

Related Party Disclosure Policy

POLICY STATEMENT	<p>1.1 From 1 July 2016, Councils must disclose related party relationships, transactions and outstanding balances, including commitments, in their annual financial statements.</p> <p>1.2 The Related Party Disclosure Policy outlines the disclosure requirements under Australian Accounting Standard AASB 124 of Key Management Personnel (KMP), which includes elected members.</p> <p>1.3 The Policy also outlines the procedures Council will follow to collect, store, manage and report on related party relationships, transactions and commitments.</p>
DEFINITIONS	<p>2.1 Arm's length terms Terms between the parties that are reasonable in the circumstances of the transaction that would result from:</p> <ul style="list-style-type: none"> • neither party bearing the other any special duty or obligation, and • the parties being unrelated and uninfluenced by the other, and • each party having acted in its own interest. <p>2.2 Close Family Member Family members of Key Management Personnel (KMP) who may be expected to influence, or be influenced by, that person in their dealings with the entity. This includes, but is not limited to, that person's spouse or domestic partner; and the children and dependents of that person or that person's spouse or domestic partner.</p> <p>2.3 Control of an entity You control an entity if you have:</p> <ul style="list-style-type: none"> • power over the entity; • exposure, or rights, to variable returns from involvement with the entity; and • the ability to use your power over the entity to affect the amount of your returns. <p>2.4 Declaration by KMP An annual declaration of close family members and entities that the KMP or their close family members control or jointly control, as per Appendix 1, updated during the year as necessary.</p> <p>2.5 Entities controlled by KMPs Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs. You control an entity if you have:</p> <ul style="list-style-type: none"> • power over the entity; • exposure, or rights, to variable returns from involvement with the entity; and • the ability to use your power over the entity to affect the amount of your returns. <p>2.6 Entities related to Council Entities controlled by Council, jointly controlled by Council or over which Council has significant influence are related parties of Council.</p>

	<p>2.7 Joint control of an entity</p> <p>To jointly control an entity there must be contractually agreed sharing of control of the entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.</p> <p>2.8 Key Management Personnel (KMP)</p> <p>Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. In the council context this includes the Mayor, all aldermen or councilors, the General Manager and senior council officers as outlined in the policy.</p> <p>2.9 KMP Compensation</p> <p>All employee benefits. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:</p> <ul style="list-style-type: none"> a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees; b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care; c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation; d) termination benefits; and e) share-based payment. <p>2.10 Materiality</p> <p>Information is material when, if omitted or misstated, it could influence decisions that users make on the basis of financial information about a specific reporting entity.</p> <p>Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.</p> <p>2.11 Ordinary Citizen Transactions (OCTs)</p> <p>Transactions that an ordinary citizen would undertake with Council are usually not material to related party disclosure requirements. OCTs do not apply if the terms and conditions are different to those offered to the general public.</p> <p>2.12 Related Party of Council</p> <p>People and entities, such as companies, trusts and associations, can be related parties of Council. Most commonly these will be entities related to Council, KMP of Council (including elected members), close family members of KMP and entities that are controlled or jointly controlled by KMP or their close family members.</p> <p>2.13 Related Party Transaction</p> <p>A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.</p>
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OBJECTIVE	3.1 The objectives of this policy is to ensure that the Councils financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.
SCOPE	<p>4.1 Council's related parties are likely to include the Mayor, councillors, General Manager, senior executives, their close family members and any entities that they control or jointly control.</p> <p>4.2 Any transactions between Council and these parties, whether monetary or not, may need to be identified and disclosed.</p>
PROCEDURE (POLICY DETAIL)	<p>5.1 The General Manager will establish, review and maintain a list of Key Management Personnel for Council.</p> <p>5.2 Key Management Personnel (KMP) for Council are:</p> <ul style="list-style-type: none"> • the Mayor • all Councillors • the General Manager • the Deputy General Manager • the Chief Financial Officer • the Executive Manager Engineering • the Executive Manager Information Services • the Executive Manager Organisational Development • the Executive Manager Governance and Community Services <p>5.3 Those persons identified as KMP will complete an annual declaration which outlines the entities, if any, that are controlled or jointly controlled by that KMP or their close family members and which are likely to have transactions with Council.</p> <p>5.4 For the purpose of this Policy, Close Family Members includes:</p> <ul style="list-style-type: none"> • that person's children and spouse or domestic partner; • children of that person's spouse or domestic partner; and • dependents of that person or of that person's spouse or domestic partner. • other family members, such as a parent, grandparent, sibling, cousin, etc, who may be expected to influence, or be influenced by, that person in their dealings with Council or a Council entity. <p>5.5 It is the responsibility of General Manager to seek a declaration upon a change of KMP.</p> <p>5.6 All KMPs will be asked to provide their declarations by 31 July each year.</p> <p>5.7 It is the responsibility of all identified KMP to update their declaration should they become aware of a change, error or omission.</p> <p>5.8 Maintain a Register</p> <p>The General Manager or Responsible Finance Officer is responsible for maintaining and keeping up to date a register of related party transactions that captures and records the information for each existing or potential related party transaction (including ordinary citizen transactions assessed as being material in nature) during a financial year.</p> <p>5.9 Contents of the Register</p> <p>The contents of the register of related party transactions must detail for each related party transaction:</p> <ol style="list-style-type: none"> a) the description of the related party transaction; b) the name of the related party; c) the nature of the related party's relationship with Council;

