



Policy No. 52 – Related Party Disclosures

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Statutory Authority	Local Government Act 1993 – S84(2)(b) Local Government Code of Conduct Framework Australian Accounting Standard AASB 124 <i>Related Party Disclosures</i> (AASB 124) Australian Accounting Standard AASB 101 <i>Presentation of Financial Statements</i> (AASB 101)

SCOPE

This policy sets out Council’s responsibilities under Australian Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124).

It applies to all elected members and relevant Council staff, including Key Management Personnel (KMP), and explains:

- What related party disclosures are required under AASB 124; and
- How Council identifies, records, manages, and reports related party relationships, transactions, and commitments.

In accordance with the *Local Government Act 1993* and the *Audit Act 2008*, Council must prepare annual financial statements that comply with Australian Accounting Standards.

SUMMARY OF THE STANDARD

AASB 124, requires Council to disclose related party relationships, transactions, and outstanding balances (including commitments), in its annual financial statements.

The purpose of the Standard is to ensure transparency by highlighting situations where Council’s financial position or results may have been influenced by relationships with related parties.

Council’s related parties include the Mayor, Councillors, the General Manager, senior executives, their close family members, and any entities they control or jointly control. Transactions with these parties – whether financial or non-financial - must be identified and assessed for disclosure.

KEY TERMS AND MEANINGS

TERM	MEANING
Arm's length terms	Terms that would reasonably apply if the parties were unrelated, independent, and acting in their own interests, with no special relationship, influence, or obligation between them.
Close Family Member	Family members of KMP's 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, a spouse or domestic partner; and the children and dependents of the KMP or of the KMP's spouse or domestic partner.
Control of an entity	A person controls an entity when they: <ol style="list-style-type: none"> a) Have power over the entity; b) Are exposed, or have rights to, variable returns from their involvement with the entity; and c) Can use that power to affect the amount of those returns.
Declaration by KMP	An annual declaration completed by KMP's identifying their close family members and any entities that they, or their close family members, control or jointly control. The declaration must be updated during the year if circumstances change.
Entities controlled by KMPs	Entities such as companies, trusts, joint ventures, partnerships or non-profit associations (including sporting clubs) that are controlled or jointly controlled by a KMP or their close family members.
Entities related to Council	Entities that are controlled by Council, jointly controlled by Council or over which Council has significant influence.
Joint control of an entity	Joint control exists where two or more parties share control under a contractual arrangement and decisions about relevant activities require the unanimous consent of all parties.
Key Management Personnel (KMP)	Persons with authority and responsibility for planning, directing and controlling Council's activities, directly or indirectly. This includes the Mayor, all Councillors, the General Manager and Senior Council Officers as defined in this policy.
KMP Compensation	All forms of consideration provided in exchange for services, including: <ol style="list-style-type: none"> a) short-term employee benefits (such as wages, salaries, allowances, bonuses and non-monetary benefits); b) post-employment benefits (such as superannuation and pensions); c) other long-term employee benefits (such as long-service leave); d) termination benefits; and e) share-based payments (where applicable).
Materiality	Information is material if its omission, misstatement, or obscuring could reasonably influence decisions made by users of Council's financial statements. Materiality depends on the size, nature and circumstances of the item.
Ordinary Citizen Transactions (OCTs)	Transactions that an ordinary member of the public would enter into with Council on the same terms and conditions. OCTs are generally not material for related party disclosure purposes unless they differ from those offered to the general public.
Related Party of Council	People or entities, that have a close relationship with Council including: <ul style="list-style-type: none"> - KMP's. - Close family members of KMP's.

	<ul style="list-style-type: none"> - Entities controlled or jointly controlled by KMP's or their close family members. - Entities controlled or significantly influenced by Council.
Related Party Transaction	A transfer of resources, services, or obligations between Council and a related party, regardless of whether a charge is applied.
Senior Council Officers	Council Directors and any Council officer acting in a Director role for more than one month.

POLICY

1. Identification of Key Management Personnel

The General Manager is responsible for establishing, reviewing and maintaining Council's list of Key Management Personnel (KMP).

