



Restricted Funds **Policy**

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Purpose

The purpose of this policy is to provide a framework for the establishment and management of Council's restricted cash funds. The policy details those funds which Council recognises as external and internal restrictions and the purposes for which the restrictions will be applied.

Scope

1. This Policy applies to all cash restrictions held by Council.
2. This Policy covers all personnel employed by Council, either as an employee or contractor.

Background

Council has significant cash, cash equivalents and investments. Restrictions are established to set aside funds for Council to meet legislative requirements, to allocate funds against future projects and activities and to ensure sufficient funding is available to meet current and long term financial obligations.

Restrictions are cash backed and are established for specific purposes. Central Coast Council's restrictions are held within five funds and spread across many areas of Council operations.

Council's five funds are :

- I. General Fund
- II. Water Fund
- III. Sewer Fund
- IV. Drainage Fund
- V. Domestic Waste Fund

Restrictions are of two types:

External Restrictions over cash, cash equivalents and investments are those where there is a legislative 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 of charge for a particular purpose (e.g. Domestic Waste Management charges)
- II. Money that is required by legislation to be set aside of a specific purpose (e.g. developer contributions)
- III. Money received from Federal or State Government for a specific purpose (e.g. specific purpose grant funding)

Internal Restrictions over cash, cash equivalents and investments are those funds restricted only by a resolution of the Council. Internal restrictions are adopted by Council to cover commitments that are

included in Council's Long Term Financial Plan and where it is prudent for Council to hold cash restrictions to meet those future commitments.

Unrestricted Cash are funds available to cover operational needs and unexpected or emergency costs within each fund. Unrestricted funds in Water, Sewer or Drainage funds cannot be utilised by other funds without Ministerial Approval to do so. Meanwhile, unrestricted cash in General Fund can be lent to the other funds.

General

The purpose of each of Council's external and internal restrictions is included in **Appendix 1**.

Current Restrictions

External and Internal restricted cash balances are reported annually in Council's Annual Financial Reports and are reported monthly to Council in the monthly Investment Report.

Future Restrictions

Additional internal restrictions may be created by resolution of Council. The Council resolution must set out:

- I. The name and purpose of the restriction.
- II. The permitted use/s of the internally restricted funds.
- III. How the funds are collected or the basis of calculating any transfer of funds to the restriction.
- IV. If there is an end date for the restricted funds to be utilised.

Internal restrictions must be authorised by a resolution of Council and will not be established for future expenditure less than \$100,000. Where possible, values less than this should be accommodated within the annual budget.

Interest on Restrictions

Interest must be applied to external cash restrictions where required by legislation, e.g. developer contributions. The rate of interest is equal to the average return on Council's investments for the financial year (unless another rate or methodology is required by legislation). Interest earnings are to be added to the balance of the restriction.

Interest is not to be calculated and applied to internal restrictions. There may be individual circumstances where interest is applied to an internal restriction and this must be specified in the resolution of Council, including the interest rate to be used.

Borrowing from Restrictions

Borrowings from external restrictions

The Local Government Act acts to restrain and control the way Council raises and uses money for its operations. As referenced above, section 409(3) of the Local Government Act 1993 states:

- (a) money that has been received as a result of the levying of a special rate or charge may not be used otherwise than for the purpose for which the rate or charge was levied, and*
- (b) money that is subject to the provisions of this or any other Act may be used only for that purpose, and*
- (c) money that has been received from the Government or from a public authority by way of a specific purpose advance or grant may not, except with the consent of the Government or public authority, be used otherwise than for that specific purpose.*

In reference to part (a) above, special rates or charges, Council may be able to utilise externally restricted funds by way of internal loan if it receives Ministerial approval to do so in accordance with subsections 410(3) and (4) of the Local Government Act.

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- (3) Money that is not yet required for the purpose for which it was received may be lent (by way of internal loan) for use by the Council for any other purpose if, and only if, its use for that other purpose is approved by the Minister.*
- (4) In granting such an approval, the Minister must impose conditions as to the time within which the internal loan must be repaid and as to any additional amount, in the nature of interest, that is to be paid in connection with that loan.*

In reference to parts (b) and (c) above Council may be able to utilise externally restricted funds by way of internal loan if it receives Ministerial approval (in the case of developer contributions), or approval from the Government or public authority providing the funding (in the case of specific purpose grant funding).

