

# Policy No. 88: Related Party Disclosures

## POLICY MANUAL

### Policy No. 88

### Related Party Disclosures

#### Purpose

The purpose of this Policy is to outline the expectations of elected members and employees of Council in relation to Australian Accounting Standard AASB 124 *Related Party Disclosures*.

#### Department

Corporate Services

#### Author

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#### Council Meeting Date

9 December 2025

#### Minute Reference

163/2025

#### Next Review Date

**December 2029**

## POLICY

### 1. Definitions

#### *Arm's Length Terms*

Terms between 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 interests.

#### *Key Management Personnel (KMP)*

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, Councillors, the General Manager and Directors.

#### *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.

<i>Control of an Entity</i>	You control an entity if you have: <ul style="list-style-type: none"> <li>a. power over the entity;</li> <li>b. exposure, or rights, to variable returns from involvement with the entity; and</li> <li>c. the ability to use your power over the entity to affect the amount of your returns.</li> </ul>
<i>Declaration by KMP</i>	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.
<i>Entities Controlled by KMP</i>	Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs.
<i>Entities Related to the Council</i>	Entities controlled by the Council, jointly controlled by the Council or over which Council has significant influence are related parties of the Council.
<i>Joint Control of an Entity</i>	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.
<i>KMP Compensation</i>	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: <ul style="list-style-type: none"> <li>a. short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave, paid sick leave and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;</li> <li>b. other long-term employee benefits, including long-service leave 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 and deferred compensation; and</li> <li>c. termination benefits.</li> </ul>
<i>Materiality</i>	Information is material when, if omitted or misstated, could influence decisions that users make on the basis of financial information about a specific reporting entity.

Omissions or misstatements of information 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 information or a combination of both, could be the determining factor.

*Ordinary Citizen Transactions*

Transactions that an ordinary citizen would undertake with the Council are usually not material to related party disclosure requirements. OCTs do not apply if the terms and conditions are different to those offered to the general public.

*Related Party of the 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 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 Transactions*

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

**2. Objective**

The objective of the Standard is to ensure that the Council'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.

**3. Scope**

This Policy outlines what is expected of elected members and staff of the 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 the Council will follow to collect, store, manage and report on related party relationships, transactions and commitments. Under the *Local Government Act 1993* and the *Audit Act 2008*, all local governments in Tasmania must produce annual financial statements that comply with Australian Accounting Standards.

#### **4. Policy**

1. 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 the Council (Appendix 1).
2. For the purpose of this Policy, Close Family Members includes, but is not limited to:
  - 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.

The 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 the Council or an entity of the Council.

3. It is the responsibility of the Director Corporate Services to seek a declaration upon a change of KMP.
4. All KMPs will be asked to provide their declarations by 1 July each year covering the forthcoming financial year. In addition, an updated declaration for the previous financial year will also be provided.
5. It is the responsibility of all identified KMP to update their declaration should they become aware of a change, error or omission.
6. The Council will not capture Ordinary Citizen Transactions (OCTs) with related parties; examples of OCTs are using a public swimming pool after paying the normal fee, paying property rates and dog registrations. If 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 cause the OCTs to be assessed as being material in nature.
7. The Council will not disclose non-material transactions. The Director Corporate Services and General Manager will jointly assess the materiality of the related party transactions that have been captured prior to disclosure. In determining materiality, the size and nature of the transaction individually and collectively will be considered.
8. Register of Related Party Transactions
  - Maintain a Register  
The Director Corporate Services 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.

- 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 Council;
  - whether the notified related party transaction is existing or potential;
  - a description of the transactional documents.

The Director Corporate Services 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.

9. 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.
10. Updates will be provided to KMP and the Council's staff periodically on changes arising from amendments to Australian Accounting Standards, applicable legislation or policy and procedural requirements.
11. In making disclosures in the annual financial statements, the Council will include:
  - total KMP compensation;
  - employee expenses for close family members of KMP;
  - transactions with close family members of KMP including the purchase of materials and services, assets and liabilities such as leases and loans;
  - any other separate disclosure for each category of related party transactions;
  - relationships between a parent and its subsidiaries, irrespective of whether there have been transactions between them; and
  - where related party transactions have occurred, the nature of the related party relationship, information about the transactions, outstanding balances and commitments, including terms and conditions, and whether the transaction were carried out on non-arm's length terms.
12. For the purpose of this Policy:
 

*Examples of OCTs*

Using a council's public swimming pool after paying the normal fee.  
 Attending council functions that are open to the public.  
 Paying rates and charges in accordance with normal terms and conditions.  
 Paying dog registrations in accordance with normal terms and conditions.

*Examples of Transactions that are not OCTs*

Purchases or sales of land.  
 Leases.  
 Loans and settlement of liabilities.  
 Employee expenses of Close Family Members.

