



## Council Policy MANAGEMENT OF RESTRICTED CASH

<b>Corporate Plan Reference:</b>	<i>Long term planning for Noosa Shire</i>
<b>Endorsed by Council:</b>	30 June 2021
<b>Policy Author:</b>	Director Corporate Services

### POLICY BACKGROUND

The purpose of this policy is to establish a framework for the ongoing management of cash reserves, including the establishment of targets and thresholds where appropriate.

### COUNCIL POLICY

Restricted cash reserves are established to set aside funds for Council to meet regulatory requirements, allocate against specific future projects and activities, and to ensure sufficient working capital to meet current and long term financial obligations.

All reserves are fully cash backed, and are established for specific purposes. Restricted cash reserves fall into the categories of:

1. Externally Restricted Cash
  - Unexpended levy funds;
  - Contributions received from developers for specific purposes constrained under legislation;
  - Unexpended grants and subsidies received from State or Federal Government agencies and provided for specific purposes;
  - Unexpended carbon tax liabilities collected; and
  - Unexpended loan funds.
2. Internally Restricted Cash
  - Natural disaster rehabilitation;
  - Asset renewal;
  - Waste management;
  - Plant replacement;
  - Liquidity management (cash expense cover); and
  - Other specific purpose.

To ensure oversight on restricted cash balances, a register of restricted cash will be maintained by Council and disclosed in the financial statements on an annual basis.

#### 1. Externally Restricted Cash

##### Unexpended Levy Funds

This category includes money received for special and separate rates and charges, as outlined in the Revenue Statement, and for which a levy Overall Plan provides for funds to be spent over a number of financial periods.

Funds can only be applied in accordance with the purpose for which they were originally collected, as outlined in the Revenue Statement. Should any levy be discontinued, remaining funds will be allocated in accordance with the provisions of the *Local Government Regulation 2012*.

### **Developer Contributions**

This category includes contributions received from developers in accordance with conditions applied to development applications, subject to constraints imposed by other legislation. Funds may be allocated to fund trunk infrastructure investment or other expenditure as part of the annual budget process, and any unspent funds received in a financial year will be constrained for future use.

### **Unexpended Grants and Subsidies**

This category includes funds received from either State or Federal Governments by way of a specific advance or grant that is constrained or tied to a specific project or purpose, subject to contractual obligations or other legislation.

### **Carbon Tax**

This category includes money collected historically through waste management charges to satisfy Council's future carbon tax liability for the Eumundi Road landfill site.

### **Unexpended Loans**

Loans are raised each year for specific projects as outlined in Council's debt policy, adopted with the annual budget. Any unspent funds will be constrained for application against the original projects identified in the budget and expended in subsequent financial years.

## **2. Internally Restricted Cash**

### **Natural Disaster Rehabilitation**

Council makes provision in each budget to cater for natural disaster events, but the frequency and severity of events cannot be planned with any accuracy. Accordingly, cash will be restricted with a target balance of 5% of general rates revenue to cater for rehabilitation and repairs associated with storms, flooding, bush fires or other unforeseen events. The balance will be targeted to be maintained each year after consideration of surplus cash available from operations, and the financial impact of any actual disaster events.

### **Asset Renewal**

Council will ensure that it maintains its assets and infrastructure on an ongoing basis at defined levels to ensure that services are able to be provided effectively to the community. The asset sustainability ratio is one of the three (3) key measures of financial sustainability required under legislation. Council will target over the life of the ten (10) year financial plan to achieve a minimum asset sustainability ratio of 90% (including plant, fleet and office equipment renewals) consistent with the benchmark unless condition based renewal forecasts demonstrate a percentage lower than 90% in any given year.

100% of the annual depreciation charge will be constrained and made available for investment in asset renewal. Where funds are not fully allocated within any financial year, and the actual asset sustainability ratio achieved is less than 100%, any remaining surplus will be constrained to provide for expenditure in a subsequent period where required.

## **Waste Management Landfill Rehabilitation**

Council undertakes a full cost pricing model for determining charges to apply for waste management operations, which includes allocation of funds for future rehabilitation and replacement of assets in accordance with a long term financial forecast. Accordingly, unspent funds will be constrained to meet future business strategy and landfill rehabilitation obligations.

## **Plant Replacement**

To ensure sufficient funds are available to finance the ongoing replacement of Council's plant and fleet, any operational surplus or unexpended depreciation amount from fleet activities will be constrained to provide for expenditure in a future period.

## **Liquidity Management (cash expense cover)**

The cash expense cover ratio is a key indicator utilised to measure Council liquidity (i.e. current financial health) and to also assess ongoing financial sustainability risk. This ratio calculates how long Council can continue paying its day-to-day expenses from cash at bank without needing additional cash flow injections. Council will target achieving a minimum cash expense cover of three months operating expenditure held as restricted cash in any given financial year.

## **Other Specific Purpose**

Council budgets annually for a range of anticipated costs for legal and insurance claims that are part of normal operational activities. Any unspent portion of these budgets will be constrained to provide for unforeseen future risks as they arise.

Separate accounts within this category will also be maintained for stand-alone activities subject to external funding, such as Noosa Community Care.

## **ROLES AND RESPONSIBILITIES**

The Director Corporate Services is Policy owner and responsible for oversight of the financial management of Council.

The Manager Financial Services has operational responsibility for the development of Council's long term financial forecast and annual budget, and for oversight of Council's treasury function including cash management.

## **RELEVANT LEGISLATION**

There are no specific legislative requirements around the adoption of a formal policy regarding the restriction of cash, however, where unspent funds are derived from special rates and charges, specific grants, or developer contributions, the funds can only be allocated for the original purpose.

### **Version control:**

Version	Reason/ Trigger	Change (Y/N)	Endorsed/ Reviewed by	Date
1.0	Create new		Council	07/05/2015
2.0	Review	Y	Council	30/06/2021