



Office of
Local Government

2016-17

Annual Report



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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) 4428 4100.

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Letter to the Minister

The Hon. Gabrielle Upton MP
Minister for Local Government
Minister for the Environment
Minister for Heritage
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 2017.

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

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Tim Hurst', located below the 'Yours sincerely' text.

Tim Hurst
Acting Chief Executive
Office of Local Government



Chief Executive's Foreword

This year, the Office of Local Government (OLG) has worked together with the Government and councils to continue building a stronger local government sector.

A core focus of our work was providing assistance to new councils established as part of the reform program for local government. OLG worked with the Department of Premier and Cabinet in supporting new councils, allocating \$375 million in Government funding to 251 major infrastructure and service projects and 688 community projects across the State.

OLG also continued development of a collaboration model for councils and State agencies in regional NSW, including working with the five pilot Joint Organisations. Consultation with the sector and feedback from the pilot process has so far indicated that opportunities exist for regional organisations to improve the way they work together.

I was pleased that OLG was able to deliver on a Government commitment to provide a public access portal to the NSW Companion Animals Register, known as the NSW Pet Registry. The first stage of this project enables pet owners and breeders to manage pet ownership and fee payments online. I'm looking forward to the next stages of this project which will see further developments and improvements.

Another important function of OLG is to help councils improve their financial sustainability. Financial reassessment programs were undertaken for a number of councils during 2016-17, with 12 councils reassessed as meeting the financial benchmarks.

In educating the public, OLG helped deliver an increased pool safety awareness campaign last summer in partnership with Royal Life Saving Society (NSW), which was very successful in reaching members of the public across various media channels. The Responsible Pet Ownership Education Program has also been successful in educating children and parents about living safely with dogs.

We also have an important role in monitoring and investigating councils. OLG handled 37 referrals of councillor misconduct and 39 alleged contraventions of pecuniary interest provisions. We also assisted the Minister in intervening in two underperforming councils.

Following OLG's work on the September 2016 elections, councillor diversity has improved with an increase in the number of female councillors elected.

I am pleased to present the Annual Report for 2016-17 detailing the achievements that OLG has made this year which is a result of the dedication, hard work and professionalism of all staff.

Tim Hurst
Acting Chief Executive



What the Office does

OLG 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.

OLG works collaboratively with the local government sector to help ensure the sustainability of local councils so they can deliver key services and infrastructure to their communities. It 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

OLG 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's staff and the Minister, and other State Government agencies as required.

High level budget summary for the year

The initial total budget for 2016-17 was \$369.1 million (including protected items).

The budget was revised during the year to include \$13 million for payments to councils for their implementation costs in readiness for the introduction of the Fire and Emergency Services Levy. The budgeted amount of \$235 million in grants for the Stronger Communities Fund and the New Council Implementation Fund was revised to reflect the change in the local government reform program.

Key budget items included:

- provision for Stronger Communities Fund and the New Council Implementation Fund of \$115 million
- provision for the Pensioner Concession Scheme of \$78.5 million
- provision for the Local Infrastructure Renewal Scheme of \$20.8 million
- grant for the operations of the Lord Howe Island Board of \$1.48 million.



Structure

As at 30 June 2017, OLG operated as 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 programs.

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 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, and human resource, financial and other support frameworks that enable the organisation to operate efficiently and effectively.

Legal Group

OLG Legal provides quality legal support and advice to the Office and each of its teams, as well as the Lord Howe Island Board. OLG Legal also helps with the management of the legislative program and enforcement workload, and maintains the governance and risk management frameworks.

SECTION 1: About Us

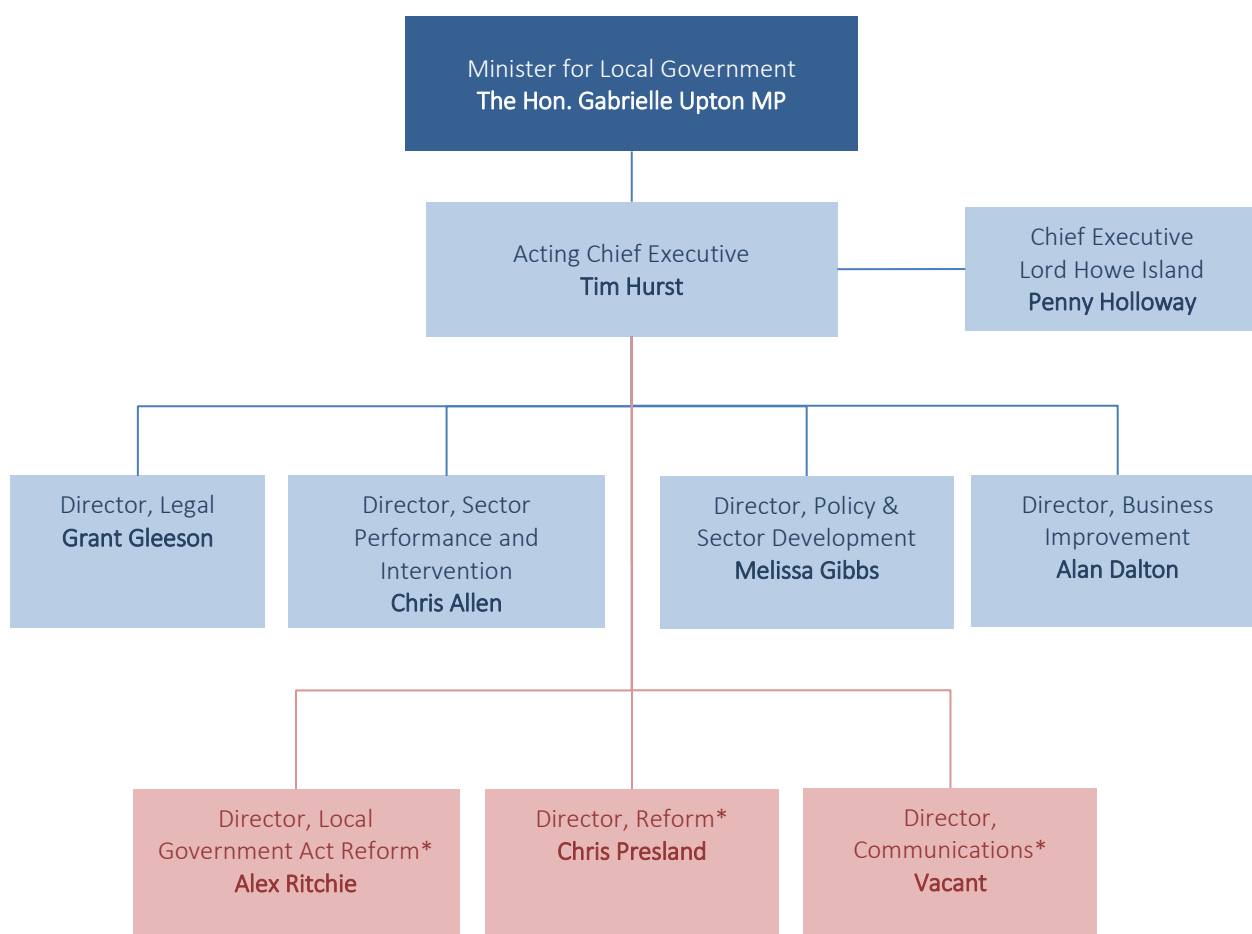


Reform Group

The Reform Group leads the implementation of the local government reform program. During the reporting period, the group was the key point of contact between OLG and the Department of Premier and Cabinet.

The Group manages engagement with other key stakeholders in local government reform, including new councils, State agencies and peak bodies.

