

Annual Report

2017-18

Office of Local Government



OFFICE OF LOCAL GOVERNMENT ANNUAL REPORT 2017-18

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OFFICE HOURS

Monday to Friday 9.00am to 5.00pm (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 us on 02 4428 4100.

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Produced by the NSW Office of Local Government.

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Introduction

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 2018.

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

Yours sincerely



Tim Hurst
Chief Executive
Office of Local Government

26/10/18

Chief Executive foreword

In 2017-18, the Office of Local Government (OLG) delivered on some significant priorities to improve the way councils operate and interact with each other and with the Government.

The successful establishment of joint organisations in regional NSW was the culmination of five years of hard work and it was pleasing to see more than 90 per cent of councils resolve to join one of the new regional bodies. These new organisations will allow councils to work across traditional boundaries to help drive better planning, economic development and service delivery in regional NSW.

As part of the Government's ongoing commitment to strengthening collaboration with the local government sector, OLG also established a new Council Engagement Team. The team is strengthening relationships between State and local government through regular and ongoing contact with local councils to quickly identify and address emerging issues and keep them informed about relevant policies and programs.

Throughout the year, we also made significant progress on developing a new Model Code of Conduct and Model Code of Meeting Practice for councils in NSW as well as Councillor Induction and Professional Development Guidelines. These initiatives are part of the Government's ongoing commitment to helping local councils to strengthen their performance, integrity and accountability.

OLG has also assisted other State agencies to implement reforms and programs involving local councils including changes to management of Crown land and biodiversity, improving staff skills and training in local government, China's National Sword policy and Return and Earn. The agency also continued work to improve the NSW Companion Animals Registry and review the *Companion Animals Regulation 2008* to promote responsible pet ownership and strengthen animal welfare outcomes.

In 2017-18, OLG further supported councils to improve their financial sustainability and reporting. A further two councils were assessed as meeting the Government's key financial benchmarks. We also worked with the Auditor-General and Audit Office to implement recommendations from their audit of councils' 2016-17 financial statements and three sector-wide performance audits.

In our regulatory role, OLG supported a Performance Improvement Order and Public Inquiry into Blue Mountains City Council as well as investigations into the conduct of other councils and councillors.

I would like to thank the hard working and professional staff of OLG and the ongoing dedication and commitment of council staff and councillors across the State in assisting us to deliver the achievements and results detailed in the Office of Local Government's Annual Report for 2017-18.

Tim Hurst

Chief Executive

SECTION 1: About us

What the Office does

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

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

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

Principal legislation

The principal Acts administered by OLG are the *City of Sydney Act 1988*, the *Companion Animals Act 1998*, the *Impounding Act 1993* and the *Local Government Act 1993*. Until 1 January 2018, OLG was also responsible for the administration of the *Swimming Pools Act 1992* when it was transferred to the Department of Finance, Services and Innovation.

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 Local Government. 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 2017-18 was \$255 million.

Key budget items included:

- Local Government Reform Program - \$133.12 million
- Pensioner Concession Scheme - \$78.5 million
- Local Infrastructure Renewal Scheme - \$15.94 million
- Companion Animals Program - \$8.20 million
- Lord Howe Island Board Grant - \$5.83 million
- Fire and Emergency Services Levy - \$4.0 million.

Structure

At June 2018, OLG comprised six key divisions.

Policy and Sector Development

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

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

Sector Performance and Intervention

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

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

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

Business Services

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

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

Legal

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

Reform Implementation

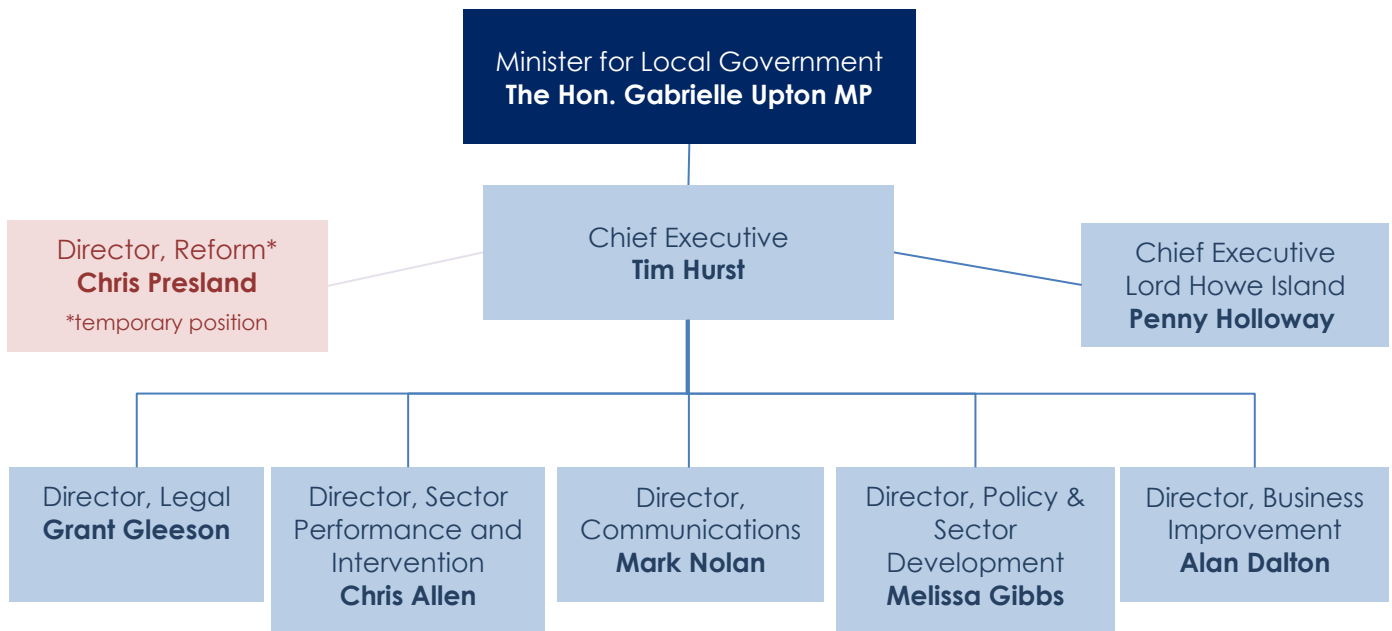
Reform Implementation leads the NSW Government's local government reform program. It is responsible for delivering key reform initiatives including the support and engagement of new councils and joint organisations.

Communications

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

Organisational chart

This chart represents the structure as at 30 June 2018.



