

Name of policy:	Related Party Disclosures		
Adoption by Council:	22 March 2023	Minute number:	114/2023
Last review date:	March 2023		
Review timeframe:	Within 12 months after each Ordinary election		
Next scheduled review date:	September 2025		
Related legislation:	Local Government Act 1993 Local Government (General) Regulation 2021 Australian Accounting Standard AASB 124 – Related Party Disclosures		
Associated policies/documents:	Local Government Code of Accounting Practice and Financial Reporting		
Responsible division:	Corporate Services		

Policy objective

The objective of this policy is to define parameters for Related Party Transactions and the level of disclosure and reporting required for Council to achieve compliance with Australian Accounting Standard AASB 124 – Related Party Disclosures (AASB 124).

This policy will enhance transparency in dealing with related parties and ensure Key Management Personnel (KMP) are aware of their responsibilities.

Policy statement

Council's annual financial statements must 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.

The policy shall be applied in:

- a) Identifying related party relationships, related party transactions and ordinary citizen transactions
- b) Identifying information about the related party transactions required to be captured, recorded and assessed
- c) Identifying the circumstances in which disclosure of items in a) and b) is required, and
- d) Determining the disclosures to be made about those items.

This policy applies to Administrators (if applicable), elected members of Council, to all employees, consultants and contractors engaged by Council.

Coverage of the policy

This policy relates to Key Management Personnel of Council. Key Management Personnel include Administrators (if applicable), the Mayor, Councillors, General Manager and Directors of the Council and extends to their close family members and entities related to Council such as subsidiaries, or joint ventures and associates and entities controlled or jointly controlled by KMP or their close family members.

The Corporate Services Division of Council is responsible for maintaining related party information and preparing disclosure requirements in order to comply with AASB 124.

Strategic Plan link

Community Outcome 4: Strong leadership and good governance

Strategic Objective 4.2: Council demonstrates good governance and financial management to ensure decisions and transactions are ethical, efficient, safe and fair.

Policy content

Purpose of related party disclosures in financial statements

Related party relationships are a normal feature of commerce and business. A related party relationship could have an effect on the operational result and financial position of Council. Related parties potentially could enter into transactions that unrelated parties would not.

The operational result and the financial position of Council could also be affected by a related party relationship even if a related party transaction did not occur. The mere existence of a relationship may be sufficient to impact or affect the transactions of the entity with other parties.

For these reasons, knowledge of the Council's transactions and outstanding balances (including commitments and relationships with Related Parties) may affect assessment of Council's operations by users of the Financial Statements, including the assessments of the risks and opportunities for Council.

Identification of KMP

KMP of Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. Council has identified Administrators (if applicable), the Mayor/Councillors, General Manager and Directors as KMP in accordance with the definition as per AASB 124.

Identification of Related Parties

Related Parties of Council include:

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

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

- They are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
- They are an associate or belong to a joint venture of which Council is a part
- 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 or 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
- They or any member of a group of which are a part, provide KMP services to Council

Required Disclosures & Reporting

AASB 124 provides that Council must disclose the following financial information in its financial statements for each financial year period:

- a) Key Management Personnel Compensation disclosures (as per below).
- b) Related Party disclosures – Council must disclose a relationship with any related parties whether or not there have been any transactions within the relevant reporting period and report on transactions with related parties (taking into account materiality of individual or aggregate transactions and ordinary citizen transactions – as per below).

a) *Key Management Personnel compensation* is required to be reported in total for each of the following categories:

- Short-term employee benefits (e.g. salaries, wages, allowances)
- Post-employment benefits (e.g. superannuation entitlements, pensions, other retirement benefits)
- Other long-term benefits (e.g. long service leave, deferred compensation)
- Termination benefits (voluntary severance)

Should Council outsource KMP compensation to a management entity, this compensation will be reported in aggregate as amounts incurred for the provision of KMP services by the management entity and not split by category as above for KMP.

