NSW GOVERNMENT | Office of Local Government

Annual Report

24 February 2014—30 June 2014

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OFFICE HOURS

Monday to Friday

8.30am 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 the OLG on 02 9289 4000.

DISCLAIMER

While every effort has been made to ensure the accuracy of the information in this publication, the Office of Local Government expressly disclaims any liability to any person in respect of anything done or not done as a result of the contents of the publication or the data provided.

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Strengthening local government

NSW GOVERNMENT | Office of Local Government

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The Hon P Toole MP
Minister for Local Government
Level 17 NE
52 Martin Place
SYDNEY NSW 2000

Dear Minister

In accordance with the *Annual Reports (Departments) Act 1985*, on behalf of the Office of Local Government, I am pleased to present the Annual Report for the Office.

The report pertains to 24 February 2014 to 30 June 2014; the period in which the Office of Local Government was created an executive agency, and subsequently transferred to the Planning and Environment cluster.

Information relating to the period 1 June 2013 to 23 February 2014 can be found in the 2013-14 Department of Premier and Cabinet's Annual Report.

Yours sincerely

Steve Orr
Acting Chief Executive
Office of Local Government

30 October 2014

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Message from the Chief Executive

2013-14 was one of the most challenging and exciting years for the Office of Local Government in recent times. Key achievements in the period of this report (24 February 2014 to 30 June 2014) include:

- Assisting the Government to develop its response to the final reports of the Independent Local Government Review Panel and Local Government Acts Taskforce;
- Developing a new financial sustainability program in response to the issues identified by TCorp in its financial sustainability assessment of the sector;
- Further developing a performance measurement framework in line with the recommendations of the NSW Auditor-General's performance audit report of the Office;
- Continuing to manage alleged breaches of the code of conduct for councillors and council officials;
- Supporting the Minister in his use of the early intervention powers, to minimise the impact of council dysfunction;
- Rolling out Rounds One and Two of the Local Infrastructure Renewal Scheme and calling for, and assessing, Round Three applications;
- Continuing to manage the new requirements for pool registration, inspection and compliance;
- Assisting the NSW Government to respond to the Companion Animals Taskforce to improve companion animal management in NSW; and
- Revising external communications processes to improve sector engagement.

I would like to thank our staff for all their tireless work and professionalism, and wish them well in the exciting days ahead.

Ross Woodward
Chief Executive
Office of Local Government

Section One:

About Us

About us

About the Office

On 24 February 2014, the Office of Local Government (the OLG) was created as an Executive Agency and subsequently transferred to the Planning and Environment cluster.

Purpose

To strengthen the Local Government sector.

Outcome

Our outcome is successful councils engaging and supporting their communities.

Our Goals

The OLG will work to achieve the following goals in partnership with the sector:

1. The Office is a leader on Local Government matters for New South Wales
2. Councils are actively engaged with their communities
3. Councils work together effectively to deliver to their communities
4. Continuous improvement in council governance practices
5. All councils manage their finances responsibly
6. New South Wales is a recognised leader in Local Government infrastructure asset management
7. Office resources are optimised

Our Values

Our organisational values are:

Integrity

Innovation and excellence

Leadership

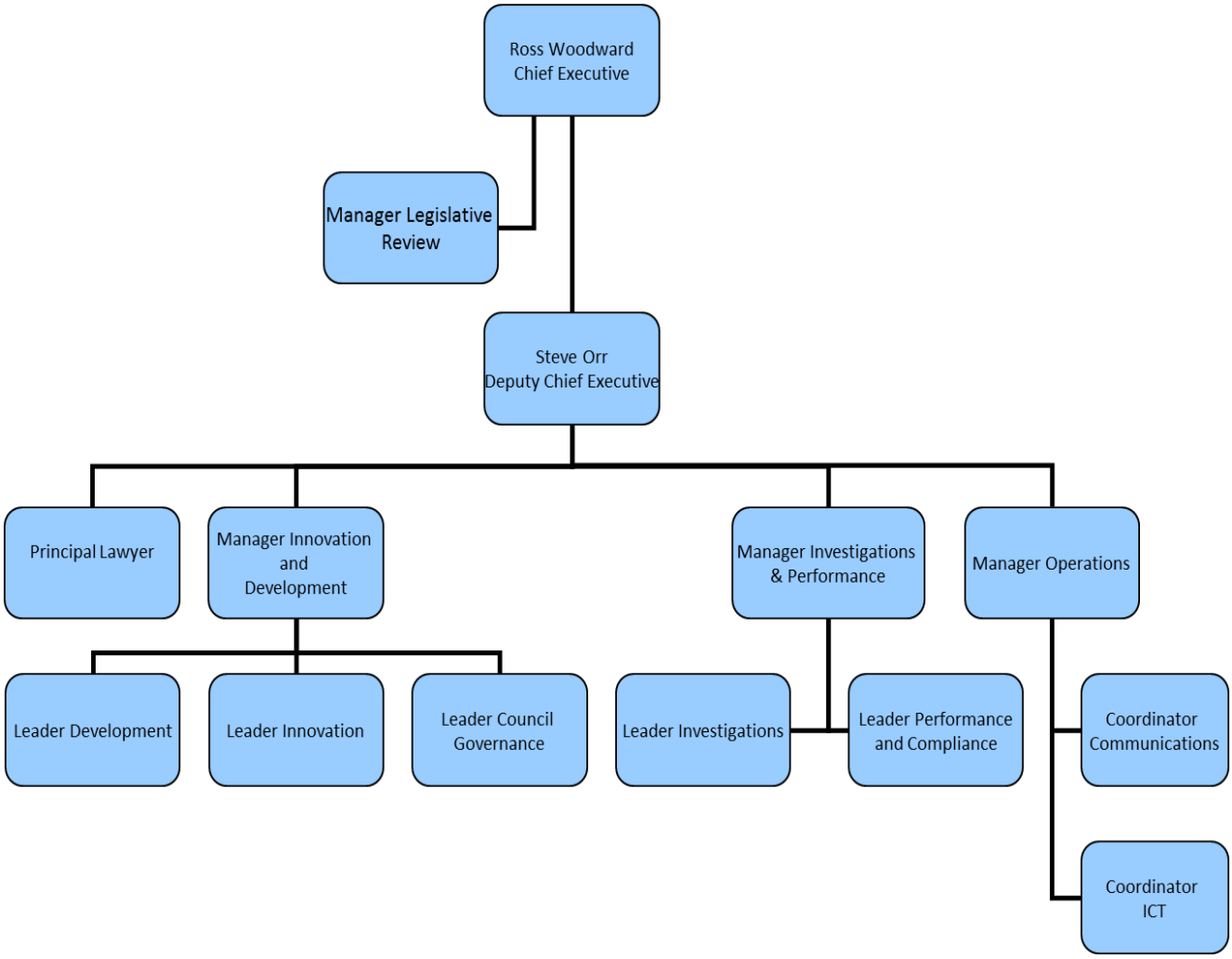
Collaboration

Equity and Fairness

Principal Legislation

The main piece of legislation administered by the OLG is the *Local Government Act 1993* and Local Government (General) Regulation 2005. The OLG also administers the *City of Sydney Act 1988*, *Companion Animals Act 1998* and Regulation, *Swimming Pools Act 1992* and Regulation, and *Impounding Act 1993.*

Our Structure



Our structure as at 30 June 2014

How we are organised

The OLG is organised into four groups; some of these groups have a number of teams.

Innovation and Development

The group's primary focus is on the whole of the sector with a concentration on policy, frameworks, programs and education that will strengthen the local government sector. The group brings a strategic focus to its activities and takes a strong collaborative approach in its work with the sector. The group will be the key driver of the Destination 2036 initiative and responding to the Independent Local Government Review Panel.

Investigations and Performance

The group's primary focus is at an individual council level with a concentration on legislative, regulatory and guideline compliance. When required the group leads targeted interventions with councils. The group is responsible for monitoring council performance. The group is also responsible for the review and assessment of all statutory applications and for coordinating the Local Infrastructure Renewal Scheme.