## **5. Legislation and Related Standards**

Australian Accounting Standard AASB 124 (Related Party Disclosures)

*Local Government Act 1993* (section 28(e) – Functions of Councillors)

*Audit Act 2008*

*Privacy Act 1988*

*Personal Information Protection Act 2004*

## **6. Responsibility**

Responsibility for the operation of this Policy rests with the Director Corporate Services.

**Appendix 1 – Declaration of Related Party Transactions and Consent Form**

**Related Party Declaration by Key Management Personnel**

For the period \_\_\_\_\_ to \_\_\_\_\_

Name of Key Management Person: \_\_\_\_\_

Position of Key Management Person: \_\_\_\_\_

Signature of KMP: \_\_\_\_\_

There have been no related party transactions during the period.

I am reporting the following related party transactions that occurred during the period:

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 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 \_\_\_\_\_

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*.

## Appendix 2 – Related Party Information Collection Notice

### Collection Notice

#### Related Party Transactions Disclosure by Key Management Personnel

The 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 the 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.

The Council's related parties include the Mayor, Councillors, General Manager, Directors, their close family members and any entities that they control or jointly control. Any transactions between the 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 the Council and a related party, regardless of whether a price is charged.

A related party transaction must be disclosed in the 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 Director Corporate Services and General Manager will jointly 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 the Council, directly or indirectly and include the Mayor, Councillors, General Manager and Directors. 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 the 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?**

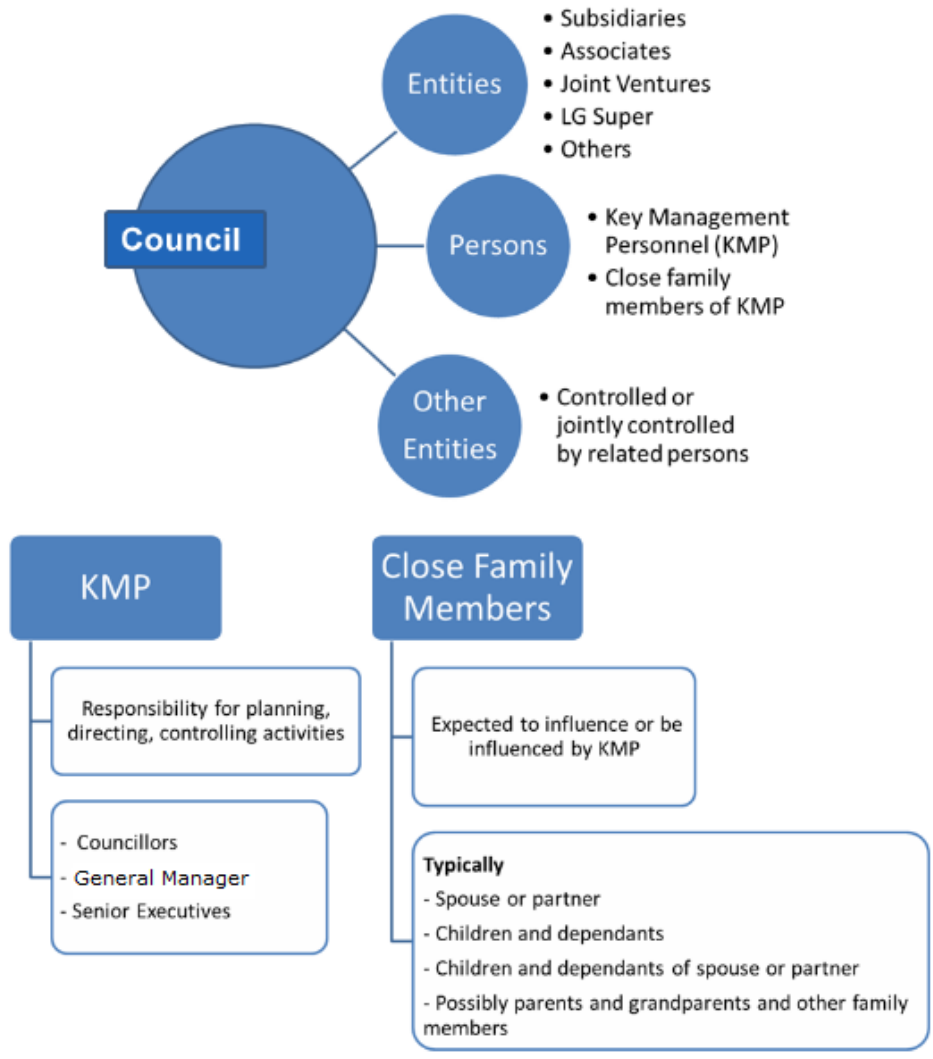
The Council will use the declarations of KMPs to establish a list of related parties of the Council for the purposes of identifying transactions and reporting under AASB 124. If a KMP or close family

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 the Council.

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 the 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.

The 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 the 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:

- a. power over the entity;
- b. exposure, or rights, to variable returns from involvement with the entity; and
- c. 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 Director Corporate Services for a confidential discussion.