

# Related Party Disclosure



<b>Council Policy Number</b>	<b>165</b>
Date adopted	16 April 2019
Scheduled for review	April 2023

## Purpose

This policy outlines what is expected of elected members and staff of Campaspe Shire 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 definition of financial statements in the *Local Government Act 1989* all local governments in Victoria must produce annual financial statements that comply with Australian Accounting Standards.

## Policy Statement

### Summary of the Standard

From 1 July 2016, 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, Chief Executive Officer, 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.

### Links to Legislation and Australian Accounting Standards

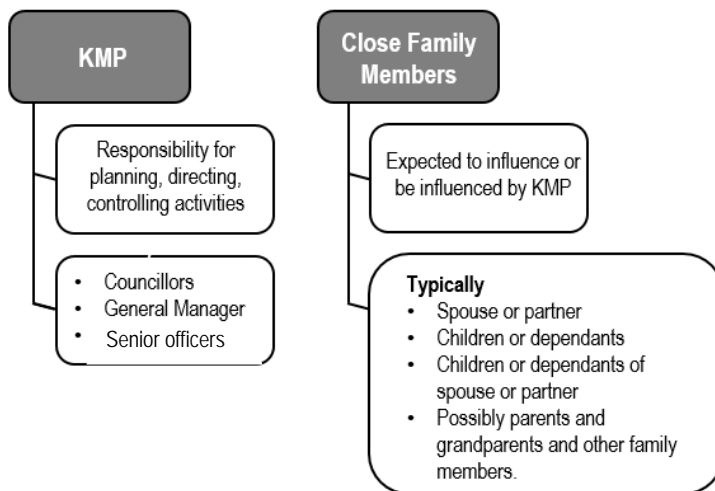
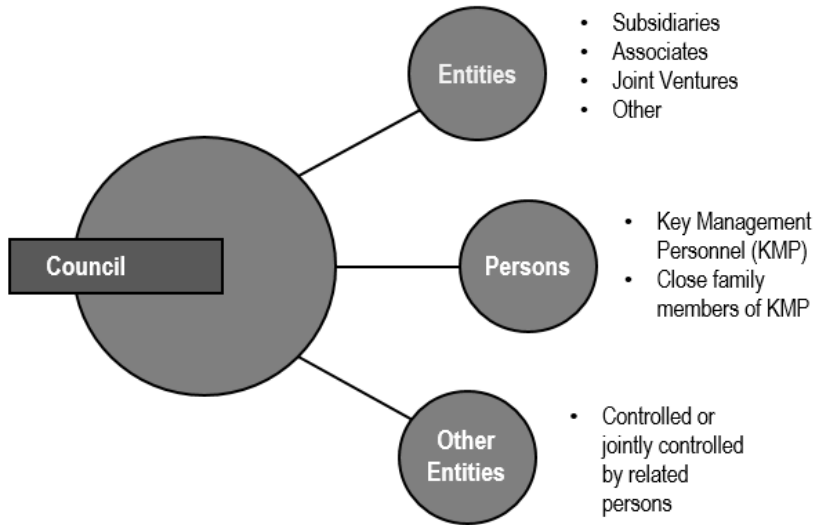
There is overlap between the requirements of AASB 124 and the interest provisions in Section 81 of the *Local Government Act 1989*. Beyond the provisions of AASB 124 the *Local Government Act 1989* requires certain disclosures. Council will make these disclosures separately.

Other legislation referred to in this policy include the *Privacy and Data Protection Act 2014* and the *Charter of Human Rights and Responsibilities Act 2006*.

Other Australian Accounting Standards referred to in this policy include AASB 10 *Consolidated Financial Statements*; AASB 11 *Joint Arrangements*; AASB 128 *Investments in Associates and Joint Ventures*.

**Identifying Related Parties**

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



1. The Chief Executive Officer will establish, review and maintain a list of Key Management Personnel for Council.

Key Management Personnel (KMP) for Council are:

- the Mayor
- Councillors
- the Chief Executive Officer
- General Managers
- Those senior officers with significant delegated authority being the Planning and Building Manager, Finance Manager, Assets Manager, Public Environments Manager, Property & Legal Manager and Governance Manager.

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.