- d) whether the notified related party transaction is existing or potential;
- e) a description of the transactional documents the subject of the related party transaction.

The General Manager or Responsible Accounting Officer is responsible for ensuring that the information is disclosed in Council's Financial Statements to the extent, and in the manner stipulated by AASB 124.

5.10 Council will use the declarations of KMP to establish a list of related parties for the purposes of identifying transactions and reporting under AASB 124.

5.11 Updates will be provided to KMP and Council staff periodically on changes arising from amendments to Australian Accounting Standards, applicable legislation or policy and procedural requirements.

5.12 Entities Controlled (or jointly controlled) by KMP or their close family members

- a) KMP will exercise their best judgement in identifying related parties.

KMP, including elected members, will carefully assess the information before declaring, or not declaring, an entity over which they, or a close member of the family, have control or joint control.

5.13 Related party disclosures by Council

Each year Council will declare the following related party transactions:

- a) Transactions with Council subsidiaries, by transaction type.

- b) KMP compensation, including:

- short-term employee benefits;
- post-employment benefits;
- long-term benefits; and
- termination benefits.

- c) Transactions with other related parties, including:

- purchases or sales of goods (finished or unfinished);
- purchases or sales of property and other assets;
- rendering or receiving of services;
- leases;
- transfers of research and development;
- transfers under licence agreements;
- transfers under finance arrangements (including loans and equity contributions in cash or in kind);
- provision of guarantees or collateral;
- commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised); and
- settlement of liabilities on behalf of the entity, or by the entity on behalf of that related party.

- d) Transactions of a similar nature will be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of a related party transaction on the financial statements of council, having regard to the following criteria:

- the nature of the related party transaction
- the significance of the transaction (individually or collectively) in terms of size or value (including where the materiality arises due to the fact that no consideration for the transaction is given or received by Council)
- whether the transaction is carried out on non-arm's length terms
- whether the nature of the transaction is outside normal day-to-day business operations.

- e) Outstanding balances in relation to transactions with related parties, including:
 - Entities controlled by KMPs; and
 - Bad or doubtful debts in respect of amounts owed by related parties.
- f) Non-monetary transactions such as use of facilities, peppercorn rents.

5.14 If a KMP or close associate is named individually in disclosure reports, the KMP will be given a copy of the intended disclosure for review and information purposes. Feedback must be provided within 14 days.

5.15 Council will not capture Ordinary Citizen Transactions (OCTs) with related parties. Nor will Council disclose non-material transactions.

