



RELATED PARTY DISCLOSURE POLICY

Adopted: 4 July 2017

TRIM: 162052.2017.012



1. LEGISLATIVE REQUIREMENTS

Local Government Act 1993

2. PURPOSE/ OBJECTIVES

- 2.1 This policy aims to assist Council in complying with disclosure requirements concerning key management personnel (KMP), their close family members and entities, as prescribed under the *Australian Accounting Standard AASB 124 Related Party Disclosures* and *AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities*. This will be consistent with Council's commitment to leading through collaboration as outlined in its Community Strategic Plan "*Our Home Liverpool 2027*".
- 2.2 This policy is to be applied in:
- a) Identifying related party relationships, related party transactions, and ordinary citizen transactions concerning KMP and their close family members and entities controlled or jointly controlled by any of them;
 - b) Identifying information about the related party transactions;
 - c) Establishing systems to capture and record the related party transactions and information about those transactions;
 - d) Identifying the circumstances in which to disclose items in (a) and (b) above;
 - e) Determining the disclosures to be made about those items in the general purpose financial statements for the purpose of complying with the AASB 124.

3. POLICY STATEMENT

- 3.1 Related party relationships are a normal feature of commerce and business. For example, entities frequently carry on parts of their activities through subsidiaries, joint ventures and associates. In those circumstances, there is the possibility of the entity having the ability to affect the financial and operating policies of Council through the presence of control, joint control or significant influence.
- 3.2 A related party relationship could influence the normal business operations of Council. In some instances, Council may enter into transactions with a related party that unrelated parties would not. For example, goods are supplied to Council on terms that might not be offered to other customers. Also, transactions between related parties may not be made on the same terms as between unrelated parties.
- 3.3 The normal business operations of Council may be affected by a related party relationship even if related party transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the Council with other parties. Alternatively, one party may refrain from trading with Council because of the significant influence of another. (For example, a local supplier may be instructed by its parent not to engage in supplying goods to Council.)

- 3.4 For these reasons, knowledge of Council's transactions and outstanding balances (including commitments and relationships with related parties) may affect assessments of Council's operations by users of financial statements, including assessments of the risks and opportunities facing the Council.
- 3.5 For annual periods beginning on or after 1 July 2016, Council will disclose in its general purpose financial statements information specified in Section 6 below for related party transactions.
- 3.6 A related party is a "person" or entity that is related to the entity that is preparing its financial statements. For the purposes of this policy, related parties of Council are:
- a) Entities subject to conditions set out in (3.7) below;
 - b) KMP of Council as identified in (3.9) below;
 - c) Close family members of KMP (as defined in Attachment 1); and
 - d) Entities that are controlled or jointly controlled by KMP or their close family members.
- 3.7 An entity is related to Council if any of the following apply:
- (a) The entity and Council are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (b) The entity is an associate or belong to a joint venture of which Council is part of;
 - (c) The entity and Council are joint ventures of the same third party;
 - (d) The entity is part of a joint venture of a third party and council is an associate of the third party;
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council;
 - (f) The entity is controlled or jointly controlled by close family members of the KMP.
- 3.8 In the context of this policy, the following are not considered to be related parties:
- (a) Two entities simply because they have a director or other member of KMP in common or because a member of KMP of one entity has significant influence over the other entity;
 - (b) Providers of finance, trade unions, public utilities, and government agencies simply by virtue of their normal dealings with Council, even though they may affect the freedom of action or participate in its decision making process;
 - (c) A customer or supplier with whom Council transacts a significant volume of business, simply by virtue of the resulting economic dependence.
- 3.9 Key management person(s) of Council for the purpose of this policy include the following positions:
- (a) Mayor;
 - (b) Councillors;
 - (c) Chief Executive Officer;
 - (d) Directors; and
 - (e) The Responsible Accounting Officer

- 3.10 In assessing each possible related party relationship, consideration will be given on the substance of the relationship and not merely its legal form.
- 3.11 Collection and storage of personal information is governed by Council's Privacy Policy. Information provided by KMPs and other related parties shall be held for the purpose of compliance with Council's legal obligation and shall be disclosed where required for compliance and legal reasons only.
- 3.12 Failure to disclose related party transaction will be deemed a breach of Council's Code of Conduct and relevant penalty provisions for breach of Council's policy and procedures will apply.
- 3.13 A review of KMP and their related parties will be completed on adoption of this policy and then at intervals not exceeding twelve months.
- 3.14 Council will regularly communicate this policy to Councillors, directors, managers, other members of Council staff, consultants and contractors. Training to support the implementation of this policy will be conducted as required.