As at 30 June 2018 the 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 to develop and implement key reform priorities to create a stronger, modern and effective system of local government. This culminated with the successful establishment of joint organisations in regional NSW and a new Council Engagement Team.

OLG continued working with key stakeholders and facilitating sector and interagency collaboration on issues including:

- Reforms to Crown reserve management
- Local Government Skills Strategy
- Review of the Companion Animals Regulation 2008
- Return and Earn
- Code of Accounting Practice and Financial Reporting
- Biodiversity Offset Scheme.

OLG also continued to support high standards of integrity and performance in local councils through development of draft new Model Code of Meeting Practice, Councillor Induction and Professional Development Guidelines and Model Code of Conduct for Local Councils in NSW.

Following council elections in September 2017, Hit the Ground Running workshops were held across NSW to support new and existing councillors to understand and meet their roles and responsibilities.

OLG continued to support local councils through the following projects:

- Implementing the Auditor-General's inaugural audit of councils' 2016-17 financial statements;
- Continuing work to support and upgrade the public access online portal to the NSW Companion Animals Registry; and
- Administering the highly successful Responsible Pet Ownership Education Program.

OLG continued to monitor legislative and regulatory compliance of the local government sector, including supporting Public Inquiries into Blue Mountains City Council under section 438U of the *Local Government Act 1993* and a formal investigation into Warrumbungle Shire Council.

The following are the changes in Acts and subordinate legislation administered by OLG in 2017-18:

- *Companion Animals and Other Legislation Amendment Act 2018* (jointly with the Department of Primary Industries). Assented to 27 June 2018 with certain provisions commenced on 1 July 2018;
- *Local Government Amendment (Regional Joint Organisations) Act 2017*. Assented to 30 November 2017.

Stakeholders and staff

OLG provides high-quality services to councils, members of the public and other government agencies.

OLG continued to undertake collaboration and engagement with key stakeholders in its strategic and operational planning. This ongoing commitment is also reflected in the agency's workforce professional development planning and management of staff.

During 2017-18, OLG established a new six-member Council Engagement Team to strengthen support and collaboration with councils and joint organisations.

OLG also provided guidance, materials and other support to councils on administering the Integrated Planning and Reporting Framework (IP&R) and meeting their responsibilities under the *Local Government Act 1993*. IP&R assists councils to undertake comprehensive planning for the delivery of services that meet the needs of their communities.

OLG's staff are essential to delivering its statutory and stakeholder support functions. The agency remains committed to providing staff with a healthy, supportive and collegiate workplace.

During the year, OLG provided training and information to staff on managing complaints, workforce tools, professional development planning, communications, working effectively in teams, workplace health and safety, and maintaining a respectful working environment.

SECTION 2: Our Achievements

Joint organisations

In May 2018, the NSW Government proclaimed 11 joint organisations comprising more than 70 councils following extensive consultation and engagement with the local government sector. Over 90 per cent of councils resolved to join a joint organisation with their neighbours, with a number of regions recording a 100 per cent take-up rate.

Joint organisations comprise member councils, State agencies and other key stakeholders and will transform the way in which state and local government work together to address the issues that matter most for regional communities.

The 11 new joint organisations are: Canberra Region, Central NSW, Hunter, Illawarra Shoalhaven, Mid North Coast, Namoi, New England, Northern Rivers, Orana, Riverina and Murray, and Riverina.

Council elections

Elections were held on 9 September 2017 for:

- new councils created in 2016;
- councils whose elections were delayed because they were subject to merger proposals; and
- The Hills Shire Council following deferral of its 2016 ordinary election on advice from the NSW Electoral Commission.

The Government encouraged diverse representation and ensured candidates understood a councillor's role and responsibilities. OLG developed resources for candidates and councils including a "Stand for your community" guide and other brochures and flyers. The agency also provided resources to encourage women, Aboriginal and Torres Strait Islander people and people from culturally and linguistically diverse backgrounds to stand for their local council.

Following the elections, OLG conducted councillor induction workshops covering councillors' roles and responsibilities and ethical obligations, council meeting practice, integrated planning and reporting, and ongoing councillor professional development.

Companion animals

OLG supported the passage of the *Companion Animals and Other Legislation Amendment Act 2018*, which was passed by the NSW Parliament on 6 June 2018 and assented to on 15 June 2018. These reforms continued to implement the Government's response to the Joint Select Committee on Companion Animal Breeding Practices in NSW, and a recent statutory review of the Companion Animals Regulation 2008. The changes also supported the Government's ongoing commitment to promoting responsible pet ownership across NSW.

Changes to the Companion Animals Act include:

- introduction of annual permits for dogs of a restricted breed or declared dangerous and cats not de-sexed by four months of age;

- a new requirement for people selling dogs and cats to display an identifying number in advertisements. The public can search these numbers for free to verify key details about cats and dogs and ensure breeders are subject to the scrutiny of authorities;
- increased penalties and penalty notice amounts for some offences; and
- changes to access and use of data in the Companion Animals Register and NSW Pet Registry.

Council Engagement Team

OLG has created a Council Engagement Team as the first step towards changing the way in which the agency engages with councils, state agencies and the broader local government sector. The team has been established to:

- develop and build relationships with councils, county councils and joint organisations;
- identify and address emerging issues affecting councils; and
- provide information on key Government policies and programs.

Councillor misconduct and pecuniary interest matters

During the reporting period, OLG handled 38 referrals of councillor misconduct and 26 alleged contraventions of the pecuniary interest provisions of the *Local Government Act 1993*. OLG commenced two misconduct investigations and one pecuniary interest investigation.

The NSW Civil and Administrative Tribunal (NCAT) determined two misconduct matters during 2017-18 and one pecuniary interest matter. The NCAT determinations resulted in the reprimand of two councillors and the two month loss of remuneration for a third councillor.

Intervention

During the reporting period the Chief Executive authorised an investigation under section 430 of the *Local Government Act 1993* into aspects of the operation of Warrumbungle Shire Council.

Responsible pet ownership

OLG continued work to improve the 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 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.

During 2017-18, there were 803 primary school sessions teaching 75,770 children and 1,162 preschool sessions teaching 31,755 children how to live and interact safely with pets. The 'We are Family' Program operates in over 80 maternity hospitals and more than 300 early childhood centres in NSW.

Local Government Infrastructure Renewal Scheme

OLG administers provides loan subsidies to councils to fund infrastructure backlog works under the Local Government Infrastructure Renewal Scheme.

The agency delivered \$13.3 million in interest subsidy claims to eligible councils in 2017-18. OLG has so far paid a total of \$66.9 million in interest rate subsidies to councils. There were 166 approved projects of which 134 were completed. The scheme has unlocked \$821 million in council investment and it will continue until 30 June 2025.