5.16 For the purpose of this Policy, example of OCTs are:

Examples of OCTs
Using a council's gymnasium after paying the normal fee
Attending council functions that are open to the public
Fines on normal terms and conditions
Paying rates charges
Dog registration

Examples of transactions that are NOT OCTs
Purchases or sales of property
Leases
Transfers under finance arrangements (eg. Loans)
Settlement of liabilities
Infrastructure charges or contributions
Purchase of goods and services, regardless of conditions
Employee expenses of close family members of KMP

5.17 The General Manager will assess the materiality of the related party transactions that have been captured prior to disclosure.

5.18 In making disclosures in the annual financial statements Council will include:

- a) Relationships between a parent and its subsidiaries, irrespective of whether there have been transactions between them.
- b) KMP compensation in total and for each of the following categories:
 - short-term employee benefits;
 - post-employment benefits;
 - other long-term benefits; and
 - termination benefits.
- c) Where related party transactions have occurred:
 - the nature of the related party relationship; and
 - information about the transactions, outstanding balances and commitments, including terms and conditions.
- d) Separate disclosure in aggregate for each category of related party transactions.

Note: Transactions that are individually significant, either because of their amount or nature, are included in the aggregate disclosure but also need to be disclosed separately.

5.19 The types of transactions disclosed such as:

- purchases or sales of goods;
- purchases or sales of property and other assets or rendering or receiving property and other assets or rendering or receiving goods;

	<ul style="list-style-type: none"> • rendering or receiving of services; • leases; • guarantees given or received; • commitments; • loans and settlements of liabilities; • expense recognised during the period in respect of bad debts; • provision for doubtful debts relating to outstanding balances.
GUIDELINES	6.1 The General Manager is responsible for ensuring that all KMP are providing appropriate declarations to comply with this policy.
COMMUNICATION	7.1 All KMP including Councillors will be made aware of the Policy and associated documents. 7.2 The Policy will be published on the Council web page.
LEGISLATION	8.1 The following legislation should be considered in conjunction with this policy: <i>Local Government Act 1993 (Tasmania)</i> <i>AASB 124 Related Party Disclosures</i> <i>Archives Act 1983 (Tasmania)</i> <i>Privacy Act 1988 (Commonwealth)</i> 8.2 Personal Information Protection Act 2004 (Tasmania)
RELATED DOCUMENTS	9.1 Councils Code of Conduct Policy
AUDIENCE	10.1 Kingborough Council 10.2 Key Management Personnel

Appendix 1 - Declaration of Related Party Transactions Form

Private and Confidential

Related Party Declaration by Key Management Personnel

Name of Key Management Person:

Position of Key Management Person:

Close Family Member Name	Relationship with KMP	Entities over which the close family member has sole or joint control	Nature of likely transactions with Council or Council entities

Name of Entity over which the KMP has control	Relationship with KMP	Nature of likely transactions with Council or Council entities

I (*insert full name*), (*insert position*) declare that the above list includes all my close family members and the entities controlled, or jointly controlled, by myself or my close family members having had, or likely to have, transactions with Council. I make this declaration after reading Council's policy which details the meaning of the words "close family members" and "entities controlled, or jointly controlled, by myself or my close family members".

I acknowledge that the General Manager has access to the register of interests of me and persons related to me and will use the information for the purposes specified in Council's Related Party Disclosures Policy.

Declared at _____ on the _____

Signature of KMP:

Name of KMP:

In accordance with Council's *Privacy Policy*, your information, and the information of others, is protected by law, including the *Privacy Act 1988* and the *Personal Information Act 2004*.

Appendix 2 –Related Party Information Collection Notice

Kingborough Council

Collection Notice

Related party transactions disclosure by Key Management Personnel

From 1 July 2016, Council must disclose related party relationships, transactions and outstanding balances, including commitments, in its annual financial statements, in order to comply with *Australian Accounting Standard AASB 124 Related Party Disclosures*.

Purpose of collection, use and disclosure of related party information

The reason for disclosure of related party transactions is to ensure that Council's financial statements contain the information necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

Council's related parties are likely to include the Mayor, councillors, General Manager, senior executives, their close family members and any entities that they control or jointly control. Any transactions between Council and these parties, whether monetary or not, may need to be identified and disclosed. Ordinary Citizen Transactions (OCT's) with related parties will not be captured.