4. IDENTIFICATION OF RELATED PARTIES

- 4.1 The method for identifying the close family members and associated entities of KMP will be by KMP self-assessment. KMP have an ongoing responsibility to advise Council immediately of any related party transactions.

5. THE PROCESS TO CAPTURE RELATED PARTY TRANSACTIONS

- 5.1 Council's Governance Coordinator will manage the process of collecting information about related parties.
- 5.2 At end of each financial year (30 June), all KMP must make a Related Party Declaration by completing forms provided as Attachments 2-3 to this policy.
- 5.3 For each close family member identified, the KMP should also obtain consent of the family member by asking them to complete Attachment 5.
- 5.4 Information provided will be reviewed in accordance with the Council's operational requirements and held on a centralised register.
- 5.5 The Manager Financial Services will collate and assess related party transactions for disclosure purposes.

6. DISCLOSURES

- 6.1 For each category of related party transactions specified in 3.6, Council will disclose all material and significant Related Party Transactions in its general purpose financial statements and include the following details:

- (a) The nature of the related party relationship;
 - (b) The amount of the transactions conducted during the year;
 - (c) The amount of outstanding balances, including commitments, and
 - i. their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement;
 - ii. details of any guarantees given or received;
 - (d) Provisions for doubtful debts related to the amount of outstanding balances;
 - (e) The expense recognised during the period in respect of bad or doubtful debts due from related parties.
- 6.2 The disclosure set out in 6.1 above will be made under the following separate sub-headings as applicable:
- (a) The parent;
 - (b) Entities with joint control of, or significant influence over, the entity;
 - (c) Subsidiaries;
 - (d) Associates;
 - (e) Joint ventures in which the entity is a joint venturer;
 - (f) KMP;
 - (g) Other related parties.
- 6.3 Council will also disclose totals of KMP benefits and payments under the following categories:
- (a) Short-term employee benefits;
 - (b) Post-employment benefits;
 - (c) Other long-term benefits;
 - (d) Termination benefits; and
 - (e) Share-based payment.
- 6.4 Expenses incurred by the Council for provision of KMP services from a separate management entity will also be disclosed.

AUTHORISED BY

Council (Chief Executive Officer)

EFFECTIVE FROM

4 July 2017

DIRECTORATE RESPONSIBLE

City Corporate (Financial Services)

REVIEW DATE

4 July 2019

VERSIONS

Version	Amended by	Changes made	Date	TRIM Number
1	Adopted by Council (per CEO)	Not applicable	4 July 2017	162052.2017.012

THIS POLICY HAS BEEN DEVELOPED IN CONSULTATION WITH

Internal Audit

Audit Office of NSW

City Corporate (Governance, Legal and Procurement)

ATTACHMENTS

1. Defined terms for the purposes of the KMP Certificate
2. Related Party Certificate Factsheet
3. KMP Certificates:
 - a. Details of close family members & entities
 - b. Checklist to assist in completing 3 (a) above
4. Related Party Transactions Form
5. Close Family Members – Consent Form

REFERENCES

Australian Accounting Standard AASB 124 Related Party Disclosures

Liverpool City Council: Code of Conduct

Liverpool City Council: Code of Conduct Procedures

Liverpool City Council: Ethical Governance: Conflicts of Interest Policy

Liverpool City Council: Council Privacy Policy

NSW Treasury Circular TC16-12 dated 21 December 2016

ATTACHMENT 1: Defined terms for the purposes of the KMP Certificate

- i. **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.

'Children' include step, adoptive, dependant, non-dependant, adult children and children not living at home (unless they are estranged).

'Spouse or domestic partner' includes married, de facto, civil union partnerships, but excludes separated or divorced spouses or partners.

'Dependants' are any family members who are financially supported by you or your spouse or domestic partner and may include elderly dependants or disabled family members.

