

# Annual Report

## 2018-19

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Office of Local Government



## **OFFICE OF LOCAL GOVERNMENT ANNUAL REPORT 2018-19**

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# Introduction

## Letter to the Minister

The Hon. Shelley Hancock MP  
Minister for Local Government  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Minister

I am pleased to submit for presentation to Parliament the Annual Report for the Office of Local Government for the year ending 30 June 2019.

This report has been prepared in accordance with the provisions of the *Annual Reports (Departments) Act 1985* and the *Annual Reports (Departments) Regulation 2015*.

Yours sincerely



**Tim Hurst**  
**Deputy Secretary**  
**Local Government, Planning and Policy**

30/10/19



## Chief Executive foreword

During the 2018-19 reporting period the Office of Local Government (OLG) delivered on key Government priorities to continue to strengthen the performance, sustainability, integrity, transparency and accountability of the NSW local government sector.

The release of the final new Model Code of Conduct for Local Councils in NSW resulted in a new era in the ethical operation of local councils across the State. The new code consolidates ethical and behavioural standards in one statutory instrument and introduces stringent new requirements for the State's 1300 councillors and 45,000 council staff.

OLG also finalised the new Model Code of Meeting Practice for Local Councils in NSW providing for the first time a uniform set of meeting rules for councils across the State to help ensure more accessible, orderly, effective and efficient meetings. It also introduced mandatory webcasting of council meetings to allow more residents to participate in the local government decision-making process and increase transparency and accountability among councillors.

We continued to strengthen the State's network of joint organisations, expanding membership of the 13 regional bodies to 86 councils, as well as securing a \$20 million funding package for the two Far West joint organisations. OLG continued this support by attending regular meetings with chairs and executive officers and assisting the regional bodies to secure their ongoing sustainability and deliver their regional priorities.

Our Council Engagement Team continued to strengthen relationships between State and local government through regular liaison with local councils across NSW to provide them with information and support.

OLG also issued new Debt Management and Hardship Guidelines, encouraging councils to review their revenue management policies and procedures and adopt better debt management systems. We also continued to provide funding to support local councils including through the Local Government Infrastructure Renewal Scheme and the Stronger Communities Fund.

The agency also supported legislative reform with the passage of the *Local Government Amendment Bill 2019* to cut red tape, ease the regulatory burden and help local councils deliver better value for money for local residents. OLG supported changes to the *Impounding Act 1993* to provide local councils with stronger powers to protect their communities from irresponsible share bike operators. In our regulatory role, OLG supported public inquiries into Blue Mountains and Balranald councils and carried out investigations into other councils and councillors.

Throughout the year, we continued to operate the Responsible Pet Ownership Education Program in NSW pre-schools and primary schools as part of the Government's commitment to improving the safety of children around dogs.

OLG also introduced improvements to online pet registration processes, with the introduction of Service NSW as a registration agent. We also delivered an improved NSW Pet Registry website with a new look and feel, navigational improvements, and a range of new features to support responsible pet ownership and animal welfare outcomes.

We also increased education and awareness of responsible pet ownership with a NSW Pet Registry stand at the Sydney Royal Easter Show.

I would like to thank the staff of OLG and council staff and councillors across the State in assisting us to deliver the achievements and results detailed in the Office of Local Government's Annual Report for 2018-19.

**Tim Hurst**  
Chief Executive

# SECTION 1: About us

## What the Office does

OLG is the NSW Government's primary agency to ensure the modern and effective regulation of local government across the State.

The agency has a policy, legislative, investigative and program focus in matters ranging from local government finance, infrastructure, governance, performance, collaboration and community engagement.

OLG works collaboratively with the local government sector to help ensure the sustainability of local councils and improve their capacity to deliver key services and infrastructure to their communities. It is the key adviser to the NSW Government and Minister for Local Government on local government matters.

### Principal legislation

The principal Acts administered by OLG are the *City of Sydney Act 1988*, the *Companion Animals Act 1998*, the *Impounding Act 1993* and the *Local Government Act 1993*.

### Lord Howe Island Board

OLG supported the Lord Howe Island Board during 2018-19, which is established by the *Lord Howe Island Act 1953*. The Board prepares a separate annual report under its legislation.

Throughout 2018-19, OLG provided advice and support to the Board, as necessary, and acted as the liaison between the Board's staff and the Minister, and other State Government agencies as required.

### High level budget summary for the year

The initial total budget for 2018-19 was \$229 million.

Key budget items included:

- Local Government Reform Program \$92.20 million
- Local Government Reform Program \$6.19 million
- Pension Concession Rebate Scheme \$78.50 million
- Local Infrastructure Renewal Scheme \$15.02 million
- Crown Lands Plans of Management \$6.99 million
- Lord Howe Island Board \$2.58 million
- Housing Affordability \$100,000

# Structure

At June 2019, OLG comprised five key divisions.

## **Policy and Sector Development**

Policy and Sector Development focuses on strengthening the local government sector through the development and implementation of policies, programs and other initiatives. It works closely with the sector, government agencies and other stakeholders, and has a whole-of-sector approach to its activities.

The group is responsible for providing leadership and guidance on council governance issues, policy advice, and local government reform.

## **Sector Performance and Intervention**

Sector Performance and Intervention monitors individual council compliance with legislative and regulatory requirements and intervenes where necessary.

This group also delivers programs to assist OLG to achieve its key objectives such as the Responsible Pet Ownership Program.

It is also responsible for reviewing and assessing all statutory applications, and administering council grants programs.

## **Business Services**

Business Services provides support and assistance to the Minister's Office and OLG senior executive including managing critical relationships and correspondence.

It also provides OLG with client services, information technology, and human resource, financial and other support frameworks that enable the organisation to operate efficiently and effectively.

## **Legal**

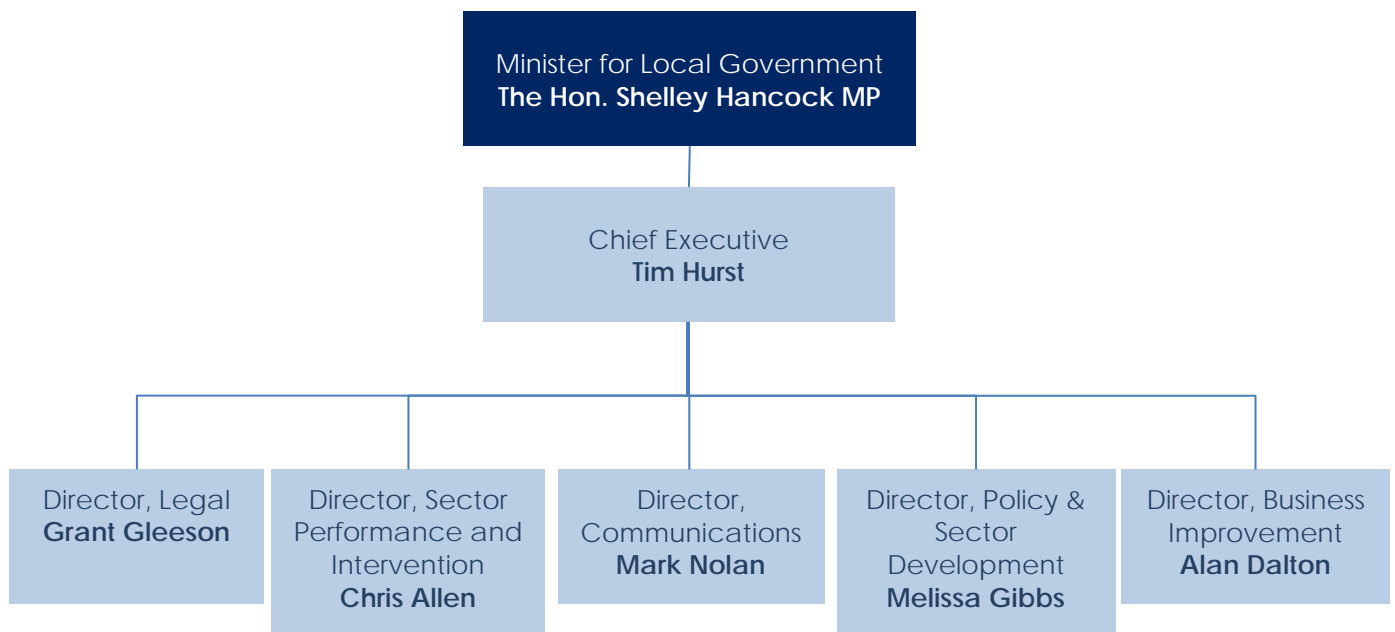
Legal provides quality legal support and advice to OLG and each of its teams, as well as the Lord Howe Island Board. It also plays a key role in the legislative and enforcement program and maintains the governance and risk management frameworks.

## **Communications**

Communications supports the Minister and agency by providing accurate and timely communications and media advice and materials.

## Organisational chart

This chart represents the structure as at 30 June 2019.



As at 30 June 2019 the Chief Executive of OLG held the following qualifications: Master of Applied Finance and Investment and Bachelor of Economics, Bachelor of Science.

## Key priorities

Throughout the year, OLG continued to focus on developing and implementing Government reform priorities to improve the governance of councils through prescription of a new *Model Code of Conduct for Local Councils in NSW* and associated administrative procedures, a *Model Code of Meeting Practice for Local Councils in NSW*, a requirement for councils to provide induction training to councillors in the first six months of each council term and ongoing professional development over the balance of the term, and improving the fairness of local government elections.

Engagement with and support for joint organisations in regional NSW continued, along with collaboration with key stakeholders and State Government agencies on a range of issues.

OLG continued to monitor legislative and regulatory compliance of the local government sector, including support of the Public Inquiries into Blue Mountains City Council and Balranald Shire Council under section 438U of the *Local Government Act 1993*, the conduct of a formal investigation into Warrumbungle Shire Council and misconduct investigations at Bryon Shire Council, Forbes Shire Council and Cumberland Council.

