Property Asset Strategy and Business Plan
**POLICY ADMINISTRATION**

| Dates                  | Policy approved:  
|                       | This policy is effective upon its approval.  
|                       | Policy is due for review (up to 4 years) 07/2020 |
| Approved by           | Executive on 17/05/2017  
|                       | Council Meeting 05/06/2017  
|                       | Council Resolution |
| Exhibition Period     | *To be exhibited following Council Resolution* |
| Policy Owner          | Manager Strategic Property, Office of the General Manager |
| Related Documents     | *Property Acquisition and Disposal Policy, 2017* |
| Appendices            | *NIL* |
| References & Legislation | NSW Local Government Act 1993  
|                       | Roads Act 1993  
|                       | Real Property Act 1900  
|                       | Land Acquisition (Just Terms Compensation) Act 1991 |
| Document Identifier   | Policy #: *Allocated by Governance once policy is approved*  
|                       | (includes the version number)  
|                       | Doc #: D17/58486 |
| Breaches of Policy    | Breaches of any policy will be dealt with and responded to in accordance with adopted codes and/or relevant legislation. |
| Record Keeping        | All documents and information obtained in relation to the implementation of this policy will be kept in accordance with the NSW State Records Act 1998, Georges River Council’s Corporate Records Policy and adopted internal procedures. |
PURPOSE

To outline a holistic approach to align Council real assets to the Community Strategic Plan deliverables, and manage the income generated from the portfolio to secure the long term financial health of the organisation.

SCOPE

Georges River Council identifies the Property Portfolio as an integral component for the future financial success of the organisation. Optimising the return from Council’s real assets will ensure that Council continues to reduce its reliability on rate revenue and expand its income-earning potential from alternative sources.

This strategy applies to the financial management and distribution of funds relating to Council’s real property assets.

DEFINITION OF TERMS

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
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<tbody>
<tr>
<td>Acquisition</td>
<td>the buying or obtaining of assets</td>
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<tr>
<td>Classification</td>
<td>means of identifying status of Council’s freehold assets</td>
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<tr>
<td>Crown land</td>
<td>land that is vested in the Crown as per Crown Lands Act 1989</td>
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<tr>
<td>Surplus</td>
<td>property identified as no longer required by Council for community or operational purposes</td>
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POLICY STATEMENT

Income generated from the property portfolio is currently spread across a number of reserves and funding structures including:

1. Asset Development Reserve
2. Property Maintenance Reserve
3. CBD Masterplan Reserve
4. General Fund

This Strategy provides a clear management approach for the management of these reserves, the use of these funds for new acquisitions or projects, and the long term preservation of the value of Council’s asset base into the future.

1. Strategic Principles

The strategy is based on two (2) fundamental principles:
• Assets replace assets
• Preserve the value of disposed assets for future reinvestment

The strategy has five (5) fundamental mechanisms:

• Active Property Investment Strategy/Business Plan Guidelines
• Property Inventory Reserve
• Property Asset Reserve (PAR)
• General Fund
• Asset Realignment Reserve (ARR)

2. Active Property Investment Strategy/Business Plan Guidelines

Objective is to increase the annual returns to the General Fund whilst increasing the value of Councils property asset base.

Any future investments in property by Council must be supported by the following fundamental principles:

• In accordance with recommendations from independent market valuation
• In accordance with recommendations from independent feasibility/investment analysis (incorporating Government Property NSW benchmarks)
• Existing long term leases wherever possible
• Government guaranteed tenancies wherever possible
• Subject to the clear identification and costings of outgoings and maintenance plans which are to be incorporated in business case/feasibility analysis
• Within Georges River Council Local Government Area only
• Supported by a Council-endorsed Business Case indicating annual returns to General Fund and Property Asset Reserve

![Figure 1 - The Property Investment Process](image)
3. Property Inventory Review

A review of Council’s operational and community property assets is necessary to identify properties which are surplus to the operational needs of Council.

A surplus asset is identified when it:
- is not required for the delivery of services, either currently, or over the longer planning time frame
- becomes uneconomical to maintain and/or operate
- is not suitable for service delivery

For example, changes in service delivery methods either due to advances in technology or social expectations can cause assets to become surplus. This can also occur as a result of changing demographic patterns or the economies of scale made possible by new service capacity.