Close family members excludes siblings, parents and other extended family, unless they may be expected to influence, or be influenced by, your dealings with Liverpool City Council. This may arise where they are a dependant as defined 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 this definition, we strongly recommend you include their details in the Certificate for completeness.

- ii. **Controlled or Jointly Controlled Entity** - is typically when you and/or any close family members exercise effective control (whether singularly or combined) through the shareholding and/or voting power in the entity.

Examples of entities controlled or jointly controlled by you and/or any close family members could be:

- A company where you and/or close family members control more than 50% of the voting power
- A company where you have a 30% shareholding and your spouse has a 30% shareholding
- A company where you have a 40% shareholding and the remaining shareholding is widely dispersed
- A partnership of two people where your spouse is one of the partners
- A superannuation fund self-managed by you or your spouse (including through a corporate trustee)

Examples of entities not controlled or jointly controlled by you and/or any close family members could be:

- A company where you have a 25% shareholding and your spouse has a 5% shareholding
- A partnership of three people where your spouse is one of the partners

- A large consultancy practice with multiple partners where your son is a partner
 - Blind trusts
- iii. **Executory Contract** – is a contract under which neither party has performed any of its obligations nor both parties have partially performed their obligations to an equal extent.
- iv. **Guarantee** – is a legally binding promise whereby one party assumes responsibility for the debt or performance obligation of another party should that party default in some way.
- v. **Key management personnel** – are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. (Refer section 3.9)
- vi. **KMP Compensation** – means all forms of consideration paid, payable or provided by Council in exchange for service rendered to the Council, and includes:
- (a) Short-term employee benefits such as wages, salaries and social security contributions, paid annual and sick leave, profit sharing and bonus (if payable within 12 months of the end of reporting period) and non-monetary benefits such as housing, cars and free or subsidised goods and services) for current employees;
 - (b) Post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
 - (c) Other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or long-service benefits, long-term disability benefits and, if they are not payable wholly within 12 months after end of the period, profit sharing, bonuses and deferred compensation;
 - (d) Termination benefits; and
 - (e) Share-based payment.
- vii. **Ordinary Citizen Transaction** – means a transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council. These may include but not limited to:
- (a) valid discounts and fee waivers that are available to the party as an ordinary citizen and is available to any ordinary citizen in the same circumstance;
 - (b) services or benefit occurring within normal employee, customer or supplier relationships and at arm's length; and
 - (c) transactions deemed not material or significant.
- viii. **Management Entity** – refers to entities Council engages for KMP Services
- ix. **Related Party Transaction** – is a transfer of resources, services or obligations between a Council and a related party, regardless of whether a price is charged. Examples of related party transactions are:
- (a) Purchase and/or supply of goods and services;
 - (b) Purchase and/or sale of property and other assets;
 - (c) Leases;

- (d) Transfers under licence agreements;
- (e) Transfers under finance arrangements;
- (f) Provision of guarantees (either given or received);
- (g) Commitment to do something even if a particular event occurs or does not occur at a future date;
- (h) Settlement of liabilities on behalf of Council or by Council on behalf of that related party.

Attachment 2:

Related Party Certificate Factsheet for the period 1 July 2016 to 30 June 2017

1. Why we are doing this

The Australian Accounting Standards Board recently extended the scope of Australian Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) to include not-for-profit public sector entities.

All public sector entities will be required to disclose related party transactions and outstanding balances in their annual financial statements, in the same way as for-profit public sector and private sector entities. For not-for-profit public sector entities, these requirements apply from the annual financial reporting period beginning 1 July 2016.

This will mean that every NSW Council will need to disclose, in their annual financial statements, 'material' transactions and balances outstanding with:

- Key Management Personnel (KMP)
- Close family members of KMP, and
- Entities controlled/jointly controlled by KMP or their close family members.

This certificate has been developed to enable compliance with AASB 124 disclosure requirements.

2. What information will be collected?

This certificate requires each KMP to:

- provide details of relationships with close family members, and entities controlled/jointly controlled by yourself and/or your close family members; and
- answer questions aimed at:

a) understanding the types of transactions:

- each KMP and/or
- close family members of the KMP and/or
- entities controlled/jointly controlled by the KMP or close family members may have entered into with Liverpool City Council during the year.

b) identifying outstanding balances at year end involving Liverpool City Council and the KMP/ their close family members/ controlled or jointly controlled entities.