The following are the changes in Acts and subordinate legislation administered by OLG in 2018-19:

- *Companion Animals Regulation 2018*, which replaced the former *Companion Animals Regulation 2008* following a review of the latter Regulation. Date of commencement, 31 August 2018.
- *Companion Animals Amendment (Access to Register of Companion Animals) Regulation 2018* to enable registration agents to access the Register of Companion Animals. Date of commencement, 12 October 2018.
- *Companion Animals Amendment Regulation 2019* to relax the muzzling requirements for pet greyhounds. Date of commencement, 28 June 2019.
- *Impounding Amendment (Shared Bicycles and Other Devices) Act 2018* to provide for the impounding of bicycles and other devices that are part of a sharing service. Assented to, 5 October 2018. Date of commencement, 30 November 2018.
- *Local Government Amendment Act 2019* with respect to rates, approvals, tendering and election planning. Assented to, 25 June 2019. Date of commencement, 25 June 2019, with some provisions to commence on a date yet to be appointed by proclamation.
- *Local Government (General) Amendment (Elections) Regulation 2018* to amend the *Local Government (General) Regulation 2005* with respect to local government elections. Date of commencement, 14 December 2018 with some provisions to commence on 11 September 2020.
- *Local Government (General) Amendment (Governance) Regulation 2018* to amend the *Local Government (General) Regulation 2005* to prescribe a new model code of conduct for council officials, a code of meeting practice for the conduct of council meetings and to require induction and on-going professional development programs for councillors and mayors. Date of commencement, 14 December 2018.
- *Local Government (General) Amendment (Minimum Rates) Regulation 2018* to increase the limit on the amount of minimum rates. Date of commencement, 1 July 2018.
- *Local Government (General) Amendment (Penalty Notice Offences) Regulation*

2019 to amend the *Local Government (General) Regulation 2005* to decrease certain penalty notice amounts for offences against the Act (for standardisation purposes). Date of commencement, 25 January 2019.

Amendments assented to or published in 2018-2019 but not commenced:

- *Local Government (General) Amendment (Minimum Rates) Regulation (No 2) 2018* to increase the limit on the amount of minimum rates. Published, 30 November 2018. Date of commencement, 1 July 2019.

## Stakeholders and staff

In delivering services to councils, joint organisations, members of the public and other government agencies OLG takes a collaborative approach based on consultation which inputs to its annual strategic planning process.

OLG has engaged with stakeholders on a range of policy and governance issues, in delivering its responsibilities under the *Local Government Act 1993*, and in supporting compliance by councils.

The staff of OLG underpin the services provided, and OLG is committed to continuing professional development planning. Managers prepare professional development plans for each ongoing and temporary staff member, which are reviewed to track progress and refine the management of work functions to the mutual benefit of the organisation and the staff member.

Training opportunities were delivered by drawing on the Planning and Environment Cluster's suite of training resources, in both OLG's regional base at Nowra, nearby regional office locations of other Cluster agencies and in Sydney, and via remote training resources.

OLG has also continued its participation in Senior Women in Management training program provided by the Cluster.

## SECTION 2: Our Achievements

### Improving the governance of councils

In December 2018, significant reforms were made to improve the governance of councils. Amendments were made to the *Local Government (General) Regulation 2005* to prescribe:

- a new *Model Code of Conduct for Local Councils in NSW* and associated administrative procedures
- a *Model Code of Meeting Practice for Local Councils in NSW*
- a requirement for councils to provide induction training to councillors in the first six months of each council term and ongoing professional development over the balance of the term to address knowledge and capability gaps.

The new Model Code of Conduct consolidates for the first time the prescription of ethical and behavioural standards in the one statutory instrument and introduces new standards relating to discrimination and harassment, bullying, work health and safety, behaviour at meetings, access to information and maintenance of council records. It also introduces a new requirement for information in returns of interests submitted by councillors and key staff to be kept up to date.

The Model Code of Meeting Practice formally codifies in the one place, the rules governing the conduct of meetings of councils and committees that comprise only of councillors. The Model Meeting Code comprises of mandatory rules that all councils must adopt and non-mandatory “best practice” rules. The non-mandatory rules cover areas of practice that are common to most councils but where there may be a need for some variation in practice between councils. These are designed to set a benchmark for what OLG considers to be best practice for these areas of practice.

The Model Meeting Code seeks to promote orderly and efficient meetings and to ensure that councillors are equipped with the information necessary to make informed decisions at meetings that are in the best interests of the council and the community. The Model Meeting Code and associated Regulation amendments also mandate the webcasting of council and committee meetings improving accessibility to meetings and transparency of decision-making.

The new requirements for councils to provide induction training and ongoing professional development to councillors are informed by the fundamental democratic principle that anyone should be able to become a councillor, and that no special qualifications are required. What is important is that, once elected, councils provide support to their councillors to equip them with the skills and knowledge to be an effective elected representative for their community.

### Improving the fairness of local government elections

The *Local Government (General) Regulation 2005* was amended in December 2018 to prescribe new counting rules for council elections using the proportional system. The Regulation amendments also gave effect to earlier amendments to the *Local Government Act 1993* to allow councils to fill vacancies in the first 18 months of their terms by a countback of votes cast at the previous ordinary election and thereby avoid the cost of a by-election.

The amendments make the counting of votes at council elections fairer and more accurate and transparent by removing the random sampling method of preference allocation and replacing it with a fractional transfer system known as the weighted inclusive Gregory method. In a fractional transfer system, all ballot papers of the elected candidate are used to distribute the surplus. The ballot papers are distributed at a reduced rate by applying a transfer value.

The prescription of the weighted inclusive Gregory method also means that counts are now reproducible on a recount making countback elections possible.

## Engaging with Joint Organisations

Eighty-six councils in regional NSW are now members of the 13 joint organisations: Canberra Region, Central NSW, Hunter, Illawarra Shoalhaven, Mid North Coast, Namoi, New England, Northern Rivers, Orana, Riverina and Murray, Riverina, Far North West and Far South West.

JOs have three core functions and may also carry out optional functions. The three core functions are:

- Strategic planning and priority setting
- Intergovernmental collaboration
- Regional leadership and advocacy.

They have a critical role in developing partnerships, as they are the key forum for councils, State Government and other partners to work together on the issues of strategic importance to regional communities.

Since the establishment of JOs in 2018, OLG has continued to engage and support the network of JOs. OLG's Council Engagement Managers have strong relationships with their JOs and regularly attend board meetings, working closely with Executive Officers to provide advice on governance and strategic issues.

OLG convened a JO Workshop in August 2019 attended by the Deputy Premier, the Hon. John Barilaro MP and the Minister for Local Government, the Hon. Shelley Hancock MP.

OLG supports and attends the JO Chairs Group meetings and the JO Executive Officers Group meetings and provides secretariat support for the newly formed Joint Organisation Advisory Committee, established to work with NSW Government to further explore opportunities to support the ongoing sustainability of JOs. Membership of the Steering committee includes The Minister for Local Government (or representative), Joint Organisation Chairpersons (4) and Joint Organisation Executive Officers (4).

## Councillor misconduct and pecuniary interest matters

During the reporting period, preliminary data indicates that OLG handled 47 referrals of councillor misconduct and 31 alleged contraventions of the pecuniary interest provisions of the *Local Government Act 1993* (in force at the time). OLG progressed 10 misconduct investigations in the reporting period. During the reporting period OLG forwarded one pecuniary interest matter to the NSW Civil and Administrative Tribunal (NCAT).

NCAT determined one pecuniary interest matter during 2018-19 resulting in a reprimand. The Departmental Chief Executive determined two misconduct matters in the reporting period. One councillor was reprimanded for inappropriately interacting with a council



employee. The other councillor was directed to apologise to a council employee and a councillor, to cease engaging in the misconduct and was suspended for a period of two months for committing an act of disorder at a council meeting and for an inappropriate interaction with a council employee.

## Public Inquiries

Under section 438U of the *Local Government Act 1993*, the Minister for Local Government has the power to appoint a commissioner to conduct a public inquiry into a council.

Public inquiries are necessary if a council becomes dysfunctional through maladministration, where relationships between members of the governing body break down, corruption or some other reason. Public inquiries allow a comprehensive, transparent and independent inquiry into the functioning of a council.

During the reporting period, the Minister announced a public inquiry into Balranald Shire Council. The Blue Mountains Public Inquiry continued during the reporting period. Those inquiries were continuing at 30 June 2019. OLG provided an officer and administrative assistance to support each public inquiry.

## Intervention

There were two performance improvement orders in place during the reporting period. OLG continued to monitor the implementation of the performance order issued to Blue Mountains City Council.

During the reporting period OLG undertook an assessment of Balranald Shire Council's compliance with the requirements of the performance improvement order. The assessment of Balranald Shire Council's compliance report on the implementation of the performance order indicated that there remained a number of significant matters of concern that needed to be addressed by Council. A public inquiry was recommended as the best way to examine whether the council could meet the needs and expectations of the community in the future.

The investigation under section 430 of the *Local Government Act 1993* into aspects of the operation of Warrumbungle Shire Council continued during the reporting period.

## Local Government Infrastructure Renewal Scheme (LIRS)

The LIRS provides loan subsidies to councils to fund the infrastructure backlog. This financial year OLG provided approximately \$11.2 million (ex GST) in subsidies to councils under this program. To date, of the 167 individual projects, 149 are now complete. The scheme has provided \$78 million to councils, unlocking \$821 million in council investment. It will continue until 30 June 2025.

## Stronger Communities Fund and New Council Implementation Fund (SCF/NCIF)

The second round of SCF and NCIF were provided to council that were merged, or subject to a merger proposal. For this financial year an additional \$18.9 million was provided through the NCIF to 9 councils, while there was a further \$94.3 million provided through the SCF to 21 councils.

## Responsible Pet Ownership

This year OLG, together with Service NSW, was able to deliver an alternate payments portal for the NSW Pet Registry. Importantly, this enables members of the public to either visit the Service NSW website, or any one of the customer contact centres to pay the life time registrations for their cat or dog. OLG also delivered enhancements to the NSW Pet Registry including a breeder/pet search, uploading of a profile photo and a lost and found function.

OLG continued to administer the very successful Responsible Pet Ownership Education Program. This program targets three key groups: primary school children, preschool children, and parents expecting a new baby. The program delivers 'Living Safely with Pets' educating children aged 5-8 in primary schools; 'Living Safely with Dogs', teaching preschool children how to interact safely with dogs; and 'We are Family', advising expectant and new parents on how to prepare their pets for a new baby's arrival.

To date the 'Living Safely with Dogs' program has made 5073 preschool visits since 2014 and has given 6,198 presentations to 135,134 children aged four to five, and the 'Living Safely with Pets' program has given 15,171 presentations to 706,363 students aged five to eight during 7,037 primary school visits. The education program was extended this year until 30 June 2021.

## Working with the Auditor-General

The Auditor-General oversees the auditing of councils' annual financial statements and conducts performance audits to facilitate improvements in the consistency, reliability and quality of financial reporting and public accountability in the local government sector.

OLG has worked closely with the NSW Audit Office during 2018-19 to facilitate improvements in financial reporting. This has included providing advice, such as, the Local Government Code of Accounting Practice and Financial Reporting and essential circulars to councils earlier than in previous years and providing 17 workshops to councils in relation to new Australian Accounting Standards that councils need to implement.

