



Office of  
Local Government



**Annual Report**  
**2015-16**

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## **OFFICE HOURS**

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(special arrangements may be made if these hours are unsuitable)

All offices are wheelchair accessible.

## **ALTERNATIVE MEDIA PUBLICATIONS**

Special arrangements can be made for our publications to be provided in large print or an alternative media format. If you need this service, please contact the Office on 02 9289 4000.

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# Table of Contents

Letter to the Minister .....	1
Chief Executive’s Foreword .....	2
Section 1: About Us .....	3
Section 2: Our Achievements .....	10
Section 3: How we Operate .....	18
Section 4: Financial Statements.....	33
Contact Details .....	69
Index .....	70
Glossary .....	71

# Letter to the Minister

The Hon Paul Toole 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 2016.

This report has been prepared in accordance with the provisions of the *Annual Reports (Departments) Act 1985* and the *Annual Reports (Departments) Regulation 2010*.

Yours sincerely



**Tim Hurst**  
**Acting Chief Executive**  
**Office of Local Government**

# Chief Executive's Foreword

The Office of Local Government (OLG) works closely with the local government sector in NSW to help strengthen councils and assist them to provide the services and infrastructure that their communities need.

In 2015-16 OLG worked collaboratively with councils, sector groups and other State government agencies to progress *Fit for the Future*, the NSW Government's local government reform program. During the year there were 19 new councils created to help strengthen the scale and capability of the sector. These new councils will deliver the services and infrastructure their communities need while reducing duplication and red tape.

There was significant progress made in developing the model for Joint Organisations in regional NSW. Joint Organisations will provide a forum for councils, State agencies and others to come together at a regional level to work on shared priorities.

Improving the financial sustainability of councils is a key focus for the Office of Local Government. In 2015-16, the reassessment process commenced for those councils that the Independent Pricing and Regulatory Tribunal had assessed as not meeting the financial criteria of *Fit for the Future*.

OLG also continued to work towards modernising the Local Government Act. This included working on legislation for two sets of significant reforms designed to promote community confidence in their local councils and strengthen the integrity of local government elections.

As part of our on going role in monitoring and investigating councils, OLG handled 68 referrals of councillor misconduct and 29 alleged contraventions of the pecuniary interest provisions of the *Local Government Act 1993*. OLG also supported the running of public inquiries into three councils in the reporting period.

OLG progressed a number of initiatives to support councils and the community with managing companion animals. We implemented a 50% discount on registration fees for animals obtained from a council pound or eligible shelter, and built the NSW Pet Registry.

OLG also continued to fulfil its role in administering the *Swimming Pools Act 1992*.

OLG utilised resources effectively during the year to deliver our core services, progress local government reform and meet the needs of our stakeholders.

I would like to acknowledge the hard work and professionalism from the staff at the Office of Local Government during the year.

I am pleased to highlight the achievements of the Office of Local Government in the 2015-16 Annual Report.

**Tim Hurst**  
**Acting Chief Executive**



# Section One: About Us

# What the Office does

The Office of Local Government is responsible for advising the Minister on and regulating local government across NSW.

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

The Office of Local Government works collaboratively with the local government sector and is the key adviser to the NSW Government on local government matters.

## Principal Legislation

The main piece of legislation administered by OLG is the *Local Government Act 1993*. OLG also administers the *City of Sydney Act 1988*, *Companion Animals Act 1998*, *Swimming Pools Act 1992* and *Impounding Act 1993*.

## Lord Howe Island Board

The Office of Local Government supports the Lord Howe Island Board, which is established by the *Lord Howe Island Act 1953* and is responsible to the Minister for the Environment. The Board prepares a separate annual report under its legislation.

OLG provides advice and support to the Board, as necessary, and acts as the liaison between the Board staff's and the Minister for the Environment, and other State government agencies as required.

## High level budget summary for the year

The initial total budget for 2015-16 was \$128.8 million (including protected items).

The budget was revised during the year to include \$355 million for the Stronger Communities Fund and the New Council Implementation Fund. Key budget items included:

- Provision for the Local Infrastructure Renewal Scheme of \$16.2 million
- Provision for local government reform of \$11.8 million
- Grant for the operations of the Lord Howe Island Board of \$1.45 million
- Provision for the Pensioner Concession Scheme of \$78.5 million

# Structure

As at 30 June 2016, OLG was organised into five groups.

## **Policy and Sector Development Group**

The Policy and Sector Development Group focuses on strengthening the local government sector through the development and implementation of policies, programs and other initiatives. The Group 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, the provision of policy advice, and the provision of support and advice to the local government sector on local government reform related activities.

## **Sector Performance and Intervention Group**

The Sector Performance and Intervention Group's primary focus is at an individual council level, concentrating on legislative and regulatory compliance. When required, the Group leads targeted interventions with councils.

This group is responsible for monitoring council performance and for delivering programs that have a direct impact on communities, such as the Responsible Pet Ownership and the Swimming Pools program.

The Group is responsible for the review and assessment of all statutory applications,

and administering council grants programs.

## **Business Services Group**

The Business Services Group maintains the critical relationships with the Minister's office, including managing of Ministerial correspondence, providing executive assistance to the senior executive and assisting with the maintenance of other strategic relationships.

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

## **Legal Group**

The Legal Group provides legal support and advice to the Office and manages its legislative program.

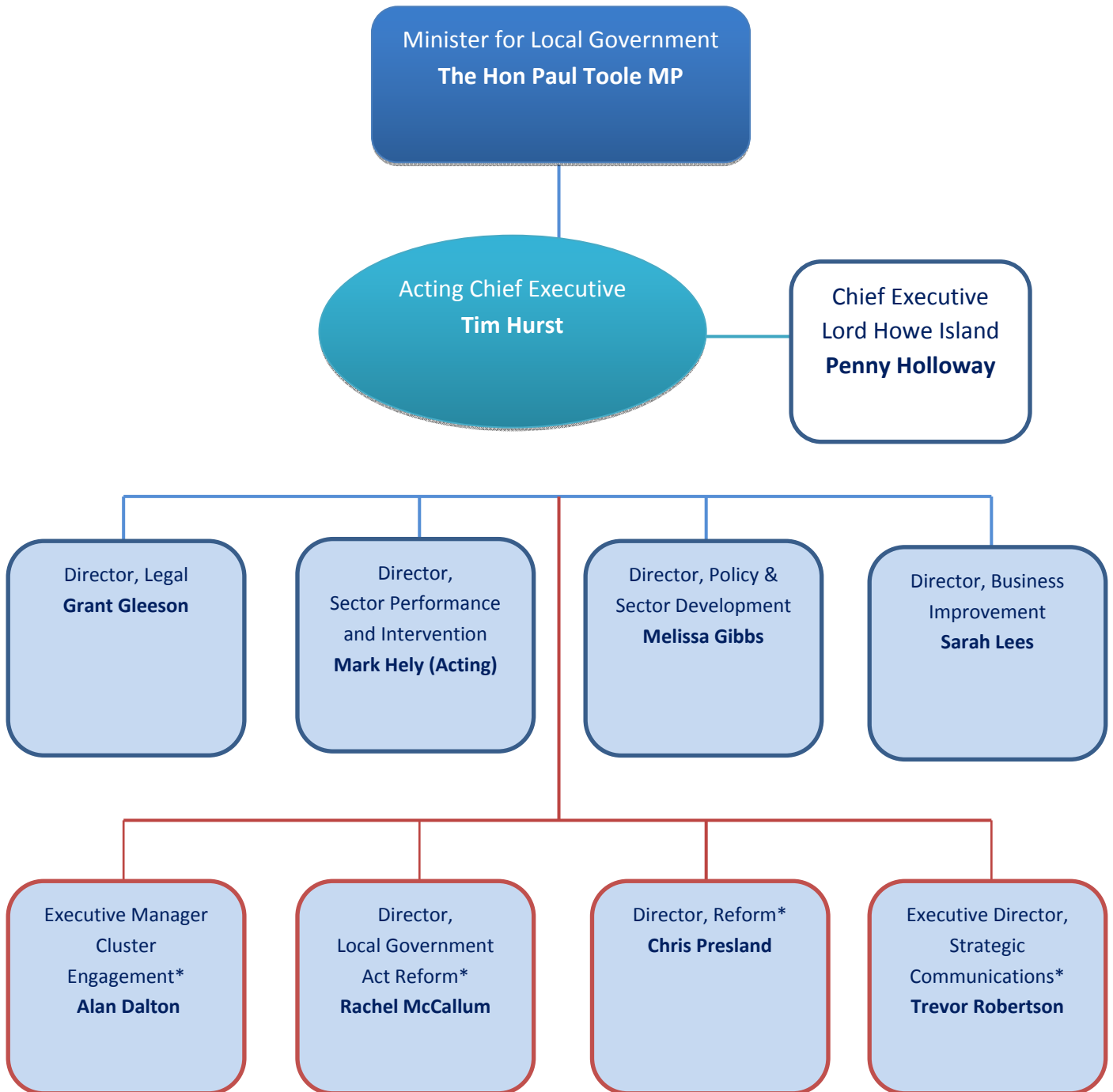
The Group also provides the governance and risk management frameworks for OLG and provides support to the Lord Howe Island Board.