Council will extract details of Key Management Personnel compensation from its business systems.

b) Related Party Disclosures

AASB 124 requires Council to disclose full details of any ***Related Parties and Related Party Transactions*** which are determined to be material regardless of whether a price is charged.

Such transactions may include:

- Purchase or sale of goods (finished or unfinished)
- Purchase or sale of property and other assets
- Providing or receiving services
- Leases
- Transfers of research and development
- Transfers under licence agreements
- Transfers under finance arrangements (including loans, equities 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)
- Quotations and/or tenders
- Commitments
- Settlements of liabilities on behalf of Council or by Council on behalf of the related party

Related Party Transactions must be disclosed where **material** and **significant**. They are to be reported by aggregate OR general description and include the following detail:

- The nature of the related party relationship
- 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 considerations to be provided in the settlement
- The details of any guarantee given or received
 - Provision for doubtful debts related to the amount of the outstanding balances
 - The expense recognised during the period in respect of the bad or doubtful debts due from related parties

Disclosures made as per above shall be made separately for Subsidiaries of Council, Associates of Council, Joint ventures in which council is a joint venturer, KMP and Other related parties.

Items of a similar nature shall be disclosed in aggregate except where separate disclosure is necessary for an understanding of the effects of related party transactions on Council's financial statements.

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 and whether disclosure is required in aggregate, individual or by general description.

Transactions not considered material (in aggregate or individually) shall not be disclosed. Assessment of materiality will be undertaken by Council's Responsible Accounting Officer and external auditors.

Exclusions for disclosure requirements include:

- those Ordinary Citizen Transactions (OTC) that have been assessed as immaterial and not significant;
- Councillor expenses incurred and facilities provided during the year under Council's Payment of Expenses and Provision of Facilities to Councillors Policy as these are reported in Council's Annual Report.

Transactions with amounts receivable from or payable to KMP or their related parties will be disclosed by general description in the financial statements providing these transactions occur:

- within a normal employee, customer or supplier relationship and
- are at arms-length and
- are not material or significant

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.

At the end of each financial year, each KMP will be required to complete a Certification by Key Management Personnel Form (Attachment B) and where applicable, complete a Related Party Transactions Form (Attachment C). These forms in conjunction with a review of council's business systems including and not limited to review of contracts registers, payables & receivables ledgers, development applications, council reports and other council data will assist in compliance with disclosure requirements of AASB 124.

Review of KMP's and Related Parties

Council's Responsible Accounting Officer will implement a reliable system to identify and review related parties and provide a Related Party Disclosure Form (Attachment A) at time of election, appointment or at least 30 days before a specified review date.

The method for identifying the close family members and associated entities of KMP will be by self-assessment. KMP have a responsibility to identify and report any changes to their related parties as they occur.

Systematic reviews to be completed 31 December and 30 June annually. Reviews will be also be undertaken when any of the following occur:

- Change of Administrators (if applicable), Councillors, General Manager or any other KMP
- Corporate restructure
- Extended periods of leave (greater than 12 weeks) by KMP
- Amendments to relevant legislation or documentation
- Other circumstances as determined from time to time by a resolution of Council

Register of Related Party Transactions

The Responsible Accounting Officer will set up and review processes and systems to maintain and update a register of Related Party Transactions that captures and records information required for disclosure purposes for each existing or potential related party transaction (including OTC assessed as being material in nature) during the financial year.

This register will be referred to the external auditors as part of the compliance for disclosure requirements within Council's Annual Financial Statements.

Privacy

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

Definitions

AASB 124 - means Australian Accounting Standards Board, Related Party Disclosures Standard.

Act - means the Local Government Act 1993.

Arms-length transactions – are between two related parties that are conducted as if they were unrelated so that there is no question of conflict of interest.

Associate – an entity over which the first entity has significant influence.

Close family members of a person are – those family members who may be expected to influence, or be influenced by, that person in their dealings with Council, and includes (but not limited to) spouse/partner, children, and dependents as well as children and dependents of spouse/partner.

