

# ITEM FIN - 25/09/17 - REVIEW OF INTERNALLY RESTRICTED RESERVES

REPORT BY: ACTING CHIEF FINANCIAL & INFORMATION OFFICER

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## SUMMARY

This report presents to Council a review of the internally restricted reserves and seeks Council resolution for the release of identified reserves to be used to establish a land fund, remediation fund and an efficiency fund.

## COMMENTARY

Internally restricted reserves are cash funds set aside by resolution of Council for a capital project, where there is no legal or legislative requirement governing their use. If the purpose for which the cash restriction was established does not eventuate or Council changes its priorities, these funds may be reapplied for a different purpose by resolution of Council.

Externally restricted reserves are where there is a legal obligation by Council to use the funds for the purpose they were collected, either by means of special rate variation, developer contribution plans such as 94A contributions or for specific grant programs.

As at the 30 June 2017, \$5,815,208.30 has been identified as unrestricted and identified to be used for the establishment of Efficiency, Remediation and Land funds. Following is a reconciliation of the restricted cash assets:

Total cash 30 June 2016	24,879,187.52
Total Cash 30 June 2017	<u>29,867,079.12</u>
Increase in cash for the year ending 30 June 2017	4,987,891.60
Decrease external restrictions	4,705,462.10
Increase external restrictions	(9,035,530.89)
Decrease internal restrictions	10,273,614.14
Increase internal restrictions	<u>(5,790,442.41)</u>
Increase unrestricted cash	5,140,994.54
Unrestricted cash balance 30 June 2016	<u>674,213.76</u>
Unrestricted cash balance 30 June 2017	<u><u>5,815,208.30</u></u>
Total Increase unrestricted cash	19,966,967.84
Total Decrease in unrestricted Cash	<u>(14,825,973.30)</u>
Total increase in unrestricted cash	<u><u>5,140,994.54</u></u>
Cash Balance	\$29,867,079.12
External	\$13,760,131.71
Internal	\$10,291,739.11
Unrestricted Cash	\$ 5,815,208.30
Funds to be established	
Efficiency Fund	\$ 500,000.00
Remediation Fund	\$ 1,689,078.00
Land Fund	\$ 3,626,130.30
Total	\$ 5,815,208.30

### **Efficiency Fund**

The efficiency fund is to be established for capital projects which will provide recurrent operating savings and contribute to fit for the future goals.

### **Remediation Fund**

The remediation fund is to be established to fund the remediation provision of \$7.718m, which is currently unfunded. The remediation relates to the AGL gas works site and landfill sites which have useful lives from 2 – 20 years and contributions will be made annually from waste management and environment budgets to fund the provision.

### **Land Fund**

The Community Strategic Plan identifies the need to attract new business and investment as an objective to strengthen our economy with the outcome defined as “Facilitate and provide infrastructure and land to support residential, rural and economic growth.” The benefits identified include:

- Increased availability of employment generating lands.
- Increased number of serviceable land parcels available.
- New or expanded business development in the Lithgow LGA.
- Increased growth.

A financial management principle listed in the Long Term Financial Management Plan for Council states “Council aims to invest in responsible and sustainable infrastructure for the benefit of the local community”,

The establishment of a land fund will assist in achieving these objectives.

### **POLICY IMPLICATIONS**

NIL

### **FINANCIAL IMPLICATIONS**

- Budget approved –N/A
- Cost centre – N/A
- Expended to date – N/A
- Future potential impact – N/A

### **LEGAL IMPLICATIONS**

NIL

### **ATTACHMENTS**

1. Internally restricted reserves
2. Externally restricted reserves

### **RECOMMENDATION**

**THAT** Council:

1. Allocate \$500,000 of these funds for the establishment of an internal restricted reserve for the purpose of an efficiency fund.
2. Allocate \$1,689,078 of these funds for the establishment of an internal restricted reserve for the purpose of a remediation fund
3. Allocate \$3,626,130.30 of these funds for the establishment of an internally restricted reserve for the purpose of a Land fund.

4. Proceeds from future sales of land assets to be placed in this fund.
5. Land fund reserves are only to be expended on another fixed assets with income generating capability (or potential in the long term).