Organisation chart



*Temporary positions.

As at 30 June 2017 the Acting Chief Executive of OLG held the following qualifications: Master of Applied Finance and Investment, Bachelor of Economics, Bachelor of Science, and Fellow of the Financial Services Institute of Australia.



Key Priorities

Throughout the year, OLG continued implementing reform priorities to create a stronger, modern and effective system of local government.

OLG also focused on modernising the *Local Government Act 1993* by making amendments to strengthen the governance, strategic planning and performance frameworks under which councils operate.

Council integrity measures were also introduced in 2016-17. The amendments strengthen rules around pecuniary interest disclosures by councillors and penalties for breaches, increase restrictions on persons who are not 'fit and proper persons' from holding office in councils and impose caps on political donations.

OLG continued assisting councils to manage companion animals and enhance swimming pool safety. Projects included:

- Responding to the recommendations of the Independent Review of Swimming Pool Regulation
- Developing new guidance material for swimming pool owners and swimming pool certifiers
- Delivering on the Government's commitment to provide a public access portal to the NSW Companion Animals Registry
- Administering the highly successful Responsible Pet Ownership Education Program.

In monitoring legislative and regulatory compliance, OLG supported Public Inquiries into three councils under section 438U of the *Local Government Act 1993*.

In September 2016, 81 councils held elections and OLG supported this process by assisting to induct elected councillors into their role.

OLG depends on the capabilities of a productive and professional workforce, to provide dependable support to the NSW Government in administering the *Local Government Act 1993*. Initiatives to maintain and develop this capability included:

- entering a Service Partnership Agreement with the Planning and Environment Cluster's Corporate Services Group, providing the scope and standards of further provision of corporate services support to OLG
- provision of training in written communications and procurement
- rollout of improved ergonomic desk features
- development of a new internal audit plan
- continued leverage of mobile communications and information technology resources to enable staff to remain connected while working in remote and regional areas.



Stakeholders and Staff

OLG values both its internal and external customers, and focuses on providing the highest standard of service possible while delivering all aspects of its business.

OLG's approach is reflected in both its strategic and operational plans, and is supported by its organisation values of Respect, Relationships, Resilience and Results.

OLG's functions include policy, regulatory and program delivery activities supporting the following key stakeholder groups:

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

- Delivery of the State Government policy through regional collaboration with local councils
- Business
- Reduced red tape and consistent application of regulation.

Staff

Supporting the capacity of staff to provide a high standard of service while providing a healthy workplace, OLG conducted various initiatives for staff including training on:

- Frontline complaints handling
- Building resilience
- Procurement systems and reform
- Information management systems.



Our Achievements

Leading local government reform

The Office of Local Government (OLG) continued to lead implementation of the NSW Government's local government reform program.

Supporting new councils

OLG worked with the Department of Premier and Cabinet to support the 20 new councils proclaimed in 2016. This included allocating \$375 million from the Stronger Communities Fund and the New Council Implementation Fund. The new councils have funded 251 major projects that are addressing priority infrastructure and service delivery needs and 688 community projects to meet other local priorities.

Regional collaboration

During 2016-17, the Office continued to work with the five pilot Joint Organisations and the broader local government sector to develop a new model for regional collaboration in NSW. The pilot process has demonstrated that there are significant opportunities available for communities across the State when councils and NSW Government agencies work collaboratively at the regional level.

The Far West Initiative

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

Improving council performance

OLG completed reassessment of councils that the Independent Pricing and Regulatory Tribunal (IPART) deemed did not meet the financial assessment criteria. This included supporting councils to prepare revised improvement plans and assessing those plans against key financial and sustainability benchmarks. An additional 12 councils were found to have met the benchmarks and have demonstrated their ability to deliver the services and infrastructure their communities need both now and into the future.

Strengthening council integrity measures

Integrity measures legislated by the *Local Government and Elections Legislation Amendment (Integrity) Act 2016* commenced operation on 1 July 2016. The changes improve the integrity of council elections and decision-making by:

- extending the caps on political donations that currently apply to State elections to council elections
- disqualifying persons from holding civic office in a council where they have been convicted of

SECTION 2: Our Achievements



certain offences

- giving the courts the power to order a councillor to pay back any financial benefit gained from a breach of a pecuniary interest obligation
- tightening the requirements for the disclosure of pecuniary interests relating to certain planning matters.

Review of the Local Government Act

In 2016-17, OLG continued its work on streamlining and modernising the *Local Government Act 1993*. Phase 1 of the reforms to the Act are contained in the *Local Government Amendment (Governance and Planning) Act 2016*, which passed Parliament in August 2016. The Phase 1 reforms focus on improvements to the governance, strategic planning and performance frameworks under which councils operate. Many of the Phase 1 reforms have already commenced operation including:

- a new requirement for all councillors to take an oath or affirmation of office
- new prescribed roles and responsibilities for mayors, councillors and councils
- clarification of the role of Administrators
- new purposes and principles for local government
- the appointment of the Auditor-General as the auditor of all councils with the ability to conduct sector-wide performance audits
- a new power to appoint a financial controller to a council in conjunction with a performance improvement order.

The remaining Phase 1 reforms relating to the following matters will commence operation when supporting regulations, codes and guidelines are finalised:

- the requirement for councils to appoint Audit, Risk and Improvement Committees
- mandatory councillor induction and professional development programs
- new Model Meeting Code for council and committee meetings
- updated Model Code of Conduct and administrative procedures for councils
- improved and streamlined integrated planning and reporting
- a new council performance measurement framework.

Councillor misconduct and pecuniary interest matters

During the reporting period, preliminary data indicates that OLG handled 37 referrals of councillor misconduct and 39 alleged contraventions of the pecuniary interest provisions of the *Local Government Act 1993*. OLG progressed seven misconduct investigations, four of which were discontinued owing to the relevant councillors no longer holding civic office. During the reporting period OLG commenced two pecuniary interest investigations.

The NSW Civil and Administrative Tribunal (NCAT) determined four misconduct matters during 2016-17. Two of these matters were appeals of the OLG Chief Executive's decisions. One of the

SECTION 2: Our Achievements



NCAT determinations resulted in the disqualification of the councillor from holding civic office for a period of five years due to his suspension on more than three occasions.

Public inquiries

Under section 438U of the *Local Government Act 1993*, the Minister for Local Government has the power to appoint a commissioner to conduct a public inquiry into a council. Public inquiries are necessary if a council becomes dysfunctional through maladministration, where relationships between members of the governing body break down, corruption or some other reason. Public inquiries allow a comprehensive, transparent and independent inquiry into the functioning of a council.

During the reporting period, the Minister received reports from public inquiries into Murray Shire, Auburn City and North Sydney Council, which were commenced in early 2016. OLG provided an officer and administrative assistance to support each public inquiry.

Intervention

In accordance with the Commissioner's recommendations, the Minister issued a performance improvement order to North Sydney Council following the Public Inquiry.

Due to ongoing concerns involving Balranald Shire Council, the Minister issued a performance improvement order to the Council during the reporting period.

September 2016 council elections

OLG supported the 81 councils that held elections in September 2016 by:

- issuing guidance material and supporting and monitoring the five councils which conducted their own elections
- issuing a guide for persons considering standing as candidates for election to assist their understanding of the role of a councillor
- undertaking a candidate diversity strategy to promote greater diversity in candidates standing at the elections and councillors elected to councils
- supporting the NSW Electoral Commission's campaign to promote voter awareness of the elections
- conducting 21 "Hit the Ground Running" councillor induction sessions around the State for the elected councillors.

Encouraging candidate diversity saw an increase in the number of female councillors elected at the September 2016 elections. Of the 81 councils that held elections in 2016, 227 female councillors were elected out of a total number of 782 positions. This represents 29% of councillors elected in 2016 – an increase from 26% in 2012 for the same 81 councils.

SECTION 2: Our Achievements



Local Infrastructure Renewal Scheme (LIRS)

OLG administers LIRS, which provides loan subsidies to councils to fund infrastructure backlog works.

OLG delivered \$14.91 million in interest subsidy claims to eligible councils in 2016-17. OLG has so far paid a total of \$51.72 million in interest rate subsidies to councils. There were 166 approved projects of which 119 were completed. LIRS has unlocked \$821 million in council investment and 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. As at 30 June 2017, 349,961 swimming pools were registered and 58,598 total certificates of compliance have been issued. There were 32,826 certificates of compliance issued during 2016-17.

In 2015, the NSW Government commissioned an independent review by Mr Michael Lambert into the effectiveness of the swimming pool barrier regulatory framework. The Government released its response on 24 November 2016, supporting 46 of the recommendations in full, part or in principle. The response is centred on an increased pool safety campaign, refinement of council fee structures to boost compliance and enforcement activity and guidance material for pool owners and certifiers.

An increased pool safety awareness campaign was rolled out last summer in partnership with Royal Life Saving Society (NSW). A commercial with celebrity chef Matt Preston (worldsmostcostly.com) has already recorded well over two million views on Facebook and a media reach of more than 1,500 items across print and broadcast as at 30 April 2017.

Responsible pet ownership

OLG delivered on the Government's commitment to provide a public access portal to the NSW Companion Animals Register. The NSW 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.

OLG delivered the third year of a three-year grants program to councils, through which councils partner with local community organisations to deliver services such as subsidised micro-chipping and de-sexing. In 2016-17 applications were received from 50 councils and their community partners and 35 projects were awarded funding totalling \$302,591.

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

SECTION 2: Our Achievements



During 2016-17, there were 857 primary school sessions teaching 82,959 children and 1,100 preschool sessions teaching 30,350 young children how to live safely with pets. The 'We are Family' Program is now delivered in over 80 maternity hospitals and more than 300 early childhood centres in NSW.

Transition to Auditor-General

Changes to the *Local Government Act 1993* also include provisions for the Auditor-General to oversee the audit of councils' annual financial statements and to conduct performance audits of a council, or the sector.

During 2016-17, OLG worked with the Auditor General, councils and councils' existing auditors on transitional arrangements to minimise any disruptions.

Statutory applications

During 2016-17, OLG received and assessed 60 applications from councils to compulsorily acquire land within their local government areas. OLG is also responsible for assessing and making recommendations about a range of other statutory applications including 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 2016-17, the Grants Commission made cash payments to local authorities totalling \$1,080,346,804. This amount includes a Commonwealth Government forward payment of \$368,166,553 to councils, which is half of the 2017-18 grant allocation.

Monitoring role

OLG 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 Sector Performance 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.

SECTION 2: Our Achievements



New and amending legislation

OLG was responsible for development of a number of legislative amendments during the reporting period including:

- *Local Government and Elections Legislation Amendment (Integrity) Act 2016*. Assented to and commenced, 1 July 2016.
- *Local Government Amendment (Governance and Planning) Act 2016*. Assented to 30 August 2016. Date of commencement: various (30 August 2016, 23 September 2016, 1 October 2016, 25 November 2016); some provisions not in force.
- *Local Government Amendment (Rates – Merged Council Areas) Act 2017*. Assented to and commenced, 31 March 2017.
- *Local Government (General) Amendment (Minimum Rates) Regulation 2016*. Date of commencement, 1 July 2016.
- *Companion Animals Amendment (Registration) 2016*. Date of commencement, 4 July 2016.
- *Local Government (General) Amendment (Transitional) Regulation 2016*. Date of commencement, 1 October 2016.
- *Local Government (General) Amendment (Transitional Auditors) Regulation 2016*. Date of commencement, 18 November 2016.
- *Local Government (General) Amendment (Performance Management) Regulation 2016*. Date of commencement, 25 November 2016.

Amendments assented to or published in 2016-17 but not commenced:

- *Local Government (General) Amendment (Minimum Rates) Regulation 2017*. Published on 10 March 2016. Date of commencement, 1 July 2017.

Research and development

OLG did not undertake any research and development activities during 2016-17.



Staff policies

Personnel

The Office of Local Government (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 OLG's intranet.

Supporting diversity

OLG maintains a 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, and has a Multicultural Plan developed 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, 2.5% of OLG 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, and 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*.

OLG's privacy obligations are also reflected in OLG's Code of Conduct and the Code of Ethics and Conduct for NSW Government Employees.

Workplace Health and Safety

OLG has a Workplace Health and Safety Committee. The Committee meets quarterly.

Committee members regularly undertook workplace assessments in 2016-17 and only a small number of minor issues required rectification.

SECTION 3: How we Operate



Claims and reports

There were no worker's compensation claims for 2016-17.

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

Year	Premiums paid	Claims lodged	Open claims
2016-17	\$45,198	0	1

Overseas travel

No staff from OLG travelled overseas during the reporting period.

SECTION 3: How we Operate



Staff profile

Staff profile by employment category

Staff numbers by category	2014-15			2015-16			2016-17		
	Men	Women	TOTAL	Men	Women	TOTAL	Men	Women	TOTAL
Permanent full time	26	36	62	23	34	57	23	34	57
Permanent part time	0	2	2	0	2	2	0	2	2
Temporary full time	2	3	5	9	13	22	6	11	17
Temporary part time	0	2	2	0	0	0	0	0	0
Contract SES (SEB from 2015-16)	1	0	1	5	3	8	5	3	8
Contract non-SES	0	0	0	1	1	2	0	0	0
Training positions	0	0	0	0	0	0	0	0	0
Retained staff	0	0	0	0	0	0	0	0	0
TOTAL	29	43	72	38	53	91	34	50	84

Workforce diversity

Workforce Diversity*	2014-15	2015-16	2016-17
Women	59.7%	57.5%	59.3%
Aboriginal People and Torres Strait Islander	4.1%	3.4%	2.5%
People whose language spoken as a child was not English	8.3%	5.7%	7.4%
People with Disability	2.7%	2.3%	4.9%
People with a Disability requiring work related adjustment	2.7%	2.3%	3.7%

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

SECTION 3: How we Operate



Senior Executive

2016-17 Senior Executive Positions (including Lord Howe Island Board)

Number of Senior Executive by Band*	2015-16		2016-17	
	Female	Male	Female	Male
Band 4 (Secretary)	0	0	0	0
Band 3 (Deputy Secretary)	0	1	0	1
Band 2 (Executive Director)	0	1	0	0
Band 1 (Director)	4	4	3	4
Totals	4	6	3	5
	10*		8	

* The Senior Executive figures contain a number of temporary positions for the implementation of local government reform.

Remuneration by Band	2015-16		2016-17	
	Range	Average Remuneration*	Range	Average Remuneration
Band 4 (Secretary)	\$343,201 – 497,300	\$0	\$452,251 – \$522,500	\$0
Band 3 (Deputy Secretary)	\$305,401 – 343,200	\$340,000	\$320,901 – \$452,250	\$338,389
Band 2 (Executive Director)	\$242,801 – 305,400	\$265,000	\$255,051 – \$320,900	\$0
Band 1 (Director)	\$170,250 – 242,800	\$207,000	\$178,850 – \$255,050	\$182,933

SECTION 3: How we Operate



Consultancies, Funds & Grants Paid

Consultancies of value less than \$50,000

Purpose of consultant	Number of consultancies	Cost
Local Government reform	3	\$53,621
TOTAL	3	\$53,621

Consultancies of value more than \$50,000

Consultants	Project	Fee
Morrison Low Consultants	Far West Initiative	\$136,095
Project Management Partners Pty Ltd	Program transition and project management services	\$186,150
TOTAL		\$322,245

Grant funds paid during 2016-17

Name of organisation	Nature and purpose of grant	Paid
NSW Councils	Financial Assistance Grants	\$1,080,346,804
NSW Councils	Local Infrastructure Renewal Scheme	\$14,913,875
NSW Councils	Council rates concession for eligible pensioners	\$78,053,179
NSW Councils	Reimbursement of implementation cost for the Fire and Emergency Services Levy	\$11,136,185
NSW Councils	Companion Animals	\$302,591
NSW Councils	Local Government Reform	\$20,000,000
TOTAL		\$1,204,752,634

During 2016-17, there were no funds granted by OLG 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 OLG's financial and risk management practices. The Audit and Risk Committee met five times during 2016-17.

Credit Card Certification

OLG has adopted the Department of Planning and Environment's Purchasing Card Policy and Procedures which outline conditions for eligibility, usage and management of credit cards.

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

Major Capital Works

During the reporting period OLG completed the NSW Pet Registry, the first stage of the public access portal to the NSW Companion Animals Register, totalling \$1.181 million.

Land Disposal

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

Account payment performance

During 2016-17, OLG paid a total number of 1,805 accounts to suppliers or contractors for supply of goods and services, of which a total of 1,711 accounts were paid on time. Based on number of accounts, this represents 94.8% of accounts paid on time. Based on dollar amount, this represents 93.6% of accounts paid on time. There has not been any penalty interest charged to OLG for late payments in 2016-17.

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	\$2,073,473	\$121,304	\$7,274	\$6,700	\$202
December	\$2,433,986	\$69,875	\$94	\$9,004	-
March	\$2,608,817	\$114,612	\$23,915	-	\$29,806
June	\$1,885,132	\$167,811	\$61,027	\$526	\$170

SECTION 3: How we Operate



Accounts due or paid within each quarter - All suppliers				
Measure	September	December	March	June
Number of accounts due for payment	525	457	394	429
Number of accounts paid on time	503	446	362	400
Actual percentage of accounts paid on time (based on number of accounts)	95.8%	97.6%	91.9%	93.2%
Dollar amount of accounts due for payment	\$2,208,953	\$2,512,959	\$2,777,150	\$2,114,666
Dollar amount of accounts paid on time	\$2,073,473	\$2,433,986	\$2,608,817	\$1,885,132
Actual percentage of accounts paid on time (based on \$)	93.9%	96.9%	93.9%	89.1%
Number of payments for interest on overdue accounts	-	-	-	-
Interest paid on overdue accounts (\$)	-	-	-	-

Economic or other factors

OLG is not aware of any economic or other factors affecting the achievement of operational objectives for 2016-17.

SECTION 3: How we Operate



Internal Audit and Risk Management Attestation Statement

Internal Audit and Risk Management Attestation Statement for the 2016-17 Financial Year for the Office of Local Government

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

Risk Management Framework

- | | | |
|-----|--|-----------|
| 1.1 | The agency head is ultimately responsible and accountable for risk management in the agency | Compliant |
| 1.2 | A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009 | Compliant |

Internal Audit Function

- | | | |
|-----|--|-----------|
| 2.1 | An internal audit function has been established and maintained | Compliant |
| 2.2 | The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing | Compliant |
| 2.3 | The agency has an Internal Audit Charter that is consistent with the content of the 'model charter' | Compliant |

Audit and Risk Committee

- | | | |
|-----|---|-----------|
| 3.1 | An independent Audit and Risk Committee with appropriate expertise has been established | Compliant |
| 3.2 | The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations | Compliant |
| 3.3 | The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter' | Compliant |

Membership

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

Role	Name	Start term date	Finish term date
Independent Chair	Brian Blood	1 December 2013	30 November 2017
Independent Member	Alan Zammit	27 February 2012	26 February 2018
Independent Member	Elizabeth Crouch	21 October 2013	20 October 2019

The Office has a Shared Arrangement Agreement for the Audit and Risk Committee (ARC), ARC secretariat, Chief Audit Executive and internal audit function with Department of Planning and Environment.

Tim Hurst
Acting Chief Executive
Office of Local Government

Alan Dalton
Director, Business Improvement
Office of Local Government



Digital Information Security Annual Attestation

Digital Information Security Annual Attestation & Evidence of Certification Statement for the 2016-2017 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 in place via Planning and Environment Cluster Corporate Services during the 2016-2017 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 Local Government are adequate.

Planning and Environment Cluster Corporate Services has maintained certified compliance with ISO 27001 Information technology - Security techniques - Information security management systems - Requirements by an Accredited Third Party (BSI) during the 2016-2017 financial year (Certificate Number IS 645082).

Tim Hurst
Acting Chief Executive

Office of Local Government

Date: 19/7/17



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 2016 to 30 June 2017.

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

OLG 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. The Chief Executive is a member of the Public Interest Disclosures Steering Committee and the Manager Investigations attends regular meetings of Public Interest Disclosure Investigating Authorities, which are sponsored by the NSW Ombudsman.

Reporting

Section 6CA of the *Public Interest Disclosures Act 1994* requires each public authority to provide a report for each six-month period to the Ombudsman on compliance with its obligations. In accordance with the Ombudsman's reporting system, information was provided within the statutory deadlines.

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

Consumer response

OLG received 11 complaints about its delivery of services during the reporting period. The majority of the complaints were from members of the public regarding difficulties using the pet registry website. These issues are currently being addressed through the second phase of the companion animal register rebuild project.

SECTION 3: How we Operate



Access applications

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

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

Table A: Number of applications by type of applicant and outcome									
	Access granted in full	Access granted in part	Access refused in full	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	0	0
Members of Parliament	1	4	0	1	0	0	0	0	6
Private Sector Business	0	0	0	0	0	0	0	0	0
Not for profit organisation or community groups	0	0	0	1	0	0	0	0	1
Member of the public (application by legal representative)	0	0	0	2	0	0	0	0	2
Member of public (other)	3	2	1	3	1	0	0	0	10

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	1	0	0	0	0	0	1
Access applications (other than personal information)	4	6	0	7	1	0	0	0	18

SECTION 3: How we Operate



applications)									
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0	0

* 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).

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

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	1
Executive Council information	0
Contempt	1
Legal professional privilege	2
Excluded information	3
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.

SECTION 3: How we Operate



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	2
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
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

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	18
Decided after 35 days (by agreement with applicant)	1
Not decided within time (deemed refusal)	0

Table G: Number of applications reviewed under Part 5 of 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	0	0
Total	0	0	0

* 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.

SECTION 3: How we Operate



Table H: Applications for review under Part 5 of GIPAA (by type of applicant)

	Number of applications for review
Applications by access applicants	0
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	1
Applicant initiated transfers	2



Statement by Chief Executive

Office of Local Government

Statement by the Chief Executive Officer for the year ended 30 June 2017

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

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

Tim Hurst
Acting Chief Executive
Office of Local Government

18th September 2017



Audit Office opinion



INDEPENDENT AUDITOR'S REPORT

Office of Local Government

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Office of Local Government (the Office), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, statement of cash flows, 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 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

Basis for Opinion

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

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

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

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

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

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

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



Acting Chief Executive's Responsibility for the Financial Statements

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

In preparing the financial statements, the Acting Chief Executive must assess the Office's ability to continue as a going concern except where the Office's operations will cease as a result of an administrative restructure. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of 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
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

Lawrissa Chan
Director, Financial Audit Services

18 September 2017
SYDNEY

SECTION 4: Financial Statements



Financial statements

Office of Local Government				
Statement of comprehensive income for the year ended 30 June 2017				
	Notes	Actual 2017 \$'000	Budget 2017 \$'000	Actual 2016 \$'000
Expenses excluding losses				
Operating expenses :				
Employee related	2(a)	15,840	16,785	16,336
Other operating expenses	2(b)	12,111	13,316	18,917
Depreciation and amortisation	2(c)	312	176	130
Grants and subsidies	2(d)	130,242	338,795	456,441
Total expenses excluding losses		158,505	369,072	491,824
Revenue				
Sale of goods and services	3(a)	102	36	104
Investment revenue	3(b)	-	-	52
Retained taxes, fees and fines	3(c)	6,758	6,735	7,480
Grants and contributions	3(d)	150,097	362,340	477,742
Personnel services revenue	3(e)	3,958	3,295	3,672
Acceptance by the Crown Entity of employee benefits and other liabilities	3(f)	660	289	1,418
Total revenue		161,575	372,695	490,468
Other gains/(losses)		-	-	-
Net result		3,070	3,623	(1,356)
Other comprehensive income				
<i>Items that will not be reclassified to net result in subsequent periods</i>				
Total other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME		3,070	3,623	(1,356)

The accompanying notes form part of these financial statements.

SECTION 4: Financial Statements



Office of Local Government				
Statement of financial position as at 30 June 2017				
		Actual 2017 \$'000	Budget 2017 \$'000	Actual 2016 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	5	15,136	9,345	11,480
Receivables	6	3,840	3,706	5,249
Total current assets		18,976	13,051	16,729
Non-current assets				
Plant and equipment				
• Plant and equipment	7	143	202	156
• Leasehold Improvements	7	159	110	92
Total plant and equipment		302	312	248
Intangible assets	8	1,085	1,560	534
Total non-current assets		1,387	1,872	782
Total assets		20,363	14,923	17,511
LIABILITIES				
Current liabilities				
Payables	9	7,192	921	7,477
Provisions	10	2,332	2,013	2,233
Total current liabilities		9,524	2,934	9,710
Non-current liabilities				
Provisions	10	311	330	343
Total non-current liabilities		311	330	343
Total liabilities		9,835	3,264	10,053
Net assets		10,528	11,659	7,458
EQUITY				
Accumulated funds		10,528	11,659	7,458
Total equity		10,528	11,659	7,458

The accompanying notes form part of these financial statements.

SECTION 4: Financial Statements



Office of Local Government		
Statement of changes in equity for the year ended 30 June 2017		
	Accumulated funds \$'000	Total \$'000
Balance at 1 July 2016	7,458	7,458
Net result for the year	3,070	3,070
Other comprehensive income:		
Total other comprehensive income	-	-
Total comprehensive income for the year	3,070	3,070
Balance at 30 June 2017	10,528	10,528
Balance at 1 July 2015	8,814	8,814
Net result for the year	(1,356)	(1,356)
Other comprehensive income:		
Total other comprehensive income	-	-
Total comprehensive income for the year	(1,356)	(1,356)
Balance at 30 June 2016	7,458	7,458

The accompanying notes form part of these financial statements.

SECTION 4: Financial Statements



Office of Local Government				
Statement of cash flows for the year ended 30 June 2017				
	Notes	Actual 2017 \$'000	Budget 2017 \$'000	Actual 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(11,169)	(16,496)	(11,327)
Grants and subsidies		(129,475)	(338,795)	(461,405)
Other		(15,764)	(13,401)	(20,433)
Total payments		(156,408)	(368,692)	(493,165)
Receipts				
Interest received		-	-	104
Retained taxes, fees and fines		10,737	6,820	8,944
Grants and contributions		150,090	362,340	477,742
Other		154	3,331	54
Total receipts		160,981	372,491	486,844
NET CASH FLOWS FROM OPERATING ACTIVITIES	13	4,573	3,799	(6,321)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of plant and equipment & leasehold improvements	7	(138)	(105)	(28)
Purchase of intangible assets	8	(779)	(540)	(495)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(917)	(645)	(523)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		3,656	3,154	(6,844)
Opening cash and cash equivalents		11,480	6,191	18,324
CLOSING CASH AND CASH EQUIVALENTS	5	15,136	9,345	11,480
The accompanying notes form part of these financial statements.				

SECTION 4: Financial Statements



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

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

These financial statements for the year ended 30 June 2017 have been authorised for issue by the Chief Executive on 18 September 2017.

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

Transactions and balances relating to the administered activities are not recognised as the Agency's income, expenses, assets and liabilities but are disclosed in Note 2(e) of the financial statements.

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 goods, usually on delivery of the goods.

(iii) Rendering of services

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

(iv) Investment revenue

Interest income is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

(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 year ended 30 June 2017 totalled \$6.76 million (2016: \$7.48 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 \$5.81 million (2016: \$5.58 million) in expenses is recorded as other operating expenses in the statement of comprehensive income.

(vi) Grants

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

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

SECTION 4: Financial Statements



Office of Local Government
Notes to the financial statements

1 Summary of significant accounting policies (continued)

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

(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, AASB 116 and AASB 140 Investment Property.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. The agency has assessed that any difference between fair value and depreciated historical cost is unlikely to be material. The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end.

(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.

Category	Depreciation rate
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	
Software	3 - 5 years (straight line method)

(vi) *Restoration costs*

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

(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.

(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.

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

(ix) *Intangible assets*

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

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.

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. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

SECTION 4: Financial Statements



Office of Local Government

Notes to the financial statements

1 Summary of significant accounting policies (continued)

(x) Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

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 agency has assessed the actuarial advice based on the agency's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the entity does not expect to settle the liability within 12 months as the entity does not have an unconditional right to defer settlement.

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.

(b) Long service leave and superannuation

The Agency's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Finance 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 Finance Entity of employee benefits and other liabilities'.

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

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

(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 Finance Entity are borne by the Agency as shown in Note 10.

(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

Provisions are recognised when: the agency has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

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, which is at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The agency is of the opinion that the time value of money is immaterial and hence other provisions are not discounted.

SECTION 4: Financial Statements



Office of Local Government

Notes to the financial statements

1 Summary of significant accounting policies (continued)

(j) Fair value hierarchy

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

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.

(ii) 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 14.

(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 centre. 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 2016-17

The accounting policies applied in 2016-17 are consistent with those of the previous financial year except for the following new or revised Australian Accounting Standards that has been applied for the first time in the year to 30 June 2017.

- AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities.

The impact of the Standard in the period of initial application has not resulted in a material impact on the financial statements, however additional disclosure has been made as a result of this application (refer note 16).

(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 17-04 mandates agencies not to early adopt any of the following accounting pronouncements:

- AASB 9 Financial Instruments
- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 1058 Income of Not-for-profit Entities
- AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107
- AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 with AASB 4 Insurance Contracts
- AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities
- AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities
- AASB 2017-1 Amendments to Australian Accounting Standards - Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The possible impact of these Standards in the period of initial application includes:

- increase in value of assets and liabilities due to the recognition of current operating leases under AASB 16 Leases, and
- increase / (decrease) in revenue due to revenue recognition under AASB 15 Revenue from Contracts with Customers.

SECTION 4: Financial Statements



Office of Local Government
Notes to the financial statements

2(a) Employee related expenses

	2017 \$'000	2016 \$'000
Salaries and wages (including annual leave)	12,568	11,072
Superannuation - defined benefit plans	60	68
Superannuation - defined contribution plans	817	964
Long service leave	694	1,495
Workers' compensation insurance	137	86
Payroll tax and fringe benefits tax	734	685
Redundancies	101	397
Temporary employees	729	1,569
	<u>15,840</u>	<u>16,336</u>

The employee related expenses include \$3,958,241 for the Lord Howe Island Board (2016: \$3,659,008). Refer also to notes 1(a) and 3(e).

2(b) Other operating expenses

	2017 \$'000	2016 \$'000
Auditor's remuneration - audit of the financial statements	48	47
Community events	54	39
Committee fees and expenses	230	347
Consultants	376	799
Corporate shared services expenses	247	163
Contractor - projects	402	1,516
Fees for services	2,592	4,812
Insurance	11	1
Motor vehicle expenses	49	19
Operating lease rental expense - minimum lease payments	441	294
Telephone and communication costs	55	53
Stores and minor assets	20	15
Training (staff development)	81	62
Travel costs	221	148
Promotions and publicity	284	3,721
Other expenses	810	736
Other occupancy costs	259	220
Information dissemination	68	256
Responsible Pet Ownership Program payments	5,810	5,585
Maintenance *	53	84
	<u>12,111</u>	<u>18,917</u>

*** Reconciliation - total maintenance**

Maintenance expense - contracted labour and other (non-employee related), as above	53	84
Employee related maintenance expense included in Note 2 (a)	-	-
Total maintenance expenses included in Note 2(a) + 2(b)	<u>53</u>	<u>84</u>

2(c) Depreciation and amortisation expense

	2017 \$'000	2016 \$'000
Depreciation:		
Plant and equipment	62	72
Leasehold improvements	22	10
	<u>84</u>	<u>82</u>
Amortisation:		
Intangible assets	228	48
	<u>228</u>	<u>48</u>
Total depreciation and amortisation	<u>312</u>	<u>130</u>

2(d) Grants and subsidies

	2017 \$'000	2016 \$'000
NSW Government	1,480	4,210
Local Government	50,709	373,988
Pensioner Rebates	78,053	78,243
	<u>130,242</u>	<u>456,441</u>

The Agency also receives contributions from the Commonwealth Government that are transferred to eligible beneficiaries which are not included in the above. These transfer payments are detailed in Note 2(e).

SECTION 4: Financial Statements



Office of Local Government
Notes to the financial statements

2(e) Transfer payments

Financial assistance grants are provided to councils under the Commonwealth Local Government (Financial Assistance) Act, 1995. The Office administers Commonwealth transfer payments through the Local Government Grants Commission. The total amount disbursed to councils by way of financial assistance grants was \$1,080.3 million (\$712.1 million in 2016). The receipts and payments during 2016-17 included 2017-18 first quarter receipts and payments of \$368.2 million.

	2017 \$'000	2016 \$'000
Payments		
Local Government - Federal Financial Assistance Grants	1,080,347	712,161
	<u>1,080,347</u>	<u>712,161</u>
Receipts		
Local Government - Federal Financial Assistance Grants	1,080,347	712,161
	<u>1,080,347</u>	<u>712,161</u>

Transfer payments are not recognised as revenue or expenditure as the Agency does not have control over these funds.

3(a) Sale of goods and services

	2017 \$'000	2016 \$'000
Rendering of services	102	104
	<u>102</u>	<u>104</u>

3(b) Investment revenue

	2017 \$'000	2016 \$'000
Interest revenue from financial assets not at fair value through profit or loss	-	52
	<u>-</u>	<u>52</u>

3(c) Retained taxes, fees and fines

	2017 \$'000	2016 \$'000
Responsible Pet Ownership Program registration fees	6,757	7,479
Others	1	1
	<u>6,758</u>	<u>7,480</u>

3(d) Grants and contributions

	2017 \$'000	2016 \$'000
NSW Government	150,093	477,742
Federal Government	4	-
	<u>150,097</u>	<u>477,742</u>

The Agency also receives contributions from the Commonwealth Government that are transferred to eligible beneficiaries which are not included in the above. These transfer payments are detailed in Note 2(e).

3(e) Personnel services revenue

	2017 \$'000	2016 \$'000
Employee expenses recoveries - Lord Howe Island Board	3,958	3,672
	<u>3,958</u>	<u>3,672</u>

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

	2017 \$'000	2016 \$'000
The following liabilities and expenses have been assumed by the Crown Entity:		
▪ Superannuation - defined benefits	60	68
▪ Long service leave	597	1,346
▪ Payroll tax	3	4
	<u>660</u>	<u>1,418</u>

SECTION 4: Financial Statements



Office of Local Government
Notes to the financial statements

4. Service group statements for the year ended 30 June 2017

	Service Group 1 Capacity Building, Oversight and Provision of Advice for Local Governments		Service Group 2 Pensioner Rebate Scheme		Service Group 3 Responsible Pet Ownership Program		Service Group 4 Personnel Services		Not Attributable		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
EXPENSES AND INCOME												
Expenses excluding losses												
Operating expenses	11,176	12,002	-	-	706	675	3,958	3,659	-	-	15,840	16,336
Employee related	4,862	12,113	-	-	7,249	6,804	-	-	-	-	12,111	18,917
Other operating expenses	115	120	-	-	197	10	-	-	-	-	312	130
Depreciation and amortisation	51,886	377,904	78,053	78,243	303	294	-	-	-	-	130,242	456,441
Grants and subsidies	68,039	402,139	78,053	78,243	8,455	7,783	3,958	3,659	-	-	158,505	491,824
Total expenses excluding losses												
Revenue												
Sale of goods and services	102	104	-	-	-	-	-	-	-	-	102	104
Investment revenue	-	-	-	-	6,757	7,479	-	-	-	-	6,758	7,480
Retained taxes, fees and fines	1	1	-	-	1,048	984	-	-	-	-	150,097	477,742
Grants and contributions	70,996	398,515	78,053	78,243	-	-	-	-	-	-	3,958	3,672
Personnel services revenue	-	13	-	-	-	-	3,958	3,659	-	-	660	1,418
Acceptance by the Crown Entity of employee benefits and other liabilities	582	1,401	-	-	78	17	-	-	-	-	161,575	490,468
Total revenue	71,661	400,054	78,053	78,243	7,883	8,532	3,958	3,659	-	-	3,070	(1,356)
Other gains/(losses)	-	-	-	-	-	-	-	-	-	-	-	-
Net result	3,642	(2,105)	-	-	(572)	749	-	-	-	-	3,070	(1,356)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	3,642	(2,105)	-	-	(572)	749	-	-	-	-	3,070	(1,356)

SECTION 4: Financial Statements



Office of Local Government
Notes to the financial statements

4. Service group statements for the year ended 30 June 2017 (continued)

	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		Not Attributable		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
ASSETS AND LIABILITIES												
Current assets												
Cash and cash equivalents	8,925	7,071	-	-	6,211	4,409	-	-	-	-	15,136	11,480
Receivables	1,591	2,198	-	-	1,182	2,098	1,067	953	-	-	3,840	5,249
Total current assets	10,516	9,269	-	-	7,393	6,507	1,067	953	-	-	18,976	16,729
Non-current assets												
Plant and equipment	143	156	-	-	-	-	-	-	-	-	143	156
• Plant and equipment	159	92	-	-	-	-	-	-	-	-	159	92
• Leasehold Improvements	67	39	-	-	1,018	495	-	-	-	-	1,085	534
Intangibles	369	287	-	-	1,018	485	-	-	-	-	1,387	782
Total non-current assets	579	572	-	-	2,036	980	-	-	-	-	2,424	1,312
TOTAL ASSETS	11,095	9,841	-	-	9,429	7,487	1,067	953	-	-	21,400	18,041
Current liabilities												
Payables	1,513	4,642	-	-	5,622	2,797	57	38	-	-	7,192	7,477
Provisions	1,336	1,326	-	-	-	-	966	907	-	-	2,332	2,233
Total current liabilities	2,849	5,968	-	-	5,622	2,797	1,053	945	-	-	9,524	9,710
Non-current liabilities												
Provisions	297	335	-	-	-	-	14	8	-	-	311	343
Total non-current liabilities	297	335	-	-	-	-	14	8	-	-	311	343
TOTAL LIABILITIES	3,146	6,303	-	-	5,622	2,797	1,067	953	-	-	9,835	10,053
NET ASSETS	7,939	3,253	-	-	2,789	4,205	-	-	-	-	10,528	7,458

SECTION 4: Financial Statements



Office of Local Government
Notes to the financial statements

4. Service group statements for the year ended 30 June 2017 (continued)

	Service Group 1 Capacity Building, Oversight and Provision of Advice for Local Governments		Service Group 2 Pensioner Rebate Scheme		Service Group 3 Responsible Pet Ownership Program		Service Group 4 Personnel Services		Not Attributable		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
ADMINISTERED EXPENSES & INCOME												
Administered Expenses												
Transfer payments	-	-	-	-	-	-	-	-	1,080,347	712,161	1,080,347	712,161
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Administered Expenses	-	-	-	-	-	-	-	-	1,080,347	712,161	1,080,347	712,161
Administered Income												
Transfer receipts	-	-	-	-	-	-	-	-	1,080,347	712,161	1,080,347	712,161
Consolidated Fund	-	-	-	-	-	-	-	-	-	-	-	-
• Taxes, fees and fines	-	-	-	-	-	-	-	-	-	-	-	-
• Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Administered Income	-	-	-	-	-	-	-	-	1,080,347	712,161	1,080,347	712,161
Administered Income less Expenses	-	-	-	-	-	-	-	-	-	-	-	-

SECTION 4: Financial Statements



Office of Local Government
Notes to the financial statements

4 Service group statements for the year ended 30 June 2017 (continued)

Service groups descriptions

Service Group 1 - Capacity Building, Oversight and Provision of Advice for Local Government
Purpose: 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
Purpose: This service group covers the Pensioner Rebate Scheme, which provides rebates to local councils of up to 55 per cent of eligible pensioner for council rates.

Service Group 3 - Responsible Pet Ownership Program
Purpose: 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
Purpose: This service group covers personnel services to the Lord Howe Island Board.

5 Current assets - cash and cash equivalents

	2017 \$'000	2016 \$'000
Cash at bank and on hand	15,136	11,480
Closing cash and cash equivalents (as per Statement of cash flows)	<u>15,136</u>	<u>11,480</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>15,136</u>	<u>11,480</u>
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Refer Note 15 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6 Current assets - receivables

	2017 \$'000	2016 \$'000
Sale of goods and services	1,269	2,284
Less: Allowance for impairment	(13)	(89)
Goods and Services Tax recoverable from ATO	831	1,097
Prepayments	177	-
Personnel services revenue receivable	1,067	953
Income receivable	509	952
Other receivables	-	52
	<u>3,840</u>	<u>5,249</u>

Movement in the allowance for impairment

Balance at 1 July 2016	89	-
Amounts written off during the year	(45)	89
Amounts recovered during the year	(41)	-
Increase/(decrease) in allowance	10	-
Balance at 30 June 2017	<u>13</u>	<u>89</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 15.

SECTION 4: Financial Statements



Office of Local Government
Notes to the financial statements

7 Non-current assets - plant and equipment

	Plant and equipment \$'000	Leasehold Improvements \$'000	Total \$'000
At 1 July 2016 - fair value			
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>

At 30 June 2017 - fair value			
Gross carrying amount	820	267	1,087
Accumulated depreciation and impairment	(677)	(108)	(785)
Net carrying amount	<u>143</u>	<u>159</u>	<u>302</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
Year ended 30 June 2017			
Net carrying amount at start of year	156	92	248
Additions	49	89	138
Depreciation expense	(62)	(22)	(84)
Net carrying amount at end of year	<u>143</u>	<u>159</u>	<u>302</u>

	Plant and equipment \$'000	Leasehold Improvements \$'000	Total \$'000
At 1 July 2015 - fair value			
Gross carrying amount	1,017	219	1,236
Accumulated depreciation	(818)	(145)	(963)
Net carrying amount	<u>199</u>	<u>104</u>	<u>303</u>

At 30 June 2016 - fair value			
Gross carrying amount	1,041	217	1,258
Accumulated depreciation	(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 prior reporting period is set out below:

	Plant and equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Year ended 30 June 2016			
Net carrying amount at start of year	199	104	303
Additions	30	(2)	28
Depreciation expense	(73)	(10)	(83)
Net carrying amount at end of year	<u>156</u>	<u>92</u>	<u>248</u>

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

SECTION 4: Financial Statements



Office of Local Government		
Notes to the financial statements		
8	Non-current assets - intangible assets	
		Software \$'000
	At 1 July 2016	
	Gross carrying amount	1,459
	Accumulated amortisation	(925)
	Net carrying amount	<u>534</u>
	At 30 June 2017	
	Gross carrying amount	2,238
	Disposals	(874)
	Accumulated amortisation	(279)
	Net carrying amount	<u>1,085</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
	Year ended 30 June 2017	
	Net carrying amount at start of year	534
	Additions	779
	Amortisation	(228)
	Net carrying amount at end of year	<u>1,085</u>
		Software \$'000
	At 1 July 2015	
	Gross carrying amount	964
	Accumulated amortisation	(877)
	Net carrying amount	<u>87</u>
	At 30 June 2016	
	Gross carrying amount	1,459
	Accumulated amortisation	(925)
	Net carrying amount	<u>534</u>
	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
	Year ended 30 June 2016	
	Net carrying amount at start of year	87
	Additions	495
	Amortisation	(48)
	Net carrying amount at end of year	<u>534</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.	
9	Current liabilities - payables	
		2017 \$'000
		2016 \$'000
	Accrued salaries, wages and on-costs	134
	Creditors	7,058
		<u>7,192</u>
		<u>7,477</u>
	Details regarding liquidity risk, including a maturity analysis of the above payable, are disclosed in Note 15.	

SECTION 4: Financial Statements



Office of Local Government		
Notes to the financial statements		
10	Current/non-current liabilities - provisions	
		2017 \$'000
		2016 \$'000
	Current employee benefits and related on-costs	
	Annual leave	1,294
	Long service leave	864
	Payroll tax	174
		<u>2,332</u>
	Non-current employee benefits and related on-costs	
	Long service leave	33
	Payroll tax	11
		<u>44</u>
	Other non-current provisions	
	Restoration cost	267
		<u>311</u>
	Total provisions	<u>2,643</u>
	<u>Aggregate employee benefits and related on-costs</u>	
	Provisions - current liabilities	2,332
	Provisions - non current liabilities	33
	Accrued salaries, wages and on-costs (Note 9)	134
		<u>2,499</u>
		<u>2,332</u>
	The above includes employee benefits and related on-cost for Lord Howe Island Board [refer to Note 2 (a)].	
	The agency has an obligation for restoration costs at the end of its lease at 5 O'Keefe Avenue, Nowra (1 March 2025). The net present value at 30 June 2017 of these restoration costs was calculated using the March 2017 CPI rate and the 30 June 2017 Australian Government 10 year bond rate. The movement from June 2016 to 30 June 2017 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 cost \$'000
	2017	
	Carrying amount at the beginning of the year	306
	Additional provisions recognised	-
	Amounts used	(39)
	Unused amounts reversed	-
	Unwinding / change in the discount rate	-
	Carrying amount at the end of the year	<u>267</u>
11	Commitments for expenditure	
		2017 \$'000
		2016 \$'000
	Operating lease commitments	
	Future non-cancellable operating lease rentals not provided for and payable	
	Not later than 1 year	410
	Later than 1 year but not later than 5 years	1,572
	Later than 5 years	1,034
	Total (including GST)	<u>3,016</u>
		<u>4,153</u>
	The total operating lease commitments related to leasing of office space and motor vehicles. The expenditure above includes input tax credits of \$274,182 (2016: \$377,499) that are expected to be recoverable from the Australian Taxation Office.	
12	Contingent liabilities and contingent assets	
	A contingent liability is a possible liability that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency. A contingent asset is the opposite of a contingent liability.	
	Contingent liabilities	
	The Agency is not aware of any contingent liabilities associated with its operations.	
	The Agency is not liable for any successful legal actions taken against the New South Wales Government in relation to Council amalgamations.	
	Contingent assets	
	The Agency is not aware of any contingent assets associated with its operations.	
13	Reconciliation of cash flows from operating activities to net result	
		2017 \$'000
		2016 \$'000
	Net cash flows from operating activities	
	Depreciation and amortisation	4,573
	(Increase)/decrease in provisions	(312)
	Increase/(decrease) in receivables	(67)
	Decrease/(increase) in creditors	(1,409)
		<u>285</u>
	Net result	<u>3,070</u>
		<u>(6,321)</u>
		<u>(130)</u>
		<u>(233)</u>
		<u>1,507</u>
		<u>3,821</u>
		<u>(1,356)</u>

SECTION 4: Financial Statements



Office of Local Government

Notes to the financial statements

14 Budget review

Net result

Net surplus for the year of \$3.1 million was unfavourable to the budgeted surplus of \$3.6 million primarily due to the Office not drawing down \$0.8 million of Local Government Reform program grant from NSW Treasury to maintain cash balances within cash buffer limits imposed by NSW Treasury as part of cash management reforms.

Employee related and operating expenses are lower than budgeted by \$2.2 million due to key local government reform projects being delayed during 2016-17 pending the outcome of court decisions in relation to council mergers. There has been delayed spending as result of the change in the reform timetable.

Grants and subsidies are under budget by \$209.5 million. This is primarily due to a budgeted \$215.0 million in grants to support the implementation of further council mergers which were subject to court decisions not proceeding during the financial year. This has been offset by an unbudgeted amount of \$13.0 million spent on paying councils for their implementation costs in readiness for the introduction of the Fire and Emergency Services Levy.

Total Revenue is lower than budgeted by \$211.2 million primarily due to local government reform grants of \$215.0 million for council mergers that are subject to the decision of the courts not being drawn down from NSW Treasury through the principal department.

Assets and liabilities

The major variances in assets and liabilities compared to budget are:

Total Assets are higher than budgeted by \$5.4 million due to increased cash balances as a result of reimbursements of \$4.2 million to councils for companion animals registration fees and reimbursement to councils for the implementation costs of the Fire and Emergency Services Levy of \$1.6 million being paid in July 2017.

Total Liabilities are higher than budgeted by \$6.6 million due to creditors that have been accrued and are due to be paid in July 2017. The creditors are predominantly reimbursements to councils for companion animals registration fees and for the implementation costs of the Fire and Emergency Services Levy.

Cash flows

The actual closing cash and cash equivalent is higher than budgeted by \$5.8 million, primary due to the reimbursements of \$4.2 million for companion animals registration fees and the reimbursement for the implementation costs of the Fire and Emergency Services Levy of \$1.6 million being paid to councils in July 2017.

Total Payments are lower than budget by \$212.3 million due to non-payment of grants to councils to support the implementation of further council mergers which were subject to the decision of the courts as part of the local government reform program.

Total Receipts are lower than budget by \$211.5 million due to grant funds drawn down in 2016-17 from NSW Treasury through the Principal Department for council mergers that are subject to the decision of the courts.

SECTION 4: Financial Statements



Office of Local Government

Notes to the financial statements

15 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.

(a) Financial instrument categories

Class	Notes	Category	Carrying amount 2017 \$'000	Carrying amount 2016 \$'000
Financial assets				
Cash and cash equivalents	5	N/A	15,136	11,480
Receivables ¹	6	Loans and receivables (at amortised cost)	2,832	4,152
Financial liabilities				
Payables ²	9	Financial liabilities measured at amortised cost	7,150	7,427

Notes

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

Cash comprises of the Responsible Pet Ownership bank account and bank balances with the NSW Treasury Banking System.

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 \$0.85 million (2016: \$1.03 million) and less than three months past due \$0.19 million (2016: \$0.26 million) are not considered impaired and together these represent 83.1 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.

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Office of Local Government
Notes to the financial statements

15 Financial instruments (continued)

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$'000	\$'000	\$'000
2017			
<3 months overdue	194	194	-
3 months - 6 months overdue	44	44	-
>6 months overdue	169	156	13
2016			
<3 months overdue	260	260	-
3 months - 6 months overdue	605	605	-
>6 months overdue	387	298	89

Notes

- Each column in the table reports 'gross receivables'.
- 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	Interest rate exposure \$'000			Maturity dates \$'000			
		Nominal amount	Fixed interest rate	Variable interest rate	Non-interest bearing	<1 year	1-5 years	>5 years
2017								
Payables: Accrued salaries, wages and on-costs	N/A	92	-	-	92	92	-	-
Creditors	4.82	7,058	-	-	7,058	7,058	-	-
		7,150	-	-	7,150	7,150	-	-
2016								
Payables: Accrued salaries, wages and on-costs	N/A	23	-	-	23	23	-	-
Creditors	4.82	7,404	-	-	7,404	7,404	-	-
		7,427	-	-	7,427	7,427	-	-

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 2016. The analysis assumes that all other variables remain constant.

SECTION 4: Financial Statements



Office of Local Government

Notes to the financial statements

15 Financial Instruments (continued)

Interest rate risk

Exposure to interest rate risk arises primarily through the agency's cash and cash equivalents. 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
2017					
<i>Financial assets</i>					
Cash and cash equivalents	15,136	(151)	(151)	151	151
Receivables	2,832	(28)	(28)	28	28
<i>Financial Liabilities</i>					
Payables	7,150	72	72	(72)	(72)
2016					
<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)

(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.

16 Related party disclosures

(a) Key management personnel compensation

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

	2017 \$'000
Short-term benefits:	
Salaries	318
Other monetary allowances	-
Non-monetary benefits	-
Other long-term employee benefits	-
Post-employment benefits	20
Termination benefits	-
Total remuneration	338

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

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

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

(b) Transactions with Key management personnel

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

(c) Transactions with Government related entities

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

- Cluster grant funding received from the Department of Planning and Environment of \$149.6 million
- Personnel services revenue received from Lord Howe Island Board of \$3.9 million
- Grant payment to the Department of Premier and Cabinet of \$2.8 million for continuation of council merger support in 2016-17
- Fees for service paid to the Independent Pricing and Regulatory Tribunal of \$1.3 million

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

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



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