In relation to performance audits undertaken by the Auditor-General, OLG has been engaged in three performance audits during the year in relation to waste management, management of development applications and managing staffing implications during amalgamations.

## Monitoring role

OLG monitors various operations of councils to guide whether assistance or intervention is required to enable councils to operate effectively and within the legislative framework.

OLG uses a range of information to undertake its monitoring role, including complaints it receives about local councils, media sources, council websites, telephone enquiries, examination of council reports and documents, assessment of information following preliminary enquiries and visits to councils as well as by attending relevant local government professional organisation meetings.

Financial sustainability of councils is one particular area of focus. During 2018-19 OLG reviewed all the councils' financial reports that were submitted and monitored a number of councils that were considered to be in a poor financial position. This was achieved through letters and phone calls to councils as well as visits.

## Local Government Grants Commission

The primary function of the Local Government Grants Commission is to make recommendations to the Minister for Local Government on the allocation of general purpose grants to local governing bodies in New South Wales under the provisions of the *Local Government (Financial Assistance) Act 1995 (Cwlth)*.

During 2018-19, NSW councils received a total payment of \$777,716,255 in Federally funded financial assistance grants. The payments made to councils in 2018-19 comprised of \$381,804,113, which was the remaining half of the 2018-19 grant (after half was paid in advance on 21 June 2018) and \$395,912,142 (an advance amount of half the 2019-20 grant) paid to councils on 18 June 2019. The Commonwealth determines if there will be an advance payment of financial assistance grants, and also the amount and payment date of advance payments.

# SECTION 3: How we operate

## Staff policies

### Personnel

During 2018-19 OLG continued to align personnel-related corporate policies and services, with those being prepared and provided to Planning and Environment Cluster agencies by the Corporate Services Division.

Specialised support services and functions were received from Corporate Services Division, including for human resource management, payroll and workplace health and safety.

### Supporting diversity

OLG continued to engage with the Planning and Environment Cluster in implementation of the Cluster's Disability Inclusion Action Plan and Multicultural Plan, and other diversity initiatives.

Active lines of internal communication are maintained to ensure that all staff, regardless of background, are able to engage on diversity issues. The number of female staff continues to exceed that of male staff.

### Industrial relations

OLG has a Workplace Consultative Arrangements policy developed in consultation with staff and the Public Service Association. It also holds quarterly Joint Consultative Committee meetings to discuss and resolve emerging issues.

### Privacy Management Plan

OLG has a Privacy Management Plan in compliance with the provisions of the *Privacy and Personal Information Protection Act 1998*.

### Workplace Health and Safety

No material workplace health and safety issues were identified during the year by OLG's Workplace Health and Safety Committee, which meets quarterly.

Annual training for frontline staff on dealing with difficult customers was repeated.

OLG staff are also provided with access to an Employee Assistance Program, which is a confidential and optional counselling service to assist people to resolve personal or work-related problems.

## Claims and reports

Accidents and incidences	Count
Slip/trip/fall at work	0
Slip/trip (journey)	0
Lifting	0
Cuts/burns	0
Driving/car related	0
Psychological	1
Other	0
<b>TOTAL</b>	<b>1</b>

Year	Premiums paid	Claims lodged	Open claims
2018-19	\$43,371	0	1

## Overseas travel

No staff travelled overseas during the reporting period.

# Staff profile

## Staff profile by employment category

Staff numbers by category	2016-17			2017-18			2018-19		
	Men	Women	TOTAL	Men	Women	TOTAL	Men	Women	TOTAL
Permanent full time	23	34	57	20	29	49	19	28	47
Permanent part time	0	2	2	0	7	7	0	8	8
Temporary full time	6	11	17	2	9	11	1	9	10
Temporary part time	0	0	0	0	3	3	0	1	1
Contract SES /SEB	5	3	8	5	1	6	6	1	7
Contract non-SES	0	0	0	0	0	0	0	0	0
Training positions	0	0	0	0	0	0	0	0	0
Retained staff	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>34</b>	<b>50</b>	<b>84</b>	<b>32</b>	<b>50</b>	<b>76</b>	<b>26</b>	<b>47</b>	<b>73</b>

## Workforce diversity

Workforce Diversity*	2016-17	2017-18	2018-19
Women	59.3%	61.5%	61.8%
Aboriginal People and Torres Strait Islander	2.5%	6.1%	2.7%
People whose language spoken as a child was not English	7.4%	8.4%	9.7%
People with a disability	4.9%	8.1%	8.3%
People with a disability requiring work related adjustment	3.7%	5.8%	5.5%

\*Workforce diversity group numbers are less than 20, therefore trends and distribution are not identified.

## Senior Executive

2018-19 Senior Executive Positions (including Lord Howe Island Board)

Number of Senior Executives by Band *	2017-18		2018-19	
	Female	Male	Female	Male
Band 4	0	0	0	0
Band 3	0	1	0	1
Band 2	0	0	0	0
Band 1	2	5	1	5
<b>Totals</b>	<b>2</b>	<b>6</b>	<b>1</b>	<b>6</b>

Remuneration by Band	2017-18		2018-19	
	Range	Average Remuneration	Range	Average Remuneration
Band 4	\$463,551 - \$535,500	\$0	\$475,151 - \$548,950	\$0
Band 3	\$328,901 - \$463,550	\$360,000	\$337,101 - \$475,150	\$369,000
Band 2	\$261,451 - \$328,900	\$0	\$268,001 - \$337,100	\$0
Band 1	\$183,300 - \$261,450	\$200,112	\$187,900 - \$268,000	\$211,070

## Consultancies, Funds & Grants Paid

### Consultancies of value less than \$50,000

Purpose of consultant	Number of consultancies	Cost
Reform Program– Joint Organisations monitoring and evaluation strategy design	1	\$34,200
<b>TOTAL</b>	<b>1</b>	<b>\$34,200</b>

### Consultancies of value more than \$50,000

Consultants	Project	Fee
Ernst and Young	Companion Animals	\$77,000
<b>TOTAL</b>		<b>\$77,000</b>

### Grant funds paid during 2018-19

In 2018-19, OLG paid the following grants:

Name of organisation	Nature and purpose of grant	Paid
NSW Councils	Companion Animals	\$6,150,548
NSW Councils	Council rates concession for eligible pensioners	\$75,951,464
NSW Councils	Crown Lands	\$6,999,144
Joint Organisations	Establishment	\$3,300,000
NSW Councils	Financial Assistance Grants	\$777,716,255
NSW Councils	Innovation Fund	\$321,439
Government Agencies	Local Government Reform	\$4,154,994
NSW Councils	Local Infrastructure Renewal Scheme	\$11,177,647
Lord Howe Island Board	Operating	\$2,582,000
NSW Councils	Stronger Communities Fund	\$123,181,873
Lord Howe Island Board	World Heritage Management	\$177,000
<b>TOTAL</b>		<b>\$1,011,712,364</b>

During 2018-19, there were no funds granted by OLG to non-government community organisations.



# Audit and assets

## Audit and risk management

OLG has an Audit and Risk Committee that advises the Chief Executive about financial and risk management. The Audit and Risk Committee met six times during 2018-19.

## Credit card certification

OLG has adopted Purchasing Card Policy and Procedures which outline conditions for eligibility, usage and management of credit cards. OLG purchasing card policies are in accordance with guidelines from NSW Treasury and the Audit Office. These purchasing card policies and procedures satisfy the requirements of the Treasurer's Directions. Purchasing card expenditure was monitored for compliance and usage complied with best practice guidelines.

## Major capital works

During the reporting period OLG invested \$1.78 million in the NSW Pet Registry, the public access portal to the NSW Companion Animals Register.

## Land disposal

There was no land disposal by OLG in the reporting period.

## Account payment performance

During 2018-19, OLG paid a total number of 2,748 accounts to suppliers or contractors for supply of goods and services, of which a total of 2,680 accounts were paid on time. Based on number of accounts, this represented 97.5% of accounts paid on time. Based on dollar amount, this represented 93.4% of accounts paid on time. No penalty interest was charged to OLG for late payments in 2018-19.

Aged analysis at the end of each quarter - all suppliers					
Quarter	Current (within due date)	< 30 days overdue	30-60 days overdue	61-90 days overdue	90+ days overdue
September	\$3,013,376	\$42	\$25,267	-	-
December	\$6,114,615	\$2,917	0	-	\$692,781
March	\$3,114,996	\$270,863	\$39,401	-	\$9,784
June	\$3,759,955	\$92,257	0	-	-

Accounts due or paid within each quarter - all suppliers				
Measure	September	December	March	June
Number of accounts due for payment	763	737	573	675
Number of accounts paid on time	758	728	548	646
Actual percentage of accounts paid on time (based on number of accounts)	99.3%	98.8%	95.6%	95.7%
Dollar amount of accounts due for payment	\$3,038,685	\$6,810,314	\$3,435,044	\$3,852,212
Dollar amount of accounts paid on time	\$3,013,376	\$6,114,615	\$3,114,996	\$3,759,955
Actual percentage of accounts paid on time (based on \$)	99.2%	89.8%	90.7%	97.6%
Number of payments for interest on overdue accounts	-	-	-	-
Interest paid on overdue accounts	-	-	-	-

\* Calculations for the aged analysis tables, above, are based on the date of receiving a correctly rendered invoice by Planning and Environment Cluster Corporate Services.

### Economic or other factors

OLG is not aware of any economic or other factors affecting the achievement of operational objectives for 2018-19.

# Internal Audit and Risk Management Attestation Statement

## Internal Audit and Risk Management Attestation Statement for the 2018-2019 Financial Year for the Office of Local Government

I, Jim Betts, am of the opinion that the Office of Local Government has internal audit and risk management processes in operation that are, compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements	For each requirement, please specify whether compliant, non-compliant, or in transition
<b>Risk Management Framework</b>	
1.1 The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant
<b>Internal Audit Function</b>	
2.1 An internal audit function has been established and maintained	Compliant
2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant
<b>Audit and Risk Committee</b>	
3.1 An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

### Membership

The chair and members of the Audit and Risk Committee are:

Role	Name	Start Term Date	Finish Term Date
Independent Chair	Peter Lucas	18 December 2018	30 September 2019
Independent Chair	Brian Blood	1 December 2013	30 September 2019*
Independent Member	Brian Blood	1 December 2018	30 September 2019
Independent Member	Elizabeth Crouch	21 October 2013	30 September 2019*
Independent Member	Alan Zammit	27 February 2012	30 September 2019

\*Includes reappointment for a second term.

