



This is an official copy of the **Related Party Policy** of Mornington Shire Council, made in accordance with the provisions of *Local Government Act and Regulations, Public Records Act, Mornington Shire Council's Local Laws, Subordinate Local Laws and current Council Policies*.

Statutory Policies comply with a legislative requirement; the **Related Party Policy** is approved by the Mornington Shire Council for the operations and procedure of Council.

DOCUMENT VERSION CONTROL				
VERSION	DATE	RESOLUTION NO.	DETAILS	
V1	24/10/2016	2016/186	<b>Responsible Officer</b> Executive Manager Financial Services <b>Description</b> Guidance Policy	
V2	16/08/2017		<b>Responsible Officer</b> Executive Manager Financial Services <b>Description</b> Guidance Policy	
V3	18/07/2018		<b>Responsible Officer</b> Executive Manager Finance & Human Services <b>Description</b> Guidance Policy	
			<b>EXPIRY</b>	30.06.2019





**Policy Statement**

**Commencement**

The Mornington Shire Council Related Party Policy will take effect following the adoption at the Ordinary Council Meeting on 18 July 2018.

**Policy Instruction**

**Purpose**

The purpose of this Policy is to provide guidance to Mornington Shire Councillors and Key Management Personnel (KMP) to ensure Council's compliance with AASB 124 'Related Party Disclosures', the *Information Privacy Act 2009* and the *Right to Information Act 2009*. This Guideline will provide a systematic approach to discern related parties, for approved related party transactions and for proper identification, recording and reporting of such transactions.

**Application of the Policy**

This Guideline will be applied in:

- Identifying KMP;
- Identifying related party relationships and transactions;
- Identifying outstanding balances, including commitments, between Council and its related parties;
- Identifying the circumstances in which disclosure is required; and
- Determining the specific disclosures to be made

**Scope**

Pursuant to section 177 of the *Local Government Regulation 2012*, a local government's general purpose financial statements must be prepared in compliance with the following documents (each a prescribed accounting standard) published by the Australian Accounting Standards Board (AASB):

- (i) Australian Accounting Standards;
- (ii) Statements of Accounting Concepts;
- (iii) Interpretations; and
- (iv) Framework for the preparation and presentation of financial statements.

The AASB has confirmed that the requirements of AASB 124 'Related Party Disclosures' will apply to local government annual reporting periods beginning 1 July 2018. The AASB provides that the objective of AASB 124 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

**Responsibilities**

**IDENTIFIED KMP**

Identified KMP will disclose all related parties in accordance with this guideline and AASB124.





**EXECUTIVE MANAGER FINANCIAL SERVICES**

The Executive Manager Financial Services (EMFS) will identify transactions within Council's finance system for all advised **KMP** and **related parties**; and undertake reviews at intervals not exceeding twelve months.

Annually, the EMFS will review all related party transactions to determine materiality and significance for the purpose of drafting the required disclosures in Council's annual financial statements.

The EMFS will also provide guidance to Council's KMP in terms of this Policy and required disclosures.

The EMFS will provide KMP compensation details for inclusion in Council's annual financial statements.

**Definitions**

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

- (i) That person's children and spouse or domestic partner;
- (ii) Children of that person's spouse or domestic partner; and
- (iii) Dependants of that person or that person's spouse or domestic partner.

**"Control"** means the ability to direct the business' activities of an entity through rights or exposure to returns from its involvement with the entity.

**"Entity"** can include a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body.

**"Financial Benefit"**: A financial benefit includes giving a financial benefit indirectly through an interposed entity, making an informal, oral or non-binding agreement to give the benefit, and giving a benefit that does not involve paying money. Examples (not limited) of "giving a financial benefit" to a Related Party include the following:

- Giving or providing the Related Party finance or property.
- Buying an asset from or selling an asset to the Related Party.
- Leasing an asset from or to the Related Party.
- Supplying services to or receiving services from the Related Party.
- Issuing securities or granting an option to the Related Party.
- Taking up or releasing an obligation of the Related Party.

