



POLICY

Related Party Disclosures Policy

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AUTHORITY	Director Corporate Services
CONTACT OFFICER	Manager Corporate Business

1 PURPOSE

- 1.1 The purpose of the policy is to comply with the Australian Accounting Standard *AASB 124 – Related Party Disclosures* to ensure that Council’s 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.

2 SCOPE

- 2.1 This policy applies to the officials and officers of Council defined as Key Management Personnel in this policy.

3 DEFINITIONS

- 3.1 For the purposes of this policy, the following definitions apply:

Term	Definition
Arm’s length terms	Means terms between parties that are reasonable in the circumstances of the transaction that would result from: <ul style="list-style-type: none"> i. neither party bearing the other any special duty or obligation; and ii. the parties being unrelated and uninfluenced by the other; and each party having acted in its own interest.
Close members of the family of a person	are those family members who may be expected to influence, or be influenced by, that person in their dealings with Council and include: <ul style="list-style-type: none"> i. that person’s children and spouse or domestic partner; ii. children of that person’s spouse or domestic partner; and iii. dependants of that person or that person’s spouse or domestic partner.
Entity	Can include a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body.
Key management personnel (KMP)	As defined in Section 5.2 of this Policy.
KMP Compensation	Means all forms of consideration paid, payable, or provided in exchange for services provided, and may include: <ul style="list-style-type: none"> i. 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 and subsidised goods or services) for current employees; ii. Post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;

- iii. 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;
- iv. Termination benefits; and
- v. Share-based payment.

Material (materiality)

Means the assessment of whether the transaction, either individually or in aggregate with other transactions, by omitting it or misstating it could influence decisions that users make on the basis an entity's financial statements. For the purpose of this policy, it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.

Ordinary Citizen Transaction

Means a transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council.

Possible (Possibly) Close members of the family of a person.

Are those family members who could be expected to influence, or be influenced by, that person in their dealings with Council and include:

- i. that person's brothers' and sisters';
- ii. aunts', uncles' and cousins' of that person's spouse or domestic partner;
- iii. dependants of those persons' or that person's spouse or domestic partner as stated in (b); and
- iv. that person's or that person's spouse or domestic partners', parents' and grandparents'.

Related Party

Defined in Section 5.3 of this Policy.

Related Party Transaction

Is a transfer or resources, services or obligations between a Council and a Related Party, regardless of whether a price is charged.

Significant (significance)

Means likely to influence the decisions that users of Council's financial statements make having regard to both the extent (value and frequency) of the transactions, and that the transactions have occurred between Council and related party outside a public service provider/taxpayer relationship.

4 BACKGROUND

- 4.1 This Policy has been developed to provide guidance in complying with the *Local Government Act 1993*, section 413(3), which requires Council to prepare its General Purpose Financial Statements in compliance with Australian Accounting Standards. The relevant standard for the purpose of this Policy is AASB 124 Related Party Disclosures, July 2015 (AASB 124).

5 POLICY STATEMENT

5.1 **Council in complying with disclosure requirements in AASB 124, will:**

- i. Identify Related Party relationships, Related Party Transactions and Ordinary Citizen Transactions;
- ii. identify information about the Related Party Transactions for disclosure;

- iii. establish systems to capture and record the Related Party Transactions and information about those transactions;
- iv. identify the circumstances in which disclosure of the items in subparagraphs (1) and (2) are required; and
- v. determine the disclosures to be made about those items in the General Purpose Financial Statements for the purpose of complying with AASB 124.

5.2 Identification of Key Management Personnel

5.2.1 Key Management Personnel (KMP) are defined in AASB 124 as “those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity”. For the purposes of this policy KMP for Council are:

- i. Mayor
- ii. Councillors
- iii. General Manager
- iv. Directors

5.2.2 A review of KMPs and their related parties will be completed every six months. Particular events, such as a change of officials or officers of Council (ie. councillors and General Manger) or a corporate restructure, will also trigger a review of Council’s Related Parties immediately following such an event.