Executive Support

The group focus is to provide the governance, performance, strategy and risk management framework for the Office. The group maintains the critical relationships with the Minister's office, including the management of Ministerial correspondence, and assists with the maintenance of other strategic relationships. The group also provides legal support and manages the legislative program for the Office.

Operations

The group provides the information technology, human resource, financial and other support frameworks that enable the Office to operate efficiently and effectively. The group provides project and administrative support to other groups. The group is the gateway for all correspondence coming into and out of the Office and is responsible for coordinating the receipt of correspondence, tracking the progress of correspondence through the system, monitoring correspondence trends, reporting on correspondence performance, and preparing responses where appropriate. The group is also responsible for the Office's outward communications including internet and printed publications.

Section Two:

Our Achievements

Our Achievements

Tackling the Infrastructure Backlog

To tackle the infrastructure backlog, the OLG continued to roll out Rounds One and Two of the Local Infrastructure Renewal Scheme (LIRS). The Scheme provides councils with a subsidy on interest costs that reduces the cost of borrowing and encourages councils to appropriately use debt to fund infrastructure projects. So far, the scheme has unlocked more than $680 million worth of investment through 138 individual local infrastructure projects.

The OLG also progressed Round Three of the LIRS, calling for and beginning to assess applications received from councils. To support the roll out of the scheme, the OLG established an e-portal, enabling councils to electronically submit applications and process claims.

Developing the Government response to Reform

The OLG coordinated the public consultation on the final reports of the Independent Local Government Review Panel and Local Government Acts Taskforce. The OLG analysed over 400 submissions received during consultation from councils, stakeholders, and interested members of the community to inform advice to the Government on its response. In addition, the OLG conducted workshops with key stakeholders and met with various councils across the State.

Analysis of the feedback and submissions undertaken by the OLG informed the Government response.

Building a new Local Government Performance Framework

Together with local government sector representatives, the OLG continued work on a new Local Government Performance Measurement Framework.

The new Framework aims to move away from compliance reporting, to focus on a small set of core, comparable indicators that will help councils drive continuous improvement and assist communities understand their council's performance. This initiative follows calls from both councils and the NSW Government for a better, more consistent approach to measuring council performance through Destination 2036.

The OLG established a steering committee to oversee the project, as well as inviting feedback from councils and the community on a discussion paper it drafted.

Communicating with the sector

To better facilitate communication with the sector, the OLG developed the e-bulletin, *Locality*. The OLG also reviewed its *Circular to Councils* templates to ensure that messages are clearly communicated are readily accessible. The OLG commenced a redesign of its website with these principles in mind.

Our Achievements

Responsible Pet Ownership

To support and promote responsible pet ownership, the OLG assisted the Government in the preparation and implementation of the Government Response to the Companion Animals Taskforce. The response was announced on 3 February 2014, with support for most of the Taskforce's 38 recommendations, in full or in part. The response is based on the expert recommendations of the Taskforce and the analysis of more than 5,300 submissions received by the OLG during public consultation.

As part of its ongoing work, the OLG also managed the NSW Companion Animals Register. The Register records details of microchipped and registered cats and dogs in NSW and the payment of lifetime registration fees by animal owners.

In response to the Companion Animals Taskforce report, the OLG commenced a broader review of the Companion Animals Register and registration system.

Promoting Better Practice

The Promoting Better Practice program aims to assist in strengthening the local government sector by assessing council performance, promoting continuous improvement, facilitating self-assessment, and sharing better practice.

The OLG commenced 9 Promoting Better Practice reviews during the reporting period.

Early Intervention Framework

Following the release of the *Early Intervention and Performance Improvement Framework*, the OLG worked on its implementation.

The early intervention powers, introduced in mid-2013, enable the Minister for Local Government and OLG to take stronger action where a council is dysfunctional or failing to comply with its obligations.

Following the issue of a Suspension Order in relation to Central Darling Shire Council, the OLG supported the Minister for Local Government in relation to the convening of a Public Inquiry into the Council. Staff from the OLG supported the Commissioner in his role in the conduct of the public inquiry.

The OLG also supported the Minister for Local Government in the issuing of a Performance Improvement Order to Strathfield Municipal Council.

Our Achievements

Comparative Information for Local Government

The OLG released the *Comparative Information on NSW Local Government Councils for 2012/13* report, providing a basis for councils to compare their performance with that of other councils.

This year's report also included council data relating to Model Code of Conduct complaints.

The OLG is working to further develop the online format for the 2013/14 report, to make it as user friendly and relevant to the community as possible.

Supporting the Lord Howe Island Board

The OLG has oversight of the Lord Howe Island Board (LHIB) administration. The OLG also provides advice and support to the Lord Howe Island Board as necessary ,and acts as the liaison between the Board staff and the Office of the Minister for the Environment and other State Government agencies as required.

During the reporting period, the OLG undertook a review of the Lord Howe Island Regulation on behalf of the Minister for the Environment. As part of the review, the LHIB and other government departments, stakeholders and any interested persons were invited to make submissions.

Following consideration of the submissions received, advice was provided to the Minister for the Environment, and the Regulation was remade.

Ministers' Awards for Women in Local Government

To celebrate the contribution of women to the local government sector in NSW, and aim to encourage more women to take on leadership roles, the *Ministers' Awards for Women in Local Government* were held in March 2014. The Awards were presented by the Minister for Local Government and Minister for Women recognising women from many different categories. The winners of the awards for 2014 can be found on the OLG website.

NSW Councillor and Candidate Report

The OLG developed and released its *NSW Councillor and Candidate Report 2012*. The OLG redesigned and condensed the report to make the information more engaging and accessible for its intended audience; the community.

Our Achievements

Swimming Pools

The OLG worked with Royal Life Saving NSW to promote the NSW Swimming Pools Register, and encourage all NSW pool owners to register their pools. The OLG supported councils in the implementation, providing guidance with the commencement of council inspection programs, with information sessions held across the State.

The OLG worked with councils as they prepared for the sale and lease provisions that were due to commence on 29 April 2014. As a result of council feedback, the OLG supported the extension of time to allow pool owners to obtain a certificate of compliance (now 29 April 2015).

Joint Standing Committee on Electoral Matters Inquiry—2012 Local Government Elections

The Joint Standing Committee's report on its inquiry into the 2012 local government elections was tabled in the Legislative Assembly on 27 March 2014.

The OLG provided support and advice to the Minister for Local Government, who was leading the preparation of the Government response.

Councillor misconduct and pecuniary interest matters dealt with by NCAT

The NCAT did not determine any misconduct matters during 2013–14. The Tribunal heard one misconduct appeal during 2013-2014. The appeal against the Chief Executive's decision to suspend one councillor for a period of two months for refusal to comply with a council resolution to apologise, was not allowed by the Tribunal. The Tribunal set aside the Chief Executive's decision.

Two matters were referred to the Tribunal for its consideration during this period.

One councillor was suspended for a period of 1 month for a breach of the pecuniary interest provisions of the *Local Government Act 1993* by lodging returns that they knew or ought reasonably to have known to be false or misleading in a material particular (on 30 June 2014). An appeal of this decision has been lodged with the Supreme Court.

One matter was referred to the NSW Civil and Administrative Tribunal (NCAT) for its consideration during this period.

New and Amending Legislation

Changes in Acts and subordinate legislation administered by the OLG between 24 February 2014 and 30 June 2014:

Companion Animals Amendment (Western Sydney Parklands Trust) Regulation 2014, which amended the Companion Animals Regulation to declare the Trust to be a local authority for the purposes of the Companion Animals Act thereby enabling it to exercise certain functions under the Act concerning the control of dogs and cats on land vested in or owned by the Trust.

Local Government (General) Amendment (Tendering, Accounting and Investigations) Regulation 2014, which amended the Local Government (General) Regulation in several minor respects in regard to tendering, the production of council accounting records to the Director General, and the tabling of investigation reports at council meetings.