For the purposes of this policy, KMP includes:

- The Mayor
- All Councillors
- The General Manager
- Directors (including any employee acting in a Director position for a period of one month or more)

2. KMP Declarations

All persons identified as KMP must complete an annual declaration identifying close family members and any entities that the KMP or their close family member control or jointly control, where those entities are likely to have transactions with Council (Attachment 1).

3. Close Family Members

For the purposes of this Policy, close family members include:

- A spouse or domestic partner;
- Children of the KMP
- Children of the KMP's spouse or domestic partner; and
- Dependents of the KMP or of the KMP's spouse or domestic partner.

Council may also determine other family members (such as parents, grandparents, siblings, or cousins) are close family members where they may reasonably be expected to influence, or be influenced by, the KMP in their dealings with Council or a Council-related entity.

4. Changes to KMP Status

The General Manager is responsible for obtaining a declaration when there is a change to a person's KMP status.

5. Timing of Declarations

All KMP are required to submit their declarations by 1 July each year, covering:

- The forthcoming financial year, and
- An updated declaration for the previous financial year.

6. Ongoing Responsibility of KMP

Each KMP is responsible for updating their declaration as soon as they become aware of any change, error or omission.

7. Register of Related Party Transactions

7.1. Maintenance of the Register

The General Manager is responsible for maintaining an up-to-date register of related party transactions.

The register must record all existing or potential related party transactions during the financial year, including ordinary citizen transactions that have been assessed as material.

7.2. Contents of the Register

For each related party transaction, the register must include:

- a. A description of the transaction;
- b. The name of the related party;
- c. The nature of the relationship with Council;
- d. Whether the transaction is existing or potential; and
- e. A description of the relevant transaction documentation.

The Finance Manager is responsible for ensuring that required information is disclosed in Council's Financial Statements in accordance with AASB 124.

8. Updates and Communication

KMP and relevant Council staff will be informed of any changes arising from amendments to Australian Accounting Standards, applicable legislation or policy and procedural requirements.

9. Council Entities, Subsidiaries and entities controlled by KMP or close family member:

For the purposes of this policy, related parties of Council include:

- Entities that are controlled or jointly controlled by Council;
- Entities over which Council has significant influence; and
- Entities that are controlled or jointly controlled by KMP

Council must identify and assess transactions with these entities and make any required disclosures in its financial statements. In determining whether Council has control, joint control, or significant influence over an entity, Council will apply the requirements of:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*; and

10. Related Party Disclosures by Council

10.1. Annual Declaration of Related Party Transactions

Each year, Council will identify and declare related party transactions, including:

- Transactions with Council subsidiaries, categorised by transaction type.
- KMP compensation, including:
 - a. short-term employee benefits;
 - b. post-employment benefits;
 - c. other long-term benefits; and
 - d. termination benefits.
- Transactions with other related parties, including:
 - a. purchases or sales of goods (finished or unfinished);
 - b. purchases or sales of property and other assets;
 - c. rendering or receiving of services;
 - d. leases;
 - e. transfers of research and development;
 - f. transfers under licence agreements;
 - g. transfers under finance arrangements (including loans and equity contributions in cash or in kind);
 - h. provision of guarantees or collateral;
 - i. commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised); and
 - j. settlement of liabilities on behalf of the entity, or by the entity on behalf of that related party.
- Outstanding balances in relation to transactions with related parties, including:
 - a. Entities controlled by KMPs; and
 - b. Bad or doubtful debts in respect of amounts owed by related parties.
- Non-monetary transactions such as use of facilities, peppercorn rents.

Transactions of a similar nature will generally be disclosed in aggregate, except when separate disclosure is required to provide an understanding of the effect of the related party transaction on Council's financial statements. Factors considered include:

- a. the nature of the transaction;
- b. the significance of the transaction (individually or collectively) including cases where no consideration is given or received;
- c. whether the transaction is conducted on non-arm's length terms; and
- d. whether the transaction falls outside normal day-to-day business operations.

10.2 KMP Review of Disclosures

If a KMP or close associate is named individually in disclosure reports, they will be provided a copy of the intended disclosure for review. Feedback must be provided within 10 business days.