A related party transaction is a transfer of resources, services or obligations between Council and a related party, regardless of whether a price is charged.

A related party transaction must be disclosed in Council's financial statements if the transaction is material. Information is material when, if omitted or misstated, it could influence decisions that users make on the basis of financial information about a specific reporting entity.

Prior to disclosure, the General Manager will assess the materiality of related party transactions that have been captured, and, if deemed material, will disclose in its financial statements the nature of the related party relationship and information about the transaction. Disclosure in the financial statements may be in aggregate form and/or may be made separately, depending on the nature and materiality of the transaction.

Related Party Transactions Declaration by Key Management Personnel

Key management personnel (KMP) are the persons who have authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly and include the Mayor, councillors, General Manager and senior executives. In order to comply with AASB 124, Council has adopted a policy that requires all KMP to declare any existing or potential related party transactions between Council and any of their related parties during a financial year.

Each KMP must provide an annual *Related Party Declaration* in the approved form, by 1 July each year, and update the Declaration should they become aware of any change, error or omission. KMPs must exercise their best judgment in identifying related parties when declaring, or not declaring, entities over which they, or a close member of their family, have control or joint control.

How will the information captured in the Declaration be used?

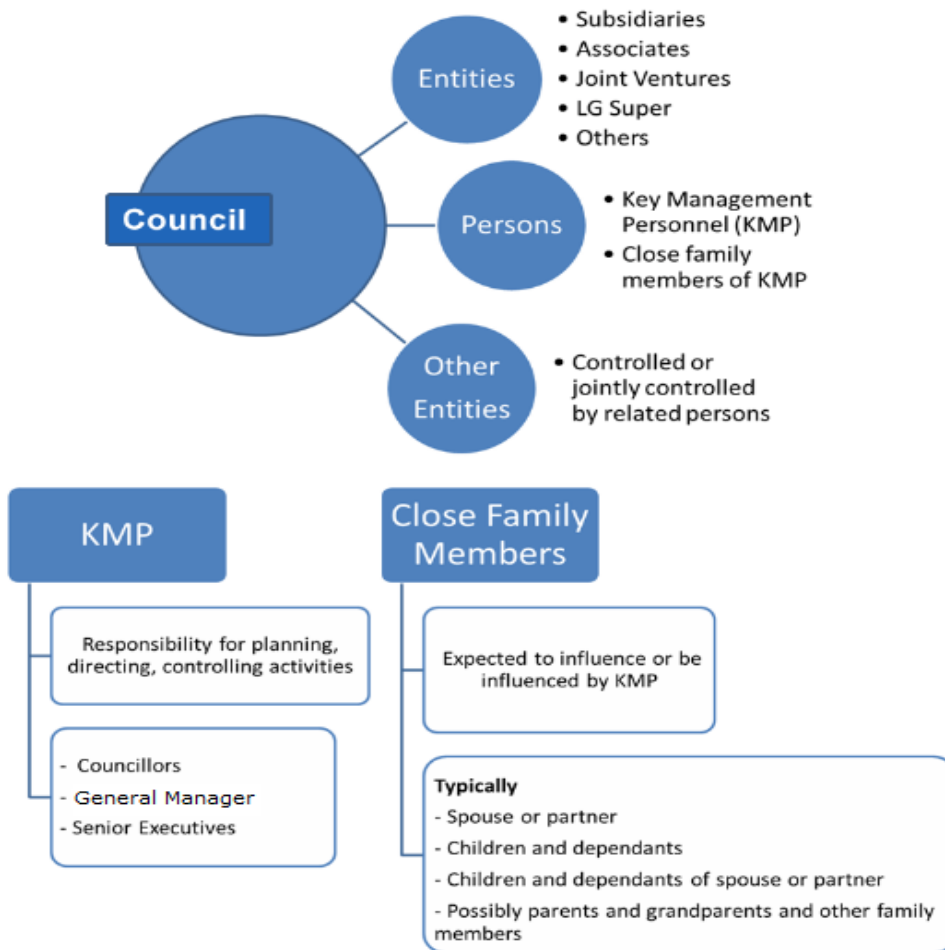
Council will use the declarations of KMPs to establish a list of related parties of Council for the purposes of identifying transactions and reporting under AASB 124. If a KMP or close family member is named individually in disclosure reports, the KMP will be given a copy of the intended disclosure for review and information purposes.