This Audit and Risk Committee has been established under a Treasury approved principal department led shared arrangement with the following statutory bodies:

- Planning Ministerial Corporation
- Central Coast Regional Development Corporation (to 31 October 2018)
- Hunter Development Corporation (to 31 October 2018)
- Hunter and Central Coast Development Corporation (from 1 November 2018)
- Office of Local Government
- Lord Howe Island Board
- State Archives and Records Authority



Jim Betts  
Secretary

Date: 15/10/19

Agency Contact:  
Robert Oldfield  
Executive Director Governance  
02 8289 6959

# Digital Information Security Annual Attestation

## Cyber Security Annual Attestation & Evidence of Certification Statement for the 2018/2019 Financial Year for

### Department of Planning and Environment.

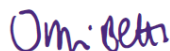
I, Jim Betts, am of the opinion that Department of Planning and Environment had an Information Security Management System in place via Planning, Industry and Environment Cluster Corporate Services during the 2018/2019 financial year that is consistent with the Mandatory requirements set out in the NSW Government Cyber Security Policy and have managed cyber security risks in a manner consistent with this policy.

Risks to the information and systems of Department of Planning Industry and Environment have been assessed and are managed.

Governance is in place to manage the cyber-security maturity and initiatives by Department of Planning Industry and Environment.

There exists a current cyber incident response plan for Department of Planning Industry and Environment which has been tested during the reporting period.

Planning and Environment Cluster Corporate Services has maintained certified compliance with ISO 27001 Information technology - Security techniques - Information security management systems - Requirements by an Accredited Third Party (BSI) during the 2018/2019 financial year (Certificate Number is IS 645082).



Jim Betts  
Secretary

Department of Planning, Industry and Environment

Date: 20/8/19

# Access to information

## Public interest disclosures

The following information on public interest disclosures is provided in accordance with section 4(2) of the *Public Interest Disclosures Regulation 2011* for the period 1 July 2018 to 30 June 2019.

No public interest disclosures were received in the period from public officials.

To ensure awareness of responsibilities under the *Public Interest Disclosures Act 1994*, the Public Interest Disclosures – Policy & Procedures is available on the OLG intranet and the NSW Ombudsman’s Public Interest Disclosures e-News is distributed to staff. The Chief Executive is a member of the Public Interest Disclosures Steering Committee and the Manager Investigations attends regular meetings of Public Interest Disclosure Investigating Authorities, which are sponsored by the NSW Ombudsman.

## Reporting

Section 6CA of the *Public Interest Disclosures Act 1994* requires each public authority to provide a report for each six-month period to the Ombudsman in compliance with its obligations, and OLG provided the required reports to the Ombudsman.

OLG also reports statistics to the NSW Ombudsman as an Investigating Authority under the *Public Interest Disclosures Act 1994* in its management of public interest disclosures about local councils.

## Consumer response

OLG received seven complaints about its delivery of services during the reporting period. Five complaints related to delays and poor customer service, one alleged unfair treatment and one alleged a privacy breach.

## Access applications

No review was undertaken pursuant to s7(3) of the *Government Information (Public Access) Act 2009* to identify if any information was held by the agency that should be made publically available without imposing unreasonable additional costs. However OLG as a matter of routine makes available on its website all circulars and public reports and maintains a public policy directory for the information of councils and interested members of the public.

Total number of access applications received by the OLG during the reporting year (including withdrawn applications but not including invalid applications).

Table A: Number of applications by type of applicant and outcome*									
	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn	TOTAL
Media	0	0	0	1	0	0	0	0	1
Members of Parliament	1	0	0	0	0	0	0	0	1
Private sector business	0	0	0	0	0	0	0	1	1
Not for profit organisation or community groups	2	0	0	0	0	0	0	0	2
Member of the public (application by legal representative)	1	0	0	1	0	1	0	0	3
Member of public (other)	2	1	0	2	0	0	0	0	5

\* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Table B: Number of applications by type of applicant and outcome									
	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn	TOTAL
Personal information applications*	2	0	0	1	0	0	0	0	3
Access applications (other than personal information applications)	4	0	0	3	0	0	0	1	8
Access applications that are partly personal information applications and partly other	0	1	0	0	0	1	0	0	2

\* A **personal information application** is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

### Table C: Invalid applications

Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	1
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	1
Invalid applications that subsequently became valid applications	0

**Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to GIPPA**

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	1
Excluded information	1
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

\* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

**Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of Act**

	Number of occasions when application not successful
Responsible and effective government	1
Law enforcement and security	1
Individual rights, judicial processes and natural justice	1
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

**Table F: Timeliness**

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	12
Decided after 35 days (by agreement with applicant)	1
Not decided within time (deemed refusal)	0

**Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)**

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT – see note	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Note: One application has been made for review by NCAT in 2018/2019. The review has not yet been determined.

**Table H: Applications for review under Part 5 of the Act (by type of applicant)**

	Number of applications for review
Applications by access applicants	1
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

**Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)**

	Number of applications transferred
Agency initiated transfers	2
Applicant initiated transfers	1



# SECTION 4: Financial Statements

## Statement by the Secretary

### Office of Local Government Statement by the Secretary

for the year ended 30 June 2019

Statement by the Chief Executive Officer

Pursuant to section 45F of the *Public Finance and Audit Act 1983*, I declare, on behalf of the Office of Local Government (the Agency) that in my opinion:

- (a) The accompanying financial statements have been prepared in accordance with:
- applicable Australian Accounting Standards (which includes Australian Accounting Interpretations);
  - the requirements of the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015; and
  - the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.
- (b) The statements and notes exhibit a true and fair view of the financial position and transactions of the Agency; and
- (c) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Jim Betts  
Secretary  
Department Planning, Industry and Environment

Date: 12 September 2019

# Audit Office opinion



## INDEPENDENT AUDITOR'S REPORT

Office of Local Government

To Members of the New South Wales Parliament

### Opinion

I have audited the accompanying financial statements of the Office of Local Government (the Office), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Office as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

My opinion should be read in conjunction with the rest of this report.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Office in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Other Information

The Office's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary for the Department of Planning, Industry and Environment (the Secretary) is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary pursuant to section 45F of the PF&A Act.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## The Secretary's Responsibilities for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Office's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Office carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Lawrissa Chan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

12 September 2019  
SYDNEY

**Letter of Certification**

To the Secretary of the Department of Planning, Industry and Environment  
(Copied to NSW Treasury)

For the Financial Year 2018-19

**Expression of opinion as to the effectiveness  
of internal controls over financial information**

I, Richard Shakespeare, Chief Financial Officer of the Office of Local Government, acknowledge my responsibility for the design, implementation and operation of internal control systems over the agency's financial information.

I certify that, to the best of my knowledge and belief and having undertaken the relevant processes, the Office of Local Government had an effective system of internal control to ensure that financial information presenting the financial position and performance of the agency is true and fair in all material respects.



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Richard Shakespeare  
Chief Financial Officer

Date: 11/sep/19

# Financial statements

## Office of Local Government Statement of comprehensive income for the year ended 30 June 2019

	Notes	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000
<b>Expenses excluding losses</b>				
Operating expenses				
Employee related	2(a)	16,694	16,705	16,178
Other operating expenses	2(b)	11,374	9,430	11,484
Depreciation and amortisation	2(c)	333	896	748
Grants and subsidies	2(d)	227,845	201,603	232,273
Finance costs	2(e)	-	-	7
<b>Total expenses excluding losses</b>		<b>256,246</b>	<b>228,634</b>	<b>260,690</b>
<b>Revenue</b>				
Retained taxes, fees and fines	3(a)	7,299	6,838	7,082
Grants and contributions	3(b)	242,110	214,869	242,067
Personnel services revenue	3(c)	5,542	5,156	4,217
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	589	338	653
Other income	3(e)	423	37	1,146
<b>Total revenue</b>		<b>255,963</b>	<b>227,238</b>	<b>255,165</b>
Other gains / (losses)		-	-	-
<b>Net result</b>	14	<b>(283)</b>	<b>(1,396)</b>	<b>(5,525)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to net result in subsequent periods</i>				
		-	-	-
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(283)</b>	<b>(1,396)</b>	<b>(5,525)</b>

Statement of comprehensive income

The accompanying notes form part of these financial statements.



**Office of Local Government  
Statement of financial position**

as at 30 June 2019

	Notes	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	3,898	6,136	7,665
Receivables	6	2,911	5,238	3,389
<b>Total current assets</b>		<b>6,809</b>	<b>11,374</b>	<b>11,054</b>
<b>Non-current assets</b>				
Property, plant and equipment				
Plant and equipment	7	137	202	156
Leasehold improvements	7	210	141	123
Total property, plant and equipment		347	343	279
Intangible assets	8	3,363	2,502	1,744
<b>Total non-current assets</b>		<b>3,710</b>	<b>2,845</b>	<b>2,023</b>
<b>Total assets</b>		<b>10,519</b>	<b>14,219</b>	<b>13,077</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	9	3,276	7,478	5,655
Provisions	10	2,236	2,233	2,129
<b>Total current liabilities</b>		<b>5,512</b>	<b>9,711</b>	<b>7,784</b>
<b>Non-current liabilities</b>				
Provisions	10	301	343	304
<b>Total non-current liabilities</b>		<b>301</b>	<b>343</b>	<b>304</b>
<b>Total liabilities</b>		<b>5,813</b>	<b>10,054</b>	<b>8,088</b>
<b>Net assets</b>		<b>4,706</b>	<b>4,165</b>	<b>4,989</b>
<b>EQUITY</b>				
Accumulated funds		4,706	4,165	4,989
<b>Total equity</b>		<b>4,706</b>	<b>4,165</b>	<b>4,989</b>

Statement of financial position

The accompanying notes form part of these financial statements.

**Office of Local Government**  
**Statement of changes in equity**  
for the year ended 30 June 2019

	Notes	Total \$'000
Balance at 1 July 2018		4,989
Net result for the year		(283)
Other comprehensive income		-
Total other comprehensive income		-
Total comprehensive income for the year		(283)
Transactions with owners in their capacity as owners		-
Balance at 30 June 2019		4,706
Balance at 1 July 2017		10,528
Net result for the year		(5,525)
Other comprehensive income		-
Total other comprehensive income		-
Total comprehensive income for the year		(5,525)
Transactions with owners in their capacity as owners		
(Decrease) in net assets from equity transfers	11	(14)
Balance at 30 June 2018		4,989

Statement of changes in equity

The accompanying notes form part of these financial statements.

