

POLICY NAME: PROPERTY RESERVES POLICY
POLICY REF: P06
MEETING ADOPTED: 22 October 2015
 Resolution No. 221015/24
POLICY HISTORY: 280711/24; 230206/065



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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 generational 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.

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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 and the Community Infrastructure Reserve, as outlined below.

a) Property Development Reserve (PDR)

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 undertaken, 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 (eg. 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 \$2.0 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 (CIR)

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, the Prospect Bridge, the Lennox Head by-pass (Byron Bay Road), the refurbishment of the Northern Rivers Community Gallery, the Kentwell Centre, the Lennox Head Cultural and Community Centre, the Ballina Surf Club, the Ballina Marine Rescue Centre, the Skennars Head Sports Fields expansion, the Coastal Recreational Path, and on-going main street improvements in Alstonville, Ballina, Lennox Head and Wardell.

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.

Therefore 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 (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).

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

9.6 Policy (Review) - Property Reserves.DOC

Ballina Shire Council

(REVIEW) Property Reserves Policy

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.