



Related Party Disclosure Policy

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INTRODUCTION

The purpose of this policy is to:

Outline the obligations and responsibilities of Council's Key Management Personnel in relation to Related Parties relationships, transactions and commitments.

2. TYPE OF POLICY

Refer to Section 9 of the Policy No. 9.

3. OBJECTIVE

This policy outlines what is expected of elected members and staff of Council in relation to Australian Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124).

Specifically, the policy outlines the disclosure requirements under AASB 124 of Key Management Personnel (KMP), which includes elected members. It also outlines the procedures Council will follow to collect, store, manage and report on related party relationships, transactions and commitments.

Under the *Local Government Act 1993* and the *Audit Act 2008* all local governments in Tasmania must produce annual financial statements that comply with Australian Accounting Standards.

4. SCOPE

The policy applies to all Key Management Personnel (KMP) of Council in reporting and recording of related parties relationships, transactions and commitments.

5. DEFINITIONS

Term	Meaning
Arm's length terms	Terms between the parties that are reasonable in the circumstances of the transaction that would result from: 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.
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.
Control of an entity	You control an entity if you have: 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.
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.
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: power over the entity;

	<p>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>
Entities related to Council	<p>Entities controlled by Council, jointly controlled by Council or over which Council has significant influence are related parties of Council.</p>
Joint control of an entity	<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>
Key Management Personnel (KMP)	<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 councillors, the General Manager and senior council officers as outlined in the policy.</p>
KMP Compensation	<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> <p>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;</p> <p>post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;</p> <p>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;</p> <p>termination benefits; and</p> <p>share-based payment.</p>
Materiality	<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>
Ordinary Citizen Transactions (OCTs)	<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>
Related Party of Council	<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</p>

	members of KMP and entities that are controlled or jointly controlled by KMP or their close family members.
Related Party Transaction	A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

6. LINK TO STRATEGIC PLAN

Goal 05

Ensure Council listens to and understands community needs and continues to make responsible decisions on behalf of the community.

Key Objective

Consistently achieve a high standard of internal financial and governance arrangements.

Key Priority

Manage and seek to minimise risk throughout Council.

7. RELATED LEGISLATION

Under the Local Government Act 1993 and the Audit Act 2008 all local governments in Tasmania must produce financial statements that comply with Australian Accounting Standards.

This policy outlines what is expected of elected members and staff of Council in relation to Australian Accounting Standard AASB 124 Related Parties Disclosures.

8. RISK CONSIDERATIONS

This Policy aligns itself with objectives for risk management at George Town Council, namely:

Set performance standards and regular review and improve practices and procedures.

9. POLICY

1. KEY MANAGEMENT PERSONNEL (KMP)

The General Manager will establish, review and maintain a list of Key Management Personnel for Council.

Key Management Personnel (KMP) for council are:

the Mayor
all Councillors
the General Manager
all Team Leaders who report directly to the General Manager

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.

For the purpose of this Policy, Close Family Members includes:
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.

It is the responsibility of General Manager to seek a declaration upon a change

of KMP.

All KMPs will be asked to provide their declarations by 1 July each year covering the forthcoming financial year. In addition, an updated declaration for the previous financial year will also be provided.

It is the responsibility of all identified KMP to update their declaration should they become aware of a change, error or omission.

REGISTER OF RELATED PARTY TRANSACTIONS

Maintain a Register

The General Manager will ensure a register of related party transactions that captures and records the information for each related party transaction (including ordinary citizen transactions assessed as being material in nature) during a financial year, is kept and maintained.

Contents of Register

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

- the description of the related party transaction;
- the name of the related party;
- the nature of the related party's relationship with Council;
- whether the notified related party transaction is existing or potential;
- a description of the transactional documents the subject of the related party transaction.

The General Manager 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.

RELATED PARTIES

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.

UPDATES

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.

COUNCIL ENTITIES AND SUBSIDIARIES

For the purpose of this policy, entities controlled by Council, jointly controlled by Council or over which Council has significant influence are related parties of Council. Council will need to identify transactions with these entities and may need to make extra disclosure about them in Council's financial statements.

When assessing whether Council has control or joint control over an entity, Council will need to consider *AASB 10 Consolidated Financial Statements* and *AASB 11 Joint Arrangements*. *AASB 128 Investments in Associates and Joint Ventures* details the criteria for determining whether Council has significant influence over an entity.

ENTITIES CONTROLLED (or jointly controlled) BY A KMP OR THEIR CLOSE FAMILY MEMBERS

KMP will exercise their best judgement in identifying related parties. KMP, including elected members and 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.

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

10. IMPLEMENTATION & REVIEW OF POLICY

Implementation of this Policy rests with the General Manager. This Policy will be reviewed every three years or in accordance with legislative requirements.

.....
Shane Power
GENERAL MANAGER



GEORGE TOWN COUNCIL

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 _____, _____ 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 permit the General Manager to access the register of interests of me and persons related to me and to use the information supplied.

Declared at George Town on the _____, _____,

Signature of KMP:

Name of KMP:

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.

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 judgement 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 transaction 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.

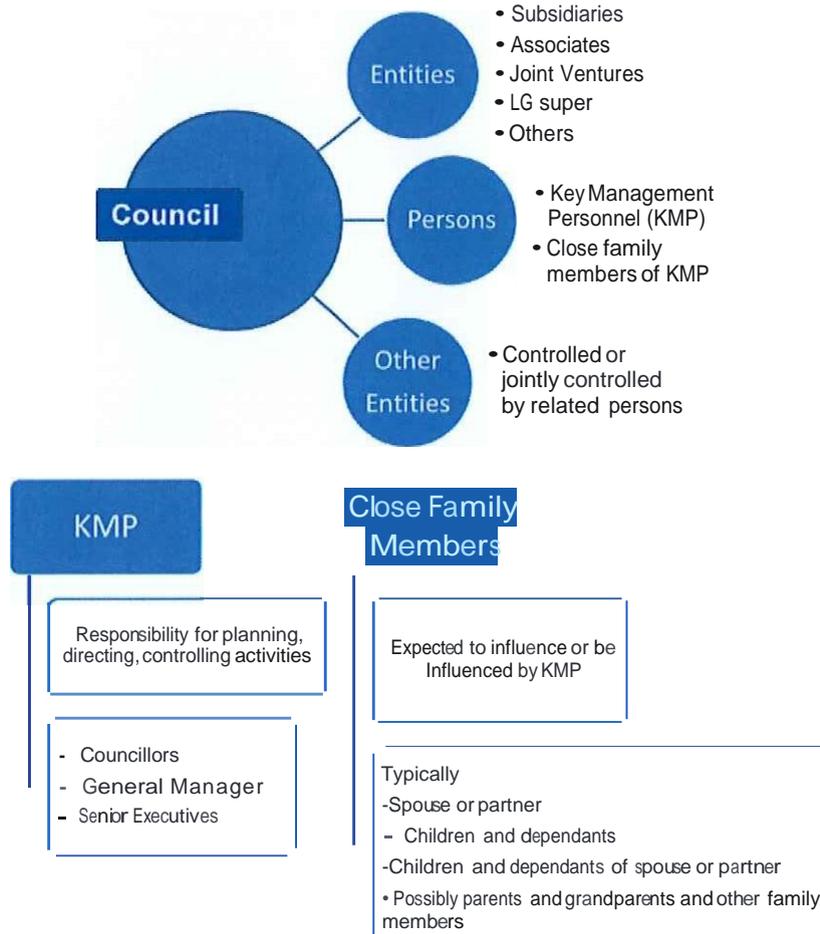
Who are related parties?

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.

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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.

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.