Borrowings from internal restrictions and unrestricted cash

Council may borrow from internal restrictions within each Fund and requires a resolution of Council to do so.

Borrowings from Water, Sewer and Drainage Fund restricted and unrestricted cash to Council's other Funds requires Ministerial Approval as stated above in accordance with section 410 of the *Local Government Act*. Borrowings from General Fund internal restrictions and unrestricted cash to Council's other Funds can be approved by Council resolution.

The full impact of the borrowings must be disclosed in the Council resolution and the agreement must set out:

- I. The reason for the borrowing.
- II. The basis of calculating the amount of the borrowing.
- III. The permitted use/s of the borrowed funds.
- IV. The internal restriction that will be borrowed from.
- V. If borrowing cost (interest) is to be applied to the borrowing, then the interest rate to be used.
- VI. Loan repayment period.

A repayment schedule to repay internal borrowings will be drafted to ensure repayments to internal restrictions can be funded.

Review

Compliance, monitoring and review

At least every 12 months Council will review its future need for the internal restrictions it is holding. All decisions to undertake a review of an internal restriction will be on the basis of the best use of those funds by Council. A Council resolution is required to return funds no longer required to unrestricted cash. If an urgent, unplanned or emergency needs arises during the year to access internally restricted funds Council may resolve to do so outside of the annual review process.

This policy will be implemented by the Group Financial Controller.

This policy will be reviewed at a minimum every three years to evaluate its continuing effectiveness and to ensure alignment with relevant legislation, including but not limited to:

- Australian Accounting Standards
- Environmental Planning & Assessment Act, 1979 (EP&A Act)
- Local Government Act 1993 (NSW)
- Local Government Code of Accounting Practice and Financial Reporting
- Local Government (General) Regulation 2021
- Water Management Act 2000

Council may decide to review its internal restrictions at any time to meet financial obligations and requirements of Council's Long Term Financial Plan.

Suspected breaches or misuse of this policy are to be reported to the Chief Executive Officer. Alleged breaches of this policy shall be dealt with by the processes outlined for breaches of the Code of Conduct, as detailed in the Code of Conduct and in the Procedures for the Administration of the Code of Conduct.

Records management

Staff must maintain all records relevant to administering this policy in a recognised Council recordkeeping system.

Related resources

Legislation:

- a. [Australian Accounting Standards](#)
- b. [Environmental Planning and Assessment Act 1979](#)
- c. [Local Government Act 1993 \(NSW\)](#)
- d. [Local Government Code of Accounting Practice and Financial Reporting](#)
- e. [Local Government \(General\) Regulation 2021](#)
- f. [Water Management Act 2000](#)

Associated/Internal documents:

- g. Code of Conduct (found on the intranet)
- h. Delegations of Authority Policy (found on the intranet)

Appendix 1: List of Council Restrictions

Central Coast Council External Restrictions (in alphabetical order)

Restriction Name	Restriction Description and Purpose
Biobanking	<p>This external restriction holds funds for Biobanking Agreement ID number 161, under the Threatened Species Conservation Act 1995, between former Gosford City Council and NSW Office of Environment and Heritage. The agreement was made on 13 April 2015. The biobank site that is the subject of this agreement is known as Rumbalara Reserve and the site consists of approximately 59.31 hectares.</p> <p>Contributions are received annually (in perpetuity) for conservation works at this site. The landowner agrees to undertake the management actions and implement the management plans to improve the biodiversity values of the biobank site.</p>