10.3 Ordinary Citizen Transactions (OCTs)

Council will not capture or disclose OCTs or non-material transactions. Examples of OCTs include:

- Using Council's public swimming pools after paying normal fees;
- Attending Council functions open to the public;
- Paying fines on standard terms;
- Paying rates and utility charges;
- Dog registration.

Examples of transactions that are not OCTs include:

- Purchases or sales of property;
- Leases;
- Loans and other finance arrangements;
- Settlement of liabilities;
- Infrastructure charges or contributions;
- Purchases of goods and services, regardless of conditions; and
- Employee expenses of close family members of KMP.

The list of OCTs will be reviewed periodically with any updates provided to KMP.

10.4 Materiality Assessment

The General Manager will assess the materiality of the related party transactions prior to disclosure. Transactions that are not material will not be disclosed. Materiality considers the size and nature of transactions both individually and collectively.

10.5 Financial Statement Disclosures

Disclosures in Council's annual financial statements will include:

- Relationships between the parent entity and its subsidiaries, regardless of whether transactions occurred;
- KMP compensation in total and by category for the following:
 - a. short-term employee benefits;
 - b. post-employment benefits;
 - c. other long-term benefits; and
 - d. termination benefits.
- For related party transactions have occurred:

- a. the nature of the related party relationship; and
 - b. details of transactions, outstanding balances and commitments, including terms and conditions.
- Aggregate disclosure by category, with separate disclosure for individually significant (due to nature or amount) transactions.
- The types of transactions disclosed such as:
 - a. purchases or sales of goods or property;
 - b. rendering or receiving of services;
 - c. leases;
 - d. guarantees given or received;
 - e. commitments;
 - f. loans and settlements of liabilities; and
 - g. bad debts expense and provisions for doubtful debts related to outstanding balances.

10.6 Privacy and Right to Information

Council will comply with applicable legislation in the collection, storage, management, disclosure, and reporting of information, including:

- *Archives Act 1983* (Tasmania);
- *Privacy Act 1988* (Commonwealth);
- *Personal Information Protection Act 2004* (Tasmania); and
- *Right to Information 2009* (Tasmania).

KMP's will complete the Declaration of Related Party Transactions Form (Attachment 1) and received a Related Party Information Collection Notice (Attachment 2) to facilitate compliance with AASB 124.

11. Dispute Resolution

Disputes will be managed in accordance with Council's Dispute Resolution Policy.

12. Review

This policy will be reviewed at least every four (4) years, following Local Government elections or earlier if there are significant changes to legislation, standards, or related Council policies or procedures.



Private and Confidential

Related Party Declaration by Key Management Personnel

Name of Key Management Person: _____

Position of Key Management Person: _____

Financial Year Declared: _____

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 _____, 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 having had, or likely to have, transactions with Council. I make this declaration after reading Council’s policy 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 _____

Signature of KMP: _____

Name of KMP: _____

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

Attachment 2 –Related Party Information Collection Notice



Collection Notice

Related party transactions disclosure by Key Management Personnel

Council must disclose related party relationships, transactions and outstanding balances, including commitments, in its annual financial statements, 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 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.

Council's related parties are likely to include the Mayor, councillors, General Manager, Senior Executives, their close family members and any entities that they control or jointly control. Any transactions between 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 Council and a related party, regardless of whether a price is charged.

A related party transaction must be disclosed in Council's financial statements if the transaction is material. Information is material when, if omitted or misstated, it could influence decisions that users make based on financial information about a specific reporting entity.

Prior to disclosure, the General Manager will 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 Council, directly or indirectly and include the Mayor, councillors, General Manager and senior executives. To comply with AASB 124, Council has adopted a policy that requires all KMP to declare any existing or potential related party transactions between Council and any of their related parties during a financial year.