Transition to Auditor-General

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

During 2017-18, OLG worked with the Auditor-General and the Audit Office to implement the recommendations from the inaugural report on the audit of councils' financial statements. During 2017-18, the agency also worked with the Audit Office to implement the recommendations of performance audits, which focus on identifying best practice and how to improve performance across the sector in the areas of council reporting on service delivery, shared services and fraud control.

Local Government Grants Commission

The primary function of the Local Government Grants Commission is to make recommendations to the Minister for Local Government on the allocation of general purpose grants to local councils under the provisions of the *Local Government (Financial Assistance) Act 1995* (Cwlth). During 2017-18, NSW councils received total payments of \$748,503,677 in federally funded Financial Assistance Grants. The payments made to councils in 2017-18 comprised:

- \$366,986,295 for the second half of the 2017-18 grant (after half was paid in advance on 8 June 2017); and
- \$381,517,382 - an advance amount of half the 2018-19 grant, paid to councils on 21 June 2018.

Monitoring role

OLG monitors the financial performance of all councils in NSW and utilises its Sector Performance and Intervention group to oversee its council monitoring framework and activities. Monitoring is undertaken in a variety of ways including an annual review of each council's financial reports, investigating information supplied by councils and the community, observing meetings and visiting councils to discuss issues of concern.

During 2017-18, the OLG continued to collate and provide quality information to both councils and the community on the financial performance, service delivery, governance and asset management results of councils against key performance measures. This information has been published, as time series data, on the OLG website.

The Sector Performance and Intervention group also completed a third round reassessment of council improvement proposals to ensure local councils continued to strengthen their financial position, enabling them to deliver quality services and infrastructure to their communities.

During 2017-18, OLG continued to monitor the legislative and regulatory compliance of the local government sector, including assessing applications from councils to compulsorily acquire land, make changes to local government boundaries, grant leases and licences over community land, and assessed proposals to enter into a Public Private Partnership or undertake capital projects for the provision of public infrastructure or facilities.

During the reporting period, OLG also worked with relevant councils and the Valuer General to implement changes to the methodology for the valuation of coal mines, attended local government forums, and collated and provided responsible pet ownership information to councils and the community.

OLG processed the following applications in 2017-18:

- Compulsorily acquire land - 69 applications received for assessment, 90 assessed including applications carried over from previous years and 65 finalised;
- Local government boundaries - 7 applications received;
- Public Private Partnerships - 7 applications received;
- CAPEX - 17 applications received;
- Leases and licences - 4 applications received.

Research and development

OLG did not undertake any research and development activities during 2017-18.

SECTION 3: How we operate

Staff policies

Personnel

OLG works closely with the Planning and Environment Cluster's Corporate Services division to provide staff with an efficient suite of support services, including payroll, information and communications technology, recruitment, human resources, industrial relations and governance.

All personnel policies and procedures are provided to staff via OLG's intranet. During the reporting year OLG reviewed and updated a number of policies to enhance alignment with other cluster agencies, and facilitate the effective delivery of services.

Supporting diversity

The Planning and Environment Cluster has prepared a range of policies that support an inclusive workplace for all people. OLG is represented in the Cluster's Disability Inclusion Action Plan and Multicultural Plan, and other initiatives that are aligned with the Government's commitments to diversity, including gender, Aboriginality, age and disability.

During 2017-18 OLG worked with the Public Service Commission to promote job opportunities to the Aboriginal community, and has increased the proportion of employees who are Aboriginal or Torres Strait Islander people. The proportion of OLG staff who are women increased to 61.5%.

OLG also holds annual events to celebrate diversity and support workforce cohesion including International Women's Day, Harmony Day and Bring Your Dog to Work Day.

Industrial relations

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

Privacy Management Plan

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

During 2017-18 OLG adopted a revised Code of Ethics and Conduct, which aligns with codes adopted across the Planning and Environment Cluster, and is consistent with 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 2017-18 and identified minor issues requiring rectification.

Training was delivered to frontline staff on dealing with difficult customers, and OLG senior executives attended refresher workshops on workplace health and safety.

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

Claims and reports

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

Year	Premiums paid	Claims lodged	Open claims
2017-18	\$46,252	3	2

Overseas travel

No staff travelled overseas during the reporting period.

Staff profile

Staff profile by employment category

Staff numbers by category	2015-16			2016-17			2017-18		
	Men	Women	TOTAL	Men	Women	TOTAL	Men	Women	TOTAL
Permanent full time	23	34	57	23	34	57	20	29	49
Permanent part time	0	2	2	0	2	2	0	7	7
Temporary full time	9	13	22	6	11	17	2	9	11
Temporary part time	0	0	0	0	0	0	0	3	3
Contract SES /SEB	5	3	8	5	3	8	5	1	6
Contract non-SES	1	1	2	0	0	0	0	0	0
Training positions	0	0	0	0	0	0	0	0	0
Retained staff	0	0	0	0	0	0	0	0	0
TOTAL	38	53	91	34	50	84	32	50	76

Workforce diversity

Workforce Diversity*	2015-16	2016-17	2017-18
Women	57.5%	59.3%	61.5%
Aboriginal People and Torres Strait Islander	3.4%	2.5%	6.1%
People whose language spoken as a child was not English	5.7%	7.4%	8.4%
People with a disability	2.3%	4.9%	8.1%
People with a disability requiring work related adjustment	2.3%	3.7%	5.8%

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

Senior Executive

2017-18 Senior Executive Positions (including Lord Howe Island Board)

Number of Senior Executives by Band*	2016-17		2017-18	
	Female	Male	Female	Male
Band 4	0	0	0	0
Band 3	0	1	0	1
Band 2	0	0	0	0
Band 1	3	4	2	5
Totals	3	5	2	6
	8*		8*	

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

Remuneration by Band	2016-17		2017-18	
	Range	Average Remuneration	Range	Average Remuneration
Band 4	\$452,251 – \$522,500	\$0	\$463,551 - \$535,500	\$0
Band 3	\$320,901 – \$452,250	\$338,389	\$328,901 – \$463,550	\$360,000
Band 2	\$255,051 – \$320,900	\$0	\$261,451 – \$328,900	\$0
Band 1	\$178,850 – \$255,050	\$182,933	\$183,300 – \$261,450	\$200,112

Consultancies, Funds & Grants Paid

Consultancies of value less than \$50,000

Purpose of consultant	Number of consultancies	Cost
Companion animals	1	\$40,000
Local government reform	1	\$21,000
TOTAL	2	\$61,000

Consultancies of value more than \$50,000

Consultants	Project	Fee
Acil Allen Consulting Pty Ltd	Companion animals	\$150,369
Project Management Partners Pty Ltd	Program transition and project management services	\$260,078
JMC Project Consulting Pty Ltd	Program implementation services	\$99,172
Centre of International Economics	Return and Earn	\$59,575
TOTAL		\$569,194

Grant funds paid during 2017-18

In 2017-18, OLG paid the following grants:

Name of organisation	Nature and purpose of grant	Paid
NSW Councils	Financial Assistance Grants	\$748,503,677
NSW Councils	Local Infrastructure Renewal Scheme	\$13,302,317
NSW Councils	Council rates concession for eligible pensioners	\$76,401,867
NSW Councils	Companion Animals	\$5,907,469
NSW Councils	Local Government Reform	\$140,038,056
TOTAL		\$984,153,386

During 2017-18, there were no funds granted by OLG to non-government community organisations.

