

Related Party Transaction

Policy

April 2019

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POLICY

This Policy applies to the Mayor, Councillors, General Manager and Directors who are members of the Key Management Personnel (KMP).

PURPOSE

The purpose of this Policy is to provide clear guidance on the Council's expectations in relation to compliance with the reporting requirements for related party transactions, in particular the identification of KMP, who should be considered as Close Family Members, what are considered to be related entities, the nature of transactions that will be collected and the nature of the disclosure statement.

SCOPE

The Policy outlines the disclosure requirements under AASB 124 of KMP, which includes elected members. It also outlines the procedures the Council will follow to collect, store, manage and report on related party relationships, transactions and commitments.

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 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. That KMP should also consider all siblings, parents and grandparents of the member, spouse or domestic partner as close family members.

That any other family member of KMP, that could be expected to influence or be influenced in their dealings with the Council, is a judgement to be exercised by individual KMP members.

KMP are required to declare annually to the General Manager any close family member that they expect to have reportable transactions with the Council.

CONTROL OF AN ENTITY

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.

DECLARATION BY KMP

An annual declaration of close family members and entities that the KMP or their close family members control or jointly control and updated during the year as necessary.

All KMP are required to provide their declarations in the approved form to the General Manager by 1 July each year for the upcoming financial year and to update any omissions for the previous financial year.

It is the responsibility of the KMP to update their declarations as soon as they become aware of any change or error.

ENTITIES CONTROLLED BY KMPS

Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs. You control an entity if you have:

- 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

ENTITIES RELATED TO COUNCIL

Entities controlled by the Council, jointly controlled by the Council or over which the Council has significant influence are related parties of the Council.

Council related entities include subsidiaries, associates, joint ventures, member-based entities, regional development authorities, tourism boards and other similar bodies.

All such bodies will be identified and assessed internally by management and presented to the Council for formal determination by resolution as to whether and why they are related parties.

JOINT CONTROL OF AN ENTITY

To jointly control an entity there must be contractually agreed sharing of control of the entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

KEY MANAGEMENT PERSONNEL

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 General Manager and Directors.

Further that the General Manager is provided with the authority to nominate other senior managers as members of the Key Management Personnel, either because they have a high level of discretionary decision making over significant expenditures or critically important functions which have a capacity to provide significant financial benefits to customers.

KMP COMPENSATION

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:

- . 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 12 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;
- . 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, long-term disability benefits and, if they are not payable wholly within 12 months after the end of the period, profit-sharing, bonuses and deferred compensation;
- . termination benefits; and
- . share-based payment.

ORDINARY CITIZEN TRANSACTIONS

Transactions that an ordinary citizen would undertake with the Council are usually not material to related party disclosure requirements. Ordinary Citizen Transactions (OCT) do not apply if the terms and conditions are different to those offered to the general public. OCT are not collected and reported. Examples of OCT are using a council's public swimming pool after paying the normal fee, attending council functions that are open to the public, fines on normal terms and conditions, paying rates, facility hire charges and dog registrations.

RELATED PARTY OF COUNCIL

People and entities, such as companies, trusts and associations, can be related parties of the Council. Most commonly these will be entities related to the Council, KMP of

the 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.

REPORTABLE TRANSACTIONS

Transactions of the following nature are considered to be reportable transactions:

- . purchase or sale of goods, unless the purchase is a retail transaction made at a listed price;
- . purchase or sale of property;
- . provision or receipt of personal or professional services;
- . lease of property, plant or equipment;
- . transfers under a license or financial agreement;
- . provision of guarantees or collateral;
- . commitments to a future benefit;
- . settlement of liabilities;
- . infrastructure charges;
- . waivers or reductions of fees and interest due;
- . grants;
- . discounts and subsidy payments that are outside of policy or procedural limits;
- . infrastructure contributions and application fees;
- . employment expenses for close family members; and
- . any other transactions outside normal day-to-day business operations.

The General Manager, or their nominated delegate, is responsible for assessing the nature and significance of transactions, determine the grouping of transactions for reporting and identify significant transactions for individual reporting.