## **Reform Group**

The Reform Group has been established to lead the implementation of the Fit for the Future program. This group maintains the relationship between the Office of Local Government and the Department of Premier and Cabinet, provides strategic communications advice and undertakes external communication activities, and oversees the review of the Local Government Act.



# Structure



*\*Denotes temporary positions.*

As at 30 June 2015 the Acting Chief Executive of OLG held the following qualifications: Master of Applied Finance and Investment, Bachelor of Economics, Bachelor of Science, Fellow of the Financial Services Institute of Australia.

# Key priorities

Much of OLG activities over the year focussed on implementing *Fit for the Future* reform priorities to create a stronger, modern system of local government.

In 2015-16 OLG continued to support councils to improve infrastructure management and financial sustainability through the Local Government Infrastructure Renewal Scheme.

OLG delivered projects to assist councils to manage companion animals and enhance swimming pool safety. Our priorities included:

- Overseeing the successful implementation of the “sale and lease” provisions of the *Swimming Pools Act 1992*, which came into effect on 29 April 2016.
- Introducing a 50% discount on registration fees for animals obtained from a council pound or eligible shelter.
- Building the NSW Pet Registry, a public access portal to the NSW Companion Animals Registry.

A key priority for the OLG is to monitor legislative and regulatory compliance by councils and supporting appropriate interventions where necessary. During the year OLG:

- Supported the Public Inquiries into three councils under section 438U of the *Local Government Act 1993*.
- Managed 1,454 complaints about local authorities.

The Office of Local Government’s staff and work environment are critical to its effectiveness. During the year the operational priorities for OLG were to:

- Transition the Senior Executive structure to new requirements under the public sector senior executive reform.
- Provide learning and development programs to complement and strengthen the capabilities of the staff.
- Mobilise the workforce and reassign roles to ensure that resources are allocated to meet operational priorities and provide professional development opportunities for staff.
- Transition to shared service arrangements within the Planning and Environment Cluster.

# Stakeholders and Staff

The Office of Local Government focusses its policy, regulatory and program delivery activities on achieving a broad range of benefits for our key stakeholder groups, while ensuring that staff are supported to engage effectively with stakeholders.

## Communities

- Efficient and effective local services
- Well maintained and available infrastructure
- Attractive natural, built and cultural environment
- Safety from risks posed by pets and swimming pools

## Local Government

- Stronger community leadership, engagement and governance
- Improved infrastructure management and financial sustainability
- Enhanced State and local government relationships and partnerships

## State Government

- *New Fit For the Future* structure better enables State-wide outcomes to be achieved
- Delivery of the State Government policy through regional collaboration with local councils

## Business

- Reduced red tape and consistent application of regulation

## Staff

During the year OLG conducted a number of initiatives aimed at the ongoing development of staff, as well as ensuring the health and safety of all staff and visitors.

A range of training activities and professional development opportunities were provided to staff, including:

- Professional development - Women's Springboard program, frontline complaints handling and correspondence writing
- Health and Wellbeing - Mental Health in the Workplace, defibrillator and first aid training
- Information seminars on the Public Service Commission Capability Framework, recruitment practices, procurement procedures, the *Government Information (Public Access) Act 2009*, managing performance, and electronic file management training.



## Section Two: Our Achievements

## **Supporting local government reform**

OLG continued to support the implementation of *Fit for the Future* in 2015-16.

Support was provided to councils through the One Stop Shop and Relationship Managers to help them understand options in relation to the Independent Pricing and Regulatory Tribunal's (IPART) assessment of their *Fit for the Future* proposals.

## **New councils**

The Office of Local Government worked with the Department of Premier and Cabinet to support the establishment of 19 new councils in May 2016. This included the allocation of \$355 million to new councils from the Stronger Communities Fund and the New Council Implementation Fund.

## **Joint Organisations**

Establishing Joint Organisations in regional NSW is key Government initiative aimed at creating stronger councils. In 2015-16 the Government allocated \$750,000 in grants to the five groups of councils involved in the successful Joint Organisations pilot program. This was the second instalment of the total \$1.5 million in seed funding for pilots.

Each pilot received direct support from OLG to test and develop a new model for regional planning, collaboration and advocacy. All pilot regions reported improvements in regional planning and priority setting, and improved working relationships with State agencies and neighbouring councils.

In addition to the pilot program, OLG initiated direct consultation with more than 400 local government stakeholders to help develop the core model for Joint Organisations.

Through regional visits, policy workshops, webinars and consultation sessions, councils, State agencies and other stakeholders have been involved in refining key concepts and building stronger relationships.

## **The Far West**

During the year, the Office of Local Government continued to support councils in the Far West of NSW to address the region's unique challenges and develop new solutions for regional governance and service delivery.

## **Improving council performance and governance**

OLG commenced the reassessment process for councils that IPART deemed not fit due to the financial assessment criteria. This included a Financial Sustainability Reassessment Workshop in June 2016 for 14 eligible councils. Attendees were predominately General Managers, Directors of Corporate Services and Finance Managers as well as representatives from IPART, the Institute of Public Works Engineering Australasia (IPWEA) and NSW Treasury Corporation (TCorp).

## **Review of the Local Government Act**

OLG continued consultation on the development of a streamlined Local Government Act. From January to March 2016, OLG consulted on an Explanatory Paper, which detailed amendments proposed for the first phase of reform to the Act. The first phase of reform focusses on changes to improve governance and strategic business planning processes for councils, including many recommended by the Independent Local Government Review Panel and Local Government Acts Taskforce.

Consultation with stakeholders, including an information webcast for councils and consultation with the members of the Ministerial Advisory Group, continued until March 2016.

The Local Government Amendment (Governance and Planning) Bill 2016 was introduced into the NSW Parliament on 22 June 2016.

## **Strengthening Financial Sustainability**

The Office of Local Government worked with the NSW Grants Commission to examine options for redistribution of Financial Assistance Grants to councils in the greatest need. This will ensure that disadvantaged communities, particularly those in rural and remote NSW, receive additional support to maintain critical services and infrastructure.

OLG also worked directly with local councils to help improve financial management, through further refining the Local Government Accounting Code and supporting new councils to establish sound financial practices.

## **Innovation Fund**

The Government established the Innovation Fund to assist small rural and regional councils to better support their communities. The Innovation Fund is administered by OLG.

As part of Round One of the Innovation Fund, the Government allocated \$2 million in grants to 13 projects. The projects funded under this round varied in focus, from developing and implementing more efficient processes to sharing resources with other councils and using technology to help overcome the challenge of distance.

## **Reforms to promote community confidence in councils**

During the year the Office of Local Government worked on legislation for two sets of significant reforms designed to promote community confidence in their local councils.

The *Local Government Amendment (Councillor Misconduct and Poor Performance) Act 2015* commenced on 13 November 2015. These amendments empowered OLG and the Minister for Local Government to deal more effectively with

councillor misconduct, poor performance and serious corrupt conduct.

Amendments to the *Local Government Act 1993* and the *Election Funding, Expenditure and Disclosures Act 1981* were made by the Local Government and Elections Legislation Amendment (Integrity) Bill 2016 which was passed by the Parliament on 22 June 2015 and commenced on 1 July 2016. The amendments are designed to promote confidence in the integrity of local government elections and the candidates standing for election to councils, and to offer a more effective deterrent to misuse by councillors of their office for personal gain.

## Infrastructure

The Office of Local Government continued to implement the recommendations from the 2012 Local Government Infrastructure Audit. A staged process has been established to audit the Report on Infrastructure Assets (Special Schedule 7) prepared by councils. The first stage required councils to undertake during 2015 an infrastructure audit preparedness assessment. The results of councils' assessments have helped inform the next steps in implementing a sound audit framework. OLG conducted a series of workshops for councils, in partnership with the International Public Works Engineers Australia NSW, which have resulted in a number of enhancements to Special Schedule 7.

## Local Government Infrastructure Renewal Scheme (LIRS)

The Office of Local Government administers LIRS, which provides loan subsidies to councils to fund infrastructure backlog works.

OLG delivered interest subsidy claims totalling \$15,944,085 to eligible councils in 2015-16. OLG has so far paid a total of \$38.5 million in interest rate subsidies to councils. There are 166 approved projects, and 93 have been completed. LIRS has unlocked \$817 million in council investment; it will continue until 30 June 2025.

## Swimming Pools

OLG administers the NSW Swimming Pool Register to support the registration of swimming pools and the ongoing operations of councils and private certifiers. There were 334,273 swimming pools registered and 31,701 certificates of compliance issued as at 30 June 2016.

The Office of Local Government also oversaw the successful implementation of the "sale and lease" provisions of the *Swimming Pools Act 1992*, which came into effect on 29 April 2016. These provisions require the issuing of a certificate of compliance or certificate of non-compliance prior to the sale or leasing of a property with a swimming pool or spa.

There were 6,929 certificates of compliance issued between 29 April and 30 June 2016.

## Responsible Pet Ownership

The Office of Local Government delivered on two key Government election commitments during 2015-16. In October 2015, a 50% discount on registration fees for animals obtained from a council pound or eligible shelter was introduced to encourage rehoming of shelter animals. Since its introduction, 2,701 dogs and 3,549 cats have been rehomed under the scheme.

During the year, OLG built the NSW Pet Registry, a public access portal to the NSW Companion Animals Register. The Pet Registry enables pet owners and breeders to create an online profile, transfer the ownership of pets using their microchip number, pay their once-only lifetime registration fee and update contact details to enable lost pets to be returned home.