**"Key Management Personnel" (KMP)** is defined in the *Local Government Regulation 2012* to include Councillors, the Chief Executive Officer and Senior Executive Employees.

Further defined in AASB 124 –

Related Party Disclosures as "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".

For the purpose of this policy, key management personnel will be aligned with the definition within the *Local Government Regulation 2012*.





“KMP Compensation” includes all forms of consideration paid, payable or provided by Mornington Shire Council in exchange for services provided, and includes

- (i) Short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free and subsidised goods or services) for current employees;
- (ii) Post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- (iii) Other long-term employee benefits, including long-service leave or sabbatical leave, jubilee 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, profit sharing, bonuses and deferred compensation;
- (iv) Termination benefits; and
- (v) Share-based payment.

“**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 an entity's financial statements.

For the purpose of this policy, it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.

“**Ordinary citizen transactions**” are those that an ordinary citizen of the community would undertake in the ordinary course of business with Council.

“**Related party**” is an affiliate; an employee; members of the immediate family of an employee; and persons having a controlling influence on controlled entities.

“**Related party transaction**” is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

“**Significant**” (**significance**) means likely to influence the decisions that users of the Council's financial statements make having regard to both the extent (value and frequency) of the transactions, and that the transactions have occurred between the Council and related party outside a public service provider/ taxpayer relationship.

## **Policy**

### **IDENTIFICATION OF KEY MANAGEMENT PERSONNEL**

KMP are defined in AASB 124 as 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.

In the context of Mornington Shire Council, KMP are considered to include:

- (i) The Mayor and Councillors;
- (ii) Chief Executive Officer;
- (iii) Executive Managers.





### **IDENTIFICATION OF RELATED PARTIES**

Having regard to the definitions contained in the AASB 124, a **related party** is a person or entity that is related to Mornington Shire Council as outlined below.

#### **PERSONS CONSIDERED TO BE RELATED TO MORNINGTON SHIRE COUNCIL**

A person or a close member of that person's family is related to Mornington Shire Council if that person:

- (i) Has control or joint control of Mornington Shire Council;
- (ii) Has significant influence over Mornington Shire Council; or
- (iii) Is a member of the KMP of Mornington Shire Council.

#### **PRACTICAL EXAMPLES OF RELATED PERSONS**

Below are some practical examples of possible related persons to Mornington Shire Council:

- The children of a member of Mornington Shire Council's KMP.
- The spouse or domestic partner of a member of Mornington Shire Council's KMP.
- The children of a spouse or domestic partner of a member of Mornington Shire Council's KMP.

#### **ENTITIES CONSIDERED TO BE RELATED TO MORNINGTON SHIRE COUNCIL**

An entity is considered related to Mornington Shire Council if any of the following conditions applies:

- The entity and Mornington Shire Council are members of the same corporate group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either Mornington Shire Council or an entity related to Mornington Shire Council.
- The entity is controlled or jointly controlled by a person related to Mornington Shire Council (outlined above).
- A person who has control or joint control of Mornington Shire Council has significant influence over the relevant entity or is a member of the KMP of the entity.
- The entity, or any member of the group of which it is a part, provides KMP services to Mornington Shire Council.

#### **PRACTICAL EXAMPLES OF RELATED PARTIES**

Below are some practical examples of possible related entities to Mornington Shire Council:

- A company, which is controlled or jointly controlled by a member of Mornington Shire Council's KMP.
- A company, which is controlled or jointly controlled by a close family member of Mornington Shire Council's KMP.
- A subsidiary company of Mornington Shire Council.





## REQUIRED DISCLOSURES

AASB 124 provides that Mornington Shire Council must disclose the following financial information in the financial statements for each financial year period.

## DISCLOSURE OF RELATIONSHIP BETWEEN MORNINGTON SHIRE COUNCIL AND ITS SUBSIDIARIES

Mornington Shire Council must disclose in the annual financial statements its relationship with any subsidiaries (where applicable), whether or not there have been transactions within the relevant reporting period.

