



Brighton Council

POLICY NAME: Related Party Disclosures

POLICY NO: 2.6

ADOPTED BY COUNCIL: 16/5/17

PURPOSE

To ensure compliance with the Australian Accounting Standard AASB 124 *Related Party Disclosures and the Australian Implementation Guidance for Not-For-Profit Public Sector Entities* (AASB 124) and the *Local Government Act 1993* to prepare financial accountability documents, including general purpose financial statements.

To provide a framework for the identification of related party relationships and the disclosure of related party transactions with Council.

SCOPE

This policy applies to all persons having authority and responsibility for planning, directing and controlling the activities of Council or Council entities - directly or indirectly. This includes Councillors, the General Manager and Senior Executives of Council.

DEFINITIONS

1. Definitions:

To assist in interpretation the following definitions shall apply:

“Councillor” shall mean the Mayor and Councillors of Brighton Council.

“Close family members of a person” shall mean those family members who may be expected to influence, or be influenced by, that person in their dealings with the Council.

“Control” shall mean the ability to direct the business’ activities of an entity through rights or exposure to returns from its involvement with the entity.

“Council” shall mean Brighton Council.

“Joint Control” shall mean the contractually agreed sharing 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) shall mean those persons having authority and responsibility for planning, directing and controlling the activities of Council or Council entities, directly or indirectly. This shall include Councillors, the General Manager and Senior Executives.

“Ordinary Citizen Transactions” shall mean transactions with a related party that are made on terms that are considered reasonable if the parties were dealing at ‘arm’s length’.

“Related Party Transaction” shall mean the transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

“Senior Executives” shall mean an employee of the local government, (a) who reports directly to the General Manager and (b) whose position would be considered to be a senior position in the local government’s corporate structure.

“Significant Influence” shall mean the power to participate in the financial and operating policy decisions of the investee but it is not in control or joint control of the policy decision.

POLICY

2. Related Parties:

A related party is a person or entity that is related to the Council. The following are related parties of Council:

- Key Management Personnel (KMP) (including the Mayor, Councillor, General Manager and Senior Executives);
- Close family members of KMP;
- Any entities controlled or jointly controlled by KMP or their close family members;
- A subsidiary, associate or joint venture of Council.

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

KMPs (or those acting in such positions) are required to complete an annual declaration outlining entities, if any, that are controlled or jointly controlled by the KMP or their close family member/s, between which transactions are probable. Close family member/s include:

- The person’s children, parents, grandparents, siblings, spouse or domestic partner;
- Children of that person’s spouse or domestic partner;
- Dependents of that person or that person’s spouse or domestic partner.

Other parties may be assessed from time to time as being related parties due to changes to Council’s structure or in accordance with legislative or accounting standard changes.

Declarations must be provided by 1 July annually to cover the upcoming financial year. An updated declaration is required if there are changes, errors or omissions identified at any time during the financial year.

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

3. Council entities and Subsidiaries:

For the purpose of this policy, entities controlled by Council, jointly controlled by Council or which Council has significant influence over, are considered related parties of Council.

Transactions with these entities must be identified and may require disclosure in Council's financial statements.

Consideration of AASB 10 Consolidated Financial Statements and AASB 11 Joint Arrangements, must be factored when assessing whether Council has control or joint control over an entity. In determining if Council has a significant influence over an entity, AASB 128 *Investments in Associates and Joint Ventures* details assessment criteria.

4. Entities controlled (or jointly controlled) by KMP or close family members:

KMP will exercise their best judgement in identifying related parties.

KMPs, including Councillor's, must diligently 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 trusts, companies, joint ventures, partnerships and not for profit organisations, such as sporting clubs. In assessing if a KMP or close member of their family controls or jointly controls an entity or not, Council must refer to AASB 10 *Consolidated Financial Statements* and AASB 11 *Investments in Associates and Joint Ventures*.

5. Identifying and Disclosing Related Party Transactions:

In accordance with AASB 124, Councils are required to disclose in their general purpose financial statements information pertaining to related party transactions, with, amongst others, the following personnel during the period covered by the financial statement:

- Key Management Personnel;
- Other related parties, including:
 - A close family member of a KMP;
 - entities controlled or jointly controlled by a KMP; and
 - entities controlled or jointly controlled by a close family member of a KMP.

All transactions between Council and related parties, monetary and non-monetary, must be identified.

The following related party transactions must be declared annually:

- Transactions with Council subsidiaries, by transaction type.
- KMP compensation, including:
 - short-term employee benefits;
 - post-employment benefits;
 - long-term benefits; and
 - termination benefits.
- 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 agreements (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.
- 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 arms-length terms;
 - whether the nature of the transaction is outside normal day to day business operations.
 - Outstanding balances in relation to transactions with related parties, including:
 - entities controlled by KMPs; and
 - o bad or doubtful debts in respect of amounts owed by related parties.
 - Non-monetary transactions such as use of facilities, peppercorn rents.
 - Other transactions as required by legislation or AASB124.

6. Register of Related Party Transactions:

The General Manager is responsible for maintaining and keeping up to date a register of related party transactions – capturing and recording information for each existing or potential related party transaction during a financial year.

The contents of the Register must include details for each related party transaction, including:

- 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 is existing or potential

- a description of the transactional documents that are the subject of the related party transaction.

Disclosure of this information in Council's Financial Statements is the responsibility of the General Manager and must be disclosed in accordance with AASB124.

7. Ordinary Citizen Transaction:

Transactions, considered to be ordinary citizen transactions are excluded from disclosure requirements. These include:

- Valid discounts and fee waivers that are available to the party as an ordinary citizen and is available to any other ordinary citizen;
- Any service or benefit provided as part of standard Council business operation to the party as an ordinary citizen and is available to any ordinary citizen in the same circumstance;
- Transactions that are assessed non-material, which may include parking at rates available to the general public; attending Council functions that are open to the public; payment of rates and charges.