In August 2015, OLG delivered the second year of a three year grants program to councils. Through this program councils partner with local community organisations to deliver services such as subsidised micro-chipping and de-sexing. In 2015 applications were received from 34 councils and their community partners. 28 projects were awarded funding totalling \$294,032.

The Office of Local Government continued to administer the very successful Responsible Pet Ownership Education Program. This program targets three key groups: primary school children, preschool children, and pre and post natal parents. The program delivers 'Living Safely with Pets' educating children aged 5-8 in schools; 'Living Safely with Dogs' teaching

preschool children to interact with dogs; and 'We are Family' advising expectant and new parents how to prepare their pets for a new baby's arrival. During 2015-16, there were 4,184 primary school sessions teaching 431,616 children and 1,188 preschool sessions teaching 31,141 young children to live safely with pets and 78 pre and post natal sessions.

## Statutory applications

During 2015-16, OLG received and assessed 104 applications from councils to compulsorily acquire land within their local government areas. The Office is also responsible for assessing and making recommendations about a range of other statutory applications including for boundary alterations, leases, licences and estates over community land and local approval policy exemptions.

## 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 to local governing bodies in NSW of general purpose grants under the provisions of the Commonwealth's *Local Government (Financial Assistance) Act 1995*. During 2015-16, the Grants Commission made cash payments to local authorities totalling \$712,160,575.



## Monitoring role

The Office of Local Government monitors the financial performance of all councils in NSW. Monitoring is undertaken in a variety of ways including an annual review of each council's financial reports.

OLG utilises its internal Council Improvement, Monitoring and Intervention Group to oversee its council monitoring framework and activities. OLG also monitors the actions of councils by observing meetings and visiting councils to discuss issues of concern.

## 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, corruption or some other reason. Public inquiries allow a comprehensive, transparent and independent inquiry into the functioning of a council.

During the reporting period there were public inquiries which commenced into Murray Shire, Auburn City and North Sydney Councils. OLG provided an officer and administrative assistance to support each public inquiry.

## Section 430 investigation

A key role for the Office of Local Government is to investigate serious breakdowns in council operations. Under

section 430 of the *Local Government Act 1993*, the Chief Executive has the power to carry out investigations into council operations. This power is generally only used if a council's conduct is having a serious impact on the local community. Section 430 investigations regarding Strathfield Municipal Council and Hurstville City Council, which commenced in 2014-15, were overseen during 2015-16.

## Councillor misconduct and pecuniary interest matters

During the reporting period, OLG handled 68 referrals of councillor misconduct and 29 alleged contraventions of the pecuniary interest provisions of the *Local Government Act 1993*. OLG progressed 13 misconduct investigations in the reporting period, four of which were discontinued and referred to relevant Public Inquiries.

The NSW Civil and Administrative Tribunal determined one misconduct and two pecuniary interest matters in 2015-16.

The Chief Executive found two councillors had committed misconduct and applied a sanction to those two councillors. Both of these decisions were subject to appeal.

## Senior Executive Implementation

The Office of Local Government successfully transitioned its senior executive structure under the Public Service Commission's senior executive reform program. All Senior Officer roles have been transitioned to Senior Executive roles.

## **Cluster Shared Services**

OLG has entered into shared service arrangements for the provision of HR and finance services. These services are provided through the Planning and Environment Cluster Shared Services team, and include payroll, recruitment, accounts payable and accounts receivable.

The transition from ServiceFirst to the Cluster Shared Services arrangements was implemented during the year at no additional cost to OLG.

In addition, the Department of Planning and Environment is now providing financial management and reporting assistance to the Office.

## **Remote access**

To mobilise the workforce and support our engagement with the local government sector, staff have been provided with mobile technology, including laptops, mobile devices and work based applications.

The remote access initiative provides individuals with access to resources appropriate for their workplace roles and responsibilities.

## **Research and development**

OLG did not undertake any research and development activities during 2015-16.

## **New and amending legislation**

The Office of Local Government was responsible for the development of a number of legislative amendments during the year. The following are the changes in Acts and subordinate legislation administered by OLG in 2015-16:

*Local Government Amendment (Councillor Misconduct and Poor Performance) Act 2015*. Assented to 2 November 2015. Date of commencement, 13 November 2015.

*Local Government (General) Amendment (Minimum Rates) Regulation 2015*. Date of commencement, 1 July 2015.

*Local Government (General) Amendment (Model Code of Conduct) Regulation 2015*. Date of commencement, 13 November 2015.

*Local Government (General) Amendment (Staff) Regulation 2016*. Date of commencement, 16 May 2016.

*Local Government (General) Amendment (Preparation of Rolls) Regulation 2016*. Date of commencement, 25 May 2016.

*Local Government (General) Amendment (Candidate Information) Regulation 2016*. Date of commencement, 3 June 2016.


*City of Sydney Regulation 2016*. Date of commencement, 25 May 2016.

*Swimming Pools Amendment (Inspections) Regulation 2016*. Date of commencement, 24 March 2016.

*Companion Animals Amendment (Registration Fees) Regulation 2015*. Date of commencement, 29 October 2015.

Amendments assented to in 2015–16 but not commenced:

*Impounding Amendment (Unattended Boat Trailers) Act 2015*. Assented to 28 September 2015.



## Section Three: How we Operate

# Staff Policies

## Personnel

OLG works closely with the Department of Planning and Environment and the Office of Environment and Heritage to ensure consistency in personnel and financial policies and practices across the Cluster.

All personnel policies and procedures, such as recruitment, performance management and grievance procedures are provided to staff via the Office of Local Government's intranet.

## Supporting Diversity

OLG worked with the Department of Community Services and its Planning and Environment Cluster partners to develop its Disability Inclusion Action Plan (DIAP), and is a member of the DIAP Implementation Committee.

OLG is committed to developing and maintaining a culture that supports equity and diversity and the principles of multiculturalism. The agency holds annual events celebrating diversity, such as Harmony Day.

The Office of Local Government has developed a Multicultural Policies and Services Plan in consultation with other agencies in the Planning and Environment Cluster.

OLG is committed to improving workforce participation for Aboriginal and Torres Strait Islander people within the agency and across the local government sector.

Currently, 3.4% of Office staff identify as either Aboriginal or Torres Strait Islander.

## Industrial Relations

OLG has in place a Workplace Consultative Arrangements policy that has been developed in consultation with staff and the Public Service Association. The Office of Local Government holds quarterly Joint Consultative Committee meetings.

## Privacy Management Plan

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

The Office of Local Government's privacy obligations are also reflected in the Code of Ethics and Conduct.

## Workplace Health and Safety

OLG has a Workplace Health and Safety Committee which is based in Nowra.

The Committee meets quarterly.

Committee members regularly undertook workplace assessments in 2015-16 with favourable outcomes and only a small number of minor issues requiring rectification.

# Staff Policies

## Claims and Reports

There were 3 worker's compensation claims for 2015-16.

Accidents and incidences	Count
Slip/trip/fall at work	3
Slip/trip (journey)	0
Lifting	0
Cuts/burns	2
Driving/car related	0
Psychological	1
Other	1
<b>TOTAL</b>	<b>7</b>

Year	Premiums paid	Claims lodged	Open claims
2015-16	\$38,975	3	3

## Overseas travel

No staff from the Office of Local Government travelled overseas during the reporting period.

# Staff profile

## Staff profile by employment category

Staff numbers by category	2013-14			2014-15			2015-16		
	Men	Women	TOTAL	Men	Women	TOTAL	Men	Women	TOTAL
Permanent full time	24	32	56	26	36	62	23	34	57
Permanent part time	0	2	2	0	2	2	0	2	2
Temporary full time	1	1	2	2	3	5	9	13	22
Temporary part time	0	0	0	0	2	2	0	0	0
Contract SES / SEB in 2015-16	4	2	6	1	0	1	5	3	8
Contract non-SES	0	0	0	0	0	0	1	1	2
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>29</b>	<b>37</b>	<b>66</b>	<b>29</b>	<b>43</b>	<b>72</b>	<b>38</b>	<b>53</b>	<b>91</b>

## Workforce diversity

Workforce Diversity*	2013-14	2014-15	2015-16
Women	55.7%	59.7%	57.5%
Aboriginal People and Torres Strait Islander	5.1%	4.1%	3.4%
People whose language spoken as a child was not English	13.3%	8.3%	5.7%
People with Disability	4.4%	2.7%	2.3%
People with a Disability requiring work related adjustment	4.4%	2.7%	2.3%

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

# Senior Executive

## 2015-16 Senior Executive Positions (including Lord Howe Island Board)

Number of Senior Executive by Band*	2014-15		2015-16	
	Female	Male	Female	Male
Band 4 (Secretary)	0	0	0	0
Band 3 (Deputy Secretary)	1	0	0	1
Band 2 (Executive Director)	0	1	0	1
Band 1 (Director)	2	1	4	4
<b>Totals</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>6</b>
	<b>5</b>		<b>10*</b>	

\* The increase in temporary Senior Executive positions is a related to the implementation of local government reform.

