



Policy Owner: Director Corporate Services

Direction: 5. Our Civic Leadership

1. STATEMENT OF INTENT

1.1 This policy defines the parameters for Related Party Relationships and the level of disclosure and reporting required for Council to achieve compliance with the Australian Accounting Standard *AASB 124 - Related Party Disclosures Standard* (AASB 124), commencing 1 July 2016.

2. ELIGIBILITY

2.1 The Policy applies to the mayor, councillors, general manager and senior executives as determined by the *Local Government Act 1993 (NSW)*, their close family members and any entities that they control or jointly control.

3. DEFINITIONS

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

3.2 Act - means the *Local Government Act 1993*.

3.3 Close members of the family of a person - are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Council and include:

- a) that person's children and spouse or domestic partner;
- b) children of that person's spouse or domestic partner; and
- c) dependants of that person or that person's spouse or domestic partner.

3.4 Key Management Personnel (KMP) - Those persons having authority and responsibility for planning, directing and controlling the activities of the Council.

3.5 Key Management Personnel Compensation - All forms of consideration paid, payable, or provided in exchange for services provided, and may include:

- a) Short-term employee benefits, such as wages, salaries, paid annual leave and paid sick leave and any non-monetary benefits;
 - b) Other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits; and
 - c) Termination benefits.
- 3.6 Material (materiality) - means the assessment of whether the transaction, either individually or in aggregate with other transactions, by omitting it or misstating it could influence decisions that users make on the basis of an entity's financial statements. For the purpose of this policy, it is inappropriate to set either a dollar value or a percentage value to determine materiality. Assessing materiality requires judgement and will be done in consultation with Council's external auditors.
- 3.7 Ordinary Citizen Transaction - a transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council.
- 3.8 Related Party - For the purposes of this policy, related parties of Council are:
- a) entities related to Council;
 - b) KMP of Council;
 - c) close family members of KMP; and
 - d) entities or persons that are controlled or jointly controlled by KMP, or their close family members.
- 3.9 Significant (significance) - likely to influence the decisions that users of the Council's financial statements make having regard to both the extent (value and frequency) of transactions that have occurred between Council and the related party outside a public service provider relationship.
- 3.10 Remuneration - 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.

4. PROVISIONS

- 4.1 The Australian Accounting Standards Board has determined that *AASB 124 Related Party Disclosures Standard* will apply to government entities, including local government. The objective of this Standard is to ensure that 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.

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- 4.2 The Standard requires disclosing entities (Council) to disclose additional information relating to individual Key Management Personnel (KMP). Those persons having authority and responsibility for planning, directing and controlling the activities of the Council includes the mayor, councillors, general manager and senior executives as determined by the *Local Government Act 1993*, their close family members and any entities that they control or jointly control. Refer to fact sheet for entities definitions.
- 4.3 KMP have basic obligations not to improperly use their position, or information available to them in their position to gain an advantage for themselves or someone else or to cause detriment to the Council.
- 4.4 Any transactions between council and these parties, whether monetary or not, may need to be identified and disclosed.
- 4.5 Council must disclose the following financial information in its financial statements for each financial year period:
- a) any related party relationship, whether or not there have been transactions within the relevant reporting period; and
 - b) KMP compensation. The aggregate amount is reported in the income statement and also in Council's Annual Report.
- 4.6 Council must disclose all material and significant Related Party Transactions and outstanding balances; including commitments. In addition, the transaction must be material in nature or size when considered individually or collectively.
- 4.7 Council must disclose all material and significant Related Party Transactions by aggregate or general description, the nature of the related party relationship; and relevant information about the transactions including:
- a) the amount of the transaction;
 - b) the amount of outstanding balances, including commitments;
 - c) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement;
 - d) details of any guarantee given or received;
 - e) provision for doubtful debts related to the amount of outstanding balances;
 - f) the expense recognised during the period in respect of bad or doubtful debts due from related parties.
- 4.8 When assessing whether such transactions are material, Council will consider whether the transaction is:
- a) significant in terms of value and frequency;
 - b) carried out on non-market terms;

- c) outside normal day-to-day council operations;
- d) subject to council approval;
- e) provides a financial benefit not available to the general public; and
- f) likely to influence decisions of users of financial statements.

4.9 The type of transactions that must be disclosed if they are with a related party, include:

- a) purchases or sales of goods;
- b) purchases or sales of property and other assets;
- c) rendering or receiving property and other assets;
- d) rendering or receiving goods;
- e) rendering or receiving of services;
- f) leases;
- g) guarantees given or received;
- h) commitments;
- i) loans and settlements of liabilities;
- j) expense recognised during the period in respect of bad debts; and
- k) provision for doubtful debts relating to outstanding balances

4.10 Ordinary Citizen Transactions (OCT) need not be captured and reported. OCTs are not material transactions because of their nature and it is unlikely that a user of Council's financial statements would be interested in their detail. These transactions shall include:

- a) use of Council facilities, equipment and services in accordance with Council's fees, charges and policies;
- b) payment of rates and charges;
- c) attendance at Council functions and activities that are open to the public;
- d) payment of fines and other penalties on normal terms and conditions; and
- e) related party transactions occurring during the course of delivering Council's public service objectives and which occur on no different terms to that of the general public.

5. RESPONSIBILITY/ACCOUNTABILITY

5.1 The method for identifying the close family members and associated entities of KMP will be by KMP self-assessment. An annual Related Party declaration will need to be submitted to Council. KMP have an ongoing responsibility to advise Council immediately of any Related Party Transactions.

5.2 The KMP must provide details of Related Parties and Related Party Transactions to the Manager Governance and Committee Services.

