

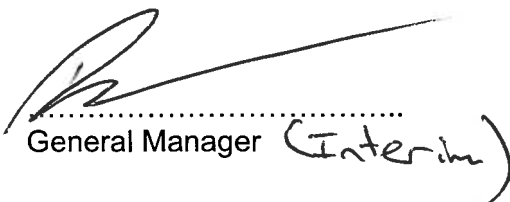


# **Restricted and Unrestricted Cash Policy**

## DOCUMENT AUTHORISATION

<b>RESPONSIBLE OFFICER:</b>		CHIEF FINANCIAL OFFICER			
<b>REVIEWED BY:</b>		MANEX			
<b>REVIEW DUE DATE:</b>		August 2025			
<b>VERSION NUMBER:</b>		1			
<b>DOCUMENT NUMBER:</b>		NA			
<b>VERSIONS:</b>	<b>DATE:</b>	<b>RESOLUTION NO:</b>	<b>DESCRIPTION OF AMENDMENTS:</b>	<b>AUTHOR / EDITOR:</b>	<b>APPROVED / ADOPTED BY:</b>
1	25/08/2022	10.08/22	New Policy	Chief Financial Officer	Council

Note: Document Control continued at Appendix A

  
 .....  
 General Manager (Interim)

7.10.22  
 .....  
 Date

---

## ACKNOWLEDGEMENT OF COUNTRY

Glen Innes Severn Council acknowledges and pays respect to the Ngoorabul people as the traditional custodians of this land, their elders past, present and emerging and to Torres Strait Islander people and all First Nations people.

## PURPOSE

The purpose of this policy is to:

- Provide a framework for the establishment and management of restricted and unrestricted cash.

## APPLICABILITY

This policy applies to:

- The Chief Financial Officer.

The Chief Financial Officer is responsible for the preparation of the Annual Financial Statements, the Operational Plan and the Long Term Financial Plan.

- MANEX.

MANEX has oversight of the preparation of the Annual Financial Statements, the Operational Plan and the Long Term Financial Plan.

## OUTCOMES

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.

The Restricted and Unrestricted Cash Policy outlines the following objectives:

1. Assists Council to meet the requirements for accountability, transparency and observance under the *Local Government Act 1993*, as amended, and the *Local Government (General) Regulation 2021*, together with other related statutory requirements and standards; and
-

2. Provides a clear, concise and defined method of:
  - Creating future restrictions;
  - Determining if any interest should be calculated on restricted cash;
  - Borrowing from restricted cash;
  - Transferring to and from restricted cash; and
  - Reporting on restricted cash.

## ROLES AND RESPONSIBILITIES

It will be the responsibility of the Chief Financial Officer to induct staff into this Policy where required. Revised versions of the Policy that contain significant changes will be communicated to all relevant staff by the Chief Financial Officer.

## POLICY STATEMENT

### 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 (3) 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 (3) 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 identifies 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.

**ESTABLISHMENT OF CASH RESTRICTIONS****(a) Current Restrictions**

Audited externally and internally restricted cash balances can be found in the Annual Financial Statements included in the Annual Report available on Council's website.

**(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.

**INTEREST ON RESTRICTED CASH**

Interest must be applied to external cash restrictions where required by legislation or otherwise, such as Section 7.11 developer charges. Interest is added to the balance in the relevant cash restriction. The rate of interest is equal to the average return on investment for the financial year.

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

**BORROWINGS FROM RESTRICTED CASH**

Council may borrow from internally restricted cash. 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.

---

## **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.

## **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.

## **VARIATION AND REVIEW**

The Restricted and Unrestricted Cash Policy will be reviewed every three (3) years, or earlier if deemed necessary, to ensure that it meets the requirements of legislation and the needs of Council. The term of the Policy does not expire on the review date, but will continue in force until superseded, rescinded or varied either by legislation or a new resolution of Council.

---