5.3 Identification of Related Parties

5.3.1 For the purposes of this policy, related parties of Council are:

- i. entities related to Council;
- ii. Key Management Personnel of Council;
- iii. close family members of KMP;
- iv. possible close family members of KMP; and
- v. entities or persons that are controlled or jointly controlled by KMP, or their close family members, or their possible close family members.

5.3.2 Also, a person or entity is a Related Party of Council if any of the following apply:

- i. they are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- ii. they are an associate or belong to a joint venture of which Council is part of;
- iii. they and Council are joint ventures of the same third party;

- iv. they are part of a joint venture of a third party and Council is an associate of the third party;
- v. they are a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council;
- vi. they are controlled or jointly controlled by *Close members of the family of a person*;
- vii. they are identified as a *close or possibly close member of the family of a person* with significant influence over Council or a *close or possibly close member of the family of a person* who is a KMP of Council; or
- viii. they, or any member of a group of which they are a part, provide KMP services to Council.

5.4 Identification of Control or Joint Control

5.4.1 A person or entity is deemed to have control if they have:

- i. Power over the entity;
- ii. exposure, or rights, to variable returns from involvement with the entity; and
- iii. the ability to use power over the entity to affect the amount of returns.

5.4.2 To jointly control, a person or entity must have contractual rights or 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.

5.5 Required Disclosures and Reporting

5.5.1 AASB 124 provides that Council must disclose the following financial information in its financial statements for each financial year period.

- i. *Disclosure of any related party relationship* – must disclose in the annual financial statements its relationship with any related parties or subsidiaries (where applicable), whether or not there have been transactions within the relevant reporting period.
- ii. *KMP Compensation Disclosures* – must disclose in the annual financial statements KMP for each of the categories of compensation (as defined in the definitions of this policy) in total.

5.6 Related Party Transactions Disclosures

5.6.1 Related Party Transactions are required to be disclosed, regardless of whether a price is charged. Such transactions may include:

- i. Purchase or sale of goods;
- ii. Purchase or sale of property and other assets;
- iii. Rendering or receiving services;
- iv. Leases;

- v. Quotations and/or tenders;
- vi. Commitments; and
- vii. Settlements of liabilities on behalf of Council or by Council on behalf of the related party.

5.6.2 Council must disclose all **material** and **significant** Related Party Transactions in its annual financial statements and include the following detail:

- i. the nature of the Related Party relationship;
- ii. the amount of the transaction;
- iii. the amount of outstanding balances, including commitments, and
 - a) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement; and
 - b) details of any guarantee given or received;
- iv. provision for doubtful debts related to the amounts of outstanding balances; and
- v.. the expense recognised during the period in respect of bad or doubtful debts due from related parties.

5.7 Disclosure in Aggregate or Separate

5.7.1 Council will disclose information specified in Section 5.5 for related party transactions of a similar nature in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the Financial Statements of Council, having regard to the following criteria:

- i. the nature of the related party relationship;
- ii. 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);
- iii. whether the transaction is carried out on non-arm's length terms;
- iv. whether the nature of the transaction is outside normal day-to-day business operations, based on the factors and thresholds under the direction of Council's Responsible Accounting Officer in consultation with Council's external auditor.

5.8 Ordinary Citizen Transactions

5.8.1 A KMP is not required to notify in a related party disclosure, and Council will not disclose in its Financial Statements, related party transactions that are Ordinary Citizen Transactions assessed to be not material in nature. Council's Responsible Accounting Officer is responsible for reviewing and assessing the materiality of related party transactions to determine whether the disclosure of such transactions are necessary for an understanding of the effects of the related party transactions on the Financial Statements having regard to the criteria specified in Section 5.6.

5.8.2 As a general rule, Council will utilise \$10,000 as the threshold for materiality.

5.9 Register of Related Party Transactions

5.9.1 Council's Responsible Accounting Officer is responsible for maintaining and keeping up to date a register of Related Party Transactions that captures and records the information specified in Section 5.5 for each existing or potential related party transaction (including Ordinary Citizen Transactions assessed as being material in nature) during a financial year.

5.9.2 The contents of the register of related party transactions must detail for each related party transaction:

- i. the description of the related party transaction;
- ii. the name of the related party;
- iii. the nature of the related party's relationship with Council;
- iv. whether the notified related party transaction is existing or potential;
- v. a description of the transactional documents the subject of the related party transaction; and
- vi. the information specified in Section 5.5.

