

Policy on Related Party Disclosure

Adoption Date:	28/11/2017
Amendment Date:	01/08/2022
Minute Number:	MIN17.1030, MIN22.496
Review Date:	01/08/2023
Directorate:	City Performance
Record Number:	POL18/50

1. Purpose

The purpose of this policy is to define the parameters for Related Party Transactions and the level of disclosure and reporting required for Council to achieve compliance with the Australian Accounting Standard AASB124 – Related Party Disclosures.

2. Statement

Council is committed to responsible corporate governance including compliance with laws and regulations governing related party transactions.

Related party relationships are a normal feature of commerce and business. For example, entities frequently carry on parts of their activities through subsidiaries, joint ventures and associates. In those circumstances, there is the possibility of the entity having the ability to affect the financial and operating policies of the Council through the presence of control, joint control or significant influence.

A Related party relationship could influence the normal business operations of Council even if related party transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the Council with other parties. Alternatively, one party may refrain from trading with Council because of the significant influence of another – for example, a local supplier may be instructed by its parent not to engage in supplying goods to Council.

For these reasons, knowledge of Council's transactions and outstanding balances (including commitments and relationships with related parties) may affect assessment of Council's operations.

3. Definitions

AASB124	Australian Accounting Standards Board, Related Party Disclosure Standard
Act	Local Government Act 1993
Entity	Can include companies, trusts, joint ventures, partnerships, incorporated association or unincorporated group or body and non-profit associations
Close members of the family of a person	Those family members who may be expected to influence, or be influenced by, that person in their dealings with the Council and include: <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• dependants of that person or that person's spouse or domestic partner
Related Party	A person or entity that is related to the entity that is preparing its financial statements
Key Management Personnel (KMP)	As defined in section 6 of this policy
KMP Compensation	All forms of consideration paid, payable or provided in exchange for services provided and may include: <ul style="list-style-type: none">• Short-term employee benefits such as wages and salaries, 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)

	<p>and non-monetary benefits (such as medical care, housing, cars and free and subsidised goods or services) for current employees;</p> <ul style="list-style-type: none"> • Post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care • 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; and • Termination benefits
Material (Materiality)	Assessment of whether a 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 financials 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	A transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council.
Possible (Possibly) close members of a family of a person	Those family members who could be expected to influence, or be influenced by, that person in their dealings with the Council and include: <ul style="list-style-type: none"> a) that person's brothers and sisters b) aunts, uncles and cousins of that person's spouse or domestic partner c) dependants of those person's or that person's spouse or domestic partner as stated in (b) d) that person's or that person's spouse or domestic partners, parents and grandparents
Related Party Transaction	A transfer of resources, services or obligations between a Council and a related party regardless of whether a price is charged.
Regulation	Local Government (General) Regulation 2005
Significant (significance)	Likely to influence the decision that users of the Council's financial statements make having regard to both the extent (value and frequency) of the transactions and that the transactions and that the transactions have occurred between the Council and the related party outside a public service provider / taxpayer relationship.
Remuneration	Remuneration package, including any money, consideration or benefit received or receivable by the person but excludes reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction.

4. Related Legislation and Documents

- Local Government Act 1993
- Local Government (General) Regulation 2005
- Local Government Code of Accounting Practice and Financial Reporting
- AASB124 – Related Party Disclosures

- AASB10 – Consolidated Financial Statements

5. Materiality

AASB124 provides that Council must disclose all material and significant Related Party Transactions and outstanding balances, including commitments, in its annual financial statements. Generally, disclosure will only be made where a transaction has occurred between Council and a related party of Council. In addition, the transaction must be material in nature or size when considered individually or collectively.

When assessing whether such transactions are significant the following factors will be taken into consideration:

- Significance in terms of size
- Was it carried out on non-market terms
- Is it outside normal day-to-day council operations
- Was it subject to council approval
- Did it provide a financial benefit not available to the general public
- Was the transaction likely to influence decisions of users of the annual financial statements

To enable Council to comply with AASB124, Councils KMP are required to declare full details of any related parties and related party transactions. Such information will be retained and reported, where necessary, in Councils Annual Financial Statements.

Accordingly, Council would apply judgement in determining the extent of information it needs to collect to meet the objective of AASB124, as it has been determined that there is little value in incurring significant costs to obtain data that is immaterial for disclosure.

The following are relevant when assessing materiality for disclosing KMP related party transactions:

- the potential effect of the relationship on the financial statements (ie not materiality to the related party) when assessing the quantitative aspects; and
- transactions which occur on terms no different to that of a transaction with the general public and in a public service provider / taxpayer relationship, are not likely to be qualitatively material for disclosure

These types of transactions are not presumed to be material by nature of the transaction alone.

6. Key Management Personnel

AASB124 defines KMP's as "those persons having authority and responsibility, whether directly or indirectly, for planning, directing and controlling the activities of the entity.