Restriction Name	Restriction Description and Purpose
Cemeteries	<p>This external restriction holds profits from Council's Cemeteries. The surplus funds are restricted for future works in line with Crown Land requirements.</p> <p>The funds are pooled together and can be utilised for improvement and renewal works at any of Council's 13 Cemeteries listed below:</p> <p>Operational</p> <ul style="list-style-type: none"> • Jilliby Cemetery & Memorial Gardens • Noraville Cemetery & Memorial Gardens • Point Clare Cemetery • Ronkana Cemetery • St Barnabas Cemetery • Wamberal Cemetery • Yarramalong Cemetery <p>Historic</p> <ul style="list-style-type: none"> • Brady's Gully Cemetery • Mt White Cemetery • Pioneer Park • St Peter's Greengrove • St Thomas Anglican Church Cemetery • Veteran Hall
Coastal Open Space System (COSS)	<p>This external restriction holds restricted funds for Coastal Open Space System (COSS) land acquisition and management.</p> <p>COSS was initiated by former Gosford City Council in 1984 and is a network of non-contiguous reserves supporting native vegetation that are managed for a number of environmental and community values. The primary purpose of the COSS is to maintain areas of native vegetation and habitat for native animals on public land.</p> <p>Capital contributions for COSS are received into Council's general ledger account 770414.</p> <p>Interest is allocated to the balance in the COSS restriction on a monthly basis.</p> <p>Interest calculated on \$1.5M is transferred from this restriction to Protection of the Environment Trust (POET) on a monthly basis for COSS maintenance and operations.</p>

Restriction Name	Restriction Description and Purpose
Crown Land Business Enterprises	<p>This external restriction holds surplus funds generated by business activities undertaken on Crown lands within the former Gosford City Council Local Government area. The properties are:</p> <ul style="list-style-type: none"> • Terrigal Sailing Club • Broadwater Café • Ettalong Beach Foreshore Café • Peninsula Recreation Precinct Café • Terrigal Surf Club • Umina Surf Club • Killcare Surf Club <p>Funds are utilised for improvement and renewal works at the above locations.</p>
Developer Contributions	<p>Legislation enables consent authorities (Councils) to levy developer contributions, as a condition of development consent, towards the cost of providing local public infrastructure and facilities required as a consequence of development. Contributions include:</p> <ul style="list-style-type: none"> • S7.11 Contributions • S7.12 Levies • S7.4 Planning agreements • S64 Contributions – Water • S64 Contributions - Sewer <p>This restriction holds the balance of unspent contributions received from developers in accordance with conditions applied to development consents in accordance with Council’s Developer Contribution Plans.</p> <p>Interest is applied to the monthly balance of developer contribution restrictions.</p>
Domestic Waste	<p>This is an external restriction to hold the balance of surplus funds from Council’s Domestic Waste Fund.</p> <p>The Domestic Waste restriction includes funds for the remediation of tip sites, which represents Domestic Waste Fund’s share of the future costs.</p>
Drainage	<p>This is an external restriction to hold the balance of surplus funds from Council’s Drainage Fund that are not restricted in any other restrictions referred to in this Policy.</p>

Restriction Name	Restriction Description and Purpose
Gosford Parking Station Special Rate	<p>This is an external restriction that holds funds generated by a Special Rate for Gosford City Parking Station. It provides funds for the operation of the Baker Street Parking Station.</p> <p>Funds can be spent on operating and capital projects.</p>
Holiday Parks and Camping Grounds	<p>This external restriction holds profits from Council's Holiday Parks and Camping Grounds and are restricted for future works in line with Crown Land requirements.</p> <p>Funds are utilised for improvement and renewal works at Council's Holiday Parks and Camping Grounds which are located at:</p> <ul style="list-style-type: none"> • Budgewoi • Canton Beach • Norah Head • Toowoan Bay • Patonga Camping Ground
Self-Insurance Workers Compensation	<p>Council is self-insured for the purposes of Workers Compensation.</p> <p>Council is required by NSW State Insurance Regulatory Authority (SIRA) to restrict funds and place a specific purpose deposit with SIRA to the value of its Workers Compensation provision.</p> <p>Council's workers compensation future liabilities are measured annually by a registered actuary. The balance in this restriction is measured and advised to SIRA as at 30 June each year.</p>
Sewer	<p>This is an external restriction to hold the balance of surplus funds from Council's Sewer Fund that are not restricted in any other restrictions referred to in this Policy.</p>
Stormwater Levy	<p>This external restriction holds the balance of funds paid to former Wyong Shire Council for stormwater works by way of a Stormwater Levy.</p> <p>The funds are released as works are undertaken on Lake Macquarie and Ocean works (funds for Tuggerah Lakes have been fully spent).</p>