## KMP COMPENSATION DISCLOSURES

Mornington Shire Council must disclose in the annual financial statements **KMP compensation** (as defined in definitions) in total and for each of the following categories:

- Short-term employee benefits;
- Post-employment benefits;
- Other long-term benefits; and
- Termination benefits.

## RELATED PARTY TRANSACTIONS DISCLOSURES

Mornington Shire Council must disclose all **material** and **significant** related party transactions in the annual financial statements and include the following detail:

- (i) The nature of the related party relationship; and
- (ii) Relevant information about the transactions including:
  - a) The amount of the transaction;
  - b) The amount of outstanding balances, including commitments, and;
- (iii) Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement; and
- (iv) Details of any guarantee given or received;
  - a) Provision for doubtful debts related to the amount of outstanding balances; and
  - b) The expense recognised during the period in respect of bad or doubtful debts due from related parties.

The following matters must be considered in determining the materiality and significance of any related party transactions:

- (i) Significance of transaction in terms of size;
- (ii) Whether the transaction was carried out on non-market terms;
- (iii) Whether the transaction is outside normal day-to-day business operations, such as the purchase and
- (iv) sale of assets;
- (v) Whether the transaction is disclosed to regulatory or supervisory authorities;
- (vi) Whether the transaction has been reported to senior management; and
- (vii) Whether the transaction was subject to Council approval.

Regard must also be given for transactions that are collectively, but not individually significant.

Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions can only be made if such terms can be substantiated.

All non-exempt transactions involving related parties will be captured and reviewed to determine materiality or otherwise of such transactions, and to determine the significance of such transactions.





#### **PRACTICAL EXAMPLES OF TRANSACTIONS TO BE DISCLOSED**

Below are some practical examples of transactions, which may be considered to be disclosed:

- A KMP of Mornington Shire Council is the Director of a company, which provided services to Mornington Shire Council during the relevant period.
- A KMP of Mornington Shire Council is a Director of an entity, which Mornington Shire Council paid a membership fee to for the relevant period.

#### **EXEMPT RELATED PARTY TRANSACTIONS DISCLOSURES**

Related party transactions excluded from disclosure requirements on the basis of Ordinary Citizen Transactions are;

- Any 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, and
- Any service or benefit occurring within normal employee, customer or supplier relationships and at arm's length; and
- are not material or significant;

#### **INFORMATION PRIVACY**

**(Confidential)** The following information is classified as confidential, and is not available for inspection by or disclosure to the public, including through a Right to Information (RTI) application:

- a) information (including personal information) provided by a key management person in a Related Party Transaction (RPT) Notification; and
- b) personal information contained in a register of related party transactions.

**(When Consent Required)** Except as specified in this policy, Council and other permitted recipients will not use or disclose personal information provided in a RPT Notification by a KMP or contained in a register of related party transactions, for any other purpose or to any other person except with the prior written consent of the subject KMP.

**(Permitted Recipients)** The following persons are permitted to access, use and disclose the information (including personal information) provided in a RPT Notification or contained in a register of related party transactions for permitted purposes only:

- a) the Mayor or a Councillor;
- b) the Chief Executive Officer;
- c) the Executive Manager Finance and Human Services
- d) financial officers within Council's finance department responsible for the preparation of financial reporting ;
- e) members of Council's audit committee;
- f) an auditor of Council (including an auditor from the Queensland Audit Office).

**(Permitted Purposes)** A person specified as a permitted recipient may access, use and disclose information (including personal information) in a RPT Notification or contained in a register of related party transactions for the following purposes:

- a) to assess and verify a notified related party transaction;
- b) to reconcile identified related party transactions against those notified in a RPT Notification or contained in a register of related party transactions;
- c) to comply with the disclosure requirements of the AASB 124;
- d) to verify compliance with the disclosure requirements of the AASB 124.





An individual may access their personal information provided by a KMP in a RPT Notification or contained in a register of related party transactions in accordance with Council's Information Privacy Policy.

#### **RIGHT TO INFORMATION STATUS**

**(No Public Inspection)** The following documents are not open to or available for inspection by the public:

- a) RPT Notifications provided by a KMP; and
- b) a register of related party transactions.