Disposal of the physical asset once an asset is identified as surplus depends on one or more of the following:
- whether there are net disposal benefits, either in financial or other terms
- whether there are secondary service obligations associated with the asset which dictate its retention.

4. Property Asset Reserve

The Property Asset Reserve will be established as an Internally Restricted Reserve to replace the existing Asset Development Reserve. The Reserve will be utilised to provide funds for the purchase of income producing assets and as an internal loan source for the purchase of non-income producing assets.

All internal advances from the Property Asset Reserve for non-income producing assets are to be repaid by the General Fund on a principal and interest repayment basis over no more than 15 years.
5. General Fund

100% of the net profit from Council’s property portfolio (i.e., Income less expenditure) is to be returned on an annual basis to the General Fund.

6. Asset Realignment Reserve

Following on from the Property Inventory Review and the adoption of a disposal schedule, the Asset Realignment Reserve will be established to manage the funds generated from the sale of roads and surplus open space.

Section 43 of the Roads Act 1993 governs Council’s responsibilities when disposing of land comprising a former public road.

“(1) This section applies to land vested in a council and forming part of a former public road.
(2) Land to which this section applies is operational land for the purposes of the Local Government Act 1993 unless, before the land becomes vested in the council, the council resolves that it is to be community land, in which case the land is community land.

(3) If the land is disposed of by sale, the proceeds of sale (less the costs of the sale) are to be paid to the council.

(4) Money received by a council from the proceeds of sale of the land is not to be used by the council except for acquiring land for public roads or for carrying out road work on public roads."

With regard to the sale of surplus open space, it is proposed to allocate these funds to the Asset Realignment Reserve for the future purchase of open space or community assets which are not adequately funded by Section 94 Developer Contributions.

Figure 6 - Functionality of the Asset Realignment Reserve
7. Scenarios

**Operational Asset Sale**
- Sell Operational Site
- Proceeds go to PAR
- Interest earned on proceeds returned to PAR
- Funds used to purchase income earning assets
- Net profit returned to General Fund

**Open Space Sale**
- Sell Open Space Asset
- Proceeds go to ARR
- Interest earned on proceeds returned to ARR
- Funds used to purchase community type assets
- No return to general Fund – objective is to replace asset

**Purchase of Investment Property**
- Investment Property Advertised for Sale
- Yes: Demonstrated compliance with Investment Criteria/Feasibility Analysis and Business Plan
- No: Continue to review market for opportunities
- Yes: Funds available in PAR for purchase price
- Yes: Acquire Property
- Yes: Net income from rentals allocated to General Fund.
- Yes: General Fund increased annually. Relative value of Council’s asset base is maintained
- No: Proceed to next step

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Property Investment Strategy and Business Plan
Approval/Active Date XX/20XX
## RESPONSIBILITIES

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<tr>
<th>Position</th>
<th>Responsibility</th>
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| **Strategic Property** | The Manager, Strategic Property is the responsible officer and will;  
• provide a point of contact about the meaning and application of the strategy  
• Update the policy when necessary  

The Strategic Property Specialist and Strategic Property Officer will;  
• adhere to this strategy  
• review and update the strategy when required  
• develop and adhere to related procedures |
| **Staff**          | To adhere to this policy.  
To file related documentation into Council’s Electronic Document & Records Management System. |
| **Councillors**    | To endorse by resolution this strategy. |
## VERSION CONTROL AND CHANGE HISTORY

<table>
<thead>
<tr>
<th>Version</th>
<th>Amendment Details</th>
<th>Policy Owner</th>
<th>Period Active</th>
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<tbody>
<tr>
<td>HCC</td>
<td>Former Hurstville Council Property Investment Strategy and Business Plan - discontinued</td>
<td>Hurstville Property</td>
<td>16/10/2013 – 05/2017</td>
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<tr>
<td>1.0</td>
<td>Complete new Georges River Council Investment Strategy and Business Plan</td>
<td>Manager, Strategic Property</td>
<td>26/04/2017 – Draft</td>
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