Who are related parties?

People and entities, such as companies, trusts and associations, can be related parties of Council.

The following diagram gives an overview of common related parties that a council will have.

The following diagram gives an overview of common related parties that a council will have:



For related party transaction disclosures under AASB 124, the related party relationship must be disclosed for both the KMP and their close family members, even if the same related party entity is held jointly or in common by them. This is separate and in addition to Council’s register of interests which is required under the *Local Government Act 1993*.

Under AASB 124, those persons who are prescribed as definitely being close family members of a KMP include:

- that person’s children and spouse or domestic partner;
- children of that person’s spouse or domestic partner; and
- dependents of that person or that person’s spouse or domestic partner.

Council may determine other family members, such as a parent, grandparent, sibling, cousin, etc, who may be expected to influence, or be influenced by, that person in their dealings with Council or a Council entity.

Example for Guidance (Son of CFO employed by Council)

Sunny Shire Council has recently employed Paul's son (George) in the Council's parks and garden's area. Paul is Council's Chief Financial Officer but was not involved in hiring George. This process was managed by the Director of Parks and Gardens and included an independent assessment process. Paul did not have any influence in George securing the job.

Paul has been identified as a KMP of Council, which makes him a related party.

George will also be a related party of Council because he is a close family member of Paul. The recruitment process that was undertaken for George's position is irrelevant when assessing whether George is a related party.

Example for Guidance (Cousin of Mayor)

The Mayor of Happy Shire Council (Shelley) has lived in the Shire her whole life. In fact her family has been in the area for over five generations.

Shelley's cousin Mavis, owns and operates the local newsagent through a company Happy News Pty Ltd, in which she owns 100% of the shares. Shelley and Mavis have always been close and regularly socialise together.

Shelley has been identified as a KMP of Council. From these facts it would appear that Mavis is a close family member of Shelley because she would be expected to influence, or be influenced by, that person in her dealings with Council

Both Mavis and the company she controls, Happy News Pty Ltd would therefore be related parties of Council. Any transactions that the Council makes with the newsagent would need to be separately identified and may need to be disclosed.

What is an entity that I, or my close family members, control or jointly control?

Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs.

You control an entity if you have:

- a) power over the entity;
- b) exposure, or rights, to variable returns from involvement with the entity; and
- c) the ability to use your power over the entity to affect the amount of your returns.

You jointly control an entity if there is a contractually agreed sharing of control of the entity. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

In some instances, it may not be easy to determine whether or not you, or your close family members, control or jointly control an entity. If you are unsure and require further clarification, you should contact the General Manager for a confidential discussion.

Example for Guidance

Mayor is the President of a local football club.

The Mayor of Sunny Shire Council is the President of League Heroes Inc, the local football club. This club is overseen by a committee which comprises the President and four other committee members. Each member has a single vote when making decisions at meetings. The committee members are not related and do not have agreements to vote with one another. The club has over 100 members that each have a vote in electing the committee members at the club's annual general meeting.

From these facts it would appear that the Mayor does not control or jointly control the football club so it will not be a related party of Council just because the Mayor is the president of the club.

Example for Guidance (Joint control)

Fred is the Mayor of Sunny Shire Council and owns 50 per cent of the ordinary shares in Sunny Development Company Pty Ltd (the company). Fred's brother Stan owns the other 50 per cent of ordinary shares. Fred and Stan are the only Directors of the company and have equal voting rights on the board.

Fred and Stan have joint control of the company because any decisions require the unanimous consent of them both.

Fred will need to include the company on his related party declaration.