Restriction Name	Restriction Description and Purpose
Tourism Special Rate	<p>This is an external restriction for Tourism Special Rate in the former Gosford City Council local government area.</p> <p>The Special Rate is to provide facilities, services and activities contributing to business and tourism development, special projects approved by the CEO and to provide funding to Central Coast tourism organisations.</p>
Town Centre Special Rates	<p>This is an external restriction for Town Centre Special Rates that provide funding for works which will promote economic development, enhance the town centres and benefit business properties located in those areas.</p> <p>The Town Centres are:</p> <ul style="list-style-type: none"> • Gosford CBD • The Entrance • Toukley • Wyong
Transport for NSW (TfNSW) Advances	<p>This external restriction holds the balance of surplus funds received from TfNSW for works to be undertaken on Regional roads.</p> <p>Funds are released from this restriction as the obligations of the agreement/s with RMS for completion of works are met.</p>
Unexpended Grants and Specific Purpose Contributions	<p>The unexpended grants and contribution restrictions hold funds received by Council from either Federal or State Governments or other third party for a specific project or purpose, subject to contractual obligations or other legislation not restricted elsewhere.</p> <p>Funds are released from this restriction as the project or specific purpose obligations are met.</p>
Unexpended Loans	<p>Any unspent loan funds will be restricted for application against the original projects or purposes identified in the certified loan documents and identified in Council's annual budget.</p> <p>Funds are released from this restriction as the project or specific purpose obligations are met.</p>



Restriction Name	Restriction Description and Purpose
Water Supply	This is an external restriction to hold the balance of surplus funds from Council's Water Fund that are not restricted in any other restrictions referred to in this Policy.

Central Coast Council Internal Restrictions (in alphabetical order)

Restriction Name	Restriction Description and Purpose
Davistown Wetland	<p>This is a former Gosford City Council internal restriction established in 1996 with funds from sale of surplus land parcels in Davistown for future wetland acquisition purposes.</p> <p>No additional funds are allocated to this restriction.</p>
Emergency Loan Repayment	<p>The Emergency Loan Repayment internal restriction will be created from financial improvements that exceed planned targets. The accumulation of funds will provide capacity for Council to retire a portion of General Fund emergency loans. In late 2020 Council was required to take out emergency General Fund loans in order to reimburse restricted funds unlawfully accessed to maintain liquidity. Council's LTFP has these loans being repaid over 10 years.</p> <p>Funds for this internal restriction will be set aside by Council resolution from Council's General Fund unrestricted cash to facilitate retirement of a portion of the debt early.</p>
Emergency Service Levy savings	<p>This internal restriction was established in 2019-2020 from one-off savings in Emergency Services Levy payments.</p> <p>The restriction is for the implementation of actions to protect Porters Creek Wetland and other priority actions identified in the Tuggerah Lakes Estuary Management Plan (TLEMP), including Porters Creek Wetland and Catchment Restoration and Monitoring Planning and a conservation agreement.</p> <p>No additional funds are allocated to this restriction.</p>

Restriction Name	Restriction Description and Purpose
<p>Employee Leave Entitlements</p>	<p>Council shall restrict a portion of its accrued employee leave entitlements to cover leave payments in excess of employee costs provided for in the annual budget e.g. employee termination payments upon resignation or retirement.</p> <p>Leave entitlements include annual leave, long service leave (current and non-current), accrued rostered days off and accrued sick leave entitlements in accordance with Council's Untaken Sick Leave policies.</p> <p>The restriction balance is calculated annually (as Long Service Leave entitlements are measured annually by actuary) and represents:</p> <ul style="list-style-type: none"> • 100% of Senior Designated Officer accrued leave entitlements • 20% of all other staff accrued leave entitlements
<p>Employment Generating projects</p>	<p>This internal restriction was established in 2017-2018 following a Council resolution to reallocate the budget allocated to airport works to employment generating projects across the former Wyong Shire Council local government area.</p> <p>No additional funds are allocated to this restriction.</p>
<p>Future Projects</p>	<p>The Future Projects internal restriction will be created largely from financial improvements that exceed planned targets. The accumulation of funds will provide additional capacity to accelerate General Fund planned projects or introduce additional projects.</p> <p>Funds for this internal restriction will be set aside by Council resolution from Council's General Fund unrestricted cash to meet the future cost of specific General Fund projects.</p>
<p>Land and Economic Development</p>	<p>This is a former Gosford City Council internal restriction that represents the remaining funds from the sale of the Kibbleplex site in Gosford CBD.</p> <p>The proceeds are to be utilised for economic development opportunities, community educational and other opportunities including Gosford CBD and waterfront and Airport Masterplanning.</p> <p>No additional funds are allocated to this restriction.</p>