**Office of Local Government**  
**Statement of cash flows**  
for the year ended 30 June 2019

	Notes	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Employee related		(10,376)	(16,367)	(11,227)
Grants and subsidies		(224,245)	(201,603)	(232,812)
Companion animals fees		(6,052)	(6,379)	(8,558)
Other		(12,223)	(3,126)	(7,107)
<b>Total payments</b>		<b>(252,896)</b>	<b>(227,475)</b>	<b>(259,704)</b>
<b>Receipts</b>				
Retained taxes, fees and fines		9,918	5,193	9,595
Grants and contributions		242,110	214,869	242,067
Other		161	6,913	918
<b>Total receipts</b>		<b>252,189</b>	<b>226,975</b>	<b>252,580</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	15	<b>(707)</b>	<b>(500)</b>	<b>(7,124)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of plant and equipment & leasehold improvements	7	(182)	(105)	(75)
Purchase of intangible assets	8	(2,878)	(40)	(272)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(3,060)</b>	<b>(145)</b>	<b>(347)</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(3,767)</b>	<b>(645)</b>	<b>(7,471)</b>
Opening cash and cash equivalents		7,665	6,781	15,136
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	5	<b>3,898</b>	<b>6,136</b>	<b>7,665</b>

Statement of cash flows

The accompanying notes form part of these financial statements.



## Office of Local Government Notes to the financial statements

for the year ended 30 June 2019

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### 1. Summary of significant accounting policies

#### (a) Reporting entity

The Office of Local Government (the Agency) is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. The Agency is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The Agency includes employee related expenses and provisions for Lord Howe Island Board. These are offset by income and receivables.

These financial statements for the year ended 30 June 2019 have been authorised for issue by the Secretary on 12 September 2019.

#### (b) Basis of preparation

The Agency's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable *Australian Accounting Standards* (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* (the Act) and *Public Finance and Audit Regulation 2015*; and
- Treasurer's Directions issued under the Act.

Property, plant and equipment are measured in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations that management have made are disclosed in the relevant notes to the financial statements.

These financial statements are prepared on a going concern basis. However, under the Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019, dated 2 April 2019, in pursuance of part 7 of the Constitution Act 1902 and provisions of the Government Sector Employment Act 2013, the Agency will cease to exist and its functions and persons employed by the Agency will be transferred to the newly formed Department of Planning, Industry and Environment (DPIE) with effect from 1 July 2019.

The Agency is a budget dependant Government Agency. The Agency's operations are funded from grants receivable from the Department of Planning and Environment (the Department) which is the principal Department in the Planning and Environment cluster. The Department receives contributions from the Consolidated Fund as approved under the Appropriations Act to fund grants payable to the Agency and other cluster entities.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the Agency's presentation and functional currency.

#### (c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards (AAS), which include Australian Accounting Interpretations.

#### (d) Administered activities

The Agency administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of the Agency's own objectives.

Transactions and balances relating to the administered activities are not recognised as the Agency's income, expenses, assets, and liabilities, but are disclosed in Note 4 of the Financial statements.

**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

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**1. Summary of significant accounting policies (cont'd)**

**(e) Accounting for the Goods and Services Tax (GST)**

Income, expenses and assets are recognised net of the amount of GST, except that the:

- amount of GST incurred by the Agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(f) Comparative information**

Except when an AAS permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

**(g) Changes in accounting policy, including new or revised Australian Accounting Standards**

**(i) Effective for the first time in 2018-19**

The accounting standards applied in the current financial year are consistent with those of the previous financial year except for AASB 9 *Financial Instruments* (AASB 9) which is applicable for the first time.

The Agency has adopted AASB 9, which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities impairment of financial assets.

AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 financial instruments: disclosures (AASB 7R).

The Agency applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 financial instruments: recognition and measurement (AASB 139). Any differences arising from the adoption of AASB 9 are required to be recognised directly in accumulated funds and other components of equity.

There has been no impact of adopting AASB 9 on the statement of financial position, i.e., increase/(decrease) as at 1 July 2018.

**a) Classification and measurement of financial instruments**

On 1 July 2018 (the date of initial application of AASB 9), the Agency has assessed which business models apply to the financial assets held by the Agency to classify its financial instruments into the appropriate AASB 9 categories. This assessment did not result in any reclassification of financial instruments, with no impact on reserves or accumulated funds.

The classification and measurement requirements of AASB 9 did not have any financial impact to the Agency. The Agency continued measuring at fair value, as all financial assets were previously held at fair value under AASB 139.



**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

**1. Summary of significant accounting policies (cont'd)**

**(g) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**

**(i) Effective for the first time (cont'd)**

The following are the changes in the classification of the Agency's financial assets:

- Trade receivables and other financial assets (i.e. term deposits) classified as 'loans and receivables' under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.

The Agency has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the Agency's financial liabilities.

In summary, upon the adoption of AASB 9, the Agency had the following required or elected reclassifications as at 1 July 2018:

AASB 139 Measurement category	Measurement category		Carry amount		
	AASB 139	AASB 9	Original \$'000	New \$'000	Difference \$'000
Trade receivables	L&R	Amortised cost	866	866	-
Other receivables	L&R	Amortised cost	1,554	1,554	-

**b) Impairment**

The adoption of AASB 9 has changed the Agency's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Agency to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

Given the nature and type of the Agency's receivables, the adoption of ECL approach did not result in material adjustment to the impairment allowance.

**(ii) Issued but not yet effective**

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

NSW Treasury TC 19-04 Mandates of options and major policy decisions under Australian Accounting Standards provide a list of accounting standards / interpretations that agencies must not early adopt.

These standards /interpretations have been assessed for their possible impact on the financial statements, if any, in the period of their initial application. The estimates of impacts where relevant are provided under each standard / interpretation.

The following new Australian Accounting Standards have not been applied and are not yet effective:

**AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 and AASB 1058 Income of Not-for-Profits**

- AASB 15 Revenue from Contracts with Customers (AASB 15) is effective for reporting periods commencing on or after 1 January 2019. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which the Agency expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 Revenue (AASB 118), revenue recognition is currently based on when risks and rewards are transferred.

**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
 for the year ended 30 June 2019

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**1. Summary of significant accounting policies (cont'd)**

**(g) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**

**(ii) Issued but not yet effective (cont'd)**

- AASB 1058 Income of Not-for-Profits (AASB 1058) is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 Contributions (AASB 1004). The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, the Agency will need to determine whether a transaction is consideration received below fair value principally to enable the Agency to further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).
- The standards will result in the identification of separate performance obligations that may change the timing of recognition for some revenues, including revenues relating to sales of goods and services and specific purpose grants and subsidies.
- Under AASB 1058, the Agency will recognise as liabilities, obligations for funding received where there is an obligation to construct recognisable non-financial assets controlled by the Agency. However, any funding is usually spent in the year received.
- The Agency will adopt AASB 15 and AASB 1058 on 1 July 2019 through application of the full retrospective transition approach. Recognition and measurement principles of the new standards will be applied for the current year and comparative year as though AASB 15 and AASB 1058 had always applied.

The impacts to balances resulting from the adoption of AASB 15 and AASB 1058 have been assessed by the Agency as immaterial.

**AASB 16 Leases**

- AASB 16 Leases (AASB 16) is effective from reporting periods commencing on or after 1 January 2019.
- For lessees, AASB 16 will result in most leases being recognised on the Statement of Financial Position, as the distinction between operating and finance leases is largely removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the commencement of the lease. The only exceptions are short-term and low-value leases. AASB 16 will therefore increase assets and liabilities reported on the Statement of Financial Position. It will also increase depreciation and interest expenses and reduce operating lease rental expenses on the Statement of Comprehensive Income. Expenses recognised in the earlier years of the lease term will be higher as the interest charges will be calculated on a larger lease liability balance.
- The accounting for lessors under AASB 16 will not significantly change.
- The Agency will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always applied. Comparative information will not be restated. The Agency will also adopt the practical expedient whereby the fair value of the right-of use (ROU) asset will be the same as the lease liability at 1 July 2019.
- The estimated impact from the application of this standard will be a recognition of the non-current ROU asset of \$3.668 m and a corresponding increase in liabilities due to recognition of a lease liability at initial recognition. These will be adjusted to the equity as at 1 July 2019. The impact to the Net result in 2019-20 and future years is estimated to be immaterial.



**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

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**1. Summary of significant accounting policies (cont'd)**

(g) **Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**

(ii) **Issued but not yet effective (cont'd)**

**AASB 1058 Income of Not-for-profit Entities:**

A key feature of this standard is that it is necessary to first determine whether each transaction, or part of that transaction, falls in the scope of AASB 15. Only if AASB 15 does not apply, is AASB 1058 considered. The main impacts of this standard are:

- the timing of income recognition will depend on whether there is any performance obligation or other liability. Income recognition will now be deferred when there is a performance obligation or any other liability. This will result in better matching of income and related expenses.
- this standard requires agencies to measure and recognise in financial statements the fair value of assets acquired by agencies at 'nil' cost or for significantly lower consideration.
- this standard also requires agencies to disclose/recognise the fair value of volunteer services received as income with an equivalent expense under the 'employee expenses (LEC)' category provided such services would be purchased if they had not been donated; and the fair value of those services can be reliably measured.

A review of the income recognition requirements of this standard has not identified any impact on application.

The following standards have been assessed for their possible impact on the financial statements, if any, in the period of their initial application. None of the standards listed below are likely to have any material impact.

- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities (effective from 1 January 2019)
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle (effective from 1 January 2019)
- AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements (effective from 1 January 2019)
- AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors (effective from 1 July 2019)
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material (effective from 1 July 2019)
- AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities (effective from 1 January 2019)

**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

**2. Expenses excluding losses**

**(a) Employee related expenses**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages (including annual leave)	13,154	12,018
Superannuation - defined benefit plans	54	52
Superannuation - defined contribution plans	1,054	1,012
Long service leave	734	684
Workers' compensation insurance	273	134
Payroll tax and fringe benefit tax	778	747
Redundancies	-	445
Temporary employees	647	1,086
	<b>16,694</b>	<b>16,178</b>

An amount of \$0.2 million (2018: \$0.1 million) has been capitalised to intangible assets for Companion Animals Register Rebuild and is therefore excluded from the above. The employee related expenses include \$5.5 million for the Lord Howe Island Board (2018: \$4.2 million). Refer also to notes 1(a), 3(c) and 3(d).