Audit and assets

Audit and risk management

OLG has an Audit and Risk Committee that advises the Chief Executive about financial and risk management. The Audit and Risk Committee met five times during 2017-18.

Credit card certification

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

Major capital works

During the reporting period OLG invested \$1.18 million in the NSW Pet Registry, the public access portal to the NSW Companion Animals Register.

Land disposal

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

Account payment performance

During 2017-18, OLG paid a total number of 3,270 accounts to suppliers or contractors for supply of goods and services, of which a total of 3,187 accounts were paid on time. Based on number of accounts, this represented 97.3% of accounts paid on time. Based on dollar amount, this represented 93.8% of accounts paid on time. No penalty interest was charged to OLG for late payments in 2017-18.

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	\$4,565,349	\$34,152	\$2,064	\$43	\$1,845
December	\$3,754,990	\$13,151	\$499	\$440	-
March	\$4,097,343	\$66,934	\$94	-	-
June	\$3,960,088	\$260,881	\$10	\$5	\$297

Accounts due or paid within each quarter - all suppliers				
Measure	September	December	March	June
Number of accounts due for payment	925	695	868	782
Number of accounts paid on time	903	681	842	761
Actual percentage of accounts paid on time (based on number of accounts)	97.6%	98.0%	97.0%	97.3%
Dollar amount of accounts due for payment	\$4,603,452	\$3,769,080	\$4,164,371	\$4,221,280
Dollar amount of accounts paid on time	\$4,565,349	\$3,754,990	\$4,097,343	\$3,960,088
Actual percentage of accounts paid on time (based on \$)	99.2%	99.6%	98.4%	93.8%
Number of payments for interest on overdue accounts	-	-	-	-
Interest paid on overdue accounts	-	-	-	-

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

Economic or other factors

OLG is not aware of any economic or other factors affecting the achievement of operational objectives for 2017-18.

Internal Audit and Risk Management Attestation Statement

Internal Audit and Risk Management Attestation Statement for the 2017-18 Financial Year for the Office of Local Government

I, Tim Hurst, am of the opinion that the Office of Local Government has internal audit and risk management processes in operation that are compliant with the eight core requirements set out in the NSW Treasury Policy and Guidelines Paper *Internal Audit and Risk Management Policy for the NSW Public Sector* (TPP 15-03), 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 had 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 process, 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 2018*
Independent Member	Alan Zammit	27 February 2012	26 February 2020*
Independent Member	Elizabeth Crouch	21 October 2013	20 October 2019*

* Includes reappointment for a second term

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

- Planning Ministerial Corporation
- Central Coast Regional Development Corporation
- Hunter Development Corporation
- Office of Local Government
- Lord Howe Island Board
- Greater Sydney Commission

Signed:



Tim Hurst
Chief Executive
Office of Local Government

Date: 11/10/18

Alan Dalton
Agency Contact Officer
Director, Business Improvement

Digital Information Security Annual Attestation

Digital Information Security Annual Attestation & Evidence of Certification Statement for the 2017-18 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 2017-18 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.

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

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 2017-18 financial year (Certificate Number IS 645082).



Tim Hurst
Chief Executive
Office of Local Government

Date: 11/10/18

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 2017 to 30 June 2018.

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

OLG revised its Public Interest Disclosures – Policy & Procedures during the year and adopted a revised policy consistent with the NSW Ombudsman's model policy.

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

Reporting

Section 6CA of the *Public Interest Disclosures Act 1994* requires each public authority to provide a report for each six-month period to the Ombudsman in compliance with its obligations. 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 three complaints about its delivery of services during the reporting period. Two complaints related to delays and poor customer service and one alleged unfair treatment.

Access applications

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

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

Table A: Number of applications by type of applicant and outcome*									
	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn	TOTAL
Media	0	0	0	0	0	0	0	0	0
Members of Parliament	3	3	1	0	2	0	0	0	9
Private sector business	0	0	0	0	0	0	0	0	0
Not for profit organisation or community groups	0	0	0	0	0	0	0	0	0
Member of the public (application by legal representative)	0	1	0	0	1	0	0	0	2
Member of public (other)	4	2	1	1	1	0	0	1	10

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

Table B: Number of applications by type of applicant and outcome									
	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn	TOTAL
Personal information applications*	0	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	7	5	2	1	4	0	0	1	20
Access applications that are partly personal information applications and partly other	0	1	0	0	0	0	0	0	1

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

Table C: Invalid applications	
Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	1
Application is for excluded information of the agency (section 43 of the Act)	2
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	3
Invalid applications that subsequently became valid applications	1

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to GIPPA	
	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	2
Executive Council information	1
Contempt	0
Legal professional privilege	0
Excluded information	1
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

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

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of Act	
	Number of occasions when application not successful
Responsible and effective government	2
Law enforcement and security	0
Individual rights, judicial processes and natural justice	3
Business interests of agencies and other persons	1
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness	
	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	19
Decided after 35 days (by agreement with applicant)	1
Not decided within time (deemed refusal)	1

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)			
	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT	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.

Table H: Applications for review under Part 5 of the Act (by type of applicant)	
	Number of applications for review
Applications by access applicants	1
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)	
	Number of applications transferred
Agency initiated transfers	1
Applicant initiated transfers	3

SECTION 4: Financial Statements

Statement by Chief Executive

Office of Local Government
Statement by the Chief Executive Officer
for the year ended 30 June 2018

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

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



Tim Hurst
Chief Executive Officer

Date: 24 September 2018

Audit Office opinion



INDEPENDENT AUDITOR'S REPORT

Office of Local Government

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Office of Local Government (the Office), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Office as at 30 June 2018, 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.

