

# FM 13 – Retention, Acquisition, Improvement and Disposal Policy

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## 1 Objectives

The objectives of the Retention, Acquisition, Improvement and Disposal Policy are to:

- 1.1 Provide a framework within which the Shire can consider best and highest use of the asset portfolio, whether it be through 'financial value,' 'social value,' or 'environmental value,' using a methodical and informed approach
- 1.2 Ensure the Shire makes sound, open and accountable decisions in relation to land and facility holdings.
- 1.3 Maximise revenue for current and potential land and facility holdings, increase alternate revenue streams and decrease the pressure on rate revenue.

## 2 Scope

This policy applies to all councillors and employees involved in decisions regarding the retention, acquisition, improvement and disposal of land and facility holdings.

## 3 Definitions

### 3.1 Councillors

means members of an elected body that make decisions on behalf of a local government through a formal meeting process. Generally, local government councillors, who include the Mayor or President and councillors, do not have any authority to act or make decisions as individuals.

### 3.2 Employee

means a person that's hired to provide a service to a company either on a full-time, part- time or casual basis in exchange for payment. Also known as staff.

### 3.3 Land

(for the purposes of this policy) means all land and facility assets owned or controlled by the Shire.

The process for the disposal of land assets is set out in the *Local Government Act 1995*, the *Land Administration Act 1997*, and *Local Government (Functions and General) Regulations 1996* to ensure fairness and transparency to achieve the best outcome and price.

### 3.4 Worker

means a councillor, an employee (part-time, full-time and casual), a contractor, a subcontractor, a self-employed person, an outworker, an apprentice or trainee, a work experience student, an employee of a labour hire company placed with a 'host employer' and volunteers.

## 4 Policy

- 4.1 Land and property assets are in high demand and the community expect the provision of high-quality products and services to be delivered from these resources. At the same time, these land and property assets also make up a significant portion of the Shire's wealth and it is

incumbent on the Shire to maximise the financial benefit derived from the wealth, given the limited range of options available to local governments under the Local Government Act 1995 for this purpose.

## **A Types of Land and Property**

4.2 Local government land and property can be considered as belonging to one of the two following categories:

- a. Freehold – defines a property title by which the Shire owns the land for perpetuity (“free from hold”). Freehold property ownership is only limited by the prevailing zoning provided by the applicable planning scheme. Freehold land has greater potential to provide financial return.
- b. Vested – defines a property which is owned by the State Government (Crown Land) that has been provided to the Shire for its due care, control, and management. Generally, the property is subject to use for a specific purpose (e.g. recreation) as outlined in the Management Order. Vested land is more likely to provide social or environmental return, rather than a financial return.

## **B Property Use Types**

4.3 To identify when there may be a requirement to assess a land or property asset for highest and best use, the following classifications will act as a guideline. Any property not providing a service or generating revenue should be rationalised as lost opportunity, cost of retention or placing pressure on rates revenue.

- a. Public purposes – a property from which the Shire provides infrastructure or facilities such as a road, toilets, parking, or drainage.
- b. Civic – a property from which a Shire administrative service is provided.
- c. Community – a property from which a community activity or service is provided on behalf of the Shire, or for the benefit of the community.
- d. Public Open Space – a property held for the purpose of providing the community with recreational space, passive nature space or playgrounds.
- e. Commercial/Investment – a property from which commercial activities are or can be conducted, generating income through rental revenue. The property may have the capacity to support a desired planning outcome or be earmarked as a future redevelopment opportunity.
- f. Residential/Investment – a property which provides residential accommodation, generating income through rental revenue. The property may have the capacity to support a desired planning outcome or be earmarked as a future redevelopment opportunity.
- g. Surplus – a property from which no community or civic services are provided and a property which no rental revenue is being generated.
- h. Utilities – a property used for the provision of essential infrastructure such as telecommunications. The property may generate rental revenue, depending on its particular use.

## **C. Options for Highest and Best Use**

4.4 When considering highest and best use and 'financial value,' 'social value' or 'environmental value,' the following options are available to local governments:

a. Property Retention

Manage or maintain the property under the status quo, without changes.

b. Property Acquisition

Acquire property for investment or public purposes.

I. Investment – the Shire may acquire property which has the capacity to support a desired planning outcome or be earmarked as a future redevelopment opportunity. This property may be rented out in the short to medium term to generate revenue. The property also may be sold or developed when market conditions are suitable.

II. Public purpose – the Shire may acquire land either in freehold or vesting of Crown Land for a public purpose.

c. Property Improvement (including Joint Venture and Ground Leasing options) Improve the property use type and or improve the financial return from the property. Several methodologies may be considered to improve property or financial return. Each method presents different opportunities and challenges, and dependent on the classification of the asset, will require a different approach.

