a cash restriction, by resolution of Council. The authority for such transfers may be given:

- (a) by specific resolution in the case of a particular project the subject of a Council resolution;
- (b) in the Quarterly Budget Review Statement, by virtue of the adoption of that statement by Council; or
- (c) by the adoption of the annual financial statements containing a schedule of restricted cash showing transfers in and out

A transfer contained in a Quarterly Budget Review Statement must show the restricted cash item audited opening balance, the amount transferred in or out and the estimated closing balance

7. REPORTING ON RESTRICTED CASH

The level of restricted cash shall be reported on in the Quarterly Budget Review Statement and annually in the Financial Statements.

Council must assess at least annually the adequacy of each internal cash restriction during the preparation of the Long Term Financial Plan and annual budget.

Schedule 1: Name and Purpose of Cash Restrictions held

NAME OF CASH RESTRICTION	PURPOSE OF RESTRICTION	Comment
Plant & Vehicle Replacement	To be able to internally fund replacement of plant and vehicles at the optimal time. Based on internal hire rates and actual operating expenditure, taking into consideration depreciation plus proceeds of sales less asset purchases.	
Employee leave entitlement	To fund leave payments in excess of salary provided for in operational plan – e.g. Employment Termination / Retirement with Council. Based on a formula calculated by reference to average age brackets of employees and total Employee Leave Entitlements.	
Asset Replacement	To fund expenditure on asset renewals.	Unspent annual capital budget Can consist of budget savings on completed works and budgeted projects not carried out. Annual allocation for netball courts since 2012
Blayney Sports Facility Masterplan	To fund projects identified in the Blayney Sports Facility Masterplan	
Blayney Town Works	To fund improvements to Blayney town. Previous applications include KGO lighting, Carrington Park lighting, Showground construction and Heritage Park.	
Cemeteries	Purpose is to spend on restoration of cemeteries.	
Election reserve	To set aside funds for council elections every 4 years. Based on an annual transfer of 25% of anticipated election cost.	

Environmental Projects	Funds then set aside in 2001/02 for development of an alternative recreation location on the river.	
I.T. Reserve	To help fund future large I.T. expenditure e.g. new software system or hardware replacement as part of long term I.T. Strategy.	
Centrepoint	To help fund future large expenditure e.g. building renewals and upgrades.	CentrePoint had a 10 year loan. Once paid off, Council by Resolution sought to continue that loan repayment but as a transfer into reserve to fund renewals. Loan payments equated to \$90,000 less capital expenditure
King George Oval	To fund asset renewals and upgrades at King George Oval.	
Property Account	To fund works for real estate development Council's income producing properties plus buying and selling, maintenance and development. Based on net proceeds of sale of industrial and residential land.	
Quarry	To have funds available to remediate land following closure of Council quarries after exhaustion of gravel reserves.	
Village Enhancement Program	To fund works in Villages as outlined in Village Enhancement Plan.	

End of Policy

Adopted:	18/03/2016	Minute: 1603/006
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