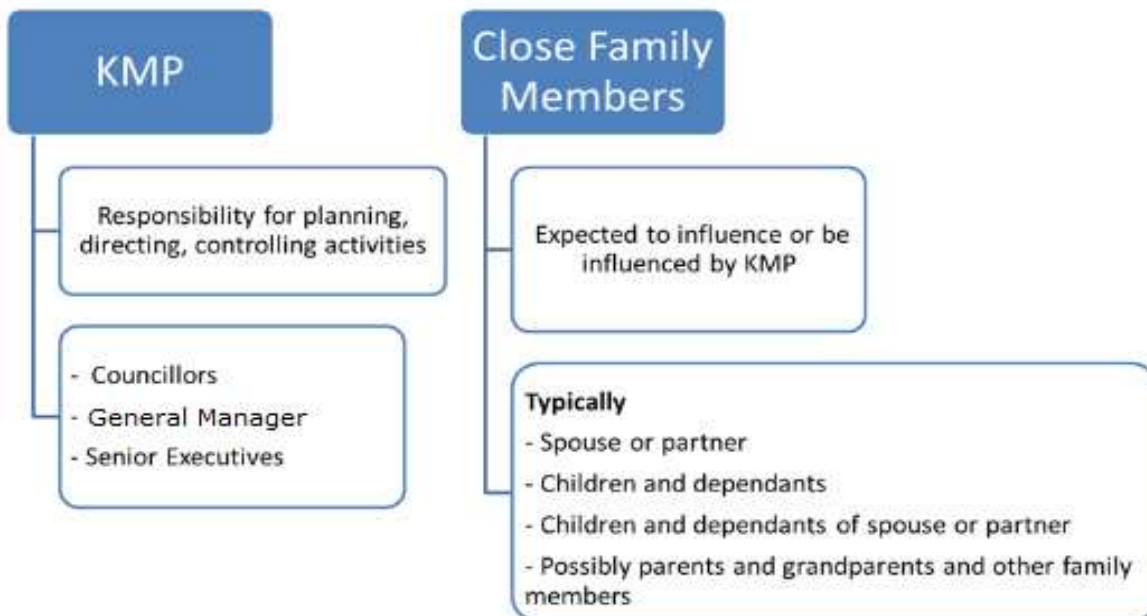
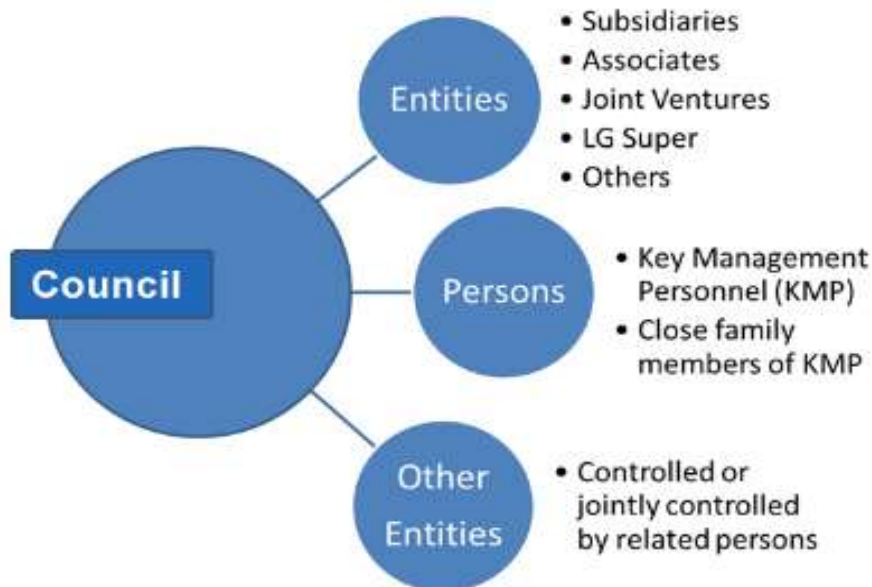
Each KMP must provide an annual *Related Party Declaration* in the approved form, by 1 July each year, and update the Declaration should they become aware of any change, error, or omission. KMPs must exercise their best judgement in identifying related parties when declaring, or not declaring, entities 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?

Council will use the declarations of KMPs to establish a list of related parties of 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 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 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.

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 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 General Manager for a confidential discussion.

For more information about Council's disclosure requirements under AASB 124 Related Party Transactions, please refer to the Council's Related Party Disclosures Policy, which can be found at www.dorset.tas.gov.au.

All information collected by Council is in accordance with Council's Personal Information Protection Policy and is protected by law, including the Privacy Act 1988 and the Personal Information Protection Act 2004. Council's privacy policy can be found at www.dorset.tas.gov.au.