



Internally Restricted Assets Policy

Strategic

Purpose

Council's Internally Restricted Assets Policy details the type and level of internal restrictions that Council should set aside out of available funds to meet cash outgoings that Council will need to fund in future years.

Objectives of the Policy

The objective of this policy is to detail what items Council should be setting aside funding for and the desired level of funding to be set aside. The policy also details the rationale for the creation of each of Council's internally restricted assets.

Policy Scope

The policy applies to all internally restricted assets held by Council. Externally restricted assets such as funds held for Council's water and sewer fund, as well as unspent tied grant funds are managed per the respective grant agreements and DLG guidelines and do not fall under the scope of this policy.

Background

Council in the interest of good financial management will restrict funds from time-to-time to either meet external statutory obligations (such as restrictions relating to grant funding or developer contributions), or in order to set aside funding for future commitments.

Restricted assets that are internally developed by Council to cover commitments or obligations that are expected to arise in the future and where it is prudent for Council to hold cash in restrictions to cover these obligations (despite there being no legislative reason to do so) are known as internally restricted assets.

Definitions

The following terms used within this policy are defined below:

- **Restricted Asset** – Restricted assets refers to funds that are kept restricted (i.e. can not be used for general purposes) as they are either subject to some form of external legislative or contractual obligation, or are kept for the purpose of covering Council commitments that are expected to arise in the future
- **Internally Restricted Asset** – Restricted assets that are internally developed by Council to cover commitments/obligations that are expected to arise in the future and where it is prudent for Council to hold cash in restrictions to cover these obligations
- **Externally Restricted Asset** - Restricted assets that relate to funds that are subject to external legislative or contractual obligations

Policy Statement

Council shall set aside in its accounts internally restricted funds for the following items:

- **ELE Reserve** – Council shall hold as an internally restricted asset funds to cover 30% of Council's accrued employee provisions. Council's employee provisions

include liabilities for annual leave, and long service leave which are unpaid as at Council's annual reporting date.

- **Quarry Rehabilitation Reserve** – Council shall hold as an internally restricted asset funds to cover 20% of Council's liability to rehabilitate gravel pits during and after their operational life cycle. The total rehabilitation and remediation liability is sourced from Council's annual financial statements.
- **Plant Fund Reserve** – Council shall hold as an internally restricted asset the balance of Council's accumulated cash surplus relating to Council's plant fund. The amount to be restricted is the accumulated cash surplus from the fund. Plant funds are used by many Councils in order to ensure that plant charge outs are recouping the full cost of the fleet business, and in order to set aside funds for major capital purchases. These funds set aside are restricted for use only by the plant fund.
- **Capital Works Reserve** – Council shall hold as an internally restricted asset the balance of planned capital works unspent at the reporting date. These funds will be restricted for use in the completion of the revoted capital works, and a restriction has therefore been created to ensure that there is funding available to complete these works.

Council currently also holds as an internally restricted asset funding relating to bio solid provisions in Coolah and Dunedoo and an amount for work on Council's LEP. Other internally restricted assets can be set by Council as required.

Any funds removed from a restricted asset for another purpose, must be advertised for twenty eight (28) days to allow community comment.

Responsibilities

Council's Finance Branch is responsible for the day to day application of the policy

Associated Documents

N/A

Getting Help

The staff member/s who can assist with enquiries about the policy

Position: Chief Financial Officer

Department: Finance

Version Control

Review Date: September 2021

Staff Member Responsible for Review: Chief Financial Officer

Policy Name	Version	Resolution	Date
Internally Restricted Assets Policy	1	166	14 December 2006
Internally Restricted Assets Policy	2	07	16 July 2009
Internally Restricted Assets Policy	3	106/1314	19 September 2013
Internally Restricted Assets Policy	4	110/1718	September 2017