Section Three:

How we operate

Consumer Response and Service

Consumer response

From 24 February 2014 to 30 June 2014, the Office processed 339 complaints about councils and received 17 informal allegations of breaches of the pecuniary interest provisions of the *Local Government Act 1993*. One complaint met the requirement set out for a formal pecuniary interest complaint (3 pecuniary interest investigations were commenced).

In the reporting period, we received 14 complaints alleging misconduct by councillors. Two formal investigations under the misconduct provisions were commenced.

Office of Local Government Guarantee of Service

OLG continues to receive a high volume of correspondence due to community interest in local government issues.

From 24 February 2014, to 30 June 2014, OLG processed 492 items of departmental correspondence, and 551 items of Ministerial correspondence.

Service quality measure	2013-14 Target	2013-14 Actual *	2014-15 Target
Departmental correspondence	70%	75%	70%
Land acquisition notices approved	100%	99%	100%
Applications to grant estates over community land assessed within 60	100%	100%	100%
Annual accounts extension applications determined within 21	100%	100%	100%

*2013-14 Actual is for the full financial year.

Senior Executives

OLG 2013-14 SES Positions (Including Lord Howe Island Board)

Band	2013-14*	
	Female	Male
Band 4 (Secretary)	0	0
Band 3 (Deputy Secretary)	0	1
Band 2 (Executive Director)	0	1
Band 1 (Director)	2	2
Totals	2	4
	6	

Band	Range ($)	Average Remuneration 2013-14 ($)*
Band 4 (Secretary)	422,501 – 550,000	0
Band 3 (Deputy Secretary)	299,751 – 422,500	396,000
Band 2 (Executive Director)	238,301 – 299,750	274,000
Band 1 (Director)	167,100 – 238,300	194,000

Approximately 14% of the OLG's employee related expenditure in 2013-14 was related to OLG senior executives.

Total SES positions as at 30 June	2013-14*
Level 8	0
Level 7	1
Level 6	0
Level 5	0
Level 4	1
Level 3	0
Level 2	2
Level 1	2
Total SES Positions	6
Total SES Positions including	6

Note: *Transitional former senior executives in the Office (former SES and former Senior Officers) are now taken to be senior executives and employed in the equivalent band under the GSE Act, therefore it includes two classifications of officers. Data presented is for the full 2013-14 period.

Senior Executives

	2013-14
Total number of female executive officers on 30 June	2

Staff profile by employment category

Level	2012-13		2013-14		2013-14
	Men	Women	Men	Women	Total
Permanent full-time	27	31	24	32	56
Permanent part-time	0	6	0	2	2
Temporary full-time	1	2	1	1	2
Temporary part-time	0	0	0	0	0
Contract - SES	2	0	4	2	6
Contract – non SES	0	0	0	0	0
Training positions	0	0	0	0	0
Retained staff	0	0	0	0	0
Total	**30**	**39**	**29**	**37**	**66**

Equal employment opportunity

Trends in the representation of EEO groups

Workforce Diversity Group	Benchmark/ Target	2012	2013	2014
Women	**50%**	55.1%	51.4%	55.7%
Aboriginal People and Torres Strait Islanders	**2.6%**	4.4%	2.9%	5.1%
People whose First Language Spoken as a Child was not English	**19.0%**	10.6%	7.1%	13.3%
People with a Disability	**N/A**	4.3%	2.9%	4.4%
People with a Disability Requiring Work-Related Adjustment	**1.5%**	4.3%	2.9%	4.4%

Trends in the distribution of EEO groups

Workforce Diversity Group	Benchmark/ Target	2012	2013	2014
Women	**100**	92	92	93
Aboriginal People and Torres Strait Islanders	**100**	N/A	N/A	N/A
People whose First Language Spoken as a Child was not English	**100**	N/A	N/A	N/A
People with a Disability	**100**	N/A	N/A	N/A
People with a Disability Requiring Work-Related Adjustment	**100**	N/A	N/A	N/A

Note 1: A Distribution Index of 100 indicates that the centre of the distribution of the Workforce Diversity group across salary levels is equivalent to that of other staff. Values less than 100 mean that the Workforce Diversity group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the Workforce Diversity group is less concentrated at lower salary levels.

Note 2: The Distribution Index is not calculated where Workforce Diversity group or non-Workforce Diversity group numbers are less than 20.

Public Interest Disclosures

The OLG is required to prepare an annual report on its obligations under the *Public Interest Disclosures Act 1994*. This is to be prepared in accordance with section 4 of the Public Interest Disclosures Regulation 2011.

The following information is provided on public interest disclosures for the period 24 February 2014 to 30 June 2014.

(a) the number of public officials who have made a public interest disclosure ….. **0**

(b) the number of public interest disclosures received by the public authority in total and the number of public interest disclosures received by the public authority relating to each of the following:

i) corrupt conduct….. **0**

ii) maladministration ….. **0**

iii) serious and substantial waste of public money or local government money (as appropriate) ….. **0**

iv) Government information contraventions ….. **0**

v) local government pecuniary interest contraventions ….. **0**

(c) the number of public interest disclosures finalised by the public authority ….. **0**

(d) whether the public authority has a public interest disclosures policy in place

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

(e) what actions have been taken to ensure awareness of responsibilities under the Act :

- The Public Interest Disclosures—Policy & Procedures is available on the OLG intranet
- Regular distribution of the NSW Ombudsman's *Public Interest Disclosures e-News*
- The Chief Executive is a member and participates in the meetings of the NSW Public Interest Disclosures Steering Committee which is established under section 6A of the *Public Interest Disclosures Act 1994*
- The Leader Investigations attends regular meetings of PID Investigating Authorities which are sponsored by the NSW Ombudsman.

Reporting

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

The OLG also reports statistics to the NSW Ombudsman as an Investigating Authority under the PID Act on its management of PIDs about local councils.

Access to Information

During the reporting period, the OLG received a total of 4 formal access applications for information under the Government Information (Public Access) Act 2009. OLG refused one formal access application because the information requested was information referred to in Schedule 1 of the Act.

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**
Media	0	0	0	0	1	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	1	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	0	0	0	0	0	1	0	1

Access to Information

	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
Personal information applications	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	1	0	0	0	1	1	0	1
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

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

Access to Information

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

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

Table F: Timeliness	
	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	4
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	4

Access to Information

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	1	1
Review by ADT	0	0	0
Total	0	1	1

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

How we operate

Multicultural Policies and Services Program

OLG is committed to developing and maintaining a culture that supports equity and diversity and the principles of multiculturalism. In March 2014, the OLG held a Harmony Day lunch event. The OLG will report on the implementation of its Multicultural Polices and Services Program in 2015.

Under the Integrated Planning and Reporting framework, councils are required to address the needs of their culturally and linguistically diverse communities and integrate relevant multicultural strategies where possible and appropriate. In 2013-14, the OLG worked with the Community Relations Commission to develop a resource to assist local councils in implementing the principles of multiculturalism.

The resource will complement the existing planning and reporting requirements regarding the principles of multiculturalism.

Aboriginal Employment

The OLG is committed to improving workforce participation for Aboriginal people in OLG and across the local government sector.

The OLG held an event in July 2014 to celebrate NAIDOC week. Special Guest Speaker, Mr Steve Mitchell, Program Manager, delivered an inspiring speech on the Australian Indigenous Mentoring Experience (AIME).

Reducing waste generation

The OLG uses document scanning and electronic workflows in its Electronic document and records management system (EDRMS) to reduce paper consumption. The OLG is working to eliminate paper based files wherever possible. The EDRMS supports full electronic workflows and approvals, reducing the need for printed copies of documents. Staff are encouraged to minimise printing, with double-sided printing defaulted, and electronic publishing used as much as possible.

The OLG also maintains waste recycling in all kitchens and throughout all office accommodation to capture recyclable material.

Resource recovery

All paper purchased by the OLG contains at least 80 per cent recycled content. Approximately 355 A4 reams of paper were consumed between 24 February 2014 and 30 June 2014.

