

AMENDED ITEM



Item No: 3.3
Title: Restriction Reserves Write-Off
Department: Corporate Affairs

23 March 2021 Ordinary Council Meeting

Reference: F2020/01876 - D14511407
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Report purpose

To seek formal approval to write off \$20M of Internally Restricted Reserves pertaining to the following funds, in order to contribute towards the reimbursement of approximately \$200m of restricted reserves debt:

- \$10,000,000 – Land Development Reserve
- \$4,701,646 – Infrastructure Reserve
- \$316,223 – Water Safety and Surf Clubs Reserve
- \$182,662 – Kibble Park Café Reserve
- \$4,799,469 – Waste Disposal Facility Reserve

Executive Summary

The Administrator's 30 Day Report in December 2020 identified that the extent of Council's accumulated debt is \$565m, made up of approximately \$365m of projected commercial debt as at 30 June 2021 and approximately \$200m of restricted reserves debt as at 30 June 2020 in the General and Drainage Funds.

It has been proposed that this restricted reserves deficit, be reimbursed as follows:

- Approx \$100m-\$110m from Council's budgeted surpluses over the 10 years, starting from 2021/22;
- Approx \$40m-\$60m from the sale of Council's property assets;
- \$20m-\$40m from the write-off of reserves that can be unwound and
- Commercial loan in the 10th year for any remaining restricted debt balance.

Detailed reviews of internally restricted reserves have identified instances where funds are either no longer necessary to support community needs or are in excess of the amount required to meet community needs.

Management recommends the write-off of \$20m of internally restricted reserves for the purpose of contributing to the reimbursement of the \$200m of restricted reserves debt.

Corporate Affairs Recommendation

- 1 *That Council provide approval for the write-off totalling \$10,000,000 pertaining to the Land Development Reserve.*
- 2 *That Council provide approval for the write-off totalling \$4,701,646 pertaining to the Infrastructure Reserve.*
- 3 *That Council provide approval for the write-off totalling \$316,223 pertaining to the Water Safety and Surf Clubs Reserve.*
- 4 *That Council provide approval for the write-off totalling \$182,662 pertaining to the Kibble Park Café Reserve.*
- 5 *That Council provide approval for the write-off totalling \$4,499,469 pertaining to the Waste Disposal Facility Reserve.*

Background

On 12 May 2016, the former Wyong Shire Council (WSC) and the former Gosford City Council (GCC) amalgamated to become Central Coast Council (CCC). At that time both WSC and GCC had in existence externally and internally restricted funds to cover employee leave entitlements, public liability insurance and numerous other funds to support community infrastructure. Since amalgamation a number of these internal reserves have been identified as no longer necessary to support community needs or in excess of the amounts required to meet community needs.

Current Status

At the time of writing this report, the following internally restricted reserves were determined to have funding in excess of current and expected requirements:

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Restriction Reserves Write-Off (contd)

Restricted Reserves Name	Restricted Reserves Balance as at 28 February 2021	Proposed Write-Off Balance	Remaining Reserves Balance	Type of Restricted Reserve	Reason for Write-Off
Land Development	15,251,387	10,000,000	5,251,387	Internal	<p>According to a Council Report on 8th Feb 2021 regarding the Gosford Regional Library, the updated funding for the library requires \$12.2m of internal reserves funding (in addition to \$8.5m from Development Contributions and \$7m Federal Government Grant). Approx. \$11.6m of this \$12.2m requirement is held in the Regional Library Internal Reserves - therefore only \$600k is left necessary to be funded from this Land Development Reserve.</p> <p>Therefore \$10m is proposed to be written-off this reserve as it's in excess of the immediate needs of the community.</p>

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Restriction Reserves Write-Off (contd)

Restricted Reserves Name	Restricted Reserves Balance as at 28 February 2021	Proposed Write-Off Balance	Remaining Reserves Balance	Type of Restricted Reserve	Reason for Write-Off
Infrastructure	4,701,646	4,701,646	-	Internal	This is a reserve from 2014 from the former Gosford City Council. There are no plans for immediate works to be funded from this reserve and as a result, it is proposed to be written off in its entirety.
Water Safety and Surf Clubs	316,223	316,223	-	Internal	This is a reserve from 2017 from the former Gosford City Council. There are no plans for immediate works to be funded from this reserve and as a result, it is proposed to be written off in its entirety. Water Safety and Surf Clubs will continue to be serviced as part of business as usual.
Kibble Park Cafe	182,662	182,662	-	Internal	This is a reserve from 2016 from the former Gosford City Council. There are no plans for immediate works to be funded

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Restriction Reserves Write-Off (contd)

Restricted Reserves Name	Restricted Reserves Balance as at 28 February 2021	Proposed Write-Off Balance	Remaining Reserves Balance	Type of Restricted Reserve	Reason for Write-Off
					from this reserve and as a result, it is proposed to be written off in its entirety.
Waste Disposal Facility	28,238,947	4,799,469	23,439,478	Internal	Waste disposal facility costs could be further supported from the externally restricted Domestic Waste Management Reserve. The proposed write-off amount represents a 17% reduction of the reserve and is an amount that is deemed not detrimental to meeting the community's needs in due course. This write-off is also reflective of the fact that the Waste Fund is significantly subsidised by the General Fund.
TOTAL	48,690,865	20,000,000	28,690,865		

3.3 Restriction Reserves Write-Off (contd)

The request is to write-off the above internally restricted funds currently held by Council in excess of that required to meet community infrastructure needs.

Consultation

Consultation with the Office of Local Government, external auditors, primary lender.

Financial Considerations

At its meeting held 19 October 2020, Council resolved the following:

1108/20 That any motions put before Council for the remainder of this term of Council that have financial implications require the Chief Executive Officer to provide a report on how those additional costs will be met.

The following statement is provided in response to this resolution of Council.

The \$20M write-off of internally restricted reserves will result in the reduction of the total restricted balance, thereby reducing the unrestricted debt that Council has to reimburse.

Link to Community Strategic Plan

Theme 4: Responsible

Goal I: Balanced and sustainable development

R-G2: Communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.

Options

- Resolve to adopt the \$20m write-off of restricted reserves in excess to Council's needs.
- Resolve to adopt a lesser / different write-off of restricted reserves.
- Resolve not to adopt the \$20m write-off of restricted reserves in excess to Council's needs. This is not recommended.

Critical Dates or Timeframes

Nil

Attachments

Nil.