Remuneration by Band	2014-15	
	Range	Average Remuneration
Band 4 (Secretary)	\$343,201 – 497,300	\$0
Band 3 (Deputy Secretary)	\$305,401 – 343,200	\$340,000
Band 2 (Executive Director)	\$242,801 – 305,400	\$265,000
Band 1 (Director)	\$170,250 – 242,800	\$207,000



# Consultancies, Funds & Grants Paid

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

Purpose of consultant	Number of consultancies	Cost
Finance and accounting	1	\$14,000
Local Government Reform	9	\$124,213
Organisational review	1	\$45,454
<b>TOTAL</b>	<b>11</b>	<b>\$183,667</b>

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

Consultants	Project	Fee
Elton Consulting Group Pty Ltd	Joint Organisation Pilot Project	\$51,208
KPMG Australia Pty Ltd	Review of Financial Grants methodology	\$82,523
Ernst & Young	Assist with design of new Financial Assistance Grants model	\$169,856
Newgate Communications Australia Pty Ltd	Professional consultancies fees	\$258,370
<b>TOTAL</b>		<b>\$561,958</b>

## Grant funds paid during the period

In 2015-16, the Office of Local Government paid the following in grants:

Name of organisation	Nature and purpose of grant	Paid
NSW Councils	Financial Assistance Grants	\$712,160,575
NSW Councils	Local Infrastructure Renewal Scheme	\$15,944,083
NSW Councils	Council rates concession for eligible pensioners	\$78,242,652
NSW Councils	Local Government Reform	\$357,750,000
<b>TOTAL</b>		<b>\$1,164,097,310</b>

During 2015-16, there were no funds granted by the Office to non-government community organisations.

# Audit and Assets

## **Audit and risk management**

The Department of Planning and Environment's Audit and Risk Committee has oversight of the Office of Local Government's financial and risk management practices. The Audit and Risk Committee met 5 times during the 2015/16 financial year.

## **Credit Card Certification**

OLG has adopted the Department of Planning and Environment's Corporate Credit Card Policy and Procedures.

OLG corporate credit card policies are in accordance with guidelines from NSW Treasury and the Audit Office of NSW. These corporate credit card policies and procedures satisfy the requirements of the Treasurer's Directions. Corporate credit card expenditure was monitored for compliance and usage was considered to comply with best practice guidelines.

## **Major Capital Works**

The Office of Local Government had no major capital works in the reporting period.

## **Land Disposal**

There was no land disposal by the Office of Local Government in the reporting period.

## Account payment performance

During 2015-16, OLG paid a total number of 3,568 accounts to suppliers or contractors, of which a total of 3310 accounts were paid on time. Based on number of accounts, this represents 92.76% of accounts paid on time. Based on dollar amount, this represents 99.70% of accounts paid on time. There have not been any penalty interests charged to OLG for late payments in 2015-16.

OLG did not make any payments to recognised small business suppliers.

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	\$2,752,940	\$419,168	\$78,899	\$679	\$556
December	\$4,392,211	\$997,598	\$75,267	\$276,167	\$1,342
March	\$4,454,997	\$121,078	\$39	0	\$90,383
June	\$8,714,194	\$66,523	\$12,130	\$52	\$10,994

Accounts due or paid within each quarter - All suppliers				
Measure	September	December	March	June
Number of accounts due for payment	847	879	664	1,178
Number of accounts paid on time	734	805	647	1,124
Actual percentage of accounts paid on time (based on number of accounts)	86.6%	91.6%	97.4%	95.4%
Dollar amount of accounts due for payment	\$3,252,242	\$5,742,584	\$4,666,497	\$8,803,892
Dollar amount of accounts paid on time	\$2,752,940	\$4,392,211	\$4,454,997	\$8,714,194
Actual percentage of accounts paid on time (based on \$)	84.6%	76.5%	95.5%	99.0%

## Economic or other factors

OLG is not aware of any economic or other factors affecting the achievement of operational objectives for 2015-16.

# 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 2015 to 30 June 2016.

- No public interest disclosures have been received in the period from public officials.

No public interest disclosures have been received relating to any of the following:

- Corrupt conduct
- Maladministration
- Serious and substantial waste of public money or local government money (as appropriate)
- Government information contraventions
- Local government pecuniary interest contraventions

No public interest disclosures were finalised within the period.

The Office of Local Government has adopted the Department of Premier and Cabinet's *Public Interest Disclosures—Policy & Procedures* (November 2011).

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. Also, 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 on compliance with its obligations. In accordance with the Ombudsman's reporting system, information was provided within the statutory deadlines.

The Office of Local Government 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

The Office of Local Government received 3 complaints about its delivery of services during the reporting period.

# Access to information

OLG received a total number of 50 access applications under the *Government Information (Public Access) Act 2009 (GIPAA)* during the reporting year (including withdrawn applications, but not including invalid applications). 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 applies to Tables A and B.

**Table A: Number of applications by type of applicant and outcome**

	Access granted in full	Access granted in part	Access refused in full	Info not held	Info already available	Refuse to deal with application	Refuse to confirm/deny if info is held	Application withdrawn	Total
Media	0	0	0	0	0	0	0	2	2
Members of Parliament	2	6	0	4	0	0	0	0	12
Private Sector Business	0	0	0	0	0	0	0	0	
Not for profit organisation or community groups	2	1	1	3	0	0	0	0	7
Member of the public (application by legal representative)	1	0	1	1	1	0	0	1	5
Member of public (other)	2	4	4	3	2	0	0	0	15

**Table B: Number of applications by type of application and outcome**

	Access granted in full	Access granted in part	Access refused in full	Info not held	Info already available	Refuse to deal with application	Refuse to confirm/deny if info is held	Application withdrawn	Total
Personal information applications*	0	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	6	10	5	10	3	0	0	3	37
Access applications that are partly personal information applications and partly other	1	1	1	1	0	0	0	0	4

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

# Access to information

**Table C: Invalid applications**

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of GIPAA)	3
Application is for excluded information of the agency (section 43 of GIPAA)	1
Application contravenes restraint order (section 110 of GIPAA)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	1

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

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	4
Executive Council information	0
Contempt	0
Legal professional privilege	2
Excluded information	0
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 GIPAA**

	Number of occasions when application not successful
Responsible and effective government	6
Law enforcement and security	0
Individual rights, judicial processes and natural justice	5
Business interests of agencies and other persons	4
Environment, culture, economy and general matters	0
Secrecy provisions	4
Exempt documents under interstate Freedom of Information legislation	0

# Access to information

**Table F: Timeliness**

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

**Table G: Number of applications reviewed under Part 5 of GIPAA (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 GIPAA	0	0	0
Review by Administrative Decisions Tribunal	0	2	2
<b>Total</b>	<b>0</b>	<b>2</b>	<b>2</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.

**Table H: Applications for review under Part 5 of GIPAA (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 GIPAA)	0

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

	Number of applications transferred
Agency initiated transfers	5
Applicant initiated transfers	8



## Section Four: Financial Statements





5 O'Keefe Avenue NOWRA NSW 2541  
Locked Bag 3015 NOWRA NSW 2541

Our Reference: A514833  
Your Reference:  
Contact: Teresa Hughes  
Phone: 02 4428 4137

Caroline Karakatsanis  
Director Financial Audit Services  
Audit Office of New South Wales  
GPO Box 12  
SYDNEY NSW 2014

20 September 2016

**Statement by the Chief Executive Officer of the Office of Local Government**

Pursuant to section 45F of the *Public Finance and Audit Act 1983*, I state that to the best of my knowledge and belief that:

- a) The accompanying financial statements in respect of the year ended 30 June 2016 have been prepared in accordance with applicable Australian Accounting Standards, the provisions of the *Public Finance and Audit Act 1983*, applicable clauses of the Public Finance and Audit Regulation 2015 and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies;
- b) The statements exhibit a true and fair view of the financial position of the Office of Local Government as at 30 June 2016, and transactions of the year then ended; and
- c) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Yours sincerely

**Tim Hurst**  
**Acting Chief Executive**  
**Office of Local Government**





## 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 financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flows and service group statements for the year then ended, notes comprising a summary 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 2016, and of its financial performance and 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 those standards are further 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 auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

### **Acting Chief Executive's Responsibility for the Financial Statements**

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

In preparing the financial statements, the Acting Chief Executive must assess the ability of the Office to continue as a going concern unless the Office's operations will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

### **Auditor's Responsibility 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, and
- 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 further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. 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.



Caroline Karakatsanis  
Director, Financial Audit Services

20 September 2016  
SYDNEY



Office of Local Government

Statement of comprehensive income for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
<b>Expenses excluding losses</b>				
Operating expenses				
Employee related	2(a)	16,336	13,044	12,037
Other operating expenses	2(b)	18,917	12,462	10,624
Depreciation and amortisation	2(c)	130	132	154
Grants and subsidies	2(d)	456,441	103,211	97,087
Finance costs	2(e)	-	-	8
<b>Total expenses excluding losses</b>		<b>491,824</b>	<b>128,849</b>	<b>119,910</b>
<b>Revenue</b>				
Sale of goods and services	3(a)	104	35	35
Investment revenue	3(b)	52	-	265
Retained taxes, fees and fines	3(c)	7,480	6,609	7,694
Grants and contributions	3(d)	477,742	119,502	110,296
Personnel services revenue	3(e)	3,672	3,295	3,350
Acceptance by the Crown Entity of employee benefits and other liabilities	3(f)	1,418	304	473
<b>Total revenue</b>		<b>490,468</b>	<b>129,745</b>	<b>122,113</b>
<b>Other gains/(losses)</b>	4	-	-	52
<b>Net result</b>		<b>(1,356)</b>	<b>896</b>	<b>2,255</b>
<b>Other comprehensive income</b>				
<b>Total other comprehensive income</b>		-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(1,356)</b>	<b>896</b>	<b>2,255</b>

The accompanying notes form part of these financial statements.

