



CORPORATE POLICY NO 4.5 RELATED PARTY DISCLOSURES

1.0 STATEMENT

The Southern Metropolitan Regional Council’s (SMRC) is a regional local government organisation constituted under the Local Government Act 1995. It was formed in recognition of the fact that some services and facilities can be provided in a more efficient and responsive way through joint venture arrangements.

This Policy outlines the required mechanisms to meet the disclosure requirements of Australian Accounting Standards Board AASB 124- Related Party Disclosures.

2.0 SCOPE

The Related Party Disclosure Policy applies to Related Parties of the SMRC and their Related Party Transactions with SMRC (as defined in the policy definition section of this policy).

The scope of AASB 124 was extended in July 2015 to include application by not-for-profit entities, including local governments. The operative date for Local Government is 1 July 2016, with the first disclosures to be made in the Financial Statements for year ended 30 June 2017.

3.0 OBJECTIVE

The purpose of this Policy is to define the parameters for Related Party Transactions and the level of disclosure and reporting required for Council to achieve compliance with the *Australian Accounting Standard AASB 124 – Related Party Disclosures*:

The objective of AASB 124 is to ensure that an entity’s financial statements contain 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 transactions.

4.0 DEFINITIONS

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| AASB 124 | Australian Accounting Standards Board, Related Party Disclosures Standard. |
| Close family members or close members of the family | <p>– In relation to a key management Personnel family members who may be expected to influence, or be influenced by, that key management personnel in their dealings with council and include:</p> <ul style="list-style-type: none"> a. that person’s children and spouse or domestic partner; b. children of that person’s spouse or domestic partner; c. dependants of that person or that person’s spouse or domestic partner. <p>For the purposes of AASB 124, close family members could include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts or cousins) if they could be</p> |

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| | expected to influence, or be influenced by, the key management person in their dealings with council. |
| Entity | May include a body corporate, a partnership of trust, incorporated association, or unincorporated group or body. |
| Control | Control of an entity is present when there is: <ol style="list-style-type: none"> a. power over the entity; and b. exposure or rights to variable returns from involvement with the entity; and c. the ability to use power over the entity to affect the amount of returns received, as determined in accordance with AASB10 Consolidated Financial Statements, paragraphs 5 to 18, and Appendices A (Defined Terms) and B (Application Guidance). |
| 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) | <p>defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.</p> <p>For the purposes of determining the application of the standard, the SMRC has identified the following persons as meeting the definition of Related Party:</p> <ol style="list-style-type: none"> a. A Member Local Government b. A Council member c. Key management personnel being a person employed under section 5.36 of the Local Government Act 1995 in the capacity of Chief Executive Officer or Senior Executive Managers. d. Close members of the family of any person listed above, including that person's child, spouse or domestic partner, children of a spouse or domestic partner, dependents of that person or person's spouse or domestic partner. e. Entities that are controlled or jointly controlled by a Council member, KMP or their close family members. (Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs). <p>The Council will therefore be required to assess all transactions made with these persons or entities.</p> |
| Materiality | <p>Management will apply professional judgement in consultation with council's external auditors to assess the materiality of transactions disclosed by related parties and their subsequent inclusion in the financial statements.</p> <p>In assessing materiality, management will consider both the size and nature of the transaction, individually and collectively.</p> |

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| <p>Ordinary Citizen Transactions (OCTs)</p> | <p>Transactions that an ordinary citizen would undertake with council, which is undertaken on arm's length terms and in the ordinary course of carrying out council's functions and activities. Examples of ordinary citizen transactions assessed to be not material in nature include:</p> <ol style="list-style-type: none"> a. fees and charges approved by council that are on terms and conditions to the general public and by their nature or amount are not material; b. using council's public facilities after paying the corresponding fees. |
| <p>Related Party</p> | <p>a person or entity that is related to council as defined in AASB124, paragraph 9. Examples of related parties are:</p> <ol style="list-style-type: none"> a. council subsidiaries; b. key management personnel; c. close family members of key management personnel; d. entities that are controlled or jointly controlled by KMP or their close family members |
| <p>Related Party Transactions</p> | <p>Is a transfer of resources, services or obligations between the council and a related party, regardless of whether a price is charged.</p> |

5.0 ROLES AND RESPONSIBILITIES

5.1 Key Management Personnel (KMP)

- a. All councillors, CEO and Senior Executive Managers are responsible for ensuring that this policy is understood and complied with.
- b. Responsible for identifying their related party relationships and notifying any related party transactions to SMRC.
- c. Responsible for completing an Annual Related Party Disclosures - Declaration form.