Other family members that could influence or be influenced by that person such as grandparents, parents, or other family members should also be included (refer to possible close family members below).

Family members that are *estranged* are not considered as close family members.

Control – is present where this is power over an entity, exposure or rights to variable returns from involvement with that entity and the ability exists to use this power to affect the amount of the returns received OR is the power to govern the financial and operating policies of any entity so as to obtain benefits from its activities.

Council – MidCoast Council.

Entity – can include companies, trusts, joint ventures, partnerships, incorporated association or unincorporated group or body and non-profit associations such as sporting clubs.

Joint Control – the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint Venture – an arrangement of which two or more parties have joint control and have right to the net assets of the arrangement.

Key management personnel (KMP) – persons having authority and responsibility, either directly or indirectly, for planning, directing and controlling the activities of Council. For MidCoast Council's purposes KMP include Administrators (if applicable), the Mayor, Councillors, General Manager and Directors.

Persons acting in a KMP position will not be considered a KMP unless they meet the definition requirements or are acting for a period of more than twelve consecutive weeks.

Disclosure requirements will only relate to the transactions occurring during the period a person meets the definition of a KMP.

KMP compensation – includes all forms of consideration paid, payable or provided in exchange for services provided, and may include:

- short term employment 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 and subsidised goods or services) for current employees;
- 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.

Materiality – information is material to the financial statements if omitting it or misstating it could influence the decisions that users make on the basis of the financial information. For the purposes of this policy it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.

Normal terms and conditions – the standard rules governing transactions between Council and all external bodies and can be governed by policies, legislation or accepted business practice.

Ordinary citizen transactions (OTC) – transactions that an ordinary citizen would undertake with Council, which is undertaken at arm's length terms under normal terms and conditions and in the ordinary course of carrying out Council's functions and activities. This includes but is not limited to payment of rates and utility charges, user fees charged under adopted fees and charges for use of council services or facilities or based on terms and conditions applied to the general public and by their nature or amount are not material.

Possible close family members – are those family members who could be expected to influence, or be influenced by, that person in their dealings with Council and include brothers, sisters, aunts, uncles, cousins, parents, grandparents of either the person or their spouse or partner.

Related parties - entities and persons related to Council.

Related entities - entities controlled or jointly controlled by Council, entities over which Council has significant influence and any entities that are controlled or jointly controlled by KMP or their close family members.

Related persons - Council's key management personnel (KMP) and close family members of KMP.

Related party transactions – a transfer of resources, services or obligations between Council and a related party, regardless of whether a price is charged.

Examples include purchases or sales of goods, property or other assets, rendering or receiving goods or services, development applications, leases, commitments to do something and settlement of liabilities on behalf of Council, or by Council on behalf of a related party.

Related party disclosures – a document titled “Related Party Disclosure Form” to be completed by Key Management Personnel (refer attachment A) to identify related parties for whom disclosure of relevant transactions may be required under AASB 124.

Significant influence – is the power to participate in the financial and operating policy decisions of an entity, but is not control over these policies. Significant influence may be gained by share ownership, statute or agreement.

Significant transactions – assessment of significance in relation to transactions will consider both collectively and individually:

- Significance in terms of size
- Was the transaction carried out in non-market terms
- Was the transaction outside of normal day-to-day council operations
- Was council approval given
- Did it provide a financial benefit not available to the general public
- Was the transaction likely to influence decisions of the users of the Annual Financial Statements.

References and Related Documents

- Australian Accounting Standard - AASB 124 Related Party Disclosures

Responsible Officer (Position)

Manager Finance

Attachments

- Attachment A - Related Party Disclosure Form
- Attachment B - Certification by Key Management Personnel
- Attachment C - Related Party Transactions as identified by Key Management Personnel

ATTACHMENT A – RELATED PARTY DISCLOSURE FORM



To be completed by Key Management Personnel

PRIVATE and CONFIDENTIAL

REPORTING PERIOD: from [date] to [date]

This form is to be completed by Council's Key Management Personnel pursuant to Council's adopted Related Party Disclosures Policy. The information collected in this declaration will be used for the purposes of identifying related party transactions, for which the transactions may be disclosed in the annual financial statements of Council in accordance with AASB 124 and is subject to audit by Council's external auditors.