**(b) Other operating expenses**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditor's remuneration - audit of the financial statements	50	49
Consultants	111	630
Responsible Pet Ownership Program payments	6,151	5,907
Fees for services	2,789	2,706
Other expenses	561	461
Operating lease rental expense - minimum lease payments	445	443
Travel costs	330	325
Corporate shared services expenses	246	246
Committee fees and expenses	176	168
Marketing	132	125
Other occupancy costs	103	89
Community events	71	59
Training (staff development)	64	65
Motor vehicle expenses	40	41
Telephone and communication costs	39	54
Maintenance *	24	90
Stores and minor assets	20	10
Promotions and publicity	15	5
Insurance	7	11
	<b>11,374</b>	<b>11,484</b>

\*The total maintenance expense has been sourced from external providers and no employee costs have been incurred.

## Office of Local Government Notes to the financial statements (cont'd)

for the year ended 30 June 2019

### 2. Expenses excluding losses (cont'd)

#### (b) Other operating expenses (cont'd)

##### Recognition and measurement

##### *Maintenance expense*

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement or an enhancement of a part or component of an asset, in which case the costs are capitalised and depreciated.

##### *Insurance*

The Agency's insurance activities are conducted through the NSW Treasury Managed Fund scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

##### *Operating leases*

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the Statement of comprehensive income on a straight-line basis over the lease term.

#### (c) Depreciation and amortisation expense

	2019 \$'000	2018 \$'000
Depreciation		
Plant and equipment	60	62
Leasehold improvements	54	36
	<u>114</u>	<u>98</u>
Amortisation:		
Intangible assets - software	219	650
	<u>333</u>	<u>748</u>

Refer to Notes 7 & 8 for recognition and measurement policies on depreciation and amortisation.

#### (d) Grants and subsidies

	2019 \$'000	2018 \$'000
Stronger Communities Fund	123,182	138,860
Pensioner rebates	75,951	76,402
Local Infrastructure Renewal Scheme	11,178	13,302
Crown Land Plans of Management	6,999	-
Lord Howe Island Board	2,759	2,531
Innovation Fund	321	1,178
Local Government Reform	7,455	-
	<u>227,845</u>	<u>232,273</u>

The Agency also receives contributions from the Commonwealth Government that are transferred to eligible beneficiaries which are not included in the above. These transfer payments are detailed in Note 4.

#### (e) Finance costs

	2019 \$'000	2018 \$'000
Unwinding of discount rate for the make good provision	-	7
	<u>-</u>	<u>7</u>



**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

### 3. Revenue

#### Recognition and measurement

Income is measured at the fair value of the consideration or contribution received or receivable. Comments regarding the accounting policies for the recognition of income are discussed below.

#### (a) Retained taxes, fees and fines

	2019	2018
	\$'000	\$'000
Responsible Pet Ownership Program registration fees	7,299	7,081
Others	-	1
	<u>7,299</u>	<u>7,082</u>

#### Recognition and measurement

Under the Guidelines sent out to Councils with the then Department of Local Government Circular 00/09, there is a requirement that Councils pay to the Agency monthly the total amount of registration fees for transactions that have been successfully entered on the Companion Animals Register.

A quarterly payment is made to Councils based on register reports for the quarter.

#### (b) Grants and contributions

	2019	2018
	\$'000	\$'000
Stronger Communities Fund	123,182	138,860
Pensioner rebates	75,951	76,402
Local Infrastructure Renewal Scheme	11,178	13,302
Crown Land Plans of Management	7,435	-
Local Government Reform	8,829	3,765
Lord Howe Island Board	2,759	2,531
Innovation Fund	321	1,178
Companion Animals	-	1,113
Far West Initiative	4,000	-
Recurrent cluster grant	8,327	4,465
Other	128	451
	<u>242,110</u>	<u>242,067</u>

The Agency also receives contributions from the Commonwealth Government that are transferred to eligible beneficiaries which are not included in the above. These transfer payments are detailed in Note 4.

#### Recognition and measurement

Income from grants (other than contribution by owners) is recognised when the Agency obtains control over the contribution. The Agency is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably measured, and the services would be purchased if not donated.

#### (c) Personnel services revenue

	2019	2018
	\$'000	\$'000
Employee expenses recoveries - Lord Howe Island Board	5,542	4,217
	<u>5,542</u>	<u>4,217</u>

Personnel services revenue does not include the remuneration of the Chief Executive of Lord Howe Island Board. This remuneration is included in employee related expenses (Note 2a) along with other employee related expenses for the Lord Howe Island Board.



**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

**3. Revenue (cont'd)**

**(d) Acceptance by the Crown Entity of employee benefits and other liabilities**

The following liabilities and expenses have been assumed by the Crown Entity:

	2019	2018
	\$'000	\$'000
Superannuation - defined benefits	54	52
Long service leave	532	599
Payroll tax	3	2
	<b>589</b>	<b>653</b>

**(e) Other income**

	2019	2018
	\$'000	\$'000
Legal fee recoveries	20	656
Insurance claim proceeds	74	228
Other fee recoveries	329	262
	<b>423</b>	<b>1,146</b>

**Recognition and measurement**

*Rendering of services*

Revenue from rendering of services is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

**4. Transfer payments**

Federal Financial Assistance Grants (FAGS) are provided to councils under the *Commonwealth Local Government (Financial Assistance) Act 1995*. The Agency administers Commonwealth transfer payments through the Local Government Grants Commission. The total amount disbursed to councils by way of financial assistance grants was \$777.7 million (\$748.5 million in 2018). The FAGS are provided for the purposes of improving including the financial capacity of local governing bodies and the capacity of local governing bodies to provide their residents with an equitable level of services.

	2019	2018
	\$'000	\$'000
<b>Payments</b>		
Local Government - Federal Financial Assistance Grants	777,716	748,504
	<b>777,716</b>	<b>748,504</b>
<b>Receipts</b>		
Local Government - Federal Financial Assistance Grants	777,716	748,504
	<b>777,716</b>	<b>748,504</b>

**5. Current assets - cash and cash equivalents**

	2019	2018
	\$'000	\$'000
Cash at bank and on hand	3,898	7,665
	<b>3,898</b>	<b>7,665</b>

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, and short-term deposits with a maturity of three months or less, which have an insignificant risk of change in value, and net of outstanding bank overdraft.

Cash and cash equivalent assets recognised in the Statement of financial position are reconciled at the end of the financial period to the Statement of cash flows as follows:

Cash and cash equivalents (per Statement of financial position)	3,898	7,665
Closing cash and cash equivalents (per Statement of cash flows)	<b>3,898</b>	<b>7,665</b>

Refer Note 16 for details regarding credit risk and market risk arising from financial instruments.

**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

**6. Current / non-current assets - receivables**

	2019	2018
	\$'000	\$'000
Sale of goods and services	347	868
Allowance for expected credit losses*	(1)	-
Allowance for impairment**	-	(2)
Goods and Services Tax recoverable from ATO	723	887
Prepayments	184	82
Personnel services revenue receivable	1,208	1,111
Income receivable	450	443
	<u>2,911</u>	<u>3,389</u>

	2019	2018
	\$'000	\$'000
<b>*Movements in the allowance for expected credit losses:</b>		
Balance at 30 June 2018 under AASB 139	<u>2</u>	
Balance at 1 July 2018 under AASB 9	2	
Amounts written off during the year	(1)	
Amounts recovered during the year	-	
Increase / (decrease) in allowance recognised in net results	<u>-</u>	
Balance at 30 June	<u>1</u>	

<b>**Movements in the allowance for impairment:</b>		
Balance at 1 July		13
Amounts written off during the year		(3)
Amounts recovered during the year		(5)
Increase / (decrease) in allowance		<u>(3)</u>
Balance at 30 June		<u>2</u>

Details regarding credit risk of trade debtors that are neither past due or impaired, are disclosed in Note 16.

**Recognition and measurement**

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognised and derecognised on a trade date basis.

**Subsequent measurement under AASB 9 (from 1 July 2018)**

The Agency holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

**Subsequent measurement under AASB 139 (for comparative period ended 30 June 2018)**

Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

**Impairment under AASB 9 (from 1 July 2018)**

The Agency recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the Agency expects to receive, discounted at the original effective interest rate.

For trade receivables, the Agency applies a simplified approach in calculating ECLs. The Agency recognises a loss allowance based on lifetime ECLs at each reporting date. The Agency has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable. No adjustments were required to the impairment as at 1 July 2018.

**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

**6. Current / non-current assets - receivables (cont'd)**

**Recognition and measurement (cont'd)**

*Impairment under AASB 139 (for comparative period ended 30 June 2018)*

Receivables are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

The Agency assesses whether impairment exists individually on a regular basis. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

**7. Non-current assets – property, plant and equipment**

	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
<b>At 1 July 2018</b>			
Gross carrying amount	821	252	1,073
Accumulated depreciation and impairment	(665)	(129)	(794)
<b>Net carrying amount</b>	<b>156</b>	<b>123</b>	<b>279</b>
<b>At 30 June 2019</b>			
Gross carrying amount	643	393	1,036
Accumulated depreciation and impairment	(506)	(183)	(689)
<b>Net carrying amount</b>	<b>137</b>	<b>210</b>	<b>347</b>

**Reconciliation**

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
<b>Year ended 30 June 2019</b>			
Net carrying amount at beginning of year	156	123	279
Additions	41	141	182
Depreciation expense	(60)	(54)	(114)
<b>Net carrying amount at end of year</b>	<b>137</b>	<b>210</b>	<b>347</b>



**Office of Local Government**  
**Notes to the financial statements (cont'd)**

for the year ended 30 June 2019

**7. Non-current assets - property, plant and equipment (cont'd)**

	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
<b>At 1 July 2017</b>			
Gross carrying amount	820	267	1,087
Accumulated depreciation and impairment	(677)	(108)	(785)
<b>Net carrying amount</b>	<b>143</b>	<b>159</b>	<b>302</b>
<b>At 30 June 2018</b>			
Gross carrying amount	821	252	1,073
Accumulated depreciation and impairment	(665)	(129)	(794)
<b>Net carrying amount</b>	<b>156</b>	<b>123</b>	<b>279</b>

**Reconciliation**

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the prior reporting period is set out below:

	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
<b>Year ended 30 June 2018</b>			
Net carrying amount at beginning of year	143	159	302
Additions	75	-	75
Depreciation expense	(62)	(36)	(98)
<b>Net carrying amount at end of year</b>	<b>156</b>	<b>123</b>	<b>279</b>

The Agency also continues to derive service potential and economic benefit from \$0.31 million fully depreciated assets. The impact for the value of assets are likely to be minimal as most fully depreciated assets are likely to be in poor condition and therefore may or may not have zero value.