5.2 Chief Executive Officer

- a. Ensure the commitment made within this Policy is met and that the Policy is communicated, implemented and reviewed.
- b. Ensure the commitment made within this Policy is met and that the Policy is communicated, implemented and reviewed.

5.3 Financial Services

- a. Responsible for maintaining a register of Related Party Transactions.
- b. Responsible for preparing disclosure requirements in order to comply with the Standards.

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6.0 CONTENT

6.1 Identification of Related Parties

AASB 124 provides that the SMRC will be required to disclose in its Annual Financial report, related party relationships, transactions and outstanding balances.

Related parties include a person or entity who has significant influence over the reporting entity:

Refer to Key Management Personnel (KMP) definition in this Policy.

The SMRC will therefore be required to assess all transactions made with these persons or entities.

6.2 Review of Related Parties

The CEO will regularly review Key Management Personnel where changes are made to existing persons.

6.3 Identification of Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Council and the related party, regardless of whether a price is charged.

For the purposes of determining whether a related party transaction has occurred, the following transactions or provision of services have been identified as meeting this criteria:

- Paying fees and charges or any other amount to the Council
- Use of Council owned or operated facilities (whether charged a fee or not)
- Attending Council functions that are open to the public
- Employee compensation whether it is for KMP or close family members of KMP
- Lease agreements for properties (whether for a Council owned property or property sub-leased by the Council)
- Monetary and non-monetary transactions between the Council and any business or associated entity owned or controlled by the related party (including family) in exchange for goods and/or services provided by/to the Council
- Sale or purchase of any property owned by the Council to a person identified above
- Sale or purchase of any property owned by a person identified above to the Council
- Loan Arrangements
- Contracts and agreements for construction, consultancy or services

Some of the transactions listed above, occur on terms and conditions no different to those applying to the general public and have been provided in the course of delivering public service objectives. These transactions are those that an ordinary citizen would undertake with the Council and are referred to as an Ordinary Citizen Transaction (OCT). Where the SMRC can determine that an OCT was provided at arms length, and in similar terms and conditions to

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other members of the public and, that the nature of the transaction is immaterial, no disclosure in the annual financial report will be required.

6.4 Required Disclosures & Reporting

For the purposes of determining relevant transactions, Council members and key management personnel as identified above, will be required to complete a Related Party Disclosures - Declaration form for submission to Financial Services.

The notification requirement above does not apply to:

- a. related party transactions that are ordinary citizen transactions not assessed as being material; and
- b. for councillors, allowances and expenses incurred that are provided to a councillor during the financial year, under the Local Government Act 1995 and Council Expenses Reimbursement Policy, the particulars of which are contained in council's annual report pursuant to the Local Government Act and Regulations.

6.5 Register of Related Party Transactions

SMRC will maintain and keep up to date a register of related party transactions that captures and records information required for disclosure purposes for each existing or potential related party transaction (including ordinary citizen transactions assessed as being material in nature) during a financial year.

7.0 REFERENCES & REVIEW

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| Statutory Compliance | <ul style="list-style-type: none"> • AASB 124 Related Party Disclosures • AASB10 Consolidated Financial Statements • Local Government Act 1995 S5.36 • Local Government (Financial Management) Regulations • Privacy Act 1988 | |
| Organisational Compliance | <ul style="list-style-type: none"> ▪ Related Party Disclosures - Declaration form | |
| Approved by | Regional Council | |
| Next Revision Date | February 2023 | |
| Related Documents | <ul style="list-style-type: none"> • Related Party Disclosures - Declaration form | |
| Policy Administration | Responsible Officer | Review Cycle |
| | Chief Executive Officer | Biennial |
| Risk Rating | High | |
| Location of Document | SMRC Website – Key Documents\Policies SMRC Website – Members Area Staff Intranet | |

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8.0 DOCUMENT CONTROL REGISTER

| Date | Review | No. | Author | Resp Officer | Council |
|------|----------|-----|---------|--------------|------------|
| 2017 | Original | 1 | FM/EMCS | CEO | 29/06/2017 |
| 2019 | Review | 2 | EMCS | CEO | 28/02/2019 |
| 2021 | Review | 3 | EMCS | CEO | 25/02/2021 |

FM – Finance Manager

EMCS – Executive Manager Corporate Services

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