



CUMBERLAND
CITY COUNCIL

Related Party Disclosure Policy

AUTHORISATION & VERSION CONTROL

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PURPOSE

The purpose of this policy is to provide guidance in complying with the Local Government Act, section 413(3) which requires all Councils to prepare General Purpose Financial Statements in accordance with the Australian Accounting Standards. Critical to the application of this standard are the key terms included throughout the standard.

SCOPE

This policy applies to all Key Management Personnel (KMP) – those persons having authority and responsibility for planning, directing and controlling the activities of Council, either directly or indirectly. Specifically, Key Management Personnel of Council are:

- Councillors (including the Mayor and Deputy Mayor)
- General Manager
- Directors

This includes any Council staff required to act or seconded to a KMP role for a period of more than 3 months. This disclosure is different from the requirement to complete the Disclosures by Councillors and Designated Persons Return (completed annually) and the Special Disclosure Pecuniary Interest (completed at every Council meeting).

POLICY STATEMENT

This policy is required under AASB 124 Related Party Transactions.

“The objective of this 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” - para 1, AASB 124.

1. PRINCIPLES

1.1 Disclosures

To comply with AASB 124, for annual periods beginning on or after 1 July 2016 (delayed to 1 July 2017), Council will make the following disclosures in its General Purpose Financial Statements:

- (a) Relationships between Council and its subsidiaries, irrespective of whether there have been transactions between them; ¹
- (b) Key management personnel (KMP) compensation in total and for each of the following categories; ^{2 3}
 - (i) short-term employee benefits;
 - (ii) post-employment benefits;
 - (iii) other long term benefits; and
 - (iv) termination benefits.
- (c) Amounts incurred by Council for the provision of KMP services that are provided by a separate management entity. ⁴
- (d) The information specified in Section 1.2 for related party transactions with the following persons during the periods covered by the Financial Statement. ⁵
 - (i) Council subsidiaries;
 - (ii) entities who are associates of Council or of a Council subsidiary;
 - (iii) joint ventures in which Council or a Council subsidiary is a joint venturer;
 - (iv) Council's KMP;
 - (v) other related parties, comprising:
 - (a) a close family member of a KMP of Council;
 - (b) entities controlled or jointly controlled by a KMP of Council;
 - (c) entities controlled or jointly controlled by a close family member of a KMP of Council;
 - (d) other entities as specified in AASB 124, paragraph 9(b)(iii), (iv), (v) and (viii).

1.2 Disclosed Information

For each category of related party transactions specified in Section 1.1(d), Council will disclose the following information in Council's General Purpose Financial Statements:

- (a) the nature of the related party relationship;
- (b) the amount of the transactions;

¹ See AASB 124, paragraphs 13, Aus13.1, 14, 15, and 16.

² See AASB 124, paragraphs 17 and 17A.

³ Note: This requirement is in addition and separate to the disclosure of senior management remuneration in Council's annual report, pursuant to the Local Government (General) Regulation 2005, clause 217.

⁴ See AASB 124, paragraph 18A.

⁵ See AASB 124, paragraphs 18 to 24.

- (c) the amount of outstanding balances, including commitments, and:
 - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
 - (ii) details of any guarantees given or received;
- (d) provisions for doubtful debts related to the amount of outstanding balances; and
- (e) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

1.3 Disclosed in Aggregate or Separate

For each related party category specified in Section 1.1(d), Council will disclose information specified in Section 1.2 for related party transactions of a similar nature in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the Financial Statements of Council, having regard to the following criteria:

- (a) the nature of the related party relationship;
- (b) 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);
- (c) whether the transaction is carried out on non-arm's length terms;
- (d) whether the nature of the transaction is outside normal day-to-day business operations, based on the factors and thresholds under the direction of the Responsible Accounting Officer in consultation with Council's external auditor.