5.9.3 Council's Responsible Accounting Officer is responsible for ensuring that the information specified in Section 5.5 is disclosed in Council's Financial Statements to the extent, and in the manner stipulated by AASB 124, subject to Section 5.6.

5.10 Lodgement of Related Party Disclosures by KMP

5.10.1 In accordance with the policy, KMP must lodge a related party disclosure in the form set out in Appendix 1 (*Related Party Disclosure by Key Management Personnel* form) by no later than the following periods during a financial year:

- i. 30 days after a KMP commences their term or employment with Council;
- ii. 30 December each year; and
- iii. 30 June each year.

5.11 Information of Privacy

5.11.1 Information provided by KMP and other related parties shall be held for the purpose of compliance with Council's statutory obligation and shall be disclosed where required for compliance or legal reasons only. The following persons are permitted to access, use and disclose the information provided in a related party disclosure or contained in a register of related party transactions:

- i. the General Manager;
- ii. the Responsible Accounting Officer;
- iii. an Auditor of Council (including an Auditor from the NSW Auditor General's Office); and

- iv. other officers of Council as delegated by the General Manager responsible for implementation of this policy.

5.12 Government Information (Public Access) Act 2009 Status

- 5.12.1 For the purposes of the *Government Information (Public Access) Act 2009* (GIPA) personal information provided by KMP in a related party disclosure or contained in the register of related party transactions is classified as confidential in that there exists an overriding public interest consideration against disclosure (s. 14) and is not available for inspection by or disclosure to the public, including through a GIPA application.

6 VARIATION

- 6.1 Council reserves the right to vary the terms and conditions of this policy subject to a report Council.
- 6.2 This policy will be reviewed when any of the following occur:
 - i. The related legislation/documents are amended or replaced;
 - ii. Other circumstances as determined from time to time by a resolution of Council; or
 - iii. Periodic Review – 3 years from date of adoption.

7 APPENDICES

- 7.1 This policy is supported by the following appendices:

Appendices

Appendix No.	Description
1	Related Party Disclosure by Key Management Personnel

PRIVACY COLLECTION AND GUIDANCE NOTICE RELATED PARTY DISCLOSURES BY KEY MANAGEMENT PERSONNEL

Purpose of Collection, Use and Disclosure

Effective for annual periods beginning on or after 1 July 2016, Council must disclose certain related party relationships and related party transactions together with information associated with those transactions in its general purpose financial statements, in order to comply with *Australian Accounting Standard AASB 124 Related Party Disclosures July 2015 (AASB 124)*.

Related parties include Council's key management personnel (KMP), their close family members, and any entities that they or any of their close family members control or jointly control.

A related party transaction is any transaction (whether a transfer of resources, services or obligations) between the reporting local government and any of the related parties, whether monetary or not.

If there is a related party transaction with Council applicable to a report financial year, AASB 124 requires Council to disclose in the financial statements the nature of the related party relationship and information about the transaction, including outstanding balances and commitments associated with the transaction. Disclosure in the financial statements may be in the aggregate and/or made separately, depending on the materiality of the transaction.

For more information about Council's disclosure requirements under AASB 124, please refer to Council's *Related Party Disclosure Policy*.

Notifications by Key Management Personnel

In order to comply with AASB 124, Council has adopted a policy that requires all members of its KMP to periodically provide notifications to Council's Responsible Accounting Officer of any existing or potential related party transactions between Council and any of their related parties during a financial year, and any changes to previously notified related party relationships and transactions relevant to the subject financial year.

To this end, each KMP must provide a Related Party Disclosure, in the approved form, notifying any existing or potential related party transactions between Council and any related parties of the KMP, to Council's Responsible Accounting Officer no later than the following periods during a financial year:

- i. 30 days after a KMP commences their term or employment with Council;
- ii. 30 December (each year); and
- iii. 30 June (each year).

Note, these related party disclosure requirements are in addition to the notifications KMPs are required to make to comply with the Code of Conduct including disclosures relating to Conflicts of Interest (Pecuniary and Non Pecuniary) and Gifts and Benefits.