8. Information Privacy and Right to Information status:

Council will comply with the requirements of the *Archives Act 1983* (Tasmania), *Privacy Act 1988* (Commonwealth), *Personal Information Protection Act 2004* (Tasmania) and the *Right to Information Act 2009* (Tasmania) when dealing with the identification, retention, storage, disclosure and reporting of related party transactions.

A declaration statement from the KMP is included in the Declaration of Related Party Transactions Form (Attachment 1) to enable disclosure and reporting of information that is in accord with AASB 124.

A Related Party Information Collection Notice will be provided to KMP and included in their Declarations (Attachment 2).

The following documents are not accessible or required to be released under the provisions of the *Right to Information Act 2009*:

- A document or information (including personal information) provided by a KMP in a RPT Notification; or
- Personal information contained in a Register of Related Party Transactions.

LEGISLATION AND RELATED DOCUMENTS

Local Government Act 1993

Archives Act 1983 (Tas)

Privacy Act 1988 (Comm)

Personal Information Protection Act 2004 (Tas)

Right to Information Act 2009 (Tas)

Australian Accounting Standard AASB 124 *Related Party Disclosures and the Australian Implementation Guidance for Not-for-Profit Public Sector Entities*

AASB10 Consolidated Financial Statements

AASB 11 Joint Arrangements

AASB 128 Investments in Associates and Joint Ventures

ATTACHMENTS

Attachment 1 - Declaration of Related Party Transactions

Attachment 2 - Related Party Information Collection Notice

Attachment 1: Declaration of Related Party Transactions and Consent 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, _____, 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 the 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:

Attachment 2:

Related Party Information Collection Notice

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, Aldermen, 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, Aldermen, 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?

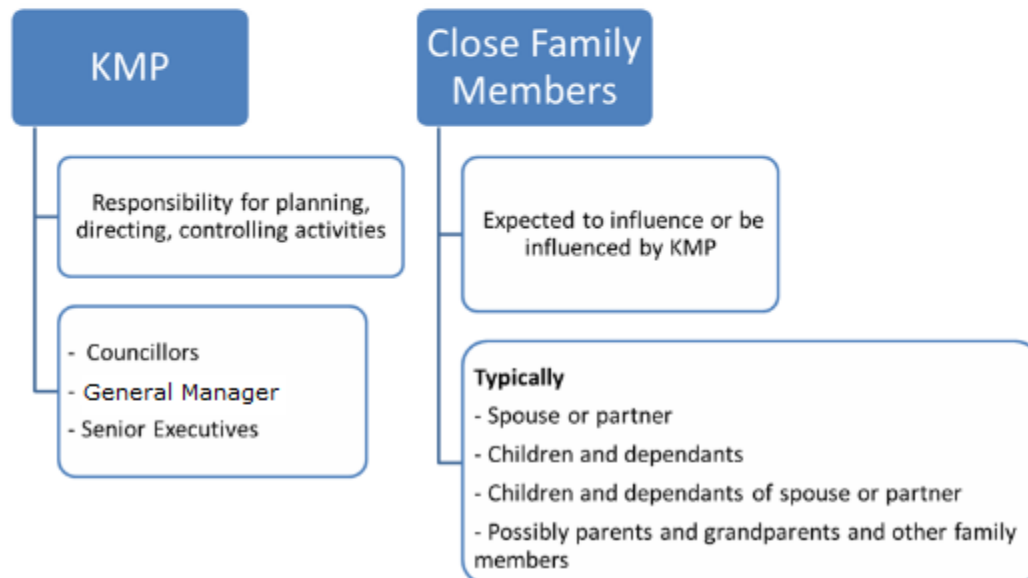
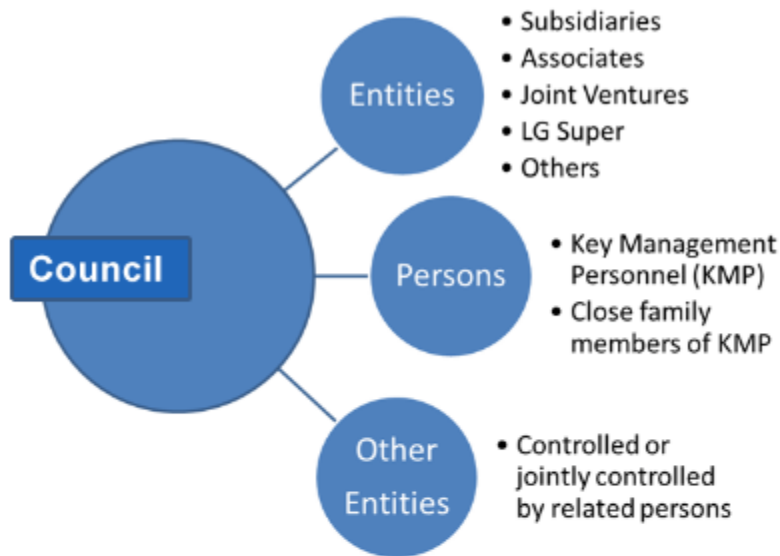
Council will use the declarations of KMPs to establish a list of related parties of Council for the purposes of identifying transactions and reporting under AASB 124. If a KMP or close family member is named individually in disclosure reports, the KMP will be given a copy of the intended disclosure for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

- 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.

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.

All information collected by Council is in accordance with Council's Personal Information Protection Policy and is protected by law, including the Privacy Act 1988 and the Personal Information Act 2004.