

Financial Reserves Policy

Local Government Act 2009

1. Policy Statement

Townsville City Council (Council) recognises the role that financial reserves play as a sound and prudent financial management strategy to ensure long-term financial sustainability.

2. Principles

This policy defines the reserves that Council will establish to assist in its effective management of Council's long-term financial sustainability. Reserves are enacted where they contribute to Council's long-term financial sustainability by:

- linking funds raised to delivery of outcomes;
- assisting in cash flow stability;
- managing impacts of inflationary pressures; and/or,
- supporting long-term financial planning.

All reserves must be cash-backed and may not be attributed to other purposes without approval by Ordinary Council.

3. Scope

This policy applies to the creation and maintenance of equity-based reserves, excluding the Asset Revaluation Reserve.

4. Responsibility

Councillors, Council's Executive and the Chief Financial Officer are responsible for ensuring that this policy is understood and adhered to by all Councillors and workers.

5. Definitions

| Term | Definition |
|--------------------------------------|--|
| Consumption of Infrastructure | The reduction in the value of an asset over time due to wear and tear, obsolescence, or other factors as infrastructure assets are used to provide services to the community. This is often referred to as depreciation. |

| Term | Definition |
|--|--|
| Council's Executive | Includes the Chief Executive Officer (CEO) and Directors. |
| Councillors | means all elected officials, including the Mayor. |
| Financial Reserve (Reserve) | Funds that Council retains to ensure sufficient liquidity to meet future expenses and obligations. |
| Landfill Cell | a single, waste-holding unit within a larger landfill property. |
| Local Government Infrastructure Plan (LGIP) | A Local Government Infrastructure Plan is a strategic document that outlines the infrastructure required to support urban development within a local government area. |
| Manager | an individual responsible for overseeing and coordinating specific functions, departments, teams or projects within Townsville City Council. |
| Significant Business Activities | <p>means a business activity of a local government that -</p> <ul style="list-style-type: none"> (a) is conducted in competition, or potential competition, with the private sector (including off-street parking, quarries, sporting facilities, for example); and (b) meets the threshold prescribed under a regulation. <p>For the purposes of the <i>Local Government Act 2009</i> and the <i>Local Government Regulation 2012</i>, Council has two significant business activities:</p> <ul style="list-style-type: none"> 1. Water Services; and 2. Resource Recovery. |
| Strategic Community Infrastructure | means significant infrastructure aligned to the delivery of Council's Corporate Plan. |
| Trunk Infrastructure | <p>means higher order network development infrastructure including essential services, such as:</p> <ul style="list-style-type: none"> • water supply systems (e.g., trunk water mains and reservoirs); • sewerage systems (e.g., sewer treatment plants); • transport networks (e.g., roads, footpaths, cycleways); • public open spaces (e.g., parks); and • land for community facilities. |
| Workers | includes employees, contractors, volunteers and all others who perform work on behalf of Council. |

6. Policy

Council maintains and operates financial reserves for each of Council's identified significant business activities as well as for specific activities identified by Council.

Individual reserves are held for:

- Water Services infrastructure;
- Water Services operational cost or revenue fluctuations due to environmental factors;
- Resource Recovery infrastructure;
- landfill rehabilitation;
- Trunk infrastructure delivery; and,
- strategic projects.

6.1. Individual Reserves

6.1.1 Water Services Infrastructure Reserve

The Water Services Infrastructure Reserve recognises the portion of revenue raised through water and sewerage utility charges that relate to the consumption of water and wastewater infrastructure.

Funds received in excess of Water Service's annual budget may also be transferred into this reserve.

The funds held in this reserve may only be applied to the renewal or growth of water and wastewater infrastructure.

6.1.2 Water Services Fluctuation Reserve

The purpose of this reserve is to stabilise fluctuations in cashflows from year to year due to the impact of environmental factors on Water Services operations. Factors like blue green algae blooms, drought and rainfall abundance can all impact on Water Services costs of operations and revenue.

Funds received in excess of Water Service's annual budget may be transferred into this reserve.

Funds held in this reserve will be applied to stabilise cashflows in years of higher costs or lower revenue than budgeted for Water Services.

Where the total value of this reserve exceeds \$20 million, Council's CEO may make a recommendation to Council to release excess cash reserves for other activities or projects of Council.

6.1.3 Resource Recovery Infrastructure Reserve

The Resource Recovery Infrastructure Reserve recognises the portion of revenue raised through waste and recycling utility charges that relate to the consumption of resource recovery infrastructure.

The funds held in this reserve may only be applied to the renewal or growth of resource recovery infrastructure.

6.1.4 Landfill Rehabilitation Reserve

The Landfill Rehabilitation Reserve recognises the portion of revenue raised through waste utility and waste fees and charges that relate to future obligations to rehabilitate closed landfill cells.

The funds held in this reserve may only be applied to the rehabilitation of closed landfill cells.

6.1.5 Trunk Infrastructure Delivery Reserve

Council receives infrastructure charges revenue for the purpose of delivering future trunk infrastructure for the local government area. Funds received through these charges will be held in the Trunk Infrastructure Delivery Reserve to assist with funding the delivery of future trunk infrastructure identified in the LGIP and/or an infrastructure agreement.

The funds held in this reserve may only be applied to the identified LGIP or infrastructure agreement trunk infrastructure.

6.1.6 Strategic Projects Reserve

The purpose of the Strategic Projects Reserve is to support Council's purpose to "Grow Townsville" as iterated in the 2025-2029 Corporate Plan. Funds may be quarantined to this reserve from time to time where Council's liquidity can support this. Proceeds from disposal of land and buildings should be considered for transfer into this reserve.

The funds held in this reserve may only be applied to the purpose of strategic infrastructure and projects. This may include concept development, advocacy efforts and co-funding strategic projects.

6.2. Adding or Removing Reserves from This Policy

Reserves may only be created or removed from this policy by the adoption of a revised policy by Ordinary Council. Funds held in reserves that are removed from this policy may be applied by Council to any other purpose identified by Council. Where no other purpose is identified by Council, funds will be returned to the general fund.

6.3. Interest on Reserves

Interest will not be applied to reserve balances.

7. Legal Parameters

Human Rights Act 2019

Local Government Act 2009

Local Government Regulation 2012

8. Associated Documents

Corporate Plan

Local Government Infrastructure Plan

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