**Example for Guidance (Son of CFO employed by Council)**

*Sunny Shire Council has recently employed Paul's son (George) in the Council's parks and garden's area. Paul is Council's Chief Financial Officer but was not involved in hiring George. This process was managed by the Director of Parks and Gardens and included an independent assessment process. Paul did not have any influence in George securing the job.*

*Paul has been identified as a KMP of Council, which makes him a related party.*

*George will also be a related party of Council because he is a close family member of Paul. The recruitment process that was undertaken for George's position is irrelevant when assessing whether George is a related party.*

**Example for Guidance (Cousin of Mayor)**

*The Mayor of Happy Shire Council (Shelley) has lived in the Shire her whole life. In fact her family has been in the area for over five generations.*

*Shelley's cousin Mavis, owns and operates the local newsagent through a company Happy News Pty Ltd, in which she owns 100% of the shares. Shelley and Mavis have always been close and regularly socialise together.*

*Shelley has been identified as a KMP of Council. From these facts it would appear that Mavis is a close family member of Shelley because she would be expected to influence, or be influenced by, that person in her dealings with Council*

*Both Mavis and the company she controls, Happy News Pty Ltd would therefore be related parties of Council. Any transactions that the Council makes with the newsagent would need to be separately identified and may need to be disclosed.*

4. It is the responsibility of the Chief Executive Officer to seek a declaration upon a change of KMP.
5. All KMPs will be asked to provide their declarations by the first week in July each year covering the previous financial year.
6. 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

1. Maintain a Register

The Finance Manager 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.

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

The Finance 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.

3. 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.
4. 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.

#### **Example for Guidance (Company that is a related party of Council)**

*Sunny Regional Council (SRC) owns 90% of the shares in Sunny Regional Development Pty Ltd (the company).*

*SRC has assessed that it has control over the company. The company is therefore a related party of SRC because SRC controls it.*

*SRC produces consolidated financial statements which include both a parent entity column and consolidated entity column. In these statements all individually significant transactions between SRC and the company will need to be disclosed. For other transactions that are collectively, but not individually, significant SRC will need to disclose a qualitative and quantitative indication of their extent.*

*SRC must also disclose the nature of its relationship with the company.*

### 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*.

#### **Example for Guidance**

*Mayor is the President of a local football club.*

*The Mayor of Sunny Shire Council is the President of League Heroes Inc, the local football club. This club is overseen by a committee which comprises the President and four other committee members. Each member has a single vote when making decisions at meetings. The committee members are not related and do not have agreements to vote with one another. The club has over 100 members that each have a vote in electing the committee members at the club's annual general meeting.*

*From these facts it would appear that the Mayor does not control or jointly control the football club so it will not be a related party of Council just because the Mayor is the president of the club.*

**Example for Guidance (Joint control)**

*Fred is the Mayor of Sunny Shire Council and owns 50 per cent of the ordinary shares in Sunny Development Company Pty Ltd (the company). Fred's brother Stan owns the other 50 per cent of ordinary shares. Fred and Stan are the only Directors of the company and have equal voting rights on the board.*

*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 declaration.*

**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. No individual related party transactions under \$125,000 will be disclosed. 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 five working 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:

#### Examples of OCTs

- Using a council's public swimming pool after paying the normal fee
- Parking fees at rates available to the general public
- Attending council functions that are open to the public
- Fines on normal terms and conditions
- Visiting a council facility on the same terms as members of the public
- Paying rates and utility charges
- Dog registration

#### Examples of transactions that are NOT OCTs

- 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

#### **Guidance note:**

*OCTs are generally not material transactions because of their nature, and therefore Council may wish to identify them upfront and exclude them from being recorded as a related party transaction (step 3).*

*Note, however, if the OCTs were to occur on terms and conditions that are different to those offered to the general public, the volume of transactions or other qualitative factors of the transactions may become material and give rise to an audit issue if not disclosed. Care needs to be taken in identifying these types of transactions.*

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

5. The Chief Executive Officer 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 Chief Executive Officer, General Manager Corporate Services and the Finance Manager.

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.

**Privacy and right to information**

Council must comply with the requirements of the *Privacy & Data Protection Act 2014* 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.

**Guidance note:**  
*In accordance with the Privacy and Data Protection Act, Council cannot use personal information for purposes other than the reason it is collected.*

**Exclusions**

Nil

**Human Rights**

This report has considered and complies with the Human Rights and Responsibilities contained in the Victorian Charter of *Human Rights and Responsibilities Act 2006*.