**Recognition and measurement**

**Acquisition of property, plant and equipment**

Plant and equipment are initially measured at cost.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted over the period of credit.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

**Capitalisation thresholds**

Plant and equipment costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

**Restoration costs**

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

**Depreciation of property, plant and equipment**

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Agency.

All material identifiable components of assets are depreciated separately over their useful life.

**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

**7. Non-current assets - property, plant and equipment (cont'd)**

Recognition and measurement (cont'd)

<u>Category</u>	<u>Depreciation rate / useful lives</u>
Office furniture and fittings	10%
Computers	25%
General plant and equipment	14% - 25%
Leasehold improvements	Over the period of the lease
Make-good and fit-out	Based on useful life

**Impairment of property, plant and equipment**

As a not-for-profit Agency with no cash generating units, impairment under *AASB 136 Impairment of Assets* is unlikely to arise. Since plant and equipment are carried at depreciated historical cost, impairment can only arise in rare circumstances such as where the costs of disposal are material.

The Agency assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Agency estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As a not-for-profit Agency, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

**8. Non-current assets - intangible assets**

	Register Phase 1 \$'000	Register Phase 2 \$'000	Others \$'000	Total \$'000
<b>At 1 July 2018</b>				
Gross carrying amount	1,216	1,219	192	2,627
Accumulated amortisation and impairment	(853)	-	(30)	(883)
<b>Net carrying amount</b>	<b>363</b>	<b>1,219</b>	<b>162</b>	<b>1,744</b>
<b>At 30 June 2019</b>				
Gross carrying amount	1,216	3,002	247	4,465
Accumulated amortisation and impairment	(1,034)	-	(68)	(1,102)
<b>Net carrying amount</b>	<b>182</b>	<b>3,002</b>	<b>179</b>	<b>3,363</b>

## Office of Local Government Notes to the financial statements (cont'd)

for the year ended 30 June 2019

### 8. Non-current assets - intangible assets (cont'd)

#### Reconciliation

A reconciliation of the carrying amount of the intangible assets at the beginning and end of the current year reporting period is set out below:

	Register Phase 1 \$'000	Register Phase 2 \$'000	Others \$'000	Total \$'000
<b>Year ended 30 June 2019</b>				
Net carrying amount at beginning of year	363	1,219	162	1,744
Additions	-	1,783	55	1,838
Amortisation	(181)	-	(38)	(219)
<b>Net carrying amount at end of year</b>	<b>182</b>	<b>3,002</b>	<b>179</b>	<b>3,363</b>

#### At 1 July 2017

Gross carrying amount	1,216	33	113	1,364
Accumulated amortisation and impairment	(225)	-	(52)	(279)
<b>Net carrying amount</b>	<b>991</b>	<b>33</b>	<b>61</b>	<b>1,085</b>

#### At 30 June 2018

Gross carrying amount	1,216	1,219	192	2,627
Accumulated amortisation and impairment	(853)	-	(30)	(883)
<b>Net carrying amount</b>	<b>363</b>	<b>1,219</b>	<b>162</b>	<b>1,744</b>

#### Reconciliation

A reconciliation of the carrying amount of the intangible assets at the beginning and end of the prior year reporting period is set out below:

	Register Phase 1 \$'000	Register Phase 2 \$'000	Others \$'000	Total \$'000
<b>Year ended 30 June 2018</b>				
Net carrying amount at beginning of year	991	33	61	1,085
Additions	-	1,186	126	1,312
Assets from equity transfer	-	-	(3)	(3)
Amortisation	(628)	-	(22)	(650)
<b>Net carrying amount at end of year</b>	<b>363</b>	<b>1,219</b>	<b>162</b>	<b>1,744</b>

#### Recognition and measurement

The Agency recognises intangible assets only if it is probable that future economic benefits will flow to the Agency and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market for the Agency's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.



**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

**8. Non-current assets - intangible assets (cont'd)**

The Agency's intangible assets (software) are amortised using the straight-line method over a period of 3-5 years. The software intangible mainly consists of the Companion Animals Register Phase 1 and Phase 2.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

**9. Current liabilities - payables**

	2019	2018
	\$'000	\$'000
Accrued salaries, wages and on-costs	196	263
Creditors	3,080	5,392
	<u>3,276</u>	<u>5,655</u>

Details regarding liquidity risk, including a maturity analysis of the above payable, are disclosed in Note 16.

**Recognition and measurement**

Payables represent liabilities for goods and services provided to the Agency and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

**10. Current / non-current liabilities – provisions**

	2019	2018
	\$'000	\$'000
<b>Current employee benefits and related on-costs</b>		
Annual leave	1,223	1,153
Long service leave - consequential on-costs	836	815
Payroll tax	177	161
	<u>2,236</u>	<u>2,129</u>
<b>Non-current employee benefits and related on-costs</b>		
Long service leave - consequential on-costs	22	19
Payroll tax	12	11
	<u>34</u>	<u>30</u>
<b>Other non-current provisions</b>		
Makegood provision*	267	274
	<u>301</u>	<u>304</u>
<b>Total provisions</b>	<u>2,537</u>	<u>2,433</u>
<u>Aggregate employee benefits and related on-costs</u>		
Provisions - current liabilities	2,236	2,129
Provisions - non-current liabilities	22	19
Accrued salaries, wages and on-costs (Note 9)	196	263
	<u>2,454</u>	<u>2,411</u>

\* The Agency has an obligation for restoration costs at the end of its lease at 5 O'Keefe Avenue, Nowra (1 March 2025). The net present value at 30 June 2019 of these restoration costs was calculated using the March 2019 CPI rate and the 31 May 2019 Australian Government 5-year bond rate.

**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

**10. Current / non-current liabilities - provisions (cont'd)**

**Movement in provisions (other than employee benefits)**

Movements in each class of provision during the year, other than employee benefits, are set out below:

	2019	2018
	\$'000	\$'000
Carrying amount at the beginning of year	274	267
Additional provisions recognised	-	-
Amounts used	-	-
Unused amounts reversed	-	-
Unwinding / change in the discount rate	(7)	7
<b>Carrying amount at end of year</b>	<b>267</b>	<b>274</b>

The above includes employee benefits and related on-cost for Lord Howe Island Board [refer to Note 2 (a)].

**Recognition and measurement**

*Employee benefits and related on-costs*

*Salaries and wages, annual leave and sick leave*

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits*.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

*Long service leave and superannuation*

The Agency's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Agency accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth Government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

*Consequential on-costs*

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.



**Office of Local Government**  
**Notes to the financial statements (cont'd)**

for the year ended 30 June 2019

**10. Current / non-current liabilities - provisions (cont'd)**

**Recognition and measurement (cont'd)**

*Other provisions*

Provisions are recognised when: the Agency has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the Agency expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

Any provisions for restructuring are recognised only when an Agency has a detailed formal plan and the Agency has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

**11. Equity**

*Non-cash financing and investing activities*

	2019 \$'000	2018 \$'000
Current assets	-	(11)
Intangible assets	-	(3)
<b>(DECREASE) in NET ASSETS FROM EQUITY TRANSFER</b>	<b>-</b>	<b>(14)</b>

**Recognition and measurement - Equity transfers**

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector entities and 'equity appropriations' are designated or required by AAS to be treated as contributions by owners and recognised as an adjustment to 'Accumulated funds'. This treatment is consistent with AASB 1004 *Contributions and Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the entity recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the entity does not recognise that asset.

**Office of Local Government**  
**Notes to the financial statements (cont'd)**

for the year ended 30 June 2019

**12. Commitments**

	2019 \$'000	2018 \$'000
<b>(a) Capital commitments</b>		
Aggregate capital expenditure for the acquisition of Companion Animals Register Rebuild contracted for at balance date and not provided for:		
Not later than 1 year	-	1,878
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
<b>Total (including GST)</b>	<b>-</b>	<b>1,878</b>

The total capital commitments relate to acquisition of Companion Animals Register Rebuild. The expenditure above includes nil input tax credits (2018: \$0.171 million) that are expected to be recoverable from the Australian Taxation Office.

<b>(b) Operating lease commitments</b>		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than 1 year	478	481
Later than 1 year and not later than 5 years	1,853	1,868
Later than 5 years	311	773
<b>Total (including GST)</b>	<b>2,642</b>	<b>3,122</b>

The total operating lease commitments relate to leasing of office space and motor vehicles. The expenditure above includes input tax credits of \$0.240 million (2018: \$0.284 million) that are expected to be recoverable from the Australian Taxation Office.

**13. Contingent liabilities and contingent assets**

**Contingent liabilities**

A contingent liability is a possible liability that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency.

As at the 30 June 2019 the agency has a minor litigation risk from a matter before the Supreme Court.

**Contingent assets**

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency.

The Agency is not aware of any contingent assets associated with its operations.

**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

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**14. Budget review**

**Basis of budget review**

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

**Net result**

Net deficit for the year of \$0.3 million was favourable to the budgeted deficit of \$1.4 million primarily due to the increase in revenue received from pet registration fees and the decrease in depreciation expense as a result of the change in the useful life of the Companion Animals Register.

Grants and subsidies is higher than budgeted by \$26.2 million as a result of increased Stronger Communities Fund grant expenditure of \$31.1 million offset by other unspent grant funding of the Local Infrastructure Renewal Scheme and Pensioner Rebate scheme totalling \$4.9 million.

Total revenue is higher than budgeted by \$28.7 million as result of a \$31.1 million increase in grant revenue from the principal department for the Stronger Communities Fund grant program, reflecting the timing of grants payments to councils under the scheme, with offsets from unspent Local Infrastructure Renewal Scheme, and Pensioner Rebate Scheme grant funding. A further \$1.5 million of revenue was received for Lord Howe Island Board personnel services, employee related crown liabilities, companion animals registrations, insurance and other cost recoveries.

**Assets and liabilities**

Total assets are lower than budgeted by \$3.7 million as result of a \$4.6 million decrease in companion animals debtors, GST receipts and the timing of payments offset by an increase of \$0.9 million in intangible assets for the Companion Animals Register rebuild project continuation into 2018-19.

Total liabilities are lower than budgeted by \$4.2 million as a result of decrease in payables due to the timing of grant payments and invoices.

**Cash flows**

Total payments are higher than budgeted by \$25.4 million due to increased Stronger Communities Fund grant expenditure of \$31.1 million offset by unspent Local Infrastructure Renewal Scheme and Pensioner Rebate Scheme grants funding totalling \$4.9 million.

Total receipts are higher than budgeted by \$25.2 million due to grants drawn down from the principal department for the Stronger Communities Fund grant program offset by unspent Local Infrastructure Renewal Scheme and Pensioner Rebate Scheme grants.