You will not be required to provide information about transactions that are 'in common with the general public'. Attachment 3 (b) provides guidance to assist you in determining whether a transaction is in common with the general public.

If you have answered 'yes' to any of the questions in Attachment 3(b), you will need to provide further details about each transaction.

This certificate will require you to declare that the information provided is accurate and complete to the best of your knowledge. It will also require you to ask your close family members about their activities with Liverpool City Council.

Where you have disclosed information in the certificate relating to a family member, he/she will need to consent to the provision of information. To demonstrate their consent, each family member mentioned in the certificate will need to complete and sign the consent form at Attachment 5. The form should be returned along with the rest of the certificate.

3. Certification process

Any person who was a KMP at any time between **1 July 2016** and **30 June 2017** is to complete and return the Certificate by 31st July 2017.

The certificate should be returned to Governance Coordinator, Glenn Schuil at schuilG@liverpool.nsw.gov.au

4. How the information provided is used

Not all information provided in the certificate will be disclosed in the financial statements. This is because the accounting standards require entities to disclose only 'material' related party transactions and outstanding balances. Materiality is subject to professional judgement and goes beyond the dollar value of the transaction/balance.

Further, information provided might be incorporated into disclosures that aggregate a number of transactions, rather than disclosed separately.

The certificate requests disclosure of all known transactions with Liverpool City Council during the period covered by the certificate. If you are unsure whether a close family member or a controlled/ jointly controlled entity has had transactions with Liverpool City Council *we strongly recommend you include their details in the certificate for completeness.*

Due to the sensitive nature of collected information, a secure process will be in place to:

- review, assess and filter the information provided; and
- maintain confidentiality of the information

Attachment 3 (a)

KMP – Certificate for 1 July 2016 to 30 June 2017

1. Close Family Members

Please provide details of all your close family members.

Please refer to Attachment 1 (i) for definition of 'close family member'. Insert additional rows where applicable.

First Name	Last Name	Date of Birth	Relationship to You

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

Please provide details of all entities controlled /jointly controlled by either yourself or your close family members.

Please refer to Attachment 1 (ii) for definition of 'entity controlled or jointly controlled'. Insert additional rows where applicable.

Entity Name	ABN	ACN (if applicable)	Nature of Interest

Attachment 3(b) : KMP – certificate for 1 July 2016 to 30 June 2017

Please complete the following table to the best of your knowledge. If you are unsure whether a close family member or a controlled/ jointly controlled entity had transactions with Liverpool City Council, *we strongly recommend you include their details for completeness.*

	Question	Question Response	Guidance	KMP Sign-off
	During the stated period, in respect of Liverpool City Council			
	Were any of your close family members employed in a senior position?		If you have answered 'yes', please complete Attachment 3. Please refer to Attachment 1 for definition of 'close family member' and 'senior position'.	
	Did you/ a close family member/ any entity controlled/jointly controlled by you and/or a close family member have any transaction or arrangement on terms or conditions that were more favourable than those entered into at an arm's length?		If you have answered 'yes', please complete Attachment 3. Please refer to Attachment 1 for definition of 'entity controlled or jointly controlled'.	
	Did you/ a close family member/ an entity controlled or jointly controlled by you and/or a close family member receive any grants, subsidies, ex-gratia payments or loans?		If you have answered 'yes', please complete Attachment 3.	
	Did you/ a close family member/ an entity controlled or jointly controlled by you and/or a close family member have any debts forgiven or partially forgiven?		If you have answered 'yes', please complete Attachment 3.	
	Did you/ a close family member/ an entity controlled or jointly controlled by you and/or a close family member provide or receive any collateral, guarantee, indemnity or commitment (including executory contract)?		If you have answered 'yes', please complete Attachment 3. Please refer to Attachment 1 for definition of 'guarantee' and 'executory contract'.	

	Did you/ a close family member/ an entity controlled or 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 a total contract value greater than \$100,000 (excl. GST)?			If you have answered 'yes', please complete Attachment 3.	
	Are any outstanding balances above \$100,000 (excl. GST) brought forward from a transaction or arrangement entered into prior to 1 July 2016, between you/ a close family member/ any entity controlled/jointly controlled by you and/or a close family member and Liverpool City Council ?			If you have answered 'yes', please complete Attachment 3.	

