

RESTRICTED ASSETS (INTERNAL) POLICY



Responsible Directorate: Corporate Services
Responsible Section: Finance
Responsible Officer: Manager Financial Services

Objective

To be fiscally responsible with a strong focus on financial capacity and long term sustainability; utilising sensible practices regarding the maintenance of internally restricted assets (reserves).

Provide the basis and methodology for internally restricted assets, including their purpose, utilisation and maintenance.

Policy

Council will establish, utilise and maintain the following Internally Restricted Assets:

1. Plant Restricted Asset (Reserve)

Purpose: To fund plant and vehicle purchases.

Transfer to Restriction: Asset depreciation (equivalent value) plus the written down value of plant sold throughout the year plus an interest calculation based on current interest rates to negate inflationary pressures.

Transfer from Restriction: Purchase of plant and vehicles.

2. Office Equipment Restricted Asset (incl. Furniture & Fittings) (Reserve)

Purpose: To fund the purchase of new or replacement office equipment.

Transfer to Restriction: Asset depreciation (equivalent value) as per Note 9 of the Annual Financial Statements plus the written down value of equipment sold throughout the relevant financial year.

Transfer from Restriction: Funding the purchase of office equipment, furniture & fittings purchases.

3. Buildings Infrastructure Restricted Asset (Reserve)

Purpose: To fund the replacement/renewal of Buildings and Other Structures (excluding airport infrastructure).

Transfer to Restriction: Asset depreciation (equivalent value) as per Note 9 of the Annual Financial Statements plus the written down value of buildings/other structures sold throughout the year.

Transfer from Restriction: Funding for all buildings infrastructure renewal projects.

4. Airport Infrastructure Restricted Asset (Reserve)

Purpose: To fund the replacement and renewal of Narrabri Airport Buildings and Other Structures.

Transfer to Restriction: Asset depreciation (equivalent value) plus the written down value of assets sold throughout the year.

Transfer from Restriction: Funding for airport infrastructure renewal projects.

5. Transport Infrastructure Restricted Asset (Reserve)

Purpose: To fund replacement and renewal of Transport (Roads, Bridges, Footpaths and Kerb & Gutter) assets.

Transfer to Restriction: Asset depreciation (equivalent value) as per Note 9 of the Annual Financial Statements plus the written down value of assets sold throughout the year.

Transfer from Restriction: Funding for all transport infrastructure renewal projects.

6. Tonnage Payments (Mining) Restricted Asset (Reserve)

Purpose: To fund infrastructure developments (including environmental developments); provided that when used for road works the restricted asset must be used initially as needed in proximity to a mine in the Council Local Government area and then radiate outwards.

Transfer to Restriction: The value of mining tonnage payments received for the relevant financial year.

Transfer from Restriction: Funding of infrastructure developments in accordance with the restricted asset purpose.

7. Tonnage Payments (Gravel) Restricted Asset (Reserve)

Purpose: To fund the roads renewal backlog.

NOTE: This Fund currently has an obligation to repay an internal loan to the Quarries Reserve (this loan funded the upgrade of Wave Hill Road).

Transfer to Restriction: The value of mining tonnage payments received for the relevant financial year.

Transfer from Restriction: Funding identified shire roads renewal projects.

8. Quarries Reserve

Purpose: Funding of restoration and improvement costs for quarries.

Transfer to Restriction: Value of tonnage rates attributed to restoration and improvements.

Transfer from Restriction: Funding quarry restoration and improvement works.

9. Carry Over Restricted Asset (Reserve)

Purpose: To carryover General Fund capital works in progress at yearend that are being funded from unrestricted cash.

Transfer to Restriction: The identified remaining (allocated) funding required to complete the adopted Council works in progress at financial yearend.

Transfer from Restriction: Funding identified remaining Capital Works in progress at relevant financial yearend. Funding carried forward from the previous financial year to enable completion works.

10. Employee Leave Entitlement (ELE) Restricted Asset (Reserve)

Purpose: To fund employee leave entitlements, with reference to best practices and annual review.

Transfer to Restriction: With Council's key focus of long term financial sustainability, referencing to best practice; an amount will be recommended annually to maintain Council's anticipated medium to short term ELE requirements.

Transfer from Restriction: As appropriate and required, to fund Council's anticipated ELE liability.

11. Deposits, Retentions & Bonds Restricted Asset (Reserve)

Purpose: To restrict funds that Council is temporarily holding under contractual or policy arrangements.

Transfer to Restriction: The financial contractual or policy deposits, retentions & bonds received as of Council's ongoing operations.

Transfer from Restriction: To reimburse contractual or policy arrangements as and when required.

12. Risk Management Restricted Asset (Reserve)

Purpose: To fund identified risk mitigation programs (Staff and/or Infrastructure), which are aimed at reducing Council's liability exposure.

Transfer to Restriction: The value of unspent StateWide/StateCover rebates and/or incentive payments received during the relevant financial year.

Transfer from Restriction: Funding costs associated with risk mitigation programs.

13. Ordinary Election Restricted Asset (Reserve)

Purpose: Funding Local Government ordinary election costs. The establishment of the reserve enables the cost to be spread over the term of Council.

Transfer to Restriction: An annual transfer of approximately one quarter ($\frac{1}{4}$) of the estimated future ordinary election cost. Transferred amount will be subject to annual review and consultation with the NSW Electoral Commission.

Transfer from Restriction: Funds for the conduct of the Local Government ordinary election.

14. Statutory Planning Reserve

Purpose: To fund periodic updates to Statutory Planning documents.

Transfer to Restriction: An amount in the vicinity of \$50,000 per financial year. Appropriate transfer amount to be reviewed and recommended annually.

Transfer from Restriction: Funding associated costs of meeting Council's Statutory Planning obligations.

15. RMS Single Invitation Contract (Warranty) Restricted Asset (Reserve)

Purpose: To hold funding associated with any warranty over civil works provided.

Transfer to Restriction: An amount deemed appropriate to underwrite Council work on behalf of the RMS. Amount to be reviewed and recommended annually.

Transfer from Restriction: Any costs associated with meeting approved RMS warranty claims.

Inability to fund Restrictions

If, at any time, there are insufficient funds to finance adopted internal restrictions, which occurs in situations of deficit operating results, the relevant transfer(s) will be reduced to an amount that maintains Council's key focus of long term financial sustainability.

Notification of insufficient funds to fund adopted internal restrictions, will be provided to Council via formal Council report.

Other Internally Restricted Assets

This Policy in no way will restrict the ability of Council to establish additional internally restricted assets; such restricted assets will be made by way of Council resolution.

Internally Restricted Assets (Reserves) Existing prior to the adoption of this Policy

Council has had in place a number of internally restricted assets prior to the adoption of this Policy for specific purposes.

The adoption of this Policy will in no way affect the purpose, utilisation and maintenance of these existing restrictions.

References

Nil.

History

MINUTE NUMBER	MEETING DATE	DESCRIPTION OF CHANGE
188/2016	17 May 2016	Adopted
164/2017	15 August 2017	Reviewed