Net cash flows from investing activity is higher than budgeted due to the timing of payments for the Companion Animals Register rebuild project.

The actual closing cash and cash equivalents is lower than budgeted by \$2.2 million due to the timing of payments for the Companion Animals Register rebuild project.



**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

**15. Reconciliation of cash flows from operating activities to net result**

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of comprehensive income as follows:

	2019 \$'000	2018 \$'000
<b>Net cash (outflow) from operating activities</b>	(707)	(7,124)
Depreciation and amortisation	(333)	(748)
(Increase) / decrease in provisions	(104)	210
(Decrease) in receivables	(478)	(452)
Decrease in creditors	1,339	2,589
<b>Net result</b>	<b>(283)</b>	<b>(5,525)</b>

**16. Financial instruments**

The Agency's principal financial instruments are outlined below. These financial instruments arise directly from the Agency's operations or are required to finance the Agency's operations. The Agency does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Agency's main risks arising from financial instruments are outlined below, together with the Agency's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Agency, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Agency on regular basis.

**(a) Financial instrument categories**

*i. As at 30 June 2019 under AASB 9*

<b>Class</b>	<b>Note</b>	<b>Category</b>	<b>Carrying amount 2019 \$'000</b>
<i>Financial assets</i>			
Cash and cash equivalents	5	N/A	3,898
Receivables <sup>1</sup>	6	Loans and receivables (at amortised cost)	2,004
<i>Financial liabilities</i>			
Payables <sup>2</sup>	9	Financial liabilities measured at amortised cost	3,236

Notes

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

2. Excludes statutory payables, unearned revenue and non-cash works-in-kind received in advance (i.e. not within scope of AASB 7)

**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

**16. Financial instruments (cont'd)**

**(a) Financial instruments categories (cont'd)**

ii. As at 30 June 2018 under AASB 139 (comparative period)

Class	Note	Category	Carrying amount 2018 \$'000
<i>Financial assets</i>			
Cash and cash equivalents	5	N/A	7,665
Receivables <sup>1</sup>	6	Loans and receivables (at amortised cost)	2,420
<i>Financial liabilities</i>			
Payables <sup>2</sup>	9	Financial liabilities measured at amortised cost	5,612

**Notes**

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).

<sup>2</sup> Excludes statutory payables, unearned revenue and non-cash works-in-kind received in advance (i.e. not within scope of AASB 7).

The Agency determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

**(b) Derecognition of financial assets and liabilities**

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Agency transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where the Agency has not transferred substantially all the risks and rewards, if the entity has not retained control.

Where the Agency has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Agency's continuing involvement in the asset. In that case, the Agency also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Agency has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Agency could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

**(c) Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.



**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

**16. Financial instruments (cont'd)**

**(d) Financial risks**

**(i) Credit risk**

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Agency. The maximum exposure to the credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment). Credit risk arises from the financial assets of the Agency, including cash, receivables and authority deposits. No collateral is held by the Agency. The Agency has not granted any financial guarantees. Credit risk associated with the Agency's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

*Cash and cash equivalents*

Cash comprises cash on hand, the Responsible Pet Ownership bank account, and bank balances.

**Accounting policy for impairment of trade debtors and other financial assets under AASB 9.**

*Receivables - trade debtors*

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The Agency applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Agency has identified GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade debtors as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

	30 June 2019					
	\$'000					
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	0.0%	1.0%	1.5%	2.0%	2.5%	
Estimated total gross carrying amount at default	256	48	-	1	9	314
<b>Expected credit loss</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
	1 July 2018					
	\$'000					
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	-	-	-	-	-	-
Estimated total gross carrying amount at default	-	-	-	-	-	-
<b>Expected credit loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Notes: The analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the receivables total in note 6.

## Office of Local Government Notes to the financial statements (cont'd)

for the year ended 30 June 2019

### 16. Financial instruments (cont'd)

#### (d) Financial risks (cont'd)

##### (i) Credit risk (cont'd)

**Accounting policy for impairment of trade debtors and other financial assets under AASB 139 (comparative period only).**

Collectability of all debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Agency will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are generally made on 14 or 30 day terms.

The Agency is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due \$0.26 million (2018: \$0.66 million) and less than three months past due \$0.04 million (2018:\$0.09 million) are not considered impaired and together these represent 94 per cent of the total trade debtors. Most of the Agency's debtors have a AAA credit rating.

The only financial assets that are past due or impaired are 'sales of goods and services' in the 'receivables' category of the statement of financial position.

	Total <sup>1,2</sup> \$'000	Neither past due nor impaired \$'000	Past due but not impaired \$'000	Considered impaired \$'000
<b>2019</b>				
Current	256	256	-	-
< 3 months overdue	37	-	37	-
3 months - 6 months overdue	10	-	10	-
> 6 months overdue	11	-	11	-
<b>2018</b>				
Current	663	663	-	-
< 3 months overdue	92	-	92	-
3 months - 6 months overdue	58	-	58	-
> 6 months overdue	43	-	41	2

<sup>1</sup> Each column in the table reports 'gross receivables'.

<sup>2</sup> The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the receivables total recognised in the Statement of financial position.

Liquidity risk is the risk the Agency will be unable to meet its payment obligations when they fall due. The Agency continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

The liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Minister may automatically pay the supplier simple interest. The rate of interest applied during the year was 9.96% (2018: 9.77%).

The table below summarises the maturity profile of the Agency's financial liabilities based on contracted undiscounted payments, together with the interest rate exposure.



## Office of Local Government Notes to the financial statements (cont'd)

for the year ended 30 June 2019

### 16. Financial instruments (cont'd)

#### (d) Financial risks (cont'd)

##### (ii) Liquidity risk (cont'd)

*Maturity Analysis and interest rate exposure of financial liabilities*

	Weighted average effective Int. rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount	Fixed Interest Rate	Variable Interest Rate	Non- Interest Bearing	< 1 year	1 -5 years	> 5 years
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2019</b>								
<i>Payables:</i>								
Accrued salaries, wages and on-costs	N/A	196	-	-	196	196	-	-
Creditors	N/A	3,080	-	-	3,080	3,080	-	-
		3,276	-	-	3,276	3,276	-	-
<b>30 June 2018</b>								
<i>Payables:</i>								
Accrued salaries, wages and on-costs	N/A	263	-	-	263	263	-	-
Creditors	N/A	5,391	-	-	5,391	5,391	-	-
		5,654	-	-	5,654	5,654	-	-

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Agency can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of financial position.

##### (iii) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Agency's exposures to market risks are primarily through interest rate risk on the Agency's borrowings and other price risks associated with the movement in the unit price of the Hour Glass Investment Facilities. The Agency has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Agency operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date. The analysis is performed on the same basis as for 2018. The analysis assumes that all other variables remain constant.

##### Interest rate risk

Exposure to interest rate risk arises primarily through the Agency's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. The Agency does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Agency's exposure to interest rate risk is set out below.



**Office of Local Government**  
**Notes to the financial statements (cont'd)**

for the year ended 30 June 2019

**16. Financial instruments (cont'd)**

(d) Financial risks (cont'd)

(iii) Market risk (cont'd)

	Carrying amount \$'000	-1% Profit \$'000	Equity \$'000	+1% Profit \$'000	Equity \$'000
<b>30 June 2019</b>					
<i>Financial assets:</i>					
Cash and cash equivalents	3,898	(39)	(39)	39	39
Receivables	2,004	(20)	(39)	20	20
<i>Financial liabilities:</i>					
Payables	3,236	32	32	(32)	(32)
<b>30 June 2018</b>					
<i>Financial assets:</i>					
Cash and cash equivalents	7,665	(77)	(77)	77	77
Receivables	2,420	(24)	(77)	24	24
<i>Financial liabilities:</i>					
Payables	5,612	56	56	(56)	(56)

(e) Fair value measurement

Fair value compared to carrying amount

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

**17. Related party disclosure**

**(a) Key management personnel compensation**

The Agency's key management personnel compensation is as follows:

	2019 \$'000	2018 \$'000
Short-term employee benefits		
Salaries	347	330
Post-employment benefits	20	20
<b>Total remuneration</b>	<b>368</b>	<b>350</b>

The above key management personnel compensation excludes the Minister for Local Government. Ministerial compensation is paid by the NSW Legislature, not the Agency. It also excludes long service leave which is assumed by the Crown Finance Entity.

During the year, the Agency received key management personnel services from the Secretary and the Chief Finance and Operating Officer who are employees of the Department of Planning and Environment. The Agency is not required to reimburse the Department for their compensation and the total remuneration disclosed above does not include any costs relating to these two key management personnel.

The Agency did not provide any non-monetary benefits to Cabinet Ministers, their close family members or entities controlled or jointly controlled thereof during the year.

**(b) Transactions with key management personnel**

The Agency did not enter into any related party transactions with key management personnel, their close family members or entities controlled or jointly controlled thereof during the year.

**(c) Transactions with Government related entities**

During the year, the entity entered into the following individually significant arm's length transactions with other entities that are controlled by the NSW Government:

- Cluster grant funding received from the Department of Planning and Environment of \$234.5 million (2018: \$241.6 million) Note 3(b)
- Personnel services revenue received from Lord Howe Island Board of \$5.5 million (2018: \$4.2 million) Note 3(c)
- Grant funding received from Department of Industry for the Crown Lands Plans of Management \$7.4 million Note 3(b)

The Agency received less significant services from Property NSW and Department of Planning and Environment for information technology, facilities and corporate shared services arrangements. Other NSW government entity services were also received from Audit Office of NSW, NSW Self Insurance Corporation, Crown Entity for audit, insurance and employee benefit liabilities.

**Office of Local Government**  
**Notes to the financial statements (cont'd)**  
for the year ended 30 June 2019

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**18. Events after the reporting period**

Under *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019*, dated 2 April 2019, in pursuance of part 7 of the *Constitution Act 1902* and provisions of the *Government Sector Employment Act 2013*, the following changes impacted the Agency's status as an employing and a reporting entity with effect from 1 July 2019:

- the Agency was abolished and its functions were transferred to the newly formed Department of Planning, Industry and Environment (DPIE),
- the persons employed in the Agency were transferred to DPIE,
- a reference in any document to the Agency is to be construed as a reference to DPIE, and
- a reference to the Chief Executive of the Agency is to be construed as a reference to the Secretary of DPIE.

The 2018-19 financial statements will be the last financial statements for the Agency as a reporting entity.

**End of audited financial statements.**

# CONTACTS

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