KMP SIGN-OFF AND DECLARATION: 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 period 1 July 2016 to 30 June 2017. I understand this information is collected for the purpose of preparing note disclosures for inclusion in the financial statements of Liverpool City Council.

Print and Sign Name: _____ **Position:** _____ **Date:** _____

Attachment 4: Transactions for 1 July 2016 to 30 June 2017

Please complete the table below for each individual transaction that has, or may have, occurred during the stated period; and outstanding balances brought forward from previous period (i.e. prior to 1 July 2016 and still outstanding). If you are unsure of a transaction *we strongly recommend* that you include them in the table for completeness. Where you are unsure please state that you are unsure. If additional space is required, please insert additional pages.

	Transaction 1	Transaction 2	Transaction 3
<p>Type of transaction Please provide details and nature of the transaction. Example of types of transactions</p> <ul style="list-style-type: none"> - Employment - Provision of goods (finished or unfinished) or services - Purchase, sale or transfer of property, other assets or licenses - Leasing arrangement - Provision of guarantee or collateral - Settlement of liabilities - Outstanding balance brought forward from prior financial period relating to transactions in a prior financial period 	e.g. Provision of cleaning services	e.g. Received personal loan in August 2016.	e.g. Employment.
<p>Is the transaction/outstanding balance directly between you and Liverpool City Council? Yes/No</p>	e.g. No	e.g. Yes	e.g. No
<p>If not, please provide details of the related party, their relationship with you, and Liverpool City Council involved Please provide details of: person's name, entity name and ABN/ACN (if applicable), relationship with person and/or entity.</p>	<p>e.g.</p> <ul style="list-style-type: none"> - John Smith – spouse, - ABC Ltd – cleaning company owned by my spouse - ABN: 12 345 345 345 	e.g. N/A	e.g. My spouse is a General Manager, Operations.

Transaction Amount (relating to the stated period) excl. GST	<i>e.g. \$100,000</i>	<i>e.g. Received \$20,000 loan. Paid \$1,000 of interest repayments.</i>	<i>e.g. General Manager salary with standard employment benefits.</i>
Total Agreed/Contracted Amount (if it extends beyond stated period) excl. GST	<i>e.g. \$500,000 - over 5 years.</i>	<i>e.g. \$20,000 one-off loan – repayable over 5 years.</i>	<i>e.g. Unsure.</i>
Terms and Conditions of the Transaction <i>Please provide details of the significant terms and conditions including whether it is secured, and the nature of the consideration to be provided in settlement.</i>	<i>e.g.</i> <ul style="list-style-type: none"> - <i>Won through open tender</i> - <i>Standard terms</i> - <i>Unsecured</i> - <i>Settlement by bank transfer</i> 	<i>e.g.</i> <ul style="list-style-type: none"> - <i>Application assessed against loan eligibility criteria (standard terms)</i> - <i>Variable interest rate & unsecured</i> - <i>Settlement by bank transfers</i> - <i>Option to refinance</i> 	<i>e.g. Recurring contract with CPI and performance-based adjustments each year.</i>

Attachment 5: Close Family Members - Consent Form

[To be completed by each family member whose information is disclosed in this certificate. If additional copies of the form are required, please make copies for each close family member].

I authorise [insert KMP's name] to provide personal information about me in respect of transactions between me, or entities controlled/ jointly controlled by me, and **Liverpool City Council**.

For the purposes of s26(2) of the *Privacy and Personal Information Protection Act 1998*, I hereby consent to **Liverpool City Council** collecting, using and disclosing my personal information for the purposes of meeting its financial reporting obligations.

Full Name (Print):

Signature:

Date:

For your information:

If you wish to access the information provided in the certificate, or make changes to it, please contact **Liverpool City Council**:

33 Moore Street, Liverpool NSW 2170

Email: lcc@liverpool.nsw.gov.au

A full copy of the *Privacy and Personal Information Protection Act 1998* can be accessed at the NSW Legislation website: <http://legislation.nsw.gov.au/>