Name of Key Management Person:		
Position of Key Management Person:		
List details of known <u>close family members</u> – please refer to policy definitions for disclosure requirements – any questions/uncertainties to be referred to the Responsible Accounting Officer		
Full Name of Close Family Member	D.O.B.	Relationship to You

List details of known <u>entities, controlled or jointly controlled by YOU and/or a close family member/s</u> – please refer to policy definitions for disclosure requirements – any questions/uncertainties to be referred to the Responsible Accounting Officer		
Name of Entity	ABN or ACN of Entity	Period Related (if not full period)

DECLARATION:

I declare that, to the best of my knowledge, the above information is a complete and accurate record of my close family members and 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 the Related Party Disclosures Policy which details the purposes for which this information will be used and disclosed.

Signature:

Date:

ATTACHMENT B – CERTIFICATION BY KEY MANAGEMENT PERSONNEL



Period: [date] to [date]

Please complete the following table to the best of your knowledge. If you are unsure whether a close family member or a controlled/jointly controlled entity had transactions with MidCoast Council, please refer to Responsible Accounting Officer for guidance.

	Question	Question Response		Please refer to Related Party Transaction Disclosures Policy for definitions and Guidance
		Yes	No	
	During the stated period in respect of MidCoast Council:	<input type="checkbox"/>	<input type="checkbox"/>	If you have answered Yes to any of these questions, please complete Attachment C - Related Party Transactions as identified by Key Management Personnel
1	Were any of your close family members employed in a senior position?	<input type="checkbox"/>	<input type="checkbox"/>	
2	Did you/ a close family member/ any entity controlled/jointly controlled by you and/or a close family member have any transactions or arrangement on terms and conditions that were more favourable than those entered into at an arm's length?	<input type="checkbox"/>	<input type="checkbox"/>	
3	Did you/ a close family member/ any entity controlled/jointly controlled by you and/or a close family member receive any grants, subsidies, ex-gratia payments or loans?	<input type="checkbox"/>	<input type="checkbox"/>	
4	Did you/ a close family member/ any entity controlled/jointly controlled by you and/or a close family member have any debts forgiven or partially forgiven?	<input type="checkbox"/>	<input type="checkbox"/>	
5	Did you/ a close family member/ any entity controlled/jointly controlled by you and/or a close family provide or receive any collateral, guarantee, indemnity or commitment (including executory contract)?	<input type="checkbox"/>	<input type="checkbox"/>	
6	Did you/ a close family member/ any entity controlled/jointly controlled by you and/or a close family enter into any contractual arrangements to purchase, sell, lease or transfer assets and licenses; or to provide, purchase or transfer goods and services?	<input type="checkbox"/>	<input type="checkbox"/>	
7	Are there any outstanding balances brought forward from a transaction or arrangement entered into in the previous financial year (or the twelve months prior to your appointment) between you/ a close family member/ any entity controlled by you and/or a close family member and MidCoast Council?	<input type="checkbox"/>	<input type="checkbox"/>	

Declaration: I have made inquiries of my close family members and to the best of my knowledge, the information provided in this Certificate is complete and accurate for the period stated above. I understand this information is collected for the purpose of compliance with AASB 124 and preparing note disclosures for inclusion in MidCoast Council's financial statements.

Signature:

Position:

Date:

ATTACHMENT C – RELATED PARTY TRANSACTIONS AS IDENTIFIED BY KEY MANAGEMENT PERSONNEL



Period: [date] to [date]

Please complete the following table to the best of your knowledge for each individual transaction that has or may have occurred as identified in Attachment B – Certification by Key Management Personnel for the stated period. Please refer to Related Party Transaction Disclosures Policy for definitions and guidance. Please refer any further questions to the Responsible Accounting Officer OR In circumstances where you are unsure, please state that you are unsure.