Restriction Name	Restriction Description and Purpose
<p>Regional Library</p>	<p>This is a former Gosford City Council internal restriction that holds funds for the construction of a Regional Library in the former Gosford City Council local government area.</p> <p>No additional funds are currently being allocated to this restriction and the existing funds held have been allocated to the construction of the new Regional Library in Gosford CBD.</p>
<p>Section 355 Committees</p>	<p>This internal restriction holds surplus funds from Council's remaining 355 Committees and is allocated to renewal and improvements works at the facilities.</p> <p>It is the role of a Council appointed Section 355 Committee to act as a consulting, liaison, advisory, promoting and coordinating group for the management and development of the facility/activity, for the benefit of the community.</p>
<p>St Huberts Island Drainage Licence Fee</p>	<p>This is a former Gosford City Council internal restriction that holds funds for maintenance and improvements within the canals on St Huberts Island.</p> <p>Former Gosford City Council resolved in 1999 that funds collected from adopted licence fees for structures and mooring spaces on St Huberts Island be accumulated in this restriction for maintenance and improvement works.</p>
<p>Surf Clubs</p>	<p>This is a former Gosford City Council internal restriction that holds funds for Surf Club maintenance and repairs and capital expenditure at the following surf clubs:</p> <ul style="list-style-type: none"> • Avoca • Copacabana • Killcare • North Avoca • Ocean beach • Terrigal • Umina • Wamberal <p>No additional funds are allocated to this restriction.</p>



Restriction Name	Restriction Description and Purpose
Tip Rehabilitation	<p>This internal restriction represents General Fund's share of estimated future rehabilitation of Council's open and closed landfill sites. (Domestic Waste's share of estimated future rehabilitation costs is included in the Domestic Waste Reserve). Funding for this restriction is recovered from Council's tipping fees. The list of sites include :</p> <p>Active Sites</p> <ul style="list-style-type: none"> • Buttonderry • Woy Woy <p>Rehabilitated Landfill Sites</p> <ul style="list-style-type: none"> • Austin Butler Oval, Woy Woy • Bateau Bay Sporting Complex • Frost Reserve, Kincumber • Garnet Adcock Park, West Gosford • Hylton Moore Oval, East Gosford • James Browne Oval Woy Woy • Rogers Park, Woy Woy <p>Closed Landfill Sites</p> <ul style="list-style-type: none"> • Green Point • Gwandalan • Halekulani • Kincumber • Mardi • Shelly Beach • Toukley • Tumbi • Warnervale <p>The estimated value of the rehabilitation is reviewed by management annually and a detailed independent review is undertaken periodically to update the future costs of rehabilitation.</p> <p>Costs charged against the restriction include – site monitoring, site audits, site investigations, well maintenance, asbestos removal and control, exclusion fencing, project management and works to rehabilitate the sites.</p>

Restriction Name	Restriction Description and Purpose
	<p>Rehabilitation of closed sites is required to meet requirements under the Contaminated Lands Management Act 1997 following Council notification of sites to the NSW Environment Protection Authority (EPA).</p> <p>Rehabilitation of open sites is based on current requirements if the sites were to be closed.</p>
<p>Waste Disposal Facility</p>	<p>This restriction was established in 1987 by former Gosford City Council for a Waste Disposal Facility. Surplus funds from Woy Woy Waste Management Facility are transferred to this restriction on an annual basis.</p> <p>The restriction is to provide for the cost of establishing those facilities necessary for the future disposal of waste at the expiration of the life of the current tips.</p>

History of revisions

Policy amendment history and version details

Amendment history	Details
<p>Original approval authority details</p>	<p>Adopted by Council at its meeting 26 April 2022, minute number 64/22.</p>
<p>Updated to include two additional internal restrictions</p>	<p>Adopted by Council at its meeting 22 November 2022, minute number 198/22.</p> <p><i>To establish what funds Council will hold as restricted and the purposes for which those reserve funds will be applied.</i></p>