

Future Fund

Function and Operation

Why a Future Fund?

Financial Sustainability



- Historically asset sales have not generated long-term financial benefit
- Invest capital-generated surplus funds to grow the revenue base to achieve financial sustainability, rather than increasing taxation on the existing revenue base
 - Maximise Commercial Opportunities
 - Become less reliant on Council Rates
- Revenue generating and other assets are optimised
- Investing in initiatives that achieve strategic objectives

Purpose



- To quarantine monies received from the sale of underperforming assets
- Ensure proceeds from asset sales are reinvested into income generating investments
- **Proceeds from selling assets will build a ‘future fund’**
As a custodian of public assets, we have a responsibility to invest in the future. Proceeds from the sale of Council assets (such as from property sales) will be transferred and quarantined to a reserve fund (to be known as the Future Fund) for the purpose of funding the future purchase(s) of new income generating assets, not to fund operational expenditure or the renewal of assets. This will enhance Council’s capacity to respond to emerging opportunities in the future and facilitates the opportunity to grow community wealth without adding to public debt.

Principles

1. Deposits into the Future Fund are from **net proceeds from sale of underperforming assets** defined by the Strategic Property Review.
2. The **purpose of the Future Fund** is to quarantine the funds generated and ensure that they are held aside to either fully or partially contribute to **future investments of Council**.
3. Investments are defined as **income generating investments** which may include tangible or intangible assets that will generate income for the future.
4. Investments would be of a strategic nature supported by a **business case and evaluation criteria** established in the guidelines associated with the policy.
5. The Future Fund in its nature is a reserve by accounting definitions and will not be held in a separate bank account but disclosed separately on Council's balance sheet. Physical cash will continue to be **managed in accordance with Council's Treasury Policy**.

Policy



The Future Fund is defined in the Future Fund & Investment Policy and informed by:

- Treasury Policy
- Acquisition & Disposal of Land & Assets Policy
- Strategic Property Action Plan

Application of Future Fund Policy:

- Ensure access to the fund for investments which generate future income to Council
- Ensure consistent evaluation of investments to inform decisions of Council
- Ensure returns from investments are maintained at an approved threshold

Future Fund Balance

Asset Sales (Attributed to Future Fund)	\$'000s
Realised Asset Disposal Proceeds: <ul style="list-style-type: none"> • Former Bus Station Site • 88 O'Connell • 211 Pirie Street • Whitmore Square Housing • Whitmore Square Commercial Tenancy • Ergo Commercial Tenancy • James Place Toilets • Private Roads 	55,384
Less Investments: <ul style="list-style-type: none"> • Central Market Arcade Redevelopment • Flinders Street Acquisition/ Site Works • Property / Commercial Investigations 	(18,755)
Future Fund Balance as at 30 June 2024	36,629
Add Forecast Proceeds: <ul style="list-style-type: none"> • 88 O'Connell Final Payment 	
Less Forecast Investments: <ul style="list-style-type: none"> • Central Market Arcade Redevelopment • Flinders Street Acquisition / Site Works 	(5,483)
Total Forecast Proceeds (Future Fund)	31,147

Future Fund – Offset Account



Future Fund is currently managed in line with our Treasury Policy. Proceeds related to the Future Fund have been used to offset borrowings, which would otherwise be forecast to increase to \$62.945m as at 30 June 2025

Current Arrangement \$'000s	2023/24 Actual	2024/25 Budget
Cash / (Borrowings) as at 30 June 2025	1,635	(23,733)
Future Fund Reserve Balance as at 30 June 2025	36,629	39,212

Treating the Future Fund like an offset account (as with a home loan), cash proceeds accumulated would sit in a separate account, with interest incurred on the smaller offset net amount.

“Offset” Account \$'000s	2023/24 Actual	2024/25 Budget
Debt we would have had	(35,000)	(62,945)
“Offset” Account - Future Fund Balance	36,629	39,212
Net amount that interest is calculated on	1,635	(23,733)