Chief Executive's Responsibilities for the Financial Statements

The 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 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 Chief Executive is responsible for assessing the Office's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Office's operations will cease as a result of an administrative restructure.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

24 September 2018
SYDNEY

Financial statements

Office of Local Government Statement of comprehensive income for the year ended 30 June 2018

	Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
Expenses excluding losses				
Operating expenses				
Employee related	2(a)	15,960	16,211	15,840
Other operating expenses	2(b)	11,484	11,728	12,111
Depreciation and amortisation	2(c)	748	476	312
Grants and subsidies	2(d)	232,273	226,846	130,242
Finance costs	2(e)	7	-	-
Total expenses excluding losses		260,472	255,261	158,505
Revenue				
Retained taxes, fees and fines	3(a)	7,082	6,865	6,758
Grants and contributions	3(b)	242,067	239,673	150,097
Personnel services revenue	3(c)	4,217	3,296	3,958
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	653	330	660
Other income	3(e)	928	36	102
Total Revenue		254,947	250,200	161,575
Other gains / (losses)		-	-	-
Net result	14	(5,525)	(5,061)	3,070
Other comprehensive income				
<i>Items that will not be reclassified to net result in subsequent periods</i>				
		-	-	-
Total other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME		(5,525)	(5,061)	3,070

The accompanying notes form part of these financial statements.

Office of Local Government
Statement of financial position
as at 30 June 2018

	Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	5	7,665	6,511	15,136
Receivables	6	3,388	5,249	3,840
Total current assets		11,053	11,760	18,976
Non-current assets				
Property, plant and equipment				
Plant and equipment	7	156	100	143
Leasehold improvements	7	123	120	159
Total property, plant and equipment		279	220	302
Intangible assets	8	1,744	3,106	1,085
Total non-current assets		2,023	3,326	1,387
Total assets		13,076	15,086	20,363
LIABILITIES				
Current liabilities				
Payables	9	5,654	7,478	7,192
Provisions	10	2,129	2,233	2,332
Total current liabilities		7,783	9,711	9,524
Non-current liabilities				
Provisions	10	304	343	311
Total non-current liabilities		304	343	311
Total liabilities		8,087	10,054	9,835
Net assets		4,989	5,032	10,528
EQUITY				
Accumulated funds		4,989	5,032	10,528
Total equity		4,989	5,032	10,528

The accompanying notes form part of these financial statements.

Office of Local Government
Statement of changes in equity
 for the year ended 30 June 2018

	Notes	Total \$'000
Balance at 1 July 2017		10,528
Net result for the year		(5,525)
Other comprehensive income		-
Total other comprehensive income		<u>-</u>
Total comprehensive income for the year		<u>(5,525)</u>
Transactions with owners in their capacity as owners		
(Decrease) in net assets from equity transfers	11	<u>(14)</u>
Balance at 30 June 2018		<u>4,989</u>
Balance at 1 July 2016		7,458
Net result for the year		3,070
Other comprehensive income		-
Total other comprehensive income		<u>-</u>
Total comprehensive income for the year		<u>3,070</u>
Transactions with owners in their capacity as owners		<u>-</u>
Balance at 30 June 2017		<u>10,528</u>

The accompanying notes form part of these financial statements.

Office of Local Government
Statement of cash flows
for the year ended 30 June 2018

	Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(11,227)	(15,881)	(11,169)
Grants and subsidies		(232,812)	(226,845)	(129,475)
Other		(15,665)	(11,803)	(15,764)
Total payments		(259,704)	(254,529)	(156,408)
Receipts				
Retained taxes, fees and fines		9,595	6,940	10,737
Grants and contributions		242,067	239,673	150,090
Other		918	3,332	154
Total receipts		252,580	249,945	160,981
NET CASH FLOWS FROM OPERATING ACTIVITIES	15	(7,124)	(4,584)	4,573
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of plant and equipment	7	(75)	(105)	(138)
Purchase of intangible assets	8	(272)	(2,140)	(779)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(347)	(2,245)	(917)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS				
		(7,471)	(6,830)	3,656
Opening cash and cash equivalents		15,136	13,341	11,480
CLOSING CASH AND CASH EQUIVALENTS	5	7,665	6,511	15,136

The accompanying notes form part of these financial statements.

Office of Local Government
Notes to the financial statements
for the year ended 30 June 2018

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.

As a consequence of the *Administrative Arrangements (Administrative Changes - Miscellaneous) Order 2017* effective from 1 January 2018 *Swimming Pools Act 1992* and *Swimming Pools Regulation 2008* was transferred from the Agency to Department of Finance, Services and Innovation (DFSI).

These financial statements for the year ended 30 June 2018 have been authorised for issue by the Chief Executive Officer on Sept 2018.

(b) Basis of preparation

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

- applicable *Australian Accounting Standards* (which include *Australian Accounting Interpretations*);
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
- the Financial Reporting Directions mandated by the Treasurer.

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

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

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

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

(c) Statement of compliance

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

(d) Administered activities

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

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

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

Office of Local Government
Notes to the financial statements (cont'd)
 for the year ended 30 June 2018

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

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

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

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

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

(f) Comparative information

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

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

(i) Effective for the first time in 2017-18

There are no new or revised Australian Accounting Standards (AAS) effective in 2017-18 impacting these financial statements.

(ii) Issued but not yet effective

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

The following new AAS have not been applied and are not yet effective. NSW Treasury TPP 18-01 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 2016-7 *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 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*

These standards have been assessed for their possible impact on the financial statements, if any, in the period of their initial application. The assessment concluded that AASB 16 *Leases* and AASB 1058 *Income of Not-for-Profit entities*, both effective from the 2019-20 financial year may have some financial impact. Apart from this, the other new standards are not likely to have any material impact.

Office of Local Government
Notes to the financial statements (cont'd)
for the year ended 30 June 2018

2. Expenses excluding losses

(a) Employee related expenses

	2018	2017
	\$'000	\$'000
Salaries and wages (including annual leave)	11,800	12,568
Superannuation - defined benefit plans	52	60
Superannuation - defined contribution plans	1,012	817
Long service leave	684	694
Workers' compensation insurance	134	137
Payroll tax and fringe benefit tax	747	734
Redundancies	445	101
Temporary employees	1,086	729
	15,960	15,840

An amount of \$0.1 million (2017: Nil) has been capitalised to intangible assets for Companion Animals Register Rebuild and is therefore excluded from the above. The employee related expenses include \$4.2 million for the Lord Howe Island Board (2017: \$3.9 million). Refer also to notes 1(a), 3(c) and 3(d).