**Definitions**

**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.

<b>Control of an Entity</b>	<p>You control an entity if you have:</p> <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>
<b>Declaration by KMP</b>	<p>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.</p>
<b>Entities controlled by KMPs</b>	<p>Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs.</p> <p>You control an entity if you have:</p> <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>
<b>Entities related to Council</b>	<p>Entities controlled by Council, jointly controlled by Council or over which Council has significant influence are related parties of Council</p>
<b>Joint control of an entity</b>	<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>
<b>Key Management Personnel (KMP)</b>	<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 Councillors, the Chief Executive Officer, General Managers and Senior Officers with significant delegated authority as outlined in the policy.</p>
<b>KMP Compensation</b>	<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> <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, 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**

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.

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.

**Ordinary Citizen Transactions (OCTs)** 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 those offered to the general public.

**Related Party of Council** 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.

**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.

**Related Legislation**

*Local Government Act 1989*

*Privacy and Data Protection Act 2014*

**Attachments**

Attachment 1 – Declaration of Related Party Transactions and Content Form

**Review Period**

Four years

**Responsible Officer**

Governance Manager

**Administrative Updates**

It is recognised that, from time to time, circumstances may change leading to the need for minor administrative changes to this document. Where an update does not materially alter the policy, such a change may be made administratively. Examples include a change to the name of a Council department, a change to the name of a Federal or State Government department, and a minor update to legislation which does not have a material impact. However, any change or update which materially alters this document must be by resolution of Council.

**Approval History**

Adopted	16 April 2019	Minutes Book Reference No	Item 7.2, 1050
Revised	22 February 2021	Administrative update to apply consistent references to	Campaspe Shire Council

Chief Executive Officer: 

Date: 24/2/2021

**RELATED PARTY DISCLOSURE  
KEY MANAGEMENT PERSONNEL DECLARATION FORM**

Australian Accounting Standards AASB 124

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**This declaration form is to be filled out by Councillors, CEO and General Managers for the period 1 July 201X – 30 June 201X. If there is insufficient room in the document, please attach pages to this declaration.**

**Family name:** .....

**Given names:** .....

**Position held:** .....

**1. Do you have a spouse or domestic partner?**

Yes

No

**If yes, please provide their name.**

*It doesn't matter if they have any dealings with Council, the accounting requirement is to declare your spouse or domestic partner.*

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**Does this person have any transactions/dealings with Council? If so, provide details below:**

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**2. Do you have any children or dependants?**

Yes

No

**If yes, please provide their name/s**

*The standard doesn't provide any exemptions for very young children or children who have grown up and moved away – they all need to be listed. It doesn't matter if you don't think that they are influenced by you or if they have had any dealings with Council, the standard requires that children are declared.*

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**Do any of the above person/s have any transactions/dealings with Council? If so, provide details of who and what the dealings are below:**

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**3. Does your spouse / domestic partner have any children or dependants?**

Yes

No

**If yes, please provide their name/s.**

*Again, it doesn't matter if they are young, old, living with you or somewhere else. It also doesn't matter if they have had any dealings with Council.*

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**Do any of the above person/s have any transactions/dealings with Council? If so, provide details of who and what the dealings are below:**

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4. Do you have a controlling interest with any organisation?

Yes No

If yes, please provide the name.

The definition of a controlling interest is a vote or part ownership. So, if you are an owner or part owner of a company or business then that company needs to be included. If you are a committee member (not an ordinary member) of a community group or sporting group then that is included. Again, it doesn't matter if it is unlikely that there have been any transactions with Council – if it is an organisation that you have a vote with (either as part of a committee or as a part owner) then this needs to be recorded.

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Do these organisation/s have any transactions/dealings with Council? If so, provide details of what the dealings are below:

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5. Does your spouse / partner or other 'close' family members have a controlling interest with any organisation?

Yes No

If yes, please provide the name.

As above, but for your spouse / partner or other close family member.

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**Do these organisation/s have any transactions/dealings with Council? If so, provide details of what the dealings are below:**

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**6. Is there anything else that is worth reporting?**

*This is about people and organisations that are close to you or influenced by you. So if you have someone or something that might be considered appropriate, but falls outside the definitions above, please list them.*

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**Signature of person making disclosure:** .....

**Date:** ..... / ..... / .....

**Signature of witness:** .....

**Name of witness:** .....

Privacy/Collection statement:  
Personal information on this form will be used by Campaspe Shire Council on this form is for the purpose of reporting councils related party disclosures in councils annual financial statements in accordance with the Australian Accounting Standards AASB 124. This information will not be disclosed except as permitted by law. This information is not obtainable under the *Freedom of Information Act 1982*.