**Office of Local Government**  
**Statement of financial position as at 30 June 2016**

		Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6	11,480	6,719	18,324
Receivables	7	5,249	2,958	3,742
<b>Total current assets</b>		<b>16,729</b>	<b>9,677</b>	<b>22,066</b>
<b>Non-current assets</b>				
Plant and equipment				
• Plant and equipment	8	156	210	199
• Leasehold Improvements	8	92	110	104
Total plant and equipment		248	320	303
Intangible assets	9	534	115	87
<b>Total non-current assets</b>		<b>782</b>	<b>435</b>	<b>390</b>
<b>Total assets</b>		<b>17,511</b>	<b>10,112</b>	<b>22,456</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	10	7,477	1,672	11,298
Provisions	11	2,233	1,030	2,005
<b>Total current liabilities</b>		<b>9,710</b>	<b>2,702</b>	<b>13,303</b>
<b>Non-current liabilities</b>				
Provisions	11	343	363	339
<b>Total non-current liabilities</b>		<b>343</b>	<b>363</b>	<b>339</b>
<b>Total liabilities</b>		<b>10,053</b>	<b>3,065</b>	<b>13,642</b>
<b>Net assets</b>		<b>7,458</b>	<b>7,047</b>	<b>8,814</b>
<b>EQUITY</b>				
Accumulated funds		7,458	7,047	8,814
<b>Total equity</b>		<b>7,458</b>	<b>7,047</b>	<b>8,814</b>

The accompanying notes form part of these financial statements.

Office of Local Government

Statement of changes in equity for the year ended 30 June 2016

	Notes	Accumulated funds \$'000	Total \$'000
Balance at 1 July 2015		8,814	8,814
Net result for the year		<u>(1,356)</u>	<u>(1,356)</u>
Other comprehensive income:			
Total other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(1,356)</u>	<u>(1,356)</u>
Balance at 30 June 2016		<u>7,458</u>	<u>7,458</u>
Balance at 1 July 2014		6,559	6,559
Net result for the year		<u>2,255</u>	<u>2,255</u>
Other comprehensive income:			
Total other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>2,255</u>	<u>2,255</u>
Balance at 30 June 2015		<u>8,814</u>	<u>8,814</u>

The accompanying notes form part of these financial statements.

Office of Local Government

Statement of cash flows for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Employee related		(11,327)	(12,740)	(8,575)
Grants and subsidies		(461,405)	(103,211)	(95,008)
Other		(20,433)	(12,546)	(10,660)
<b>Total payments</b>		<b>(493,165)</b>	<b>(128,497)</b>	<b>(114,243)</b>
<b>Receipts</b>				
Interest received		104	-	161
Retained taxes, fees and fines		8,944	6,747	7,637
Grants and contributions		477,742	119,502	120,743
Other		54	3,330	1,514
<b>Total receipts</b>		<b>486,844</b>	<b>129,579</b>	<b>130,055</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	14	<b>(6,321)</b>	<b>1,082</b>	<b>15,812</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of plant and equipment	8	(28)	(105)	(135)
Purchases of intangible assets	9	(495)	-	-
Other		-	(40)	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(523)</b>	<b>(145)</b>	<b>(135)</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>		(6,844)	937	15,677
Opening cash and cash equivalents		18,324	5,782	2,647
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	6	<b>11,480</b>	<b>6,719</b>	<b>18,324</b>

The accompanying notes form part of these financial statements.

Office of Local Government

Supplementary Financial Statements

Service group statements for the year ended 30 June 2016

EXPENSES AND INCOME	Service Group 1: Capacity Building, Oversight and Provision of Advice for Local Government*		Service Group 2: Pensioner Rebate Scheme*		Service Group 3: Responsible Pet Ownership Program*		Service Group 4: Personnel Services*		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Expenses excluding losses</b>										
Operating expenses										
Employee related	12,002	8,116	-	-	675	571	3,659	3,350	16,336	12,037
Other operating expenses	12,113	3,546	-	-	6,804	7,078	-	-	18,917	10,624
Depreciation and amortisation	120	146	-	-	10	8	-	-	130	154
Grants and subsidies	377,904	18,044	78,243	78,740	294	303	-	-	456,441	97,087
Finance costs	-	8	-	-	-	-	-	-	-	8
<b>Total expenses excluding losses</b>	<b>402,139</b>	<b>29,860</b>	<b>78,243</b>	<b>78,740</b>	<b>7,783</b>	<b>7,960</b>	<b>3,659</b>	<b>3,350</b>	<b>491,824</b>	<b>119,910</b>
<b>Revenue</b>										
Sale of goods and services	104	35	-	-	-	-	-	-	104	35
Investment revenue	-	199	-	-	52	66	-	-	52	265
Retained taxes, fees and fines	1	-	-	-	7,479	7,694	-	-	7,480	7,694
Grants and contributions	398,515	31,556	78,243	78,740	984	-	-	-	477,742	110,296
Personnel services revenue	13	-	-	-	-	-	3,659	3,350	3,672	3,350
Acceptance by the Crown Entity of employee benefits and other liabilities	1,401	406	-	-	17	67	-	-	1,418	473
<b>Total revenue</b>	<b>400,034</b>	<b>32,196</b>	<b>78,243</b>	<b>78,740</b>	<b>8,532</b>	<b>7,827</b>	<b>3,659</b>	<b>3,350</b>	<b>490,468</b>	<b>122,113</b>
Other gains/(losses)	-	52	-	-	-	-	-	-	-	52
<b>Net result</b>	<b>(2,105)</b>	<b>2,388</b>	<b>-</b>	<b>-</b>	<b>749</b>	<b>(133)</b>	<b>-</b>	<b>-</b>	<b>(1,356)</b>	<b>2,255</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(2,105)</b>	<b>2,388</b>	<b>-</b>	<b>-</b>	<b>749</b>	<b>(133)</b>	<b>-</b>	<b>-</b>	<b>(1,356)</b>	<b>2,255</b>

\* The names and purposes of each service group are summarised in Note 5.



Office of Local Government

Supplementary Financial Statements  
Service group statements for the year ended 30 June 2016

	Service Group 1: Capacity Building, Oversight and Provision of Advice for Local Government*		Service Group 2: Pensioner Rebate Scheme*		Service Group 3: Responsible Pet Ownership Program*		Service Group 4: Personnel Services*		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>ASSETS AND LIABILITIES</b>										
<b>Current assets</b>										
Cash and cash equivalents	7,071	15,183	-	-	4,409	3,141	-	-	11,480	18,324
Receivables	2,198	1,095	-	-	2,098	1,615	953	1,032	5,249	3,742
<b>Total current assets</b>	<b>9,269</b>	<b>16,278</b>	<b>-</b>	<b>-</b>	<b>6,507</b>	<b>4,756</b>	<b>953</b>	<b>1,032</b>	<b>16,729</b>	<b>22,066</b>
<b>Non-current assets</b>										
Plant and equipment										
• Plant and equipment	156	199	-	-	-	-	-	-	156	199
• Leasehold Improvements	92	104	-	-	-	-	-	-	92	104
Intangibles	39	87	-	-	495	-	-	-	534	87
<b>Total non-current assets</b>	<b>287</b>	<b>390</b>	<b>-</b>	<b>-</b>	<b>495</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>782</b>	<b>390</b>
<b>TOTAL ASSETS</b>	<b>9,556</b>	<b>16,668</b>	<b>-</b>	<b>-</b>	<b>7,002</b>	<b>4,756</b>	<b>953</b>	<b>1,032</b>	<b>17,511</b>	<b>22,456</b>
<b>Current liabilities</b>										
Payables	4,642	8,386	-	-	2,797	2,774	38	138	7,477	11,298
Provisions	1,326	1,120	-	-	-	-	907	885	2,233	2,005
<b>Total current liabilities</b>	<b>5,968</b>	<b>9,506</b>	<b>-</b>	<b>-</b>	<b>2,797</b>	<b>2,774</b>	<b>945</b>	<b>1,023</b>	<b>9,710</b>	<b>13,303</b>
<b>Non-current liabilities</b>										
Provisions	335	330	-	-	-	-	8	9	343	339
<b>Total non-current liabilities</b>	<b>335</b>	<b>330</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>9</b>	<b>343</b>	<b>339</b>
<b>TOTAL LIABILITIES</b>	<b>6,303</b>	<b>9,836</b>	<b>-</b>	<b>-</b>	<b>2,797</b>	<b>2,774</b>	<b>953</b>	<b>1,032</b>	<b>10,053</b>	<b>13,642</b>
<b>NET ASSETS</b>	<b>3,253</b>	<b>6,832</b>	<b>-</b>	<b>-</b>	<b>4,205</b>	<b>1,982</b>	<b>-</b>	<b>-</b>	<b>7,458</b>	<b>8,814</b>

\* The names and purposes of each service group are summarised in Note 5.

