

POLICY NAME: PROPERTY RESERVES POLICY

POLICY REF: P06

MEETING ADOPTED: 28 September 2023
Resolution No. 280923/22

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OBJECTIVE

To provide guidelines for the financial management of the Council's internal reserve(s) that have been funded through entrepreneurial activities in respect to land development and commercial property activities.

POLICY

Council will retain internally restricted reserves referred to as the Property Reserves. The reserves will be segmented into two categories; being the Property Development Reserve (PDR) and the Community Infrastructure Reserve (CIR), as outlined below.

a) Property Development Reserve

The purpose of the PDR is to finance the on-going operation and development of Council's industrial and residential land development and commercial property activities.

The net proceeds from Council's land development and commercial property activities are transferred to the PDR.

This includes revenues generated from industrial land development at the Southern Cross and Russellton Industrial Estates, along with residential land development projects.

Examples of residential land development projects completed, in progress or planned include the Angels Beach Estate, Wollongbar Urban Expansion Area and Lennox Head (Henderson Farm residual).

Commercial property revenues transferred to the PDR relate to buildings located on Council owned industrial land, which currently includes the Norfolk Homes and ARC sites.

Expenses transferred from the PDR relate to the same activities, with the reserve also financing the holding costs for property development sites held by Council.

The PDR will pay an annual dividend to support the General Fund, along with annual dividends, based on the outcomes of land development and commercial property activities, to fund community infrastructure.

Council will determine the community infrastructure dividends annually, whilst ensuring that adequate funds are retained in the PDR to finance future land development and commercial property activities.

The PDR also provides a contingency for any unforeseen financial shocks that may impact on Council's financial situation, or to take advantage of any opportunities that may arise, both from a commercial perspective, and from an infrastructure delivery perspective (e.g. grant funds that need matching funding).

Prior to accessing the PDR to finance a budget shock all operating budgets, operations and other internal reserves are assessed with a view to totally or partially offsetting the budget shock.

Council will aim to retain a minimum balance of \$2 million in the PDR to protect against unforeseen financial shocks and to ensure there is adequate working capital to finance land development and commercial property projects.

Any land development or commercial property project must be the subject of a financial analysis before Council funds are expended on that development, as per Council's Property Investment and Development Policy

b) Community Infrastructure Reserve

The purpose of the CIR is to finance community infrastructure projects. The financing of projects may be by a direct cash contribution through a dividend from the CIR or by applying the interest generated on the CIR to finance loan principal and interest repayments.

Council will determine the method of financing and the community infrastructure projects funded by dividends from the CIR, annually as part of the preparation of the four year Delivery Program.

In addition to the dividends from the PDR, revenue transferred to the CIR will include the net rental proceeds from the Council commercial property located at 89 Tamar Street, Ballina and the Council café located at Fawcett Park, Ballina.

Council constructed these properties to generate revenues for the CIR to help fund community infrastructure.

BACKGROUND

Council, through a long history of pro-active land and property development, has raised a significant amount of funds to assist with financing further entrepreneurial activities and the delivery of community infrastructure.

Examples of major community infrastructure projects funded through these revenues include:

- Angels Beach Drive and Prospect Bridge
- Lennox Head by-pass (Byron Bay Road)
- Northern Rivers Community Gallery Refurbishment
- Kentwell Centre and Lennox Head Cultural Centre
- Ballina Surf Club and Ballina Marine Rescue Centre
- Skennars Head Sports Fields Expansion
- Coastal Recreational Path and Walk
- Alstonville, Ballina, Lennox Head and Wardell Town Centre Refurbishments
- Lennox Head Rural Fire Shed (in progress)
- Ballina SES Building (in planning)

The generation of revenues from the entrepreneurial activities and the retention of the surplus funds in internal reserves is critical to the on-going financial viability of Council, as the revenue raised from traditional income sources such as rates, fees and charges does not meet the community demand for new and replacement infrastructure. This means it is essential that the additional revenues generated are held in reserve for future projects and those funds are carefully managed within a clear set of guidelines. This policy provides those guidelines.

DEFINITIONS

Internally Restricted

This refers to Council being able to resolve that certain surplus cash funds are retained in reserves at Council's own discretion. This is distinct from Externally Restricted where Council holds surplus cash funds in reserve due to legislative requirements (e.g. domestic waste, water, wastewater etc).

Reserve

The setting aside of cash funds for a future defined purpose (e.g. employee leave entitlements, plant purchases etc).

Land development and commercial property activities

Activities of a commercial nature that supplement Council's income streams through the generation of additional income and profits. Land development includes industrial and residential land. Commercial property refers to buildings or sites with a commercial tenant.

SCOPE OF POLICY

This policy applies to:

- Council employees
- Councillors

RELATED DOCUMENTATION

Related documents, policies and legislation:

- Council's Delivery Program and Operational Plan
- Property Investment and Development Policy

REVIEW

This policy is to be reviewed every four years.