2. REQUIREMENTS

2.1 Related Party Disclosures

KMP must provide a related party disclosure in the form set out in Appendix B, notifying any existing or potential related party transactions between Council and either themselves, their close family members or entities controlled or jointly controlled by them or any of their close family members to the Responsible Accounting Officer by no later than the following periods during a financial year (specified notification period):

- (a) 30 days after the commencement of the application of this Policy;
- (b) 30 days after a KMP commences their term or employment with Council;
- (c) 30 November each year;
- (d) 30 June each year.

2.2 Maintain a Register

The Responsible Accounting Officer is responsible for maintaining and keeping up to date a register of related party transactions that captures and records the information specified in Section 1.2 for each existing or potential related party transaction (including ordinary citizen transactions assessed as being material in nature) during a financial year.

2.3 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;
- (f) the information specified in Section 1.2.

The Responsible Accounting Officer is responsible for ensuring that the information specified in Section 1.2 is disclosed in Council's Financial Statements to the extent, and in the manner stipulated by AASB 124, subject to Section 1.3.

3. REVIEW DATE

The policy will be reviewed on a bi-annual basis or as changes are required / occur.

4. BREACHES AND SANCTIONS

Breaches of this policy will be dealt with in accordance with normal disciplinary procedures and will be advised to the General Manager and/or Director Corporate Performance, via the Director Governance & Risk.

RELATED DOCUMENTS AND COUNCIL POLICY

- Cumberland City Council Related Party Disclosure Guidelines
- Code of Conduct
- Council's Councillor Expenses and Facilities Policy

RELEVANT LEGISLATION

Local Government Act, section 413(3)

From 1 July 2016 the Australian Accounting Standards Board (AASB) has determined that AASB124: Related Party Disclosures will apply to all government entities, including local government. This Standard shall be applied in:

- (a) identifying related party relationships and transactions;
- (b) identifying outstanding balances, including commitments, between an entity and its related parties;
- (c) identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- (d) determining the disclosures to be made about those items.

Related Party Disclosures are an audited note in the Annual Financial Statements.

APPENDIX A

1A. DEFINITIONS

AASB 124 – the Australian Accounting Standards Board - Related Party Disclosures Standard.

Arm's length transaction – a transaction between two related parties that is conducted as if they were unrelated so that there is no question of conflict of interest. That is, the transaction is consistent with what would result from:

- neither party bearing the other any special duty or obligation;
- the parties being unrelated and uninfluenced by the other; and
- each party having acted in its own interest.

Close members of the family of a person – in relation to a key management person, those family members who may be expected to influence, or be influenced by, that person in their dealings with the Council, including:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependants of that person or that person's spouse or domestic partner.

For the purpose of AASB124, close family members may include:

- extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts or cousins) if they could be expected to influence, or be influenced by, the key management person in their dealings with Council.
- Spouse / Domestic Partner – married, de facto, Civil Union partnership (excludes separated or divorced spouses or partners);
- Dependents - Financially supported by a Key Management Personnel (KMP) or their spouse/ domestic partner
- Children – Step children, dependent, non dependent, adult children and not living at home (unless they are estranged).

Control – the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control of an entity is present when there is:

- power over the entity;
- exposure or rights to variable returns from involvement with the entity; and
- the ability to use power over the entity to affect the amount of returns received.

Entity – can include a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body.

Financial Benefit – A financial benefit includes giving a financial benefit indirectly through an interposed entity, making an informal, oral or non-binding agreement to give the benefit, and giving a benefit that does not involve paying money. Examples (not limited) of "giving a financial benefit" to a Related Party include the following:

- Giving or providing the Related Party finance or property.
- Buying an asset from or selling an asset to the Related Party.
- Leasing an asset from or to the Related Party.
- Supplying services to or receiving services from the Related Party.

- Issuing securities or granting an option to the Related Party.
- Taking up or releasing an obligation of the Related Party.

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.

Key Management Personnel (KMP) – those persons having authority and responsibility for planning, directing and controlling the activities of Council, either directly or indirectly.