**Office of Local Government**

**Notes to the financial statements**

**1 Summary of significant accounting policies**

**(a) Reporting entity**

The Office of Local Government (The Agency) is a NSW government agency. The Agency is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

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 2016 have been authorised for issue by the Chief Executive on 20 September 2016.

**(b) Basis of preparation**

(i) 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* 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.

Plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets at 'fair value through profit or loss' and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

(ii) The financial statements are prepared on a going concern basis.

(iii) All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

**(c) Statement of compliance**

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

**(d) Administered activities**

The Agency administers, but does not control, Federal Financial Assistance Grants it receives and disburses to Local Councils. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the Agency's own objectives.

Transactions and balances relating to the administered activities are not recognized as the Agency's income, expenses, assets and liabilities, but are disclosed in Note 2 (d).

The accrual basis of accounting and all applicable accounting standards have been adopted.

**(e) Insurance**

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

**(f) 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 the cost of acquisition of an asset 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 Australian Taxation Office are classified as operating cash flows.

**(g) Income recognition**

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

**(i) Parliamentary appropriations and contributions**

Recurrent and capital grants from the principal department are generally recognised as income when the Agency obtains control over the assets comprising the grants / contributions. Control over grants and contributions is normally obtained upon the receipt of cash.

**(ii) Sale of goods**

Revenue from the sale of goods is recognised as revenue when the Agency transfers the significant risks and rewards of ownership of the assets.

**(iii) Rendering of services**

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



**Office of Local Government**  
**Notes to the financial statements**

**1 Summary of significant accounting policies (continued)**

(g) *Income recognition (continued)*

(iv) Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

(v) Responsible Pet Ownership Program

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. Collections recorded in the Register by Councils for the period ended 30 June 2016 totalled \$7.48 million (2015: \$7.69 million) which is recorded as retained taxes, fees and fines.

A quarterly reimbursement is made to councils based on Register Reports for the quarter. A total of \$5.58 million (2015: \$5.74 million) in expenses is recorded as other operating expenses in the statement of comprehensive income.

(h) *Assets*

(i) Acquisitions of assets

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

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.

(ii) Capitalisation thresholds

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

(iii) Revaluation of plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

(iv) Impairment of plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

(v) Depreciation of plant and equipment and amortisation of intangible assets

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 entity.

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

<u>Category</u>	<u>Depreciation rate</u>
Office furniture and fittings	10%
Computers	25% - 27%
General plant and Equipment	14% - 25%
Leasehold improvements	Over the period of the lease
Make-good and fit-out	Based on useful lives
Amortisation of intangible assets	
Software	3 - 5 years (straight line method)

(vi) Restoration costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

(vii) Maintenance

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

**Office of Local Government**  
**Notes to the financial statements**

**1 Summary of significant accounting policies (continued)**

(h) *Assets (continued)*

(viii) *Leased assets*

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risks and rewards.

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(ix) *Intangible assets*

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.

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.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Agency's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Agency's intangible assets are amortised using the straight line method over a period of 3 to 5 years. The duration depends on an assessment of the useful life at inception of use.

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.

(x) *Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest rate method, less any allowance for impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at original invoice amount where the effect of discounting is immaterial.

(i) *Liabilities*

(i) *Payables*

These amounts represent liabilities for goods and services provided to the entity and other amounts. Payables are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) *Employee benefits and other provisions*

(a) *Salaries and wages, annual leave, sick leave and on-costs*

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* (although short cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The entity has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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.



**Office of Local Government**  
**Notes to the financial statements**

**1 Summary of significant accounting policies (continued)**

(ii) Employee benefits and other provisions (continued)

(b) 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 present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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.

(c) 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. Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the Agency as shown in Note 11.

(d) Personnel Services

The Agency's employee related provisions include employee related provisions for personnel services provided to the Lord Howe Island Board.

(iii) Other Provisions

Other provisions exist when: the entity 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.

Any provisions of restructuring are recognised only when an entity has a detailed formal plan and the entity 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.

If the effect of the time value of money is material, provisions are discounted at [X]%, which is a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

(j) *Fair value hierarchy*

A number of the Agency's accounting policies and disclosures require the measurement of fair values, for both financial and non financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Agency categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices in active markets for identical assets/liabilities that the Agency can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 - inputs that are not based on observable market data (unobservable inputs).

The Agency recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(k) *Equity and reserves*

(i) Accumulated funds

The category 'Accumulated Funds' includes all current and prior period retained funds.

**Office of Local Government**  
**Notes to the financial statements**

**1 Summary of significant accounting policies (continued)**

*(l) Budgeted amounts*

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 (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements is explained in Note 15.

*(m) Comparative information*

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

*(n) Services Group allocation*

Expenses and revenues are allocated to the service group based on specific cost center. Balance Sheet items are allocated to the service group based on specific general ledger codes.

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

*(i) Effective for the first time in 2015-16*

The accounting policies applied in 2015-16 are consistent with those of the previous financial year. The Agency did not early adopt AASB 2015-3 regarding withdrawal of AASB 1031 Materiality. There is nil impact to the Agency.

*(ii) Issued but not yet effective*

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

The following new Australian Accounting Standards have not been applied and are not yet effective. NSW Treasury TC 16-02 mandates agencies not to early adopt any of the following accounting pronouncements:

- AASB 9 and AASB 2014-7 regarding financial instruments
- AASB 15, AASB 2014-5 and AASB 2015-8 regarding Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 1057 and AASB 2015-9 Application of Australian Accounting Standards
- AASB 2014-4 regarding acceptable methods of depreciation and amortisation
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012-2014 cycle
- AASB 2015-2 regarding amendments to AASB 101 disclosure initiatives
- AASB 2015-6 regarding extending related party disclosures to not-for-profit public sector entities
- AASB 2015-7 regarding fair value disclosures of not-for-profit public sector entities

The Agency does not anticipate any material financial impact in its financial statements when these accounting pronouncements become effective and are applied.

**Office of Local Government**  
**Notes to the financial statements**

**2(a) Employee related expenses**

	2016 \$'000	2015 \$'000
Salaries and wages (including annual leave)	11,072	9,665
Superannuation - defined benefit plans	68	101
Superannuation - defined contribution plans	964	829
Long service leave (Note 15)	1,495	443
Workers' compensation insurance	86	102
Payroll tax and fringe benefits tax	685	562
Redundancies	397	173
Temporary employees (Note 15)	1,569	162
	<u>16,336</u>	<u>12,037</u>

The employee related expenses include \$3,659,008 for the Lord Howe Island Board (2015: \$3,350,271). Refer also to notes 1(a) and 3(e).

**2(b) Other operating expenses**

	2016 \$'000	2015 \$'000
Auditor's remuneration - audit of the financial statements	53	62
Community events	39	38
Committee fees & expenses	347	36
Consultants	799	153
Corporate services (Cluster Shared Service Provider)	163	240
Contractor - projects	1,516	1,447
Fees for services rendered (Note 15)	4,812	1,222
Insurance	1	32
Motor vehicle expenses	19	81
Operating lease rental expense - minimum lease payments	294	418
Telephone and communication costs	53	70
Stores and minor assets	15	8
Training (staff development)	62	34
Travel costs	148	123
Promotions and Publicity (Note 15)	3,721	-
Other expenses	730	483
Other occupancy costs	220	223
Information dissemination	256	146
Responsible Pet Ownership Program payments	5,585	5,736
Maintenance *	84	72
	<u>18,917</u>	<u>10,624</u>
<i>* Reconciliation - Total maintenance</i>		
Maintenance expense - contracted labour and other (non-employee related), as above	84	72
Employee related maintenance expense included in Note 2 (a)	-	-
Total maintenance expenses included in Note 2(a) + 2(b)	<u>84</u>	<u>72</u>

**2(c) Depreciation and amortisation expense**

	2016 \$'000	2015 \$'000
Depreciation:		
Plant and equipment	72	72
Leasehold improvements	10	34
	<u>82</u>	<u>106</u>
Amortisation:		
Intangible assets	48	48
	<u>48</u>	<u>48</u>
Total depreciation and amortisation	<u>130</u>	<u>154</u>



**Office of Local Government**  
**Notes to the financial statements**

**2(d) Grants and subsidies**

	2016 \$'000	2015 \$'000
NSW Government	4,210	4,612
Local Government (Note 15)	373,988	13,735
Pensioner Rebate	78,243	78,740
	<u>456,441</u>	<u>97,087</u>

The above does not include \$712,160,575 (2015: \$715,676,168) paid for the Federal Financial Assistance Grants to New Local Councils. (The receipt of \$712,160,575 (2015: \$715,676,168) is also not included). The Agency acts as an administrator in this scheme and has no control over the allocation or timing of the grants.

