



# TASMAN COUNCIL

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## RELATED PARTY DISCLOSURE POLICY

<b>Policy Number</b>	C 035
<b>Responsible Officer</b>	General Manager
<b>Approval Date</b>	24 May 2017
<b>Review Date</b>	March 2024
<b>Policy to be reviewed</b>	March 2028



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## Acknowledgements

This Policy uses, with permission, material developed by the Queensland Government (Department of Infrastructure, Local Government and Planning).

It has been developed through a working group comprising representatives from the Tasmanian Audit Office, the Local Government Division of the Department of Premier and Cabinet, Clarence City Council and the Local Government Association of Tasmania.

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## Scope

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.

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## Summary of the Standard

Under AASB 124, local governments (councils) must disclose related party relationships, transactions and outstanding balances, including commitments, in their annual financial statements.

The objective of the Standard is to ensure that an entity'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.

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.

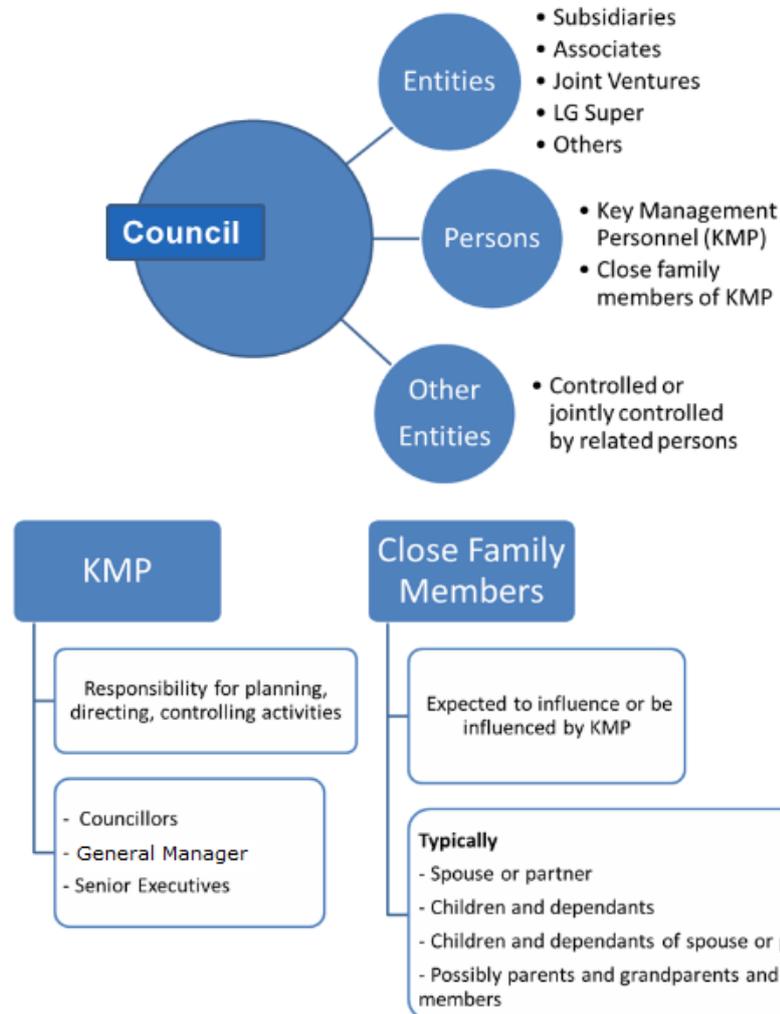
## Key terms

<b>Term</b>	<b>Meaning</b>
Arm's length terms	Terms between the parties that are reasonable in the circumstances of the transaction that would result from: <ul style="list-style-type: none"> <li>• neither party bearing the other any special duty or obligation, and</li> <li>• the parties being unrelated and uninfluenced by the other, and</li> <li>• each party having acted in its own interest.</li> </ul>
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: <ol style="list-style-type: none"> <li>a) power over the entity;</li> <li>b) exposure, or rights, to variable returns from involvement with the entity; and</li> <li>c) the ability to use your power over the entity to affect the amount of your returns.</li> </ol>
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: <ul style="list-style-type: none"> <li>• power over the entity;</li> <li>• exposure, or rights, to variable returns from involvement with the entity; and</li> <li>• the ability to use your power over the entity to affect the amount of your returns.</li> </ul>
Entities related to Council	Entities controlled by Council, jointly controlled by Council or over which Council has significant influence are related parties of Council.
Joint control of an entity	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.
Key Management Personnel (KMP)	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.
KMP Compensation	All employee benefits. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of