Overseas travel

No officers from the OLG travelled overseas during the reporting period.

Administration

Workplace Health and Safety

The Office of Local Government has a Workplace Health and Safety Committee, based in Nowra.

The Committee met on two occasions during the reporting period. Committee members regularly undertook workplace assessments with favourable outcomes, and only a small number of issues requiring rectification.

Standing desks were made available for staff at the OLG wishing to trial and use the desks.

Toilet renovations were undertaken at the OLG Nowra Office to ensure compliance with the Disability Access to Premises Standard.

Claims and Reports

During the reporting period, there were no workers compensation claims for the year.

Year	Premi-ums paid	Claims lodged	Open claims
2013—2014	$76,362	0	0

Accidents and incidences reported

Cause type	Count
Slip/trip/fall at work	0
Slip/trip (journey)	0
Lifting	0
Cuts/burns	0
Driving/car related	0
Psychological	0
Other	0
TOTAL	0

Credit card use

The Office has adopted the Department of Premier and Cabinet's credit card policies and procedures. DPC's statement of responsibility relating to credit card use covers the OLG.

Major Capital works

The OLG had no major capital works.

Land Disposal

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

Privacy Management Plan

In compliance with the provisions of the *Privacy and Personal information Protection Act 1998*, the Office of Local Government has a Privacy Management Plan.

The OLG's privacy obligations are also reflected in the Code of Conduct.

Account payment performance

As OLG was part of the Department of Premier and Cabinet's financial reporting system for all of 2013-14, no payment performance information can be extracted for OLG for the reporting period.

Administration

Consultancies of value equal to or more than $50,000

The Office had no consultancies of value equal to or more than $50,000.

Consultancies of value less than $50,000

Purpose of consultant	Number of consultancies	Cost ($)
Finance and accounting	1	26,909
Legal	0	0
Environmental	0	0
Organisational review	0	0
Information technology	0	0
Management services	0	0
Engineering	0	0
Training	0	0
Customer service	0	0
TOTAL number of consultancies with a value		**26,909**

Funds and Grants paid during the period

Name of organisation	Nature and purpose of grant	Amount paid ($)
NSW Councils	Financial Assistance Grants	88,425,869
NSW Councils	Local Infrastructure Renewal Scheme	5,122,180
Department of Attorney General	Budget Transfer for Pecuniary Interest & Disciplinary Tribunal	38,727
NSW Councils	Council rates concession for eligible pensioners	2,188,371
Total		95,775,147

Audit and Risk Management

Audit and Risk Management

The Department of Premier and Cabinet's Audit and Risk Management Committee (ARMC) oversees implementation of the approved internal audit program conducted by Deloittee Touche Tohmatsu. The internal audit program consisted of the following audits:

- payroll administration
- Learning and development performance
- Ministerial and parliamentary services administration and internal controls
- Management of unsolicited proposals
- Fraud and corruption risk assessment
- Swimming pool register
- Follow up of agreed actions from previous year's audits.

Principal Department led ARMC shared arrangements were separately entered into with the Office of Local Government (OLG) and Lord Howe Island Board (LHIB).

Despite the machinery of government changes of 24 February 2014, the DPC ARMC continued to provide a shared arrangement to the OLG and LHIB, and signed off their financial statements.

The Acting Chief Executive has provided an Attestation Statement to the Treasurer (see next page)

Strengthening local government

Office of Local Government

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

Internal Audit and Risk Management statement for the 2013-2014 financial year for the Office of Local Government.

I, Steve Orr, am of the opinion that the Office of Local Government has internal audit and risk management processes in place that are, in all material aspects, compliant with the core requirements set out in Treasury Circular NSW TPP 09/05 *Internal Audit and Risk Management Policy*. These processes provide a level of assurance that enables the senior management of the Office of Local Government to understand, manage and satisfactorily control risk exposures.

I, Steve Orr, am of the opinion that the Audit and Risk Management Committee for the Office of Local Government is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TPP 09/05. This Audit and Risk Management Committee was established under a Treasury approved shared arrangement with the Department of Premier and Cabinet.

I, Steve Orr, declare that this Internal and Risk Management Attestation is made on behalf of the Office of Local Government.

As required by the policy, I have submitted and Attestation Statement outlining compliance with the policy to Treasury.

Steve Orr
Acting Chief Executive
Office of Local Government

30 October 2014

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OLG Digital Information Security Annual Attestation

Strengthening local government

NSW GOVERNMENT | Office of Local Government

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

Digital Information Security Annual Attestation Statement for the 2013-2014 Financial Year for Office of Local Government

I, Steve Orr, am of the opinion that the Office of Local Government had an Information Security Management System in place during the financial year being reported on consistent with the Core Requirements set out in the *Digital Information Security Policy for the NSW Public Sector*.

I, Steve Orr, am of the opinion that the security controls in place to mitigate identified risks to the digital information and digital information systems of the Office of Local Government are adequate for the foreseeable future.

I, Steve Orr, am of the opinion that, where necessary in accordance with the *Digital Information Security Policy for the NSW Public Sector*, certified compliance with *AS/NZS ISO/IEC 27001 Information technology - Security techniques - Information security management systems - Requirements* had been maintained by all or part of the Office of Local Government and all or part of any Public Sector Agencies under its control.

Steve Orr
Acting Chief Executive
Office of Local Government

30 October 2014

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Section Four:

Our Financial Statements

Strengthening local government

NSW GOVERNMENT | Office of Local Government

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

Our Reference: A394488

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

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

a) The accompanying financial statements in respect of the period ended 30 June 2014 have been prepared in accordance with applicable Australian Accounting Standards, the provisions of the *Public Finance and Audit Act 1983*, applicable clauses of the Public Finance and Audit Regulation 2010 and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies;

b) The statements exhibit a true and fair view of the financial position of the Office of Local Government as at 30 June 2014, and transactions for the period then ended; and

c) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Steve Orr
Acting Chief Executive
Office of Local Government

19. **September 2014**

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INDEPENDENT AUDITOR'S REPORT

Office of Local Government

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Office of Local Government (the Office), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows and a summary of compliance with financial directives for the period 24 February 2014 to 30 June 2014 ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Office as at 30 June 2014, and of its financial performance and its cash flows for the period 24 February 2014 to 30 June 2014 in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Acting Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Acting Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

My opinion does not provide assurance:

- about the future viability of the Office
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- 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 other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

Caroline Karakatsanis
Director, Financial Audit Services

22 September 2014
SYDNEY

Office of Local Government

Financial Statements
for the period ended 30 June 2014

Office of Local Government
Statement of comprehensive income
for the period ended 30 June 2014

	Notes	**Actual 2014 $'000**	**Budget 2014 $'000**	Actual 2013 $'000
Expenses excluding losses				
Operating expenses				
Employee related expenses	2(a)	**4,483**	-	-
Other operating expenses	2(b)	**3,469**	-	-
Depreciation and amortisation	2(c)	**78**	-	-
Grants and subsidies	2(d)	**5,132**	-	-
Finance costs	2(e)	**1**	-	-
Total expenses excluding losses		**13,163**	-	-
Revenue				
Recurrent grants from principal department	3(a)	**10,302**	-	-
Capital grants from principal department	3(a)	**145**	-	-
Sale of goods and services	3(b)	**16**	-	-
Investment revenue	3(c)	**28**	-	-
Retained taxes, fees and fines	3(d)	**2,601**	-	-
Personnel services	3(e)	**1,385**	-	-
Acceptance by the Crown Entity of employee benefits and other liabilities	3(f)	**166**	-	-
Total Revenue		**14,643**	-	-
Gain / (loss) on disposal		**-**	-	-
Net result		**1,480**	-	-
Other comprehensive income				
Other comprehensive income for the year		**-**	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,480**	-	-

Office of Local Government
Statement of financial position
as at 30 June 2014

	Notes	**Actual 2014 $'000**	**Budget 2014 $'000**	Actual 2013 $'000
ASSETS				
Current Assets				
Cash and cash equivalents	5	**2,647**	-	-
Receivables	6	**13,535**	-	-
Total Current Assets		**16,182**	-	-
Non-Current Assets				
Property plant and equipment	7			
Plant and Equipment		**274**	-	-
Intangible assets	8	**135**	-	-
Total Non-Current Assets		**409**	-	-
Total Assets		**16,591**	-	-
LIABILITIES				
Current Liabilities				
Payables	10	**7,534**	-	-
Provisions	11	**2,107**	-	-
Total Current Liabilities		**9,641**	-	-
Non-Current Liabilities				
Provisions	11	**391**	-	-
Total Non-Current Liabilities		**391**	-	-
Total Liabilities		**10,032**	-	-
Net Assets		**6,559**	-	-
EQUITY				
Accumulated funds		**6,559**	-	-
Total Equity		**6,559**	-	-

The accompanying notes form part of these financial statements.