I. Ground Lease – predominately used for property with very high yield opportunities where there is a much higher than usual interest in property acquisition. When considering a ground lease option, the Shire does not have to expose itself to high levels of risk associated with the development, can retain ownership of the landholding, can control the built form that will remain on the property and can potentially generate significant revenue.

III. Joint Venture – predominantly used for extremely large landholdings, a joint venture partner may be used to develop a property where the Shire uses its landholding as equity in the project. When considering a joint venture option, the Shire does not have to expose itself to high levels of risk associated with the development and the developer does not have to carry the costs of purchasing the land. Both parties would share in the profits.

IV. Redevelopment – used to describe instances where an improvement to the land is made by the Shire. This may include the complete rebuild of a facility to improve its ability to either generate revenue or provide a service to the community (or both).

d. Property Disposal

A property from which no public, civic, utility, community or public open space services are provided and a property which no rental revenue is being generated is effectively a property which costs the Shire and increases pressure on rates revenue and impacts the Shire's ability to provide a high-quality product or service during challenging economic times, as well as facilitate planning for major works in the

**D. Property Reserve**

4.5 Whilst the disposition of a property may realise a generation of funds in the short-term, how the funds are used by the local government is equally important.

- 4.6 When generating any funds associated with the disposal of property, the funds will be put into a 'Land and Buildings Reserve.'
- 4.7 Reserves are funds retained to help meet future needs and mitigate financial pressures during challenging economic times, as well as facilitate planning for major works in the future. As such, the Reserves will be used to improve other properties which suit a strategic objective for the Shire or that generate other forms of revenue (e.g. rental revenue). The purpose of the 'Land and Buildings Reserve' will be to fund capital projects or improvements and is not to be used on operational costs.
- 4.8 Reserves are an important funding strategy to help balance the current needs with the future needs of the community. Reserves are typically created as long-term savings plans for future major expenditure which cannot be managed in a single budgetary year.
- 4.9 The use of reserves is restricted by the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*, and each reserve is required to be established with a clearly defined purpose.
- 4.10 The Reserve will be managed as follows:
  - a. Interest earned on deposits in reserves will be aggregated into the specific Reserve, to maximise the growth in the balance.
  - b. When the purpose for a specific Reserve is complete, consideration will be given to applying any residual funds to another purpose in the annual budget or in accordance with the requirements of Section 6.11(2) of the *Local Government Act 1995*.
  - c. All transfers to and from Reserves shall be reflected in the annual budget and LongTerm Financial Plan.

## **E Process and Compliance**

- 4.11 Any acquisition or disposition undertaken by a local government must be compliant with the processes as described in the *Local Government Act 1995*.
- 4.12 Community consultation ensures that all decisions made with respect to acquisition and disposition of land and property assets are made to provide the best long-term outcome for the community.

## **5 Accountabilities & Responsibilities**

- 5.1 The council is accountable for:
  - Ensuring the organisation has in place a lawful, transparent, and accountable policy framework, supported by a suite of compliant and appropriate policies and procedures.
  - Endorsing (or not) each organisational policy document in a timely and effective manner.
  - Delegating implementation of each policy document to the CEO.
- 5.2 The CEO is accountable for ensuring the development, implementation, monitoring and review of this policy document, in accordance with governing legislation and the council directives.
- 5.3 The Executive Management Team and Managers is responsible for:

- Ensuring that all employees under their direction comply with this policy document.
- Enacting process to redress non-compliance with this policy document.

5.4 All employees are individually responsible for complying with this policy document.

## 6 Risk Management

If a Retention, Acquisition, Improvement and Disposal Policy is not in place the risks include (but are not limited to):

- 6.1 There is no framework within which the Shire can consider best and highest use of the asset portfolio, whether it be through 'financial value,' 'social value,' or 'environmental value,' using a methodical and informed approach.
- 6.2 The Shire does not make sound, open and accountable decisions in relation to land and facility holdings.
- 6.3 Revenue for current and potential land and facility holdings is minimised, there is a decrease in alternate revenue streams and there is an increase in the pressure on rate revenue.

## 7 Reference Documents

<b>Act</b>	<i>Local Government Act 1995</i> <i>s.2.7(2)(b) – The council is to determine the local government's policies</i> <i>Administration Act 1997</i> <i>Transfer of Land Act 1893 Strata Titles Act 1985</i>
<b>Regulation</b>	<i>Local Government (Functions and General) Regulations 1996 Land</i>
<b>Local Law</b>	n/a
<b>Policy</b>	n/a
<b>Procedure</b>	n/a
<b>Other Documents</b>	n/a

## 8 Version Control

Version	Date	Author	Amendments
V1 (previously Proceeds from Sale of Land Policy)	April 2001	T Clynch	Original Document
V2 (previously Proceeds from Sale of Land Policy)	June 2022		Scheduled Review
V3 (re-write of document)	July 2024	N Gibbs (CEO)	Scheduled Review
Scheduled Review Date	July 2027		Three year review