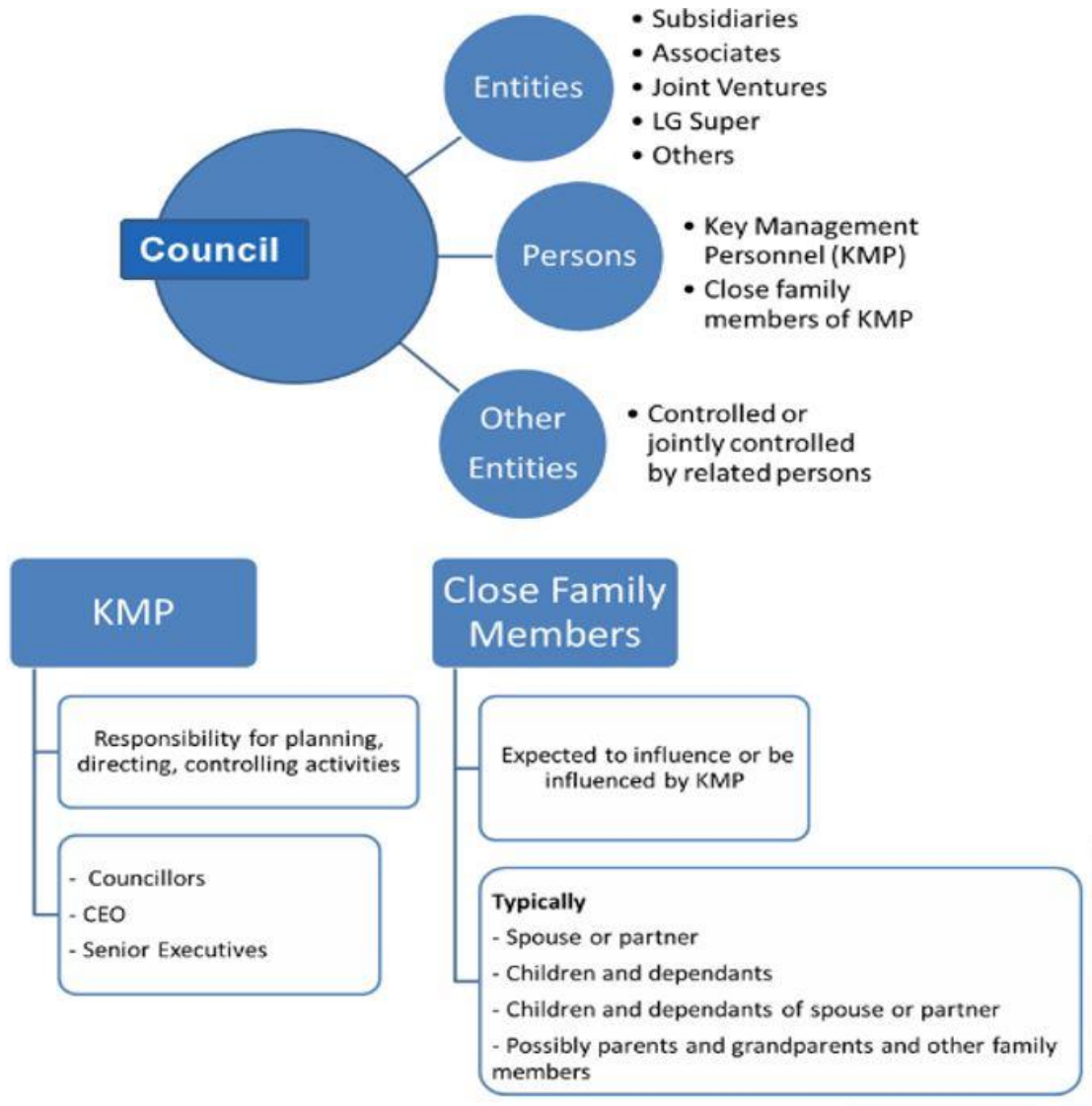
REVIEW

This Policy will be reviewed triennially (every three years), unless organisational and legislative changes require modifications that are more frequent.

RESPONSIBILITIES

The General Manager has the delegated responsibility for the implementation of the Policy from the Council in terms of the *Local Government Act 1993*.

IDENTIFYING RELATED PARTIES



REGISTER OF RELATED PARTY TRANSACTIONS

MAINTAIN A REGISTER

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

CONTENTS OF REGISTER

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

- the description of the related party transaction;
- the name of the related party;

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

The General Manager or Responsible Accounting Officer is responsible for ensuring that the information is disclosed in the Council's Financial Statements to the extent, and in the manner stipulated by AASB 124.

The 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.

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.

PRIVACY AND RIGHT TO INFORMATION

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

A declaration statement from KMP is incorporated into the Declaration of Related Party Transactions Form (Appendix 1) to enable the disclosure and reporting of information in accordance with AASB 124.

Sandra Ayton
GENERAL MANAGER

Private and Confidential

Related Party Declaration by Key Management Personnel for 1 July YYYY to 30 June YYYY.

Name of Key Management Person (KMP):

Position of Key Management Person (KMP):

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 (insert position)
declare that the above list includes all my close family members and the entities controlled, or jointly controlled, by myself or my close family members. I make this declaration after reading the fact sheet supplied by the Council which details the meaning of the words “close family members” and “entities controlled, or jointly controlled, by myself or my close family members”.

I permit the General Manager to access the register of interests of me and persons related to me and to use the information for the purposes specified in Council’s Related Party Disclosures Policy.

Declared at _____ on the _____ (Date)

Signature of KMP:

Name of KMP:

In accordance with Council’s *Privacy Policy*, your information, and the information of others, is protected by law, including the *Privacy Act 1988* and the *Personal Information Protection Act 2004*.