Office of Local Government
Statement of changes in equity
for the year ended 30 June 2014

	Notes	Accumulated Funds $'000	Total $'000
Balance at 23 February 2014		-	-
Net result for the year		1,480	1,480
Other comprehensive income:			
Total other comprehensive income		-	-
Total comprehensive income for the year		1,480	1,480
Increase / (decrease) in net assets from equity transfers	13	5,079	5,079
Balance at 30 June 2014		6,559	6,559
Balance at 1 July 2012		-	-
Net result for the year		-	-
Other comprehensive income:			
Total other comprehensive income		-	-
Total comprehensive income for the year		-	-
Transaction with owners in their capacity as owners			
Increase / (decrease) in net assets from equity transfers		-	-
Balance at 30 June 2013		-	-

The accompanying notes form part of these financial statements.

Office of Local Government
Statement of cash flows
for the period ended 30 June 2014

	Notes	Actual 2014 $'000	Budget 2014 $'000	Actual 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		**(2,909)**	-	-
Grants and subsidies		**(109)**	-	-
Other		**(18,286)**	-	-
Companion Animals payments		**(1,081)**	-	-
Total Payments		**(22,385)**	-	-
Receipts				
Recurrent grants from principal department		**10,302**	-	-
Capital grants from principal department (excluding equity appropriations)		**145**	-	-
Sale of goods and services		**16**	-	-
Interest received		**28**	-	-
Retained taxes, fees and fines		**2,147**	-	-
Total Receipts		**12,638**	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	15	**(9,747)**	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of plant and equipment and intangibles		**(171)**	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(171)**	-	-
NET INCREASE (DECREASE) IN CASH		**(9,918)**	-	-
Opening cash and cash equivalents		**-**	-	-
Cash transferred in (out) as a result of administrative restructuring	13	**6,291**	-	-
Payable by Department of Premier and Cabinet		**6,274**	-	-
CLOSING CASH AND CASH EQUIVALENTS	5	**2,647**	-	-

Cash flow movements shown were processed through the Responsible Pet Ownership bank account and the Department of Premier and Cabinet's bank account, as the Office of Local Government did not have an operating bank account until 1 July 2014.

The accompanying notes form part of these financial statements.

Office of Local Government
Supplementary Financial Statements
Service group statements
for the period ended 30 June 2014

AGENCY'S EXPENSES AND INCOME	Service Group 1: Capacity Building, Oversight and Provision of Advice for Local Government *		Service Group 2: Pensioner Rebate Scheme *		Service Group 3: Responsible Pet Ownership Program *		Service Group 4: Personnel Services *		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Expenses excluding losses										
Operating expenses										
• Employee related expenses	**2,715**	-	**-**	-	**383**	-	**1,385**	-	**4,483**	-
• Other operating expenses	**899**	-	**-**	-	**2,570**	-	**-**	-	**3,469**	-
Depreciation and amortisation	**66**	-	**-**	-	**12**	-	**-**	-	**78**	-
Grants and subsidies	**5,132**	-	**-**	-	**-**	-	**-**	-	**5,132**	-
Finance costs	**1**	-	**-**	-	**-**	-	**-**	-	**1**	-
TOTAL EXPENSES EXCLUDING LOSSES	**8,813**	-	**-**	-	**2,965**	-	**1,385**	-	**13,163**	-
Revenue										
Recurrent grants from principal department	**10,302**	-	**-**	-	**-**	-	**-**	-	**10,302**	-
Capital grants from principal department	**145**	-	**-**	-	**-**	-	**-**	-	**145**	-
Sale of goods and services	**16**	-	**-**	-	**-**	-	**-**	-	**16**	-
Investment revenue	**-**	-	**-**	-	**28**	-	**-**	-	**28**	-
Retained taxes, fees and fines	**-**	-	**-**	-	**2,601**	-	**-**	-	**2,601**	-
Personnel services	**-**	-	**-**	-	**-**	-	**1,385**	-	**1,385**	-
Acceptance by the Crown Entity of employee benefits and other liabilities	**147**	-	**-**	-	**19**	-	**-**	-	**166**	-
Total Revenue	**10,610**	-	**-**	-	**2,648**	-	**1,385**	-	**14,643**	-
Gain / (loss) on disposal	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Net result	**1,797**	-	**-**	-	**(317)**	-	**-**	-	**1,480**	-
TOTAL COMPREHENSIVE INCOME	**1,797**	-	**-**	-	**(317)**	-	**-**	-	**1,480**	-

* The names and purposes of each service group is summarised in Note 4.

Office of Local Government
Supplementary Financial Statements
Service group statements
for the period ended 30 June 2014

AGENCY'S ASSETS & LIABILITIES	Service Group 1: Capacity Building, Oversight and Provision of Advice for Local Government *		Service Group 2: Pensioner Rebate Scheme *		Service Group 3: Responsible Pet Ownership Program *		Service Group 4: Personnel Services *		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Current Assets										
Cash and cash equivalents	**2**	-	**-**	-	**2,645**	-	**-**	-	**2,647**	-
Receivables	**10,990**	-	**-**	-	**1,595**	-	**950**	-	**13,535**	-
Total current assets	**10,992**	-	**-**	-	**4,240**	-	**950**	-	**16,182**	-
Non-current Assets										
Property plant and equipment	**274**	-	**-**	-	**-**	-	**-**	-	**274**	-
Intangible assets	**135**	-	**-**	-	**-**	-	**-**	-	**135**	-
Total non-current assets	**409**	-	**-**	-	**-**	-	**-**	-	**409**	-
TOTAL ASSETS	**11,401**	-	**-**	-	**4,240**	-	**950**	-	**16,591**	-
Current liabilities										
Payables	**5,963**	-	**-**	-	**1,448**	-	**123**	-	**7,534**	-
Provisions	**1,302**	-	**-**	-	**-**	-	**805**	-	**2,107**	-
Total current liabilities	**7,265**	-	**-**	-	**1,448**	-	**928**	-	**9,641**	-
Non-current liabilities										
Provisions	**369**	-	**-**	-	**-**	-	**22**	-	**391**	-
Total non-current liabilities	**369**	-	**-**	-	**-**	-	**22**	-	**391**	-
TOTAL LIABILITIES	**7,634**	-	**-**	-	**1,448**	-	**950**	-	**10,032**	-
NET ASSETS	**3,767**	-	**-**	-	**2,792**	-	**-**	-	**6,559**	-

* The names and purposes of each service group is summarised in Note 4.

1 Summary of Significant Accounting Policies

(a) Reporting entity

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

Following the issuing of *Administrative Arrangements Order 2014* commencing 24 February 2014, the Office of Local Government transferred out of the Department of Premier and Cabinet to become a separate agency. The financial statements reflect the balances transferred from the Department of Premier and Cabinet and the transactions subsequent to 24 February 2014.

Under the reporting principles, the current year budget has remained with the Department of Premier and Cabinet.

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

These financial statements for the year ended 30 June 2014 have been authorised for issue by the Chief Executive on 19 September 2014

(b) Basis of preparation

The Agency's financial statements are general purpose financial statements which have been prepared 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 2010* and
- the Financial Reporting Directions published in the Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Plant and equipment are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention.