	<p>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> <ol style="list-style-type: none"> <li>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;</li> <li>b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;</li> <li>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;</li> <li>d) termination benefits; and</li> <li>e) share-based payment.</li> </ol>
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 members of KMP and entities that are controlled or jointly controlled by KMP or their close family members.</p>
Related Party Transaction	<p>A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.</p>

## Identifying Related Parties

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



**1. 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 aldermen/councillors
- the General Manager
- the Manager, Engineering and Regulatory Services
- the Manager, Finance & Information
- the Manager, HR and Community Services

**2. 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 (Appendix 1).**

**3. 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.**

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.

Council may seek to ensure alignment between this declaration and the register of interests required under section 54 of the LGA.

- 4. It is the responsibility of General Manager to seek a declaration upon a change of KMP.**
- 5. 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.**
- 6. It is the responsibility of all identified KMP to update their declaration should they become aware of a change, error or omission.**

## **7. REGISTER OF RELATED PARTY TRANSACTIONS**

### 7.1. Maintain a Register

The General Manager or Responsible Accounting 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.

### 7.2. Contents of Register

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

- 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.

7. 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.
8. 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.

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## 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.

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

- 1. KMP will exercise their best judgement in identifying related parties.**
- 2. KMP, including elected members, will carefully assess the information and examples following 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.

When assessing whether or not a KMP or close member of their family controls, or jointly controls, an entity, Council will need to refer to AASB 10 *Consolidated Financial Statements* and AASB 11 *Investments in Associates and Joint Ventures*.

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## Related party disclosures by Council

- 1. Each year Council will declare the following related party transactions:**

- 1.1. Transactions with Council subsidiaries, by transaction type.
- 1.2. KMP compensation, including:
  - short-term employee benefits;
  - post-employment benefits;
  - long-term benefits; and
  - termination benefits.
- 1.3. 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.

1.4. 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.

1.5. 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.

1.6. Non-monetary transactions such as use of facilities, peppercorn rents.

**2. 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 7 days.**

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

**4. For the purpose of this Policy, example of OCTs are:**

<b>Examples of OCTs</b>
Attending council functions that are open to the public
Paying rates and utility charges
Dog registration
<b>Examples of transactions that are NOT OCTs</b>
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

The list of OCTs will be reviewed periodically with updates provided to KMP.

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

Council does not have to disclose transactions that are not material. In determining materiality, the size and nature of the transaction individually and collectively will be considered and assessment will be made in consultation with the Audit Office and Council Audit Panel.

**6. In making disclosures in the annual financial statements Council will include:**

6.1 Relationships between a parent and its subsidiaries, irrespective of whether there have been transactions between them.

6.2 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.

6.3 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.

6.4 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.

6.5 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;
- 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; and
- provision for doubtful debts relating to outstanding balances.

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#### Privacy and right to information

Council must comply with the requirements of the *Archives Act 1983* (Tasmania), *Privacy Act 1988* (Commonwealth), *Personal Information Protection Act 2004* (Tasmania) and *Right to Information 2009* (Tasmania) in the collection, storage, management, disclosure and reporting of information.

A declaration statement from KMP is incorporated into the *Declaration of Related Party Transactions Form* (Appendix 1) to enable the disclosure and reporting of information in accordance with AASB 124. A Related Party Information Collection Notice will be provided to KMP and included in their Declarations (Appendix 2).

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#### Dispute resolution

Disputes will be managed in accordance with Council's dispute resolution policy.

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Adoption of the Related Party Disclosures Policy

Date of Approval	24 May 2017
Source of Approval	Council Resolution No. 09/05.2017/C
Date of Commencement	24 May 2017
Source of Authority	S28E LGA
Date of Review	March 2024
Previous Policies Withdrawn or Amended	This policy supersedes all other related party disclosure policies and Council resolutions in relation to related party disclosures as required by AASB 124
Publication of Policy	Members of the public may inspect this policy at the Council Administration Centre. Alternatively, it can be accessed on Council's website <a href="http://www.tasman.tas.gov.au">www.tasman.tas.gov.au</a>

This policy was approved at the ordinary Council meeting held on 27 March 2024, resolution number 10/03.2024/C.



