

POLICY NAME: PROPERTY RESERVES POLICY
POLICY REF: P06
MEETING ADOPTED: 22 October 2015
Resolution No. 221015/24
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OBJECTIVE

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

BACKGROUND

Council, through a long history of pro-active land and property development, has managed to raise a significant amount of funds to assist with financing further entrepreneurial activities and the delivery of community infrastructure. Examples of major community assets that have been funded through these revenues include the construction of Angels Beach Drive, Prospect Bridge, Lennox Head by-pass, Northern Rivers Community Gallery, the Ballina Community Services Centre, the Lennox Head Community Centre, the Ballina Surf Club and on-going main street improvements in Ballina, Alstonville and Wardell.

The generation of funds from these sources and the retention of these funds in internal reserves is critical to the on-going financial viability of the Council as Council does not generate adequate revenue from its traditional income sources such as rates, fees and charges to satisfy the community demand for new and replacement infrastructure.

Therefore it is important that the funds 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.

This policy was formerly the L01 - Land Development Reserve Management Policy and then the Entrepreneurial Property Activities and Financial Reserve.

DEFINITIONS

Internally Restricted	This refers to Council being able to resolve that certain surplus cash funds can be retained in reserves at Council's own discretion. This is distinct from Externally Restricted where surplus cash funds are required to be held in reserve (eg. domestic waste, water, wastewater etc).
Reserve	The setting aside of cash funds for a future defined purpose (eg. employee leave entitlements, plant purchases etc)
Commercial property and land development activities	Activities of a commercial nature that are designed to supplement Council's income streams through the generation of additional income and profits.

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

POLICY

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

a) Property Development Reserve

The purpose of this Reserve is to finance the on-going operation and development of Council's commercial property and land development activities. The initial proceeds and expenses associated with the commercial property and land development activities will be initially transferred to and from this reserve.

This reserve will aim to pay regular dividends to Council to fund community infrastructure. The dividends will be transferred to the Community Infrastructure Reserve as per point b) below.

The payment of any dividend will be determined after consideration is given by Council as to whether adequate funds are retained in the Property Development Reserve to ensure that on-going and future commercial property and land

development activities can be financed. This reserve also assists to provide a contingency for any unforeseen financial shocks that may impact on Council's financial situation or any opportunities that may arise, both from a commercial perspective, and also from an infrastructure delivery perspective (eg. grants needing matching funding).

Prior to accessing the Property Development Reserve to finance a budget shock all operating budgets and operations will be assessed with a view to totally or partially offsetting the budget shock. Council will aim to retain a minimum balance of \$2.5 million in this reserve to protect against unforeseen financial shocks and to ensure there is adequate working capital to finance commercial property and land development projects.

Any commercial 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

The purpose of this portion of the reserve is to finance community infrastructure projects as determined by the Council. The financing may be either by a direct cash contribution or by using the interest generated on the reserve to finance loan principal and interest repayments. The method of financing will be a matter for Council to determine.

REVIEW

This policy is to be reviewed every four years.