**2(e) Finance costs**

	2016 \$'000	2015 \$'000
Unwinding of discount rate on make good provision	-	8
	<u>-</u>	<u>8</u>

**3(a) Sale of goods and services**

	2016 \$'000	2015 \$'000
Rendering of services	104	35
	<u>104</u>	<u>35</u>

**3(b) Investment revenue**

	2016 \$'000	2015 \$'000
Interest revenue from financial assets not at fair value through profit or loss	52	265
	<u>52</u>	<u>265</u>

**3(c) Retained taxes, fees and fines**

	2016 \$'000	2015 \$'000
Responsible Pet Ownership Program registration fees	7,480	7,694
	<u>7,480</u>	<u>7,694</u>

**3(d) Grants and contributions**

	2016 \$'000	2015 \$'000
NSW Government (Note 15)	477,742	110,296
	<u>477,742</u>	<u>110,296</u>

**3(e) Personnel services revenue**

	2016 \$'000	2015 \$'000
Employee expenses recoveries	3,672	3,350
	<u>3,672</u>	<u>3,350</u>



**Office of Local Government**  
**Notes to the financial statements**

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

	2016 \$'000	2015 \$'000
The following liabilities and expenses have been assumed by the Crown Entity:		
• Superannuation - defined benefits	68	101
• Long service leave	1,346	367
• Payroll tax	4	5
	<u>1,418</u>	<u>473</u>

**4 Other gains / (losses)**

	2016 \$'000	2015 \$'000
Make good gain on NPV	-	52
	<u>-</u>	<u>52</u>

**5 Service groups of the Agency**

**Service Group 1 - Capacity Building, Oversight and Provision of Advice for Local Government**

Objective: This service group covers programs, resources, policy, guidelines and information provided to strengthen the capacity of local government to meet community needs.

**Service Group 2 - Pensioner Rebate Scheme**

Objective: This service group covers the Pensioner Rebate Scheme, which provides rebates to local councils of up to 55 per cent of eligible pensioner council rates.

**Service Group 3 - Responsible Pet Ownership Program**

Objective: This service group covers the Responsible Pet Ownership Program (formerly known as the Companion Animals Program). The program regulates the ownership, care and management of cats and dogs by maintaining a registration system and promoting their care and management.

**Service Group 4 - Personnel Services**

Objective: This service group covers personnel services to the Lord Howe Island Board.

**6 Current assets - cash and cash equivalents**

	2016 \$'000	2015 \$'000
Cash at bank and on hand	11,480	18,324
Closing cash and cash equivalents (as per Statement of cash flows)	<u>11,480</u>	<u>18,324</u>

For the purpose of the Statement of cash flows, cash and cash equivalents include cash on hand and cash at bank.

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

Cash and cash equivalents (per Statement of financial position)	<u>11,480</u>	<u>18,324</u>
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Refer Note 16 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

**Office of Local Government**  
**Notes to the financial statements**

**7 Current assets - receivables**

	2016 \$'000	2015 \$'000
Sale of goods and services	2,284	1,750
Less: Allowance for impairment	(89)	-
Goods and Services Tax recoverable from ATO	1,097	856
Personnel services revenue receivable	953	1,032
Income receivable (Note 15)	952	-
Other receivables	52	104
	<u>5,249</u>	<u>3,742</u>
<b>Movement in the allowance for impairment</b>		
Balance at 1 July	-	-
Increase/(decrease) in allowance recognised in profit or loss	89	-
Balance at 30 June	<u>89</u>	<u>-</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 16.

**8 Non-current assets - plant and equipment**

	Plant and equipment \$'000	Leasehold Improvements \$'000	Total \$'000
<b>At 1 July 2015 - fair value</b>			
Gross carrying amount	1,017	219	1,236
Accumulated depreciation and impairment	(818)	(115)	(933)
Net carrying amount	<u>199</u>	<u>104</u>	<u>303</u>
<b>At 30 June 2016 - fair value</b>			
Gross carrying amount	1,041	217	1,258
Accumulated depreciation and impairment	(885)	(125)	(1,010)
Net carrying amount	<u>156</u>	<u>92</u>	<u>248</u>

**Reconciliation**

A reconciliation of the carrying amount of each class of 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>Period ended 30 June 2016</b>			
Net carrying amount at start of year	199	104	303
Additions *	30	(2)	28
Depreciation	(73)	(10)	(83)
Net carrying amount at end of year	<u>156</u>	<u>92</u>	<u>248</u>

\* This related to an adjustment to a prior year addition.

	Plant and equipment \$'000	Leasehold Improvements \$'000	Total \$'000
<b>At 1 July 2014 - fair value</b>			
Gross carrying amount	1,002	208	1,210
Accumulated depreciation	(855)	(81)	(936)
Net carrying amount	<u>147</u>	<u>127</u>	<u>274</u>
<b>At 30 June 2015 - fair value</b>			
Gross carrying amount	1,017	219	1,236
Accumulated depreciation	(818)	(115)	(933)
Net carrying amount	<u>199</u>	<u>104</u>	<u>303</u>

**Office of Local Government**  
**Notes to the financial statements**

**8 Non-current assets - plant and equipment (continued)**

**Reconciliation**

A reconciliation of the carrying amount of each class of 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 2015</b>			
Net carrying amount at start of year	147	127	274
Additions	124	11	135
Depreciation expense	(72)	(34)	(106)
Net carrying amount at end of year	<u>199</u>	<u>104</u>	<u>303</u>

The Agency also continues to derive service potential and economic benefit from some fully depreciated assets that have not been revalued this financial year. The impact of valuation is 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.

**9 Non-current assets - intangible assets**

	Software \$'000	Total \$'000
<b>At 1 July 2015</b>		
Gross carrying amount	964	964
Accumulated amortisation	(877)	(877)
Net carrying amount	<u>87</u>	<u>87</u>
<b>Period ended 30 June 2016</b>		
Gross carrying amount	1,459	1,459
Accumulated amortisation	(925)	(925)
Net carrying amount	<u>534</u>	<u>534</u>

**Reconciliation**

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

	Software \$'000	Total \$'000
<b>Period ended 30 June 2016</b>		
Net carrying amount at start of year	87	87
Additions	495	495
Amortisation	(48)	(48)
Net carrying amount at end of year	<u>534</u>	<u>534</u>
<b>At 1 July 2014</b>		
Gross carrying amount	964	964
Accumulated amortisation	(829)	(829)
Net carrying amount	<u>135</u>	<u>135</u>
<b>At 30 June 2015</b>		
Gross carrying amount	964	964
Accumulated amortisation	(877)	(877)
Net carrying amount	<u>87</u>	<u>87</u>



**Office of Local Government**  
**Notes to the financial statements**

**9 Non-current assets - intangible assets (continued)**

**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:

	Software \$'000	Total \$'000
<b>Year ended 30 June 2015</b>		
Net carrying amount at start of year	135	135
Additions	-	-
Amortisation	(48)	(48)
Net carrying amount at end of year	<u>87</u>	<u>87</u>

The Agency also continues to derive service potential and economic benefit from some fully amortised intangible assets that have not been revalued this financial year. The impact of valuation is likely to be minimal as most fully depreciated intangible assets are likely to be obsolete and therefore may or may not have zero value.

**10 Current liabilities - payables**

	2016 \$'000	2015 \$'000
Accrued salaries, wages and on-costs	73	361
Creditors	7,404	10,937
	<u>7,477</u>	<u>11,298</u>

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

**11 Current/non-current liabilities - provisions**

	2016 \$'000	2015 \$'000
<b>Provisions - current liabilities</b>		
Annual leave	1,227	1,084
Long service leave	830	775
Payroll tax	176	146
	<u>2,233</u>	<u>2,005</u>
<b>Provisions - non current liabilities</b>		
Employee benefits and related on-costs	26	24
Payroll tax	11	9
	<u>37</u>	<u>33</u>
<b>Other provisions</b>		
Restoration cost	306	306
	<u>343</u>	<u>339</u>
<b>Total provisions</b>	<u>2,576</u>	<u>2,344</u>
<b>Aggregate employee benefits and related on-costs</b>		
Provisions - current liabilities	2,233	2,005
Provisions - non current liabilities	26	24
Accrued salaries, wages and on-costs (Note 10)	73	361
	<u>2,332</u>	<u>2,390</u>

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

**Office of Local Government**  
**Notes to the financial statements**

**11 Current/non-current liabilities - provisions (continued)**

The agency has an obligation for restoration costs at the end of its leases at 6 O'Connell Street, Sydney (28 February 2017) and 5 O'Keefe Avenue, Nowra (1 March 2025). The net present value at 30 June 2016 of these restoration costs was calculated using the March 2015 CPI rate and the 30 June 2015 Australian Government 10 year bond rate. The movement from June 2015 to 30 June 2016 is considered immaterial and accordingly no adjustment made.

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

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

	Restoration Total \$'000
2016	
Carrying amount at the beginning of the year	306
Additional provisions recognised	-
Unused amounts reversed	-
Unwinding / change in the discount rate	-
Carrying amount at the end of the year	<u>306</u>

**12 Commitments for expenditure**

	2016 \$'000	2015 \$'000
<b>Operating lease commitments</b>		
Future non-cancellable operating lease rentals not provided for and payable		
Not later than 1 year	600	673
Later than 1 year but not later than 5 years	1,856	2,019
Later than 5 years	1,697	2,188
Total (including GST)	<u>4,153</u>	<u>4,880</u>

The total operating lease commitments related to leasing of office space and motor vehicles. The expenditure above include input tax credits of \$377,499 (2015: \$443,553) that are expected to be recoverable from the Australian Taxation Office.