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

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

(c) Statement of compliance

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

(d) Administered activities

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

Transactions and balances relating to the administered activities are not recognised as the Agency's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as ''Administered Income'', ''Administered Expenses'', ''Administered Assets'' and ''Administered Liabilities''.

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

(e) Insurance

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

1 Summary of Significant Accounting Policies (cont'd)

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

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

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

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

(g) Income recognition

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

(i) Recurrent and capital grants from principal department

Except as specified below, recurrent and capital grants from the principal department are generally recognised as income when the Agency obtains control over the assets comprising the grants / contributions. Control over grants and contributions is normally obtained upon the receipt of cash. Appropriations are not recognised as revenue in the following circumstances:

- Unspent recurrent and capital grants from the principal department are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund via the principal department.

(ii) Sale of goods

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

(iii) Rendering of services

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

(iv) Investment revenue

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

(v) Responsible Pet Ownership Program

Under the Guidelines sent out to Councils with Division of Local Government Circular 00/09, there is a requirement that councils pay to the Agency monthly the total amount of Registration fees for transactions that have been successfully entered on the Companion Animals Register. Collections recorded in the Register by Councils for the period 24 February 2014 to 30 June 2014 totalled $2,601k (2013: nil), which is recorded as retained taxes, fees and fines.

A quarterly reimbursement is made to councils based on Register Reports for the quarter. A total of $2,031k (2013: nil) in expenses is recorded as other operating expenses and employee related expenses in the statement of comprehensive income.

1 Summary of Significant Accounting Policies (cont'd)

(h) Assets

(i) Acquisitions of assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 1(l)).

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

(ii) 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.

(iii) Revaluation of plant and equipment

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

Plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 9 and Note 16 for further information regarding fair value.

The Agency revalues each class of plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

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

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

For other assets valued using other valuation techniques, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

1 Summary of Significant Accounting Policies (cont'd)

(h) Assets (cont'd)

(iii) Revaluation of plant and equipment (cont'd)

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(iv) Impairment of plant and equipment

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

(v) Depreciation of plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the agency.

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

Depreciation Rates	**2014** **% Rate**
Plant & Equipment	
Office furniture and fittings	10
Computer equipment	25
General plant and equipment	14
Leasehold improvements - over the period of the lease	-

(vi) Restoration costs

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

(vii) Maintenance

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

1 Summary of Significant Accounting Policies (cont'd)

(h) Assets (cont'd)

(viii) Leased assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

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

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred.

(ix) Intangible assets

The Agency recognises intangible assets only if it is probable that future economic benefits will flow to the agency and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

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

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

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

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

	2014
Depreciation Rates	**% Rate**
Amortisation of intangible assets	
The following amortisation rates have been adopted:	
Software	
20 to 33	

(x) Loans and receivables

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

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

(xi) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

1 Summary of Significant Accounting Policies (cont'd)

(h) Assets (cont'd)

(xi) Impairment of financial assets (cont'd)

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the 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, where there is objective evidence. However, reversals of impairment losses on an investment in an equity instrument classified as 'available-for-sale' must be made through the revaluation surplus. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(xii) De-recognition of financial assets and financial 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 is recognised to the extent of the agency's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(xiii) Other assets

Other assets are recognised on a cost basis.

(i) Liabilities

(i) Payables

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

(ii) Employee benefits and other provisions

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

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

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Agency has assessed the actuarial advice based on the entity’s circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

1 Summary of Significant Accounting Policies (cont'd)

(i) Liabilities (cont'd)

(ii) Employee benefits and other provisions (cont'd)

(b) Long service leave and superannuation

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

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits.* This is based on the application of certain factors (specified in NSWTC 14/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

(c) Consequential on-costs

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

(d) Personnel services

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

(iii) Other Provisions

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

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

1 Summary of Significant Accounting Policies (cont'd)

(j) Fair value hierarchy

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

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

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

Refer Note 9 and Note 16 for further disclosures regarding fair value measurements of financial and non-financial assets.

(k) Equity and reserves

(i) Accumulated Funds

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

(ii) Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. asset revaluation reserve and foreign currency translation reserve).

(l) Equity transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies and 'equity appropriations' (refer Note 1(g)(i) are designated or required by Australian Accounting Standards to be treated as contributions by owners and recognised as an adjustment to ''Accumulated Funds''. This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities.*

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government departments are recognised at the amount at which the assets and liabilities were recognised by the transferor government department 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 agency recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the agency does not recognise that asset.

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

(i) Effective for the first time in 2013-14

The accounting policies applied in 2013-14 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have been applied for the first time in 2013-14 - AASB 13 *Fair Value Measurement* and AASB 119 *Employee Benefits*. The Agency anticipates that the adoption of these Standards in the period of initial application will have no material impact on the financial statements.

1 Summary of Significant Accounting Policies (cont'd)

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

(ii) Issued but not yet effective

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

The following new Australian Accounting Standards have not been applied and are not yet effective [TC 14/03].

- AASB 9, AASB 2010-7 and AASB 2012-6 regarding financial instruments
- AASB 10 (NFP) Consolidated Financial Statements (NFP entities only)
- AASB 11 (NFP) Joint Arrangements (NFP entities only)
- AASB 12 (NFP) Disclosure of Interests in Other Entities (NFP entities only)
- AASB 127 (NFP) Separate Financial Statements (NFP entities only)
- AASB 128 (NFP) Investments in Associates and Joint Ventures (NFP entities only)
- AASB 1031 Materiality
- AASB 1055 and AASB 2013-1 regarding budgetary reporting
- AASB 2011-7 (NFP) regarding consolidation and joint arrangements (NFP entities only)
- AASB 2012-3 regarding offsetting financial assets and financial liabilities
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 regarding financial instruments – Novation of Derivatives and Continuation of Hedge Accounting
- AASB 2013-5 regarding accounting for Investment Entities
- AASB 2013-6 regarding Reduced Disclosure Requirements
- AASB 2013-7 regarding accounting for life insurance contracts
- AASB 2013-8 regarding Australian Implementation Guidance for NFP Entities – Control & Structured Entities
- AASB 2013-9 regarding the Conceptual Framework, Materiality and Financial Instruments (Parts B and C).

2 Expenses Excluding Losses

	2014	2013
	$'000	$'000
(a) Employee related expenses		
Salaries and wages (including annual leave)	**3,651**	-
Superannuation - defined benefit plans	**48**	-
Superannuation - defined contribution plans	**257**	-
Long service leave	**200**	-
Workers' compensation insurance	**77**	-
Payroll tax and fringe benefit tax	**234**	-
Agency contractors	**16**	-
	4,483	-

The employee related expenses include $1,385,052 for the Lord Howe Island Board (2013: nil). Refer also to notes 1(a) and 3(d).

2 Expenses Excluding Losses (cont'd)

	2014	2013
	$'000	$'000
(b) Other operating expenses include the following:		
Auditor's remuneration - audit of financial statements	**1**	-
Community events	**11**	-
Committee fees and expenses	**6**	-
Consultancy costs	**27**	-
Corporate services	**81**	-
Contractor - projects	**501**	-
Fees for services rendered	**189**	-
Motor vehicle expenses	**33**	-
Operating lease rental expense - minimum lease payments	**142**	-
Telephone and communication costs	**24**	-
Stores and minor assets	**3**	-
Training (staff development)	**31**	-
Travel costs	**36**	-
Other expenses	**157**	-
Other occupancy costs	**87**	-
Information dissemination	**77**	-
Responsible Pet Ownership Program payments	**2,031**	-
Maintenance	**32**	-
	3,469	-
* *Reconciliation - Total maintenance*		
Maintenance expense - contracted labour and other (non-employee related), as above	**32**	-
Employee related maintenance expense included in Note 2(a)	**-**	-
Total maintenance expenses included in Note 2(a) + 2(b)	**32**	-
(c) Depreciation and amortisation expense		
Depreciation		
Plant and Equipment	**31**	-
Leasehold improvements	**25**	-
	56	-
Amortisation		
Intangible assets	**22**	-
	22	-
Total depreciation and amortisation	**78**	-
(d) Grants and subsidies		
NSW Government	**10**	-
Local government	**5,122**	-
	5,132	-

The above does not include $88,425,869 paid for the Federal Financial Assistance Grants to NSW Local Councils. (The receipt of $88,425,869 is also not included). The Agency acts as an administrator in this scheme and has no control over the allocation or timing of the grants.

	2014	2013
	$'000	$'000
(e) Finance costs		
Unwinding of discount rate on make good provision	**1**	-
	1	-

3 Revenue

	2014	2013
	$'000	$'000
(a) Recurrent and capital grants from principal department		
Recurrent grants from principal department		
Recurrent grants from principal department (per Statement of comprehensive income)	**10,302**	-
	10,302	-
Capital grants from principal department		
Capital grants from principal department (per Statement of comprehensive income)	**145**	-
	145	-
(b) Sale of goods and services		
Rendering of services	**16**	-
	16	-
(c) Investment revenue		
Interest revenue from financial assets not at fair value through profit or loss	**28**	-
	28	-
(d) Retained taxes, fees and fines		
Companion Animals registration fees	**2,601**	-
	2,601	-
(e) Personnel services		
Personnel services income	**1,385**	-
	1,385	-
(f) Acceptance by the Crown Entity of employee benefits and other liabilities		
Superannuation - defined benefit	**48**	-
Long service leave	**116**	-
Payroll tax on superannuation	**2**	-
	166	-

4 Service Groups of the Agency

Service Groups 'Capacity Building, Oversight and Provision of Advice for Local Government', Pensioner Rebate Scheme, Responsible Pet Ownership Program and Personnel Services were transferred from the Department of Premier and Cabinet to the Office of Local Government as a consequence of a restructuring of administrative arrangements with effect from 24 February 2014. The following summarises the expenses and revenues, recognised by the Department of Premier and Cabinet up to 23 February 2014 and for the Office of Local Government from 24 February 2014 to 30 June 2014 for the reporting period. Refer Note 13 for details regarding transferred assets and liabilities.

(a) Service Group 1: Capacity Building, Oversight and Provision of Advice for Local Government

Purpose:

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

	Department of Premier and Cabinet	**Office of Local Government**	**2014**	2013
	Service Group 7	**Service Group 1**	**Capacity Building, Oversight and Advice**	Capacity Building, Oversight and Advice
	1 July 2013 to 23 February 2014	**24 February to 30 June 2014**		
	$'000	**$'000**	**$'000**	$'000
Expenses excluding losses				
Operating expenses				
Employee related	5,252	2,715	**7,967**	7,848
Other operating expenses	1,378	899	**2,277**	6,678
Depreciation and amortisation	78	66	**144**	132
Grants and subsidies	-	5,132	**5,132**	1,640
Finance Cost	-	1	**1**	8
Total expenses excluding losses	6,708	8,813	**15,521**	16,306
Revenue				
Recurrent grants from principal department	-	10,302	**10,302**	-
Capital grants from principal department	-	145	**145**	-
Sale of goods and services	-	16	**16**	-
Investment revenue	-	-	**-**	-
Retained, taxes, fees and fines	-	-	**-**	-
Grants and contributions	-	-	**-**	725
Personnel services	-	-	**-**	-
Acceptance by the Crown Entity of employee benefits and other liabilities	265	147	**412**	337
Total Revenue	265	10,610	**10,875**	1,062
Gain / (loss) on disposal	-	-	**-**	(2)
Net result	(6,443)	1,797	**(4,646)**	(15,246)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(6,443)	1,797	**(4,646)**	(15,246)

4 Service Groups of the Agency (cont'd)

(b) Service Group 2: Pensioner Rebate Scheme

Purpose:

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

	Department of Premier and Cabinet	**Office of Local Government**	**2014**	2013
		Service Group 2	**Pensioner Rebate Scheme**	Pensioner Rebate Scheme
	Service Group 8 1 July 2013 to 23 February 2014	**24 February to 30 June 2014**		
	$'000	**$'000**	**$'000**	$'000
Expenses excluding losses				
Operating expenses				
Employee related	-	-	**-**	-
Other operating expenses	-	-	**-**	-
Depreciation and amortisation	-	-	**-**	-
Grants and subsidies	78,183	-	**78,183**	78,301
Finance Cost	-	-	**-**	-
Total expenses excluding losses	78,183	-	**78,183**	78,301
Revenue				
Recurrent grants from principal department	-	-	**-**	-
Capital grants from principal department	-	-	**-**	-
Sale of goods and services	-	-	**-**	-
Investment revenue	-	-	**-**	-
Retained, taxes, fees and fines	-	-	**-**	-
Grants and contributions	-	-	**-**	-
Personnel services	-	-	**-**	-
Acceptance by the Crown Entity of employee benefits and other liabilities	-	-	**-**	-
Total Revenue	-	-	**-**	-
Gain / (loss) on disposal	-	-	**-**	-
Net result	(78,183)	-	**(78,183)**	(78,301)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(78,183)	-	**(78,183)**	(78,301)

4 Service Groups of the Agency (cont'd)

(c) Service Group 3: Responsible Pet Ownership Program

Purpose:

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

	Department of Premier and Cabinet Service Group 9 1 July 2013 to 23 February 2014 $'000	**Office of Local Government Service Group 3 24 February 2014 to 30 June 2014 $'000**	**2014 Responsible Pet Program $'000**	2013 Responsible Pet Program $'000
Expenses excluding losses				
Operating expenses				
Employee related	321	383	**704**	594
Other operating expenses	3,627	2,570	**6,197**	4,627
Depreciation and amortisation	-	12	**12**	6
Grants and subsidies	-	-	**-**	-
Finance Cost	-	-	**-**	-
Total expenses excluding losses	3,948	2,965	**6,913**	5,227
Revenue				
Recurrent grants from principal department	-	-	**-**	-
Capital grants from principal department	-	-	**-**	-
Sale of goods and services	-	-	**-**	-
Investment revenue	90	28	**118**	122
Retained, taxes, fees and fines	3,738	2,601	**6,339**	6,068
Grants and contributions	-	-	**-**	-
Personnel services	-	-	**-**	-
Acceptance by the Crown Entity of employee benefits and other liabilities	17	19	**36**	36
Total Revenue	3,845	2,648	**6,493**	6,226
Gain / (loss) on disposal	-	-	**-**	-
Net result	(103)	(317)	**(420)**	999
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(103)	(317)	**(420)**	999

4 Service Groups of the Agency (cont'd)

(d) Service Group 4: Personnel Services

Purpose:

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

	Department of Premier and Cabinet Service Group 4 1 July to 23 February 2014 $'000	**Office of Local Government Service Group 4 24 February 2014 to 30 June 2014 $'000**	**2014 Personnel services to Lord Howe Island Board $'000**	2013 Personnel services to Lord Howe Island Board $'000
Expenses excluding losses				
Operating expenses				
Employee related	2,099	1,385	**3,484**	3,387
Other operating expenses	-	-	**-**	-
Depreciation and amortisation	-	-	**-**	-
Grants and subsidies	-	-	**-**	-
Finance Cost	-	-	**-**	-
Total expenses excluding losses	2,099	1,385	**3,484**	3,387
Sale of goods and services	-	-	**-**	-
Investment revenue	-	-	**-**	-
Retained, taxes, fees and fines	-	-	**-**	-
Grants and contributions	-	-	**-**	-
Personnel services	2,099	1,385	**3,484**	3,387
Acceptance by the Crown Entity of employee benefits and other liabilities	-	-	**-**	-
Total Revenue	2,099	1,385	**3,484**	3,387
Gain / (loss) on disposal	-	-	**-**	-
Net result	-	-	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	**-**	-

5 Current Assets - Cash and Cash Equivalents

	2014	2013
	$'000	$'000
Cash at bank and on hand	**2,647**	-

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

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

	2014	2014
	$'000	$'000
Cash and cash equivalents (per statement of financial position)	**2,647**	-
Closing cash and cash equivalents (per statement of cash flows)	**2,647**	-

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

6 Current Assets - Receivables

	2014	2013
	$'000	$'000
Sale of goods and services	**1,027**	-
Goods and Services Tax recoverable from ATO	**512**	-
Prepayments	**156**	-
Accrued income	**11,840**	-
	13,535	-

Management has assessed the receivables and concluded that there is no impairment in their value at 30 June 2014.

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

7 Non-Current Assets – Plant and Equipment

	Plant and Equipment $'000	Total $'000
At 24 February 2014 - fair value		
Gross carrying amount	-	-
Accumulated depreciation and impairment	-	-
Net carrying amount	-	-
At 30 June 2014 - fair value		
Gross carrying amount	1,210	1,210
Accumulated depreciation and impairment	(936)	(936)
Net carrying amount	274	274

Reconciliation

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

	Plant and Equipment $'000	Total $'000
Period ended 30 June 2014		
Net carrying amount at start of period	-	-
Additions	93	93
Transferred in (out) due to Administrative Restructure	237	237
Depreciation expense	(56)	(56)
Net carrying amount at end of the period	274	274

There is no comparative information as the Agency commenced on 24 February 2014.

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

Further details regarding the fair value measurement of plant and equipment are disclosed in Note 9.

8 Intangible Assets

	Software $'000	Total $'000
At 24 February 2014		
Cost (gross carrying amount)	-	-
Accumulated amortisation and impairment	-	-
Net carrying amount	-	-
At 30 June 2014		
Cost (gross carrying amount)	964	964
Accumulated amortisation and impairment	(829)	(829)
Net carrying amount	135	135
Period ended 30 June 2014		
Net carrying amount at start of period	-	-
Additions	89	89
Transferred in (out) due to Administrative Restructure	68	68
Amortisation (recognised in ''depreciation and amortisation'')	(22)	(22)
Net carrying amount at end of period	135	135

There is no comparative information as the Agency commenced on 24 February 2014.

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

9 Fair value measurement of non-financial assets

(a) Fair value hierarchy

2014

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment (Note 7)				
Plant and equipment	**-**	**274**	**-**	**274**
	-	**274**	**-**	**274**

There were no transfers between Level 1 or 2 during the period.

(b) Valuation techniques, inputs and processes

For non-specialised assets with short useful lives, AASB 13 allows recognition at depreciated historical cost as an acceptable surrogate for fair value as differences are considered immaterial. Thus the values considered above are fair value for Plant & Equipment and Leasehold Improvements. The Agency has allocated these types of equipment to level 2 based on the fact that once these items are in use, level 2 is considered more appropriate as an indirect observable market is available.

10 Current Liabilities - Payables

	2014 $'000	2013 $'000
Payables		
Accrued salaries, wages and on-costs	**304**	-
Creditors	**7,230**	-
	7,534	-

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

11 Current / Non-Current Liabilities - Provisions

	2014	2013
	$'000	$'000
Current Provisions		
Employee benefits and related on-costs provisions		
Annual leave	**1,144**	-
Long service leave	**780**	-
Payroll tax	**183**	-
Total current provisions	**2,107**	-
Non-current		
Employee benefits and related on-costs provisions		
Long service leave	**34**	-
Payroll tax	**7**	-
	41	-
Other provisions		
Restoration costs	**350**	-
Total non-current provisions	**391**	-

Aggregate employee benefits and related on-costs		
Provisions - current	**2,107**	-
Provisions - non-current	**41**	-
Accrued salaries, wages and on-costs (Note 10)	**304**	-
	2,452	-

The above includes employee benefits and related on-costs for Lord Howe Island Board [refer to Note 1 (a)].

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

	Restoration costs $'000	**Total $'000**
2014		
Carrying amount at the beginning of financial year	-	-
Transferred in due to Administrative Restructure	349	349
Unwinding / change in the discount rate	1	1
Carrying amount at the end of financial year	350	350

12 Commitments for Expenditure

	2014	2013
	$'000	$'000
(a) Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided for and payable		
Not later than one year	**646**	-
Later than one year and not later than five years	**2,610**	-
Later than five years	**2,341**	-
Total (including GST)	**5,597**	-

***** The operating lease commitments relate to leasing of office space and motor vehicles. The expenditure above include input tax credits of $508,784 (2013: $0) that are expected to be recoverable from the Australian Taxation Office.

13 *Increase / Decrease in Net Assets from Equity Transfers*

Following the issuing of Administrative Arrangements Order commencing 24 February 2014, the Office of Local Government transferred out of the Department of Premier and Cabinet to become a separate agency.

Assets and Liabilities transferred from Department of Premier & Cabinet as at 23 February 2014

	Actual 23 February 2014 $'000
ASSETS	
Current assets	
Cash and cash equivalents	6,291
Receivables	1,622
Total current assets	7,913
Non-current assets	
Property plant and equipment	
- Plant and Equipment	237
Intangible assets	68
Total non-current assets	305
Total assets	8,218
LIABILITIES	
Current liabilities	
Payables	1,747
Provisions	1,030
Total current liabilities	2,777
Non-current liabilities	
Provisions	362
Total non-current liabilities	362
Total liabilities	3,139
Net assets	5,079
Increase in net assets from equity transfer	**5,079**

14 Contingent Liabilities and Contingent Assets

Contingent liabilities

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

Contingent assets

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

15 Reconciliation of Cash Flows from Operating Activities to Net Result

	2014	2013
	$'000	$'000
Net cash used on operating activities	**(9,747)**	-
Net adjustments for equity transfer	**5,167**	-
Depreciation and amortisation	**(78)**	-
Unwinding of discount rate	**(1)**	-
Decrease / (increase) in provisions	**(2,148)**	-
Increase / (decrease) in receivables	**15,821**	-
Decrease / (increase) in creditors	**(7,534)**	-
Net Result	**1,480**	-

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 has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Agency, to set risk limits and controls and to monitor risks.

(a) Financial instrument categories

Financial Assets Class:	**Note**	**Category**	**Carrying Amount 2014 $'000**	Carrying Amount 2013 $'000
Cash and cash equivalents	5	N/A	**2,647**	0
Receivables[1]	6	Loans and receivables (at amortised cost)	**12,867**	0

Financial Liabilities Class:	**Note**	**Category**	**Carrying Amount 2014 $'000**	Carrying Amount 2013 $'000
Payables[2]	11	Financial liabilities measured at amortised cost	**7,519**	0

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

[2]Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

(b) Credit Risk

Credit risk arises when there is the possibility of the Agency's debtors defaulting on their contractual obligations, resulting in a financial loss to the Agency. The maximum exposure to 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 and receivables. No collateral is held by the Agency. The Agency has not granted any financial guarantees.

Credit risk associated with the Agency's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises of cash on hand and the Responsible Pet Ownership bank account which is not part of the NSW Treasury Banking System. The operating bank account of the new agency was activated on 1 July 2014.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity 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 made on 14 or 30 day terms.

16 Financial Instruments (cont'd)

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 (2014: $553k; 2013: $0) and less than 3 months past due (2014: $102k; 2013: $0) are not considered impaired and together these represent 64% of the total trade debtors. Most of the Agency's debtors have a AAA credit rating.

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

		$'000	
	Total[1,2]	**Past due but not impaired[1,2]**	**Considered impaired[1,2]**
2014			
< 3 months overdue	102	102	-
3 months – 6 months overdue	9	9	-
> 6 months overdue	199	199	-

Notes

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

[2]The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the 'total' will not reconcile to the receivables total recognised in the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Agency will be unable to meet its payment obligations when they fall due. The Agency continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Minister may automatically pay the supplier simple interest. There was no interest paid during the year.

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

16 Financial Instruments (cont'd)

Maturity Analysis and interest rate exposure of financial liabilities

		$'000