**Blake Repine**  
General Manager

**Disclaimer**

That this policy be read in conjunction with any or all other Council and/or Management Policies.

**Private and Confidential**

**Related Party Declaration by Key Management Personnel**

Name of Key Management Person: \_\_\_\_\_

Position of Key Management Person: \_\_\_\_\_

*(List details of known close family members, entities that are controlled/jointly controlled by KMP and entities that are controlled/jointly controlled by close family members of KMP)*

Close Family Member Name	Relationship to KMP	Entities over which the close family member has sole or joint control	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. I make this declaration after reading the fact sheet supplied by council 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 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 Protection Act 2004*.

## Collection Notice

### Related party transactions disclosure by Key Management Personnel

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?

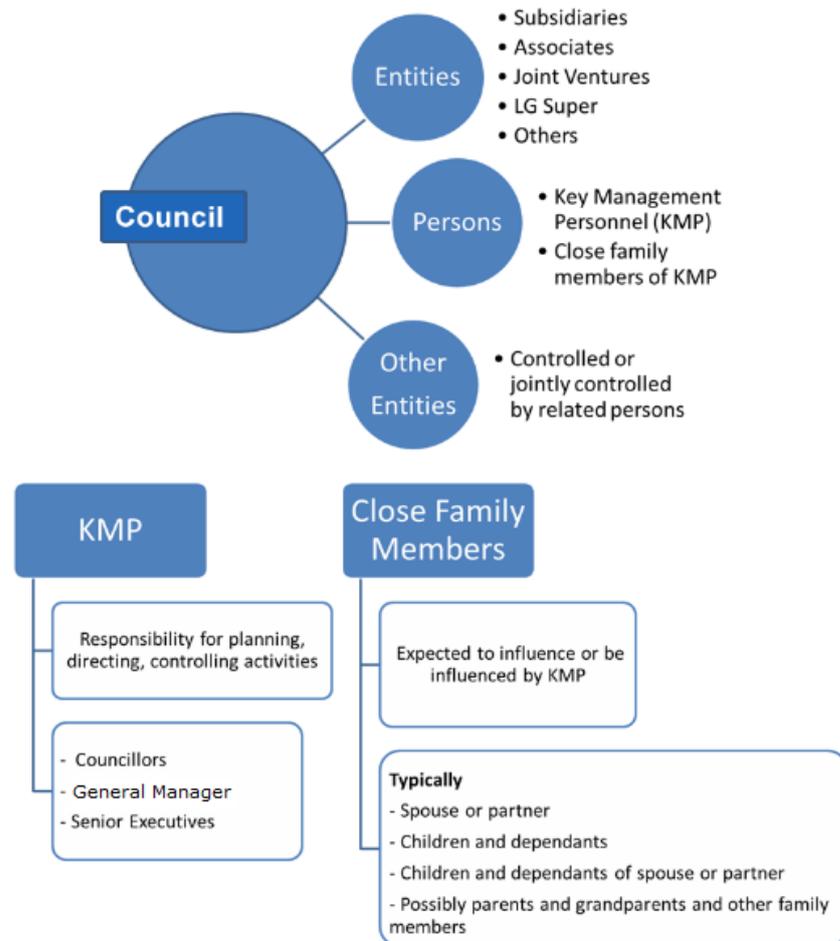
Council will use the declarations of KMPs to establish a list of related parties of Council for the purposes of identifying transactions and reporting under AASB 124. If a KMP or close family member is named individually in disclosure reports, the KMP will be given a copy of the intended disclosure for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

**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.

*For more information about Council's disclosure requirements under AASB 124 Related Party Transactions, please refer to the Council's Related Party Disclosures Policy, which can be found at [www.tasman.tas.gov.au](http://www.tasman.tas.gov.au).*

*All information collected by Council is protected by law, including the Privacy Act 1988 and the Personal Information Protection Act 2004.*