



Policy Title	Investment Property Portfolio - Strategy for Revenue Growth Policy
Related Documentation	Property Strategy 2017
Relevant Legislation	<i>Local Government Act 1993</i>
Responsible Officer	Director City Governance Coordinator Property Services

Policy details may change prior to review date due to legislative changes, therefore this document is uncontrolled when printed.

Objectives

- To comply with the legislative requirements and regulations relevant to the management of Council’s strategy for revenue growth.
- To maximise earnings through the creation of a diversified investment property portfolio formed with the sole purpose of investment to contribute towards Council's long-term financial sustainability.

Policy Statement

Revenue growth from the formation and continued growth of an investment property portfolio with the sole purpose of investment represents a significant contribution to the total income of Council. It is essential that Council has clear policy guidelines in respect of the type of properties purchased for this portfolio and appropriate levels of governance to support the acquisition process.

Scope

To accumulate a diverse investment property portfolio incorporating commercial, retail and industrial property inside or outside the Local government area but within Australia.

Legislative Context

Council is empowered by the operation of Section 186 of the *Local Government Act 1993* (LG Act) to acquire land for the purpose of exercising any of its functions. In that regard Section 186 of the LG Act states:

- (1) *A Council may acquire land (including an interest in land) for the purpose of exercising any of its functions.*

DATA AND DOCUMENT CONTROL - GOVERNANCE USE ONLY

Division: City Governance Section: Property Services Record No: CDO-23/574	Adopted Date: 14/07/2020 Revised Date: 08/08/2023 Minute Number: 195 Review Date: 30/09/2027	Page: 1 of 3
---	---	---------------------

While this section is explicit around Council's powers to acquire land there are nevertheless variations in the types of investment property that can be purchased, which are not explained. This policy aims to clearly define the types of property investment that can be entered into.

The 'Functions of a Council' are detailed in Chapter 6 of the LG Act. Section 24 of the LG Act, which is contained in Chapter 6, states:

- (1) *A Council may provide goods, services and facilities, and carry out activities, appropriate to the current and future needs within its local community and of the wider public, subject to this Act, the regulations and any other law.*

Principles

- To minimise risk from potential for loss of revenue and capital value through the creation of a policy that includes an independent assessment of each property.
- To minimise the potential for loss of revenue and capital value from any property through development of clear management procedures and decisions around revenue growth from the investment property portfolio.
- To establish a planning and reporting framework for ongoing monitoring and review of Council's revenue growth from the investment property portfolio and its policy.
- To confirm delegations and other relevant governance matters in relation to Council's revenue growth from the investment property portfolio.

Criteria for Property Selection

The selection of a property to be pursued and if successful to be included in this portfolio will require a resolution of Council following confirmation that all selection criteria have been met, as follows:

- Projected return on investment for each property to be a minimum of 5% net growth per annum on average over the life of the lease term;
- Building age and structural condition presents minimal risk to Council giving consideration to current and future capital investment needs;
- Weighted average lease expiry (WALE) is consistent with Council requirements and represents an appropriate level of risk:

WALE Commercial	Minimum of 5 years
WALE Retail	Minimum of 3 years
WALE Industrial	Minimum of 10 years

- Location of site and its relationship to Tenant demand over time

In exceptional circumstances, Council's Executive Group may recommend a property for acquisition that does not meet all of the criteria above, provided an investment logic is justified and supported by Council. However, the decision around such circumstances remains at the sole discretion of the Council.

- A due diligence review has been performed with respect to any lease on the property.
- The property has been reviewed and recommended by Council's appointed Property Investment Advisor.

Property Investment Advice

Council's Property Investment Advisor must be suitably qualified by industry standards to provide the necessary advice. The Advisor must be an independent person who has no actual or potential conflict of interest in relation to investment decisions and the strategy being recommended.

Any property identified through an independent source or alternatively via a third party agency must be subject to a full review by Council's Property Investment Advisor.

Review of Investment Portfolio Performance

A report on the performance of the overall investment property portfolio will be presented to Council at least annually with six monthly monitoring by Council's Executive Group in a manner consistent with the requirements of Local Government legislation.

Responsibility

Director City Governance
Coordinator Property Services

Effectiveness of this Policy

This policy will be reviewed annually in accordance with Regulations and Departmental Guidelines, in consultation with Council's Property Investment Advisor, to ensure its continuing suitability and effectiveness. Records of reviews shall be maintained.

END OF POLICY STATEMENT