Council's Auditors may audit related party information as part of the annual external audit.

For privacy and right to information status of this information, please refer to Council's *Related Party Disclosure Policy*.

Who are KMP

KMP are persons having authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly. For the purposes of Council's *Related Party Disclosure Policy* KMP include the Mayor, Councillors, the General Manager and Directors.

Who are close family members of a KMP Person?

Close family members, or close members of the family, of a KMP are family members who may be expected to influence, or be influenced by, that person in their dealings with Council and include:

- i. that person's children and spouse or domestic partner;
- ii. children of that person's spouse or domestic partner; and
- iii. dependants of that person or that person's spouse or domestic partner.

Under AASB 124, close family members could include extended members of a family (such as, without limitation, a parent, grandparent, siblings, etc.) *if* they could be expected to influence, or be influenced by, the KMP in their dealings with Council. The following table may assist you in identifying your close family members:

Definitely a close family member	Maybe a close family member
Your spouse/domestic partner	Your brothers and sisters, if they could be expected to influence, or be influenced by, you in their dealings with Council.
Your children	Your aunts, uncles and cousins, if they could be expected to influence, or be influenced by, you in their dealings with Council.
Your dependants	Your parents and grandparents, if they could be expected to influence, or be influenced by, you in their dealings with Council.
Children of your spouse/domestic partner	Your nieces and nephews, if they could be expected to influence, or be influenced by, you in their dealings with Council.
Dependants of your spouse/domestic partner.	Any other member of your family if they could be expected to influence, or be influenced, by you in their dealings with Council.

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

Entities include companies, trusts, incorporated and unincorporated associations such as clubs and charities, joint ventures and partnerships.

Control

You control an entity if you have:

- i. power over the entity;
- ii. exposure, or rights, to variable returns from your involvement with the entity; and
- iii. the ability to use your power over the entity to affect the amount of your returns.¹

¹ AASB 10 Consolidated Financial Statements, paragraphs 5 to 18, and Appendices A (Defined Terms) and B (Application Guidance)

Example of control:

Fred is the Mayor of Sunny Shire Council and owns 100% of the ordinary shares in Sunny Development Company Pty Ltd (the company). The ordinary shares are the only shares in the company that have voting rights. Fred controls the company because he has the power to affect the company's decisions and the return that he will get from the company.

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

Joint Control

To jointly control an entity there must be contractually agreed sharing of control of the entity, which exists only when decision about the relevant activities require the unanimous consent of the parties sharing control.²

Example of joint control:

Fred is the Mayor of Sunny Shire Council and owns 50% of the ordinary shares in Sunny Development Company Pty Ltd (the company). Fred's brother Stan owns the other 50% of the ordinary shares. Fred and Stan are the only Directors of the company and have voting rights. 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 disclosure and the entity's related party relationship with Fred and Stan.

In some cases, it will be obvious that you or a family member control or have joint control over an entity. In other cases, it will be less clear.

If you are unsure whether you, or a close family member, has control or joint control of an entity then you should contact Council's Responsible Officer for a confidential discussion.

² AASB 128 *Investments in Associates and Joint Ventures, paragraph 3 (Definitions)*.

Revision History

Version	Adoption Date	Authorised by	Approved by	Revision Date
V1	15/06/2017	Director Corporate Service	Council	30/06/2020
V2	15/07/2021	Director Corporate Service	Council	15/07/2023

Change History

Version	Change Details
V1	Initial Policy
V2	Amendment to Key Management Personnel (cl. 5.2) to include Directors. Housekeeping amendments (formatting).

Related Documents

Title
AASB 124 Related Party Disclosures
AASB 10 Consolidated Financial Statements
AASB 11 Joint Arrangements
AASB 128 Investments in Associates and Joint Ventures
Related Party Disclosure by Key Management Personnel form (draft)
Privacy Collection and Guidance Notice Related Party Disclosure by Ken Management Personnel (draft)
Local Government Act 1993 (NSW)
Corporations Act 2001
Government Information (Public Access) Act 2009 (NSW)
Privacy and Personal Information Protection Act 1993 (NSW)