**13 Contingent liabilities and Contingent Assets**

**Contingent liabilities**

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

**Contingent assets**

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

**14 Reconciliation of cash flows from operating activities to net result**

	2016 \$'000	2015 \$'000
<b>Net cash flows from operating activities</b>		
Depreciation and amortisation	(6,321)	15,812
Unwinding of discount rate	(130)	(154)
(Increase)/decrease in provisions	-	(8)
Increase/(decrease) in receivables	(233)	110
Increase/(decrease) in receivables	1,507	(9,793)
Decrease/(increase) in creditors	3,821	(3,764)
Other gain / (loss)	-	52
<b>Net result</b>	<u>(1,356)</u>	<u>2,255</u>

**Office of Local Government**  
**Notes to the financial statements**

**15 Budget Review**

**Net result**

A surplus of \$0.896 million was budgeted for however the actual result was a \$1.36 million deficit, primarily due to the following major variances:

Employee Related Expenditure is over budget by \$3.29 million [refer to Note 2 (a)] due to \$0.9 million increase in actuarial calculation for Long Service Leave and additional staff employed to deliver the local government reform program. Treasury provided additional funding for these positions and is reflected in Treasury's revised budget.

Other operating expenditure is over budget by \$6.45 million [refer to Note 2 (b)], mainly due higher budgeted expenditure on Promotion and Publicity and Fees for Services which included an advertising campaign, legal costs and Expert Advisory Panel costs to support the local government reform program. Treasury provided additional funding, which was reflected in Treasury's revised budget.

Grants and subsidies are over budget by \$353.23 million [refer to Note 2 (d)], mainly due to funding provided to new Councils for the local government reform program. Treasury provided additional funding, which was reflected in Treasury's revised budget.

Total Revenue is higher than budgeted by \$360.72 million, mainly due to higher grants received from Treasury via the Principal Department for the local government reform program [refer to Note 3 (d)]. More revenue than expected was also received for the Companion Animals registration Fees.

**Assets and liabilities**

The actual total equity/net assets are above budget by \$0.41 million, primary due to the following major variances:

Total Assets are higher than budgeted by \$7.4 million due to additional funds received from Treasury for the local government reform program and income receivable (refer to Note 7).

Total Liabilities are higher than budgeted by \$6.99 million mainly related to creditors that have been accrued and are due to be paid in July. The creditors are predominantly related to the local government reform program project and Companion Animals reimbursements.

**Cash flows**

The actual closing cash and cash equivalent is higher than budgeted by \$4.76 million, primary due to the following major variances:

Total Payments are higher than budget by \$364.67 million due to grants payments to councils for the local government reform program project.

Total Receipts are higher than budget by \$357.27 million due to additional funds received from Treasury for the local government reform program project.



Office of Local Government

Notes to the financial statements

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 qualitative disclosures are included throughout these financial statements.

The Chief Executive 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 Audit and Risk Committee on a continuous basis.

(a) Financial instrument categories

Class	Notes	Category	Carrying amount 2016 \$'000	Carrying amount 2015 \$'000
<i>Financial assets</i>				
Cash and cash equivalents	6	N/A	11,480	18,324
Receivables <sup>1</sup>	7	Loans and receivables (at amortised cost)	4,152	2,886
<i>Financial liabilities</i>				
Payables <sup>2</sup>	10	Financial liabilities measured at amortised cost	7,427	11,272

Notes

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

(b) 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. Authority deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises of cash on hand and the Responsible Pet Ownership bank account which became part of the NSW Treasury Banking System on 2 March 2015. The operating bank account of the new agency was activated on 1 July 2014.

Receivables – trade debtors

All trade and other debtors are recognised as amounts receivable at balance date. 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 \$1.03 million (2015: \$1.39 million) and less than three months past due \$0.26 million (2015: \$0.081 million) are not considered impaired and together these represent 56.6 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.

**Office of Local Government**  
**Notes to the financial statements**

**16 Financial instruments (continued)**

	Total <sup>1,2</sup>	Past due but not impaired <sup>1,2</sup> \$'000	Considered impaired <sup>1,2</sup> \$'000
<b>2016</b>			
<3 months overdue	260	260	-
3 months - 6 months overdue	605	605	-
>6 months overdue	387	298	89
<b>2015</b>			
<3 months overdue	81	81	-
3 months - 6 months overdue	268	268	-
>6 months overdue	14	14	-

*Notes*

1. Each column in the table reports 'gross receivables'.
2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the 'total' will not reconcile to the receivables total recognised in the Statement of financial position.

**(c) Liquidity risk**

Liquidity risk is the risk that 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 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 TC 11/12. 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 table below summarises the maturity profile of the Office of Local Government's financial liabilities, together with the interest rate exposure.

*Maturity analysis and interest rate exposure of financial liabilities*

	Weighted average effective int. rate	Nominal amount	Interest rate exposure \$'000			Maturity dates \$'000		
			Fixed interest rate	Variable interest rate	Non- interest bearing	<1 year	1-5 years	>5 years
<b>2016</b>								
Payables: Accrued salaries, wages and on-costs	N/A	23	-	-	23	23	-	-
Creditors	4.82	7,404	-	-	7,404	7,404	-	-
		<b>7,427</b>	<b>-</b>	<b>-</b>	<b>7,427</b>	<b>7,427</b>	<b>-</b>	<b>-</b>
<b>2015</b>								
Payables: Accrued salaries, wages and on-costs	N/A	334	-	-	334	334	-	-
Creditors	4.82	10,937	-	-	10,937	10,937	-	-
		<b>11,271</b>	<b>-</b>	<b>-</b>	<b>11,271</b>	<b>11,271</b>	<b>-</b>	<b>-</b>

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the entity 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.

**(d) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. 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 date. The analysis is performed on the same basis as for 2015. The analysis assumes that all other variables remain constant.



**Office of Local Government**  
**Notes to the financial statements**

**16 Financial instruments (continued)**

**Interest rate risk**

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 per cent 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.

	Carrying amount \$'000	-1% Profit \$'000	Equity \$'000	+1% Profit \$'000	Equity \$'000
<b>2016</b>					
<i>Financial assets</i>					
Cash and cash equivalents	11,480	(115)	(115)	115	115
Receivables	4,152	(42)	(42)	42	42
<i>Financial Liabilities</i>					
Payables	7,427	74	74	(74)	(74)
<b>2015</b>					
<i>Financial assets</i>					
Cash and cash equivalents	18,324	(183)	(183)	183	183
Receivables	2,886	(29)	(29)	29	29
<i>Financial Liabilities</i>					
Payables	11,271	113	113	(113)	(113)

**(e) Fair value measurement**

**Fair value compared to carrying amount**

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short term nature of all of the financial instruments.

**17 Events after the Reporting Period**

The Agency is not aware of any after balance date events which would have a material impact on these financial statements.

**End of audited financial statements**



**Digital Information Security Annual Attestation & Evidence of Certification Statement for the 2015-2016 Financial Year for the Office of Local Government.**

I, Tim Hurst, am of the opinion that the Office of Local Government had an Information Security Management System, managed by Planning and Environment Shared Services, in place during the 2015-2016 financial year that is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy.

The controls in place to mitigate identified risks to the digital information and digital information systems of the Office of Environment & Heritage are adequate.

There is no agency under the control of the Office of Local Government which is required to develop an independent ISMS in accordance with the NSW Government Digital Information Security Policy.

Furthermore, Planning and Environment Shared Services (through the Office of Environment and Heritage) has obtained certified compliance with ISO/IEC 27001:2013 - Information Security Management – Certificate IS 645082 through an accredited third party. Certification was being undertaken during the 2015-2016 financial year and was completed in August 2016. Evidence of certification is enclosed.

Yours sincerely

**Tim Hurst**  
**Acting Chief Executive**  
**Office of Local Government**

17/10/16



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# Index

Attestation	32	Legislation	4, 17
Audit	7, 24,	<i>Local Government Act 1993</i>	4, 11, 17
Budget	4	Lord Howe Island Board	4
Business Services Group	5	Major capital works	24
Claims	20	Monitoring	5, 15
Consultancies	23	Multicultural Policies	19
Consumer response	25	Overseas travel	20
Council interventions	5, 7, 15	Pensioner concession	4, 23
Councillor misconduct	12, 15	Personnel	19
Credit cards	24	Privacy Management Plan	19
Disability Inclusion Action Plan	19, 21	Public Inquiries	7, 15
Executive Group	5, 6, 16, 22	Public Interest Disclosures	25
Financial statement	30-54	Reform Group	5
<i>Fit for the Future</i>	2, 5, 7, 8	Remote access	16
Government Information (Public Access) Act 2009	26, 27, 28	Responsible Pet Ownership	7, 14
Grants Commission	12, 14	Risk Management	24,
Government Sector Employment framework	16	Section 430 investigation	15
Industrial Relations	19	Senior Executive	5, 6, 16, 22
Information access	26, 27, 28	Staff	6, 8, 19, 20, 21, 22
Infrastructure	13	Statutory applications	14
Infrastructure Renewal Scheme (LIRS)	13	Structure	5, 6
Sector and Policy Development Group	5	Swimming Pools	4, 7, 13
Investigations and Sector Performance Group	5	Workforce diversity	19, 21
Land disposal	24	Workplace Health and Safety	19
Legal Group	5		

# Glossary

DIAP	Disability Inclusion Action Plan
GIPA	<i>Government Information (Public Access) Act 2009</i>
GSE	Government Sector Employment
HR	Human Resources
LIRS	Local Government Infrastructure Renewal Scheme
NAIDOC	National Aboriginal and Islander Day Observance Committee
OLG	The Office of Local Government