Name:

	Transaction 1	Transaction 2	Transaction 3	Transaction 4
Type of transaction Please provide details and nature of the transaction – including: <ul style="list-style-type: none"> • Employment • Provision of goods or services • Purchase, sale or transfer of property, other assets or licences • Leasing arrangements • Provision of guarantee or collateral • Settlement of liabilities • Outstanding balance brought forward relating to prior period transactions 				
Is the transaction/outstanding balance directly between you and MidCoast Council? Yes or No				
If not, please provide: <ul style="list-style-type: none"> • details of the related party • their relationship with you • name of entity involved • ABN/ACN of entity • Relationship with person/entity 				
Transaction amount (relating to the stated period) excluding GST				
Total agreed/contracted amount (and period covered in agreement/contract)				
Terms and Conditions of the Transaction Please provide details of the significant terms and conditions including whether it is secured, and the nature of the consideration to be provided in the settlement				

	Transaction 5	Transaction 6	Transaction 7	Transaction 8
Type of transaction Please provide details and nature of the transaction – including: <ul style="list-style-type: none"> • Employment • Provision of goods or services • Purchase, sale or transfer of property, other assets or licences • Leasing arrangements • Provision of guarantee or collateral • Settlement of liabilities • Outstanding balance brought forward relating to prior period transactions 				
Is the transaction/outstanding balance directly between you and MidCoast Council? Yes or No				
If not, please provide: <ul style="list-style-type: none"> • details of the related party • their relationship with you • name of entity involved • ABN/ACN of entity • Relationship with person/entity 				
Transaction amount (relating to the stated period) excluding GST				
Total agreed/contracted amount (and period covered in agreement/contract)				
Terms and Conditions of the Transaction Please provide details of the significant terms and conditions including whether it is secured, and the nature of the consideration to be provided in the settlement				
EXAMPLES	Example 1	Example 2	Example 3	Example 4
Type of transaction Please provide details and nature of the transaction – including: <ul style="list-style-type: none"> • Employment • Provision of goods or services • Purchase, sale or transfer of property, other assets or licences • Leasing arrangements • Provision of guarantee or collateral • Settlement of liabilities 	Provision of cleaning services	employment	employment	Loan Guarantee

<ul style="list-style-type: none"> Outstanding balance brought forward relating to prior period transactions 				
Is the transaction/outstanding balance directly between you and MidCoast Council? Yes or No	No	Yes	No	No
If not, please provide: <ul style="list-style-type: none"> details of the related party their relationship with you name of entity involved ABN/ACN of entity Relationship with person/entity 	John Smith – Spouse ABC Ltd – cleaning company owned by my spouse ABN 11 111 111 111	N/A	Joe Smith – Son Council outdoor staff - parks	ABC Sporting Committee Chairperson Incorporated Community Committee ABN 22 222 222 222
Transaction amount (relating to the stated period) excluding GST(excluding employment with MCC)	\$80,000	N/A	N/A	\$290,000 approx
Total agreed/contracted amount (and period covered in agreement/contract)	\$400,000 over 5 years	N/A	N/A	\$300,000 loan drawn down 2016 for a 10 year term
Terms and Conditions of the Transaction Please provide details of the significant terms and conditions including whether it is secured, and the nature of the consideration to be provided in the settlement	Won through open tender Standard terms Unsecured Settlement by bank transfer	Independent recruitment process Full time contract Annual performance assessment Payment by bank transfer	Independent recruitment process Full time contract Payment by bank transfer	Loan guarantee in accordance with adopted policy Bank documentation and committee financial accounts submitted to Council annually for audit purposes

Declaration: I have made inquiries of my close family members and to the best of my knowledge, the information provided in this Certificate is complete and accurate for the period stated above. I understand this information is collected for the purpose of compliance with AASB 124 and preparing note disclosures for inclusion in MidCoast Council's financial statements.

Signature:

Position:

Date: