

# Beneficial Enterprises and Controlling Entities Policy

*Statutory Bodies Financial Arrangements Act 1982*

## 1. Policy Statement

Townsville City Council (Council) will ensure all proposed or existing beneficial enterprises are in the best interest of the community and meet the objectives of the *Local Government Act 2009* and the *Statutory Bodies Financial Arrangements Act 1982*.

## 2. Principles

The *Local Government Act 2009* allows a local government to conduct a Beneficial Enterprise.

Beneficial Enterprises can make important contributions in achieving Council's overall objectives. This policy establishes a governance framework for Beneficial Enterprise entities that is consistent with Council's strategic goals, governance and risk management practices.

## 3. Scope

This policy applies to all proposed and existing Beneficial Enterprises of Council.

## 4. Responsibility

All Councillors, the Chief Executive Officer and Managers are responsible for ensuring that this policy is understood and complied with.

All decisions to conduct or cease a Beneficial Enterprise must be made by resolution of Council. Legal Services and Commercial and Financial Services are to be consulted prior to submitting such a resolution to Council, with the output from that consultation detailed in the agenda item.

## 5. Definitions

**Beneficial Enterprise** (also referred to as Special Purpose Vehicle) - has the same definition as the *Local Government Act 2009* and means an enterprise that a local government considers is directed to benefiting, and can reasonably be expected to benefit, the whole or part of its local government area. A local government can enter into a:

- Partnership (although not an unlimited partnership);
- Corporation limited by shares (not listed on the stock exchange);
- Corporation limited by guarantee (not listed on the stock exchange); and

- Another association of persons that is not a corporation, for example a joint venture.

**Control** - means the capacity of an entity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable the other entity to operate with it in pursuing the objectives of the controlling entity.

Control over an entity is presumed to exist when one entity has direct or indirect ownership of more than half the voting power of the other entity. However, control can be gained in a variety of ways, including acquiring the assets of another entity or controlling the management of the entity.

**Manager** - an individual responsible for overseeing and coordinating specific functions, departments, teams or projects within Townsville City Council.

## 6. Policy

In the interests of transparency and accountability, Council owes a duty to the public to ensure high standards of governance in the establishment and management of such entities. The ownership of shares or equity in a Beneficial Enterprise places particular obligation on Council to ensure its interests are represented and protected, periodically review performance, decide whether to retain involvement and accurately reported in Council's financial statements.

When considering the establishment of a Beneficial Enterprise, Council should determine whether it is in the public interest by having regard to the following principles.

These principles have been derived from the nationally recognised ASX Corporate Governance Principles and Recommendations (Fourth Edition -2019). They are:

- Principle 1: Lay solid foundations for management and oversight;
- Principle 2: Structure the board to be effective and add value;
- Principle 3: Instil a culture of acting lawfully, ethically and responsibly;
- Principle 4: Safeguard the integrity of corporate reports;
- Principle 5: Make timely and balanced disclosure;
- Principle 6: Respect the rights of the Council and the Community;
- Principle 7: Recognise and manage risk; and
- Principle 8: Remunerate fairly and responsibly.

The establishment, acquisition, monitoring, sale or winding up of a Beneficial Enterprise must be made by resolution of Council.

The Auditor-General should be formally advised in writing of the establishment of a new Beneficial Enterprise.

Council's annual report for each financial year will contain a list of all Beneficial Enterprises that Council conducted during the financial year.

## 7. Legal Parameters

*Corporations Act 2001*

*Local Government Act 2009*

*Statutory Bodies Financial Arrangements Act 1982*

## 8. Associated Documents

ASX Corporate Governance Principles and Recommendations (Fourth Edition -2019)

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