Specifically, Key Management Personnel of Council are:

- Councillors (including the Mayor and Deputy Mayor)
- Directors
- any Council staff required to act or seconded to a KMP role for a period of more than 3 months.

Key Management Personnel compensation – all forms of consideration paid, payable, or provided in exchange for services provided, and including:

- 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 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.

Material (materiality) – means the assessment of whether omitting or misstating the transaction, either individually or in aggregate with other transactions, could influence decisions that users make on the basis of Council's 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 transaction – a transaction that an ordinary citizen would undertake with Council, which is undertaken on an arm's length basis and in the ordinary course of carrying out Council's functions and activities.

With regard to Key Management Personnel and their close family members, examples of ordinary citizen transactions assessed as unlikely to be material in nature include:

- paying application fees for development and planning proposals;
- paying rates and utility charges;
- parking fees at rates available to the general public;
- paying fines on normal terms and conditions;
- pet registration fees; and

- using Council's public facilities after paying the corresponding fees or where those facilities are available to members of the public for free.

Transactions which are not to be considered ordinary citizen transactions include:

- infrastructure charges;
- lease agreements;
- awarding of contracts; and
- the purchase of goods, regardless of conditions.

Related party – A related party is a person or entity that is related to Council. Related parties are :

- entities related to Council;
- Key Management Personnel of Council;
- close family members of Key Management Personnel; and
- entities or persons that are controlled or jointly controlled by Key Management Personnel, or their 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 part of;
 - 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 member of the family of a person with significant influence over Council or a close member of the family of a person who is a key management person of Council; or
 - they or any member of a group of which they are a part, provide Key Management Personnel services to Council.

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

- purchase or sale of goods;
- purchase or sale of property and other assets;
- rendering or receiving of services;
- rendering or receiving of goods;
- leases;
- transfers under licence agreements;
- transfers under finance arrangements (for example loans);
- provision of guarantees (given or received);
- commitments to do something if a particular event occurs or does not occur in the future;
- settlement of liabilities on behalf of Council or by Council on behalf of the related party.

Remuneration - means remuneration package and includes any money, consideration or benefit received or receivable by the person but excludes reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction.

Significant (significance) – means likely to influence the decisions that users of the Council’s financial statements make having regard to both the extent (value and frequency) of the transactions, and that the transactions have occurred between the Council and related party outside a public service provider/taxpayer relationship.

APPENDIX B

Declaration by Key Management Personnel

Private and Confidential

Note: This document is confidential and is not GIPAA accessible.

Related Party Declaration by Key Management Personnel

Name of Key Management Person: _____

Position of Key Management Person: _____

Please read the Privacy Collection Notice provided with this notification, which explains what is a related party transaction and the purposes for which Council is collecting and will use and disclose, the related party information provided by you in this notification.

Please complete the table below for each related party transaction with Council that you, or a close member of your family, or an entity related to you or a close family member of your family:

- a. Has previously entered into and which will continue in the financial year ending.....
- b. Has entered into, or is reasonably likely to enter into, in the financial year ending.....

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

Description of Related Party Transaction	Is transaction existing or potential?	Related Party's Name (individual or entity)	Related Party's Relationship	Description of Transaction

Declaration:

I, _____, (Full Name)

_____, (Position Held)

notify that, to the best of my knowledge, information and belief, as at the date of this notification, the above list includes all existing and potential related party transactions with Council involving myself, close members of my family, or entities controlled or jointly controlled by me or close members of my family, relevant to the financial year ending

I make this notification after reading the Privacy Collection Notice provided by Cumberland City Council, which details the meaning of the words “related party”, “related party transaction”, “close members of the family of a person” and, in relation to an entity, “control” or “joint control”, and the purposes for which this information will be used and disclosed.

I permit the Responsible Accounting Officer and the other permitted recipients specified in Council’s Related Party Disclosure Policy to access the register of interests of me and persons related to me and to use the information for the purposes specified in that policy.

Signature of named Key Management Personnel:

Dated