For Council purposes, KMP's include:

- The Mayor
- Councillors
- Chief Executive Officer
- Directors
- Any person who fills an above role in an 'acting' capacity

7. Related Parties

For the purpose of this policy, related parties of Councils are:

- Entities related to Council
- KMP of Council
- Close family members of KMP
- Possible close family members of KMP's; and
- Entities or persons that are controlled or jointly controlled by KMP, or their close family members or their possible close family members

A person or an entity is a related party of Council if any of the following apply:

- They are members of the same group (each parent, subsidiary and fellow subsidiary is related to the others)
- They are an associate of belong to a joint venture of which Council is part of
- They and Council are joint ventures of the same third party
- They are part of a joint venture of a third party and Council is an associate of the third party
- They are a post-employment benefit plan for the benefit of employees of either Council of an entity related to Council
- They are controlled or jointly controlled by close members of the family of a person
- 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
- They or any member of a group of which they are a part, provide KMP's services to Council

8. Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party regardless of whether a price is charged. Such transactions required to be disclosed include:

- The purchase or sale of goods (finished or unfinished)
- Purchase or sale of property and other assets
- Rendering or receiving services
- Leases
- Quotations and / or tenders
- Commitments; and
- Settlements of liabilities on behalf of Council or by Council on behalf of the related party

9. Disclosure

Council must disclose all material and significant Related Party Transactions in its Annual Financial Statements and include the following details:

- The nature of the related party relationship; and
- Relevant information about the transactions including
 - The amount of the transaction
 - The amount of outstanding balances, including commitments
 - Their terms and conditions, including whether they are secured and the nature of the consideration to be provided in the settlement
 - Details of any guarantee given or received

Related Party Disclosures

- Provision for doubtful debts related to the amount of outstanding balances; and
- The expense recognised during the period in respect of bad or doubtful debts due from related parties

All transactions involving related parties will be captured and reviewed to determine materiality or otherwise of such transactions, if the transactions are Ordinary Citizen Transactions, and to determine the significance of each of the transactions.

Related party transactions excluded from disclosure requirements on the basis of Ordinary Citizen Transactions are:

- Any valid discounts and fee waivers that are available to the party as an ordinary citizen and is available to any ordinary citizen in the same circumstances; and
- Any service or benefit occurring within normal employee, customer or supplier relationships and at arm's length; and
- Are not material or significant

Generally, transactions with amounts receivable from and payable to KMP or their related parties which:

- occur within normal employee, customer or supplier relationships and at arm's length; and
- are not material or significant;

Shall be excluded from details disclosures, they will be disclosed in the financial statements by general description. Disclosures that related party transactions were made on terms equivalent to an arm's length transaction can only be made if such terms can be substantiated.

10. Procedures

The method of identifying the close family members and associated entities of KMP will be by KMP self-assessment. KMP have an ongoing responsibility to advise Council immediately of any related party transactions.

The preferred method of reporting is for KMP to provide details of related parties and related party transactions via the Key Management Personnel Disclosure Form (Attachment 1), which is to be submitted to the Governance Unit of Council.

Information provided will be reviewed in accordance with the Councils operational requirements and held on a centralised register within the Finance department.

Should a KMP have any uncertainty as to whether a transaction may constitute a related party transaction they should contact the Chief Financial Officer for further clarification.

11. Privacy

Information provided by KMP and other related parties shall be held for the purposes of compliance with Council's legal obligation and shall be disclosed where required for compliance for legal reasons only.

12. Review

This policy shall be reviewed annually and as required in the event of legislative change. Any proposed amendments to the Related Party Disclosures Policy must be approved by a resolution of Council.

Key Management Personnel Disclosure Form

Completion of this form is to assist Finance in preparing the disclosures required by AASB124 in regards to transactions between Council and Key Management Personnel.

1. Details of Key Management Personnel Making the Disclosure:	
Your Name:	
Position	Councillor <input type="checkbox"/> Group Director <input type="checkbox"/> Other <input type="checkbox"/> Chief Executive Officer
Names of Close Family Members • Your children, spouse or domestic partner • Children of your person's spouse or domestic partner • Your other dependents or those of your spouse (OLG has noted that close family members can be other than those described in the definition)	1. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____ 7. _____ 8. _____
Residential Address:	Post Code: Do you have an ownership interest in this property YES <input type="checkbox"/> NO <input type="checkbox"/> Is this property owned by a close family member YES <input type="checkbox"/> NO <input type="checkbox"/>
Other properties in the Shoalhaven LG area that you have an ownership interest in:	1. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____ 7. _____ 8. _____

<p>Organisations/companies controlled by you: (e.g., significant shareholder, director or other key position)</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p>
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<p>Other properties in the Shoalhaven LG area that are owned by your close family members listed above or your controlled organisations/companies</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p>
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<p>Organisations/companies controlled by your close family members</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p>
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2. Other Disclosures:

<p>Please disclose any transactions you, your close family members or your controlled organisations/companies have with Council? (e.g., contracts or provision of goods or services flowing either direction)</p> <p>Please remember those transactions that are part of a general Council/resident nature are not required for disclosure (e.g. rate</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p> <p>9. _____</p> <p>10. _____</p> <p>11. _____</p>
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payments made on time, entry to local pools, a one-off parking fine)	12. _____
Do you have any additional information or documentation related to the disclosure:	If YES, please attach a copy to this form. YES <input type="checkbox"/> NO <input type="checkbox"/>
Signature/Date	