**(Not RTI-accessible)** A RTI application seeking access to or release of:

- a) a document or information (including personal information) provided by a KMP in a RPT Notification; or
- b) personal information contained in a register of related party transactions;

will be refused on the grounds the document or information comprises information the disclosure of which would, on balance, be contrary to the public interest under sections 48 and 49 of the *Right to Information Act*, item 8 of schedule 3 and items 2, 3 and 16 of part 3, schedule 4.

**(Transactional Documentation)** A RTI application seeking access to and release of transactional information and documentation the subject of a related party transaction with Council will be considered, assessed and decided in accordance with Council's usual procedures regarding applications made under the *Right to Information Act*.





**Annexure A**

**Declaration by Key Management Personnel**

**Private and Confidential**

**Related Party Declaration by Key Management Personnel**

Name of Key Management Person	DAVID L. BARNES .
Position of Key Management Person	COUNCILOR .

*(List details of known close family members, entities that are controlled/ jointly controlled by Key Management Personnel and entities that are controlled/ jointly controlled by the close family members of Key Management Personnel)*

Name of Person or Entity	Relationship
Midianiah Jaca Wilfred Barnes.	Son .
James Hilary Ronald Barnes.	Son .
Evangeline Patricia Cristobel Barnes.	Daughter .
David Jasper Robert Barnes.	Son ,
Veronica Rose Morgan Barnes.	Daughter .

I (insert full name ), (insert position) 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. I make this declaration after reading the "Morrington Shire Council – Related Party Policy" supplied by Council which details the meaning of the words "close family members" and "entities controlled, or jointly controlled, by myself or my close family members".

Declared at (insert place) on the (insert date)

Signature of KMP: D. L. Barnes

Name of KMP: DAVID L. BARNES .

Date: 20/04/2020 .





**Annexure B**

**Related Party Transaction Notification**

*[Note: This document is confidential and is not RTI-accessible. See Council's Related Party Disclosure Policy]*

Name of Key Management Person	DAVID L. BARNES .
Position of Key Management Person	COUNCILLOR .

Please read the Related Party Policy, which explains what is a related party transaction and the purposes for which Council is collecting, and will use and disclose, the related party information provided by you in this notification.

Please complete the table below for each related party transaction with Council that you, or a close member of your family, or an entity related to you or a close member of your family:

- (a) has previously entered into and which will continue in the 2018/2019 financial year; or
- (b) has entered into, or is reasonably likely to enter into, in the 2018/2019 financial year.

Description of Related Party Transaction	Is transaction existing/potential?	Related Party's Name (Individual's or entity's name)	Related Relationship/ why related	Party's Reasons	Description of Transaction Documents or Changes to the Related Party Relationship
N.A.					





**MORNINGTON  
SHIRE COUNCIL**

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**Related Party Policy**  
RESOLUTION NO. VERSION V3

Description of Related Party Transaction	Is transaction existing/potential?	Related Party's Name (Individual's or entity's name)	Related Relationship/ why related	Party's Reasons	Description of Transaction Documents or Changes to the Related Party Relationship
N.A.					

**Notification**

I DAVID L. BARNES, Councillor, Councillor (Full name) (Position) notify that, to the best of my knowledge, information and belief,

as at the date of this notification, the above list includes all existing and potential related party transactions with Council involving myself, close members of my family, or entities controlled or jointly controlled by me or close members of my family, relevant to the 2018/2019 financial year.

I make this notification after reading the Related Party Policy provided by the Mornington Shire Council, which details the meaning of the words "related party", "related party transaction", "close members of the family of a person" and, in relation to an entity, "control" or "joint control", and the purposes for which this information will be used and disclosed.

I permit the Chief Executive Officer and the other permitted recipients specified in Council's Related Party Policy to access the register of interests of me and persons related to me and to use the information for the purposes specified in that policy.

Signature of KMP: D.L. Barnes

Name of KMP: DAVID L. BARNES

Date: 20/04/2020