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- 5.3 If a KMP is uncertain if a transaction constitutes a related party transaction they must notify the Manager Governance and Committee Services in writing who will, in consultation with the Manager Financial Services, provide assistance with the self-assessment
- 5.4 All declarations will be collated and recorded in a related parties register and securely stored in Council's document management system. Collection and storage of personal information is governed by Council's *Information Privacy Policy*, the *Privacy Act 1988* and the *Right to Information Act 2009*.
- 5.5 Information provided by Council's KMP and other related parties shall be held for the purpose of compliance with Council's legal obligations and shall be disclosed where required for compliance or legal reasons only.
- 5.6 This policy will be reviewed annually or when any of the following occur:
- a) a change of Councillors, General Manager or other KMP;
 - b) corporate restructure;
 - c) the related legislation/documents are amended or replaced;
 - d) other circumstances as determined from time to time by a resolution of Council; and
 - e) as a result of changes to the *OLG Local Government Code of Accounting Practice and Financial Reporting*.

6. RELATED POLICIES/DOCUMENTS/LEGISLATION

The Policy should be read in conjunction with the following Council policies and documents:

- Annual Report
- Code of Conduct - Councillors and Staff Policy
- Disclosure of Pecuniary Interests return
- Gifts and Benefits Policy
- Information Privacy Policy

The Policy should be read in conjunction with the following documents/legislation:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board;
- the Local Government Act (1993) and Local Government (General) Regulation (2005); and
- the Local Government Code of Accounting Practice and Financial Reporting.
- Government Information (Public Access) Act 2009 (NSW)
- *Right to Information Act 2009*

Version	Date Approved	Approved by	Resolution No.	Review Date
1	26 June 2017	Council	207	2017/18
2	25 June 2018	Council	214	2020/21

ATTACHMENT 1

Private and Confidential

Declaration by Key Management Personnel of North Sydney Council

Name of KMP:.....

Position of KMP:.....

(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)

First Name	Last Name	Date of Birth	Relationship to you

Entities controlled/jointly controlled by yourself and/or your close family members

Please provide details of all entities:

Entity Name	ABN	ACN (If applicable)	Nature of Interest

I declare that the above lists include 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 North Sydney Council which details the meaning of the words “close family members” and “entities controlled, or jointly controlled, by myself or my close family members”.

.....
Signature of KMP:

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

Related Party Certificate

Question	Response (Y or N)	Guidance	KMP Sign Off
1. Where any of your close family members employed in a senior position?		If your response is 'Yes', please complete attachment 2. Refer to fact sheet for definitions.	
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 with North Sydney Council on terms or conditions that were more favourable than those entered into at arm's length?		If your response is 'Yes', please complete attachment 2. Refer to fact sheet for definitions.	
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 from North Sydney Council?		If your response is 'Yes', please complete attachment 2. Refer to fact sheet for definitions.	
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 by North Sydney Council?		If your response is 'Yes', please complete attachment 2.	
5. Did you/a close family member/any entity controlled/jointly controlled by you and/or a close family member provide or receive any collateral, guarantee, indemnity or commitment including executory contract from North Sydney Council.		If your response is 'Yes', please complete attachment 2.	
6. Did you/a close family member/any entity controlled/jointly controlled by you and/or a close family member enter into any contractual arrangements to purchase, sell, lease or transfer assets and licenses or to provide, purchase or transfer goods and services with North Sydney Council?		If your response is 'Yes', please complete attachment 2.	
7. Are there any outstanding balances brought forward from a transaction or arrangement entered into prior to this reporting period, between you/a close family member/any entity controlled/jointly controlled by you and/or a close family member and North Sydney Council?		If your response is 'Yes', please complete attachment 2.	

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 reporting period 1

July 2018 to 30 June 2019. I understand this information is collected for the purpose of preparing note disclosures for inclusion in the financial statements of North Sydney Council.

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Signature of KMP:

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

ATTACHMENT 2

Related Party Transactions - 1 July 2018 to 30 June 2019

	Transaction 1	Transaction 2	Transaction 3
Type of Transaction			
Is the transaction/outstanding balance directly between you and North Sydney Council? Yes, or No			
If No, provide details of the related party, their relationship with you and North Sydney Council.			
Transaction Amount (ex GST) for reporting period			
Total agreed/contracted amount (ex GST) if extends beyond reporting period			
Terms and Conditions of transaction.			

FACT SHEET**Who are close family members of KMP?**

These are family members who may be expected to influence, or be influenced by, that person in their dealings with North Sydney Council and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

Definitely a close family member	May be a close family member
Your spouse/domestic partner	Your brothers and sisters, if they could be expected to influence or be influenced by you in their dealings with North Sydney Council
Your children	Your aunts, uncles and cousins, if they could be expected to influence or be influenced by you in their dealings with North Sydney Council
Your dependants	Your parents and grandparents, if they could be expected to influence or be influenced by you in their dealings with North Sydney Council
Children of your spouse/domestic partner	Your nieces and nephews, if they could be expected to influence or be influenced by you in their dealings with North Sydney Council
Dependants of your spouse/domestic partner	Any other member of your family if they could be expected to influence or be influenced by you in their dealings with North Sydney Council

All children of KMP are related parties of North Sydney Council, however only children that are totally or substantially dependent on that person would be required to have a register of interests maintained.

Close family members exclude siblings, parents and other extended family, unless they may be expected to influence, or be influenced by your dealings with North Sydney Council. This may arise where they are dependant as defined as above, living in your household or where you have shared business interests.

If you are unsure whether a person is a close family member under the definition, we strongly recommend you include their details in the Certificate for completeness.

What is an entity that I, or my close family member, control or jointly control?

Entities include companies, trusts, incorporated and unincorporated associations such as clubs and charities, joint ventures and partnerships.

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.