(b) Other operating expenses

	2018	2017
	\$'000	\$'000
Auditor's remuneration - audit of the financial statements	49	48
Community events	59	54
Committee fees and expenses	168	230
Consultants	630	376
Corporate shared services expenses	246	247
Contractor - projects	-	402
Fees for services	2,706	2,592
Insurance	11	11
Motor vehicle expenses	41	49
Operating lease rental expense - minimum lease payments	443	441
Telephone and communication costs	54	55
Stores and minor assets	10	20
Training (staff development)	65	81
Travel costs	325	221
Promotions and publicity	5	284
Other expenses	481	810
Other occupancy costs	89	259
Marketing	125	68
Responsible Pet Ownership Program payments	5,907	5,810
Maintenance *	90	53
	11,484	12,111

*** Reconciliation - total maintenance**

Maintenance expense - contracted labour and other (non-employee related), as above	90	53
Employee related maintenance expense included in Note 2 (a)	-	-
Total maintenance expenses included in Note 2(a) + 2(b)	90	53

Office of Local Government
Notes to the financial statements (cont'd)
for the year ended 30 June 2018

2. Expenses excluding losses (cont'd)

(b) Other operating expenses (cont'd)

Recognition and measurement

Maintenance expense

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

Insurance

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

Operating leases

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

(c) Depreciation and amortisation expense

	2018 \$'000	2017 \$'000
Depreciation		
Plant and equipment	62	62
Leasehold improvements	36	22
	<u>98</u>	<u>84</u>
Amortisation:		
Intangible assets - software	650	228
	<u>650</u>	<u>228</u>
	<u>748</u>	<u>312</u>

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

(d) Grants and subsidies

	2018 \$'000	2017 \$'000
Stronger Communities Fund	138,860	22,800
Pensioner rebates	76,402	78,053
Local Infrastructure Renewal Scheme	13,302	14,914
Fire and Emergency Services Levy	-	12,692
Lord Howe Island Board	2,531	1,480
Innovation Fund	1,178	-
Responsible Pet Ownership	-	303
	<u>232,273</u>	<u>130,242</u>

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

(e) Finance costs

	2018 \$'000	2017 \$'000
Unwinding of discount rate for the make good provision	7	-
	<u>7</u>	<u>-</u>

Office of Local Government
Notes to the financial statements (cont'd)
for the year ended 30 June 2018

3. Revenue

Recognition and measurement

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

(a) Retained taxes, fees and fines

	2018	2017
	\$'000	\$'000
Responsible Pet Ownership Program registration fees	7,081	6,757
Other	1	1
	<u>7,082</u>	<u>6,758</u>

Recognition and measurement

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

A quarterly reimbursement is made to councils based on Register Reports for the quarter.

(b) Grants and contributions

	2018	2017
	\$'000	\$'000
Stronger Communities Fund *	138,860	22,800
Pensioner rebates	76,402	78,054
Local Infrastructure Renewal Scheme	13,302	14,914
Fire and Emergency Services Levy	-	12,960
Local Government Reform	3,765	5,000
Lord Howe Island Board	2,531	1,480
Innovation Fund	1,178	-
Companion Animals	1,113	1,048
Other	4,916	13,841
	<u>242,067</u>	<u>150,097</u>

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

* Stronger Communities Fund (also known as Fit for the Future local government reform program) expenditure increased during 2017-18 due to delay on amalgamation of councils in 2016-17.

Recognition and measurement

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

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

(c) Personnel services revenue

	2018	2017
	\$'000	\$'000
Employee expenses recoveries - Lord Howe Island Board	4,217	3,958
	<u>4,217</u>	<u>3,958</u>

Personnel services revenue does not include the \$0.2 million remuneration of the Chief Executive of Lord Howe Island Board. This remuneration is included in employee related expenses (Note 2a) along with other employee related expenses for the Lord Howe Island Board.

Office of Local Government
Notes to the financial statements (cont'd)
for the year ended 30 June 2018

3. Revenue (cont'd)

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

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

	2018	2017
	\$'000	\$'000
Superannuation - defined benefits	52	60
Long service leave	589	597
Payroll tax	2	3
	<u>653</u>	<u>660</u>

(e) Other income

	2018	2017
	\$'000	\$'000
Legal fee recoveries	44	35
Insurance claim proceeds	228	8
Other fee recoveries	656	59
	<u>928</u>	<u>102</u>

Recognition and measurement

Rendering of services

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

4. Transfer payments

Federal Financial Assistance Grants are provided to councils under the *Commonwealth Local Government (Financial Assistance) Act 1995*. The Agency administers Commonwealth transfer payments through the Local Government Grants Commission. The total amount disbursed to councils by way of financial assistance grants was \$748.5 million (\$1,080.3 million in 2017).

	2018	2017
	\$'000	\$'000
Payments		
Local Government - Federal Financial Assistance Grants	748,504	1,080,347
	<u>748,504</u>	<u>1,080,347</u>
Receipts		
Local Government - Federal Financial Assistance Grants	748,504	1,080,347
	<u>748,504</u>	<u>1,080,347</u>

5. Current assets - cash and cash equivalents

	2018	2017
	\$'000	\$'000
Cash at bank and on hand	7,665	15,136
	<u>7,665</u>	<u>15,136</u>

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

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

Cash and cash equivalents (per Statement of financial position)	7,665	15,136
Closing cash and cash equivalents (per Statement of cash flows)	<u>7,665</u>	<u>15,136</u>

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

Office of Local Government
Notes to the financial statements (cont'd)
for the year ended 30 June 2018

6. Current / non-current assets - receivables

	2018	2017
	\$'000	\$'000
Sale of goods and services	868	1,269
Less: Allowance for impairment	(2)	(13)
Goods and Services Tax recoverable from ATO	887	831
Prepayments	81	177
Personnel services revenue receivable	1,111	1,067
Income receivable	443	509
	3,388	3,840

	2018	2017
	\$'000	\$'000
Movements in the allowance for impairment:		
Balance at 1 July	13	89
Amounts written off during the year	(3)	(45)
Amounts recovered during the year	(5)	(41)
Increase / (decrease) in allowance	(3)	10
Balance at 30 June	2	13

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

Recognition and measurement

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

Receivables, including trade receivables, prepayments etc. are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

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

Impairment

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

The Agency first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

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

Office of Local Government
Notes to the financial statements (cont'd)
for the year ended 30 June 2018

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

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

Reconciliation

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

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

	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2016			
Gross carrying amount	1,041	217	1,258
Accumulated depreciation and impairment	(885)	(125)	(1,010)
Net carrying amount	156	92	248
At 30 June 2017			
Gross carrying amount	820	267	1,087
Accumulated depreciation and impairment	(677)	(108)	(785)
Net carrying amount	143	159	302

Office of Local Government
Notes to the financial statements (cont'd)
for the year ended 30 June 2018

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

Reconciliation

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

	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
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	143	159	302

The Agency also continues to derive service potential and economic benefit from \$0.3 million fully depreciated assets. The impact for the value of assets are likely to be minimal as most fully depreciated assets are likely to be in poor condition and therefore may or may not have zero value.

Recognition and measurement

Acquisition of property, plant and equipment

Plant and equipment are initially measured at historical cost.

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

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

Capitalisation thresholds

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

Restoration costs

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

Depreciation of property, plant and equipment

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

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

<u>Category</u>	<u>Depreciation rate / useful lives</u>
Office furniture and fittings	10%
Computers	25% - 27%
General plant and equipment	14% - 25%
Leasehold improvements	Over the period of the lease
Make-good and fit-out	Based on useful life
Software	3 – 5 years

Office of Local Government
Notes to the financial statements (cont'd)
for the year ended 30 June 2018

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

Recognition and measurement (cont'd)

Impairment of property, plant and equipment

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

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

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

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

8. Non-current assets - intangible assets

	Software
	\$'000
At 1 July 2017	
Gross carrying amount	1,364
Accumulated amortisation and impairment	(279)
Net carrying amount	<u>1,085</u>
At 30 June 2018	
Gross carrying amount	2,627
Accumulated amortisation and impairment	(883)
Net carrying amount	<u>1,744</u>

Reconciliation

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

	Software
	\$'000
Year ended 30 June 2018	
Net carrying amount at beginning of year	1,085
Additions	1,312
Assets from equity transfer	(3)
Amortisation	(650)
Net carrying amount at end of year	<u>1,744</u>

Office of Local Government
Notes to the financial statements (cont'd)
for the year ended 30 June 2018

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

	Software
	\$'000
At 1 July 2016	
Gross carrying amount	1,459
Accumulated amortisation and impairment	<u>(925)</u>
Net carrying amount	<u>534</u>
At 30 June 2017	
Gross carrying amount	1,364
Accumulated amortisation and impairment	<u>(279)</u>
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 prior year reporting period is set out below:

	Software
	\$'000
Year ended 30 June 2017	
Net carrying amount at start of year	534
Additions	779
Amortisation	<u>(228)</u>
Net carrying amount at end of year	<u>1,085</u>

The Agency reviewed and adjusted the useful life of the Companion Animals Register to a shorter period as it will be replaced sooner than previously estimated. However, in our opinion the monetary impact from this revision is not material. The Agency also continues to derive service potential and economic benefit from \$0.03 million fully amortised intangible assets. The impact 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.

Recognition and measurement

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

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 (software) are amortised using the straight-line method over a period of 3-5 years.

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.

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

for the year ended 30 June 2018

9. Current liabilities - payables

	2018	2017
	\$'000	\$'000
Accrued salaries, wages and on-costs	263	134
Creditors	5,391	7,058
	<u>5,654</u>	<u>7,192</u>

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

Recognition and measurement

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

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

10. Current / non-current liabilities – provisions

	2018	2017
	\$'000	\$'000
Current employee benefits and related on-costs		
Annual leave	1,153	1,294
Long service leave - consequential on-costs	815	864
Payroll tax	161	174
	<u>2,129</u>	<u>2,332</u>
Non-current employee benefits and related on-costs		
Long service leave - consequential on-costs	19	33
Payroll tax	11	11
	<u>30</u>	<u>44</u>
Other non-current provisions		
Make good provisions*	274	267
	<u>304</u>	<u>311</u>
Total provisions	<u>2,433</u>	<u>2,643</u>
<u>Aggregate employee benefits and related on-costs</u>		
Provisions - current liabilities	2,129	2,332
Provisions - non-current liabilities	19	33
Accrued salaries, wages and on-costs (Note 9)	263	134
	<u>2,411</u>	<u>2,499</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 2018 of these restoration costs was calculated using the June 2018 CPI rate and the 30 June 2018 Australian Government 10 year bond rate.

Office of Local Government
Notes to the financial statements (cont'd)
for the year ended 30 June 2018

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

Movement in provisions (other than employee benefits)

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

	2018	2017
	\$'000	\$'000
Carrying amount at the beginning of financial year	267	306
Additional provisions recognised	-	-
Amounts used	-	(39)
Unused amounts reversed	-	-
Unwinding / change in the discount rate	7	-
Carrying amount at end of financial year	<u>274</u>	<u>267</u>

Recognition and measurement

Employee benefits and related on-costs

Salaries and wages, annual leave and sick leave

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

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

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

Long service leave and superannuation

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

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

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

Consequential on-costs

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

Office of Local Government
Notes to the financial statements (cont'd)
 for the year ended 30 June 2018

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

Recognition and measurement (cont'd)

Other provisions

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

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

11. Equity

Non-cash financing and investing activities

	2018	2017
	\$'000	\$'000
Current Assets	(11)	-
Intangible assets	(3)	-
(DECREASE)/INCREASE in NET ASSETS FROM EQUITY TRANSFER	(14)	-

On 1 January 2018, under the *Administrative Arrangements Order 2017*, the assets used for the *Swimming Pools Act 1992* and *Swimming Pools Regulation 2008* were transferred to DFSI.

Recognition and measurement - Equity transfers

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

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

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

Office of Local Government
Notes to the financial statements (cont'd)
for the year ended 30 June 2018

12. Commitments

	2018 \$'000	2017 \$'000
(a) Capital commitments		
Aggregate capital expenditure for the acquisition of Companion Animals Register Rebuild contracted for at balance date and not provided for:		
Not later than 1 year	1,878	-
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
Total (including GST)	<u>1,878</u>	<u>-</u>

The total capital commitments relate to acquisition of Companion Animals Register Rebuild. The expenditure above includes input tax credits of \$0.2 million (2017: Nil) that are expected to be recoverable from the Australian Taxation Office.

(b) Operating lease commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not later than 1 year	481	410
Later than 1 year and not later than 5 years	1,868	1,572
Later than 5 years	773	1,034
Total (including GST)	<u>3,122</u>	<u>3,016</u>

The total operating lease commitments relate to leasing of office space and motor vehicles. The expenditure above includes input tax credits of \$0.3 million (2017: \$0.2 million) that are expected to be recoverable from the Australian Taxation Office.

13. Contingent liabilities and contingent assets

Contingent liabilities

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

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

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

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

**Office of Local Government
Notes to the financial statements (cont'd)**
for the year ended 30 June 2018

14. Budget review

Basis of budget review

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (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 financial statements are explained below.

Net result

Net deficit for the year of \$5.5 million was unfavourable to the budgeted deficit of \$5.1 million primarily due to the increase in companion animals' program expenditure and the increase in depreciation expense as a result of the change in the useful life of the Companion Animals Register.

Grants and subsidies is higher than budgeted by \$5.4 million as result of increased Stronger Communities Fund grant expenditure of \$14.1 million offset by unspent Fire Emergency Services Levy grant expenditure of \$4.0 million, and other unspent grant funding of the Local Infrastructure Renewal Scheme and Pensioner Rebate scheme totalling \$4.7 million.

Total revenue is higher than budgeted by \$4.7 million as result of a \$2.3 million increase in grant revenue from the principal department for the Stronger Communities Fund grant program, reflecting the timing of grants payments to councils under the scheme, with offsets from unspent Fire Emergency Services Levy, Local Infrastructure Renewal Scheme, and Pensioner Rebate Scheme grant funding. A further \$2.4 million of revenue was received for Lord Howe Island Board personnel services, employee related crown liabilities, companion animals registrations, insurance and other cost recoveries.

Assets and liabilities

Total assets are lower than budgeted by \$2.0 million as result of the Companion Animals Register rebuild being rescheduled for completion in 2018-19 rather than 2017-18, combined with an increase in cash due to unspent Fire and Emergency Services Levy grant and a decrease in companion animals' debtors compared to budget.

Total liabilities are lower than budgeted by \$2.0 million as a result of the reimbursement to councils for companion animals registration received being lower than in previous years.

Cash flows

The actual closing cash and cash equivalents is higher than budgeted by \$1.2 million as a result of unspent Fire and Emergency Services Levy grant funds.

Total payments are higher than budgeted by \$5.2 million due to increased Stronger Communities Fund grant expenditure of \$14.1 million offset by unspent Fire Emergency Services Levy grant expenditure of \$4.0 million, and other unspent Local Infrastructure Renewal Scheme and Pensioner Rebate scheme grants programs funding totalling \$4.7 million.

Total receipts are higher than budgeted by \$2.6 million due to grants drawn down from the principal Department for the Stronger Communities Fund grant program offset by unspent grant programs Fire Emergency Services Levy, Local Infrastructure Renewal Scheme and Pensioner Rebate Scheme.

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

Office of Local Government
Notes to the financial statements (cont'd)
for the year ended 30 June 2018

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

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

	2018	2017
	\$'000	\$'000
Net cash (outflow) / inflow from operating activities	(7,124)	4,573
Depreciation and amortisation	(748)	(312)
(Increase)/decrease in provisions	210	(67)
Increase/(decrease) in receivables	(452)	(1,409)
Decrease/(increase) in creditors	2,589	285
Net result	(5,525)	3,070

16. Financial instruments

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

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

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

(a) Financial instrument categories

Class	Note	Category	Carrying	Carrying
			amount	amount
			2018	2017
			\$'000	\$'000
<i>Financial assets</i>				
Cash and cash equivalents	5	N/A	7,665	15,136
Receivables ¹	6	Loans and receivables (at amortised cost)	2,420	2,832
<i>Financial liabilities</i>				
Payables ²	9	Financial liabilities measured at amortised cost	5,612	7,150

Notes

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

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

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

Office of Local Government
Notes to the financial statements (cont'd)
 for the year ended 30 June 2018

16. Financial instruments (cont'd)

(b) Derecognition of financial assets and liabilities

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

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

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

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

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

(c) Offsetting financial instruments

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

(d) Financial risks

(i) Credit risk

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

Cash and cash equivalents

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

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 \$0.66 million (2017: \$0.85 million) and less than three months past due \$0.09 million (2017:\$0.19 million) are not considered impaired and together these represent 88 per cent of the total trade debtors. Most of the Agency's debtors have a AAA credit rating.

Office of Local Government
Notes to the financial statements (cont'd)
for the year ended 30 June 2018

16. Financial instruments (cont'd)

(d) Financial risks (cont'd)

(i) Credit risk (cont'd)

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

	Total ^{1,2} \$'000	Neither past due nor impaired \$'000	Past due but not impaired \$'000	Considered impaired \$'000
2018				
Current	663	663	-	-
< 3 months overdue	92	-	92	-
3 months - 6 months overdue	58	-	58	-
> 6 months overdue	43	-	41	2
2017				
Current	854	854	-	-
< 3 months overdue	194	-	194	-
3 months - 6 months overdue	44	-	44	-
> 6 months overdue	169	-	156	13

¹ Each column in the table reports 'gross receivables'.

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

(ii) Liquidity risk

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

The liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Minister may automatically pay the supplier simple interest. The rate of interest applied during the year was 9.77% (2017: 9.78%).

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

Office of Local Government
Notes to the financial statements (cont'd)
for the year ended 30 June 2018

16. Financial instruments (cont'd)

(d) **Financial risks (cont'd)**

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

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted average effective Int. rate %	Interest Rate Exposure				Maturity Dates		
		Nominal Amount \$'000	Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non- Interest Bearing \$'000	< 1 year \$'000	1 - 5 years \$'000	> 5 years \$'000
30 June 2018								
<i>Payables:</i>								
Accrued salaries, wages and on-costs	N/A	263	-	-	263	263	-	-
Creditors	N/A	5,391	-	-	5,391	5,391	-	-
		5,654	-	-	5,654	5,654	-	-
30 June 2017								
<i>Payables:</i>								
Accrued salaries, wages and on-costs	N/A	92	-	-	92	92	-	-
Creditors	N/A	7,058	-	-	7,058	7,058	-	-
		7,150	-	-	7,150	7,150	-	-

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

(iii) **Market risk**

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Agency operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date. The analysis is performed on the same basis as for 2017. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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Notes to the financial statements (cont'd)
 for the year ended 30 June 2018

16. Financial instruments (cont'd)

(d) Financial risks (cont'd)

(iii) Market risk (cont'd)

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

(e) Fair value measurement

Fair value compared to carrying amount

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

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for the year ended 30 June 2018

17. Related party disclosure

(a) Key management personnel compensation

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

	2018	2017
	\$'000	\$'000
Short-term employee benefits		
Salaries	330	318
Post-employment benefits	20	20
Termination benefits	-	-
Total remuneration	350	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 \$241.6 million (2017: \$149.6 million) Note 3(c)
- Personnel services revenue received from Lord Howe Island Board of \$4.2 million (2017: \$3.9 million) Note 3(d)
- Incurred capital expense to the Office of Environment and Heritage of \$1.5 million for the companion animals register rebuild

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.

18. 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.

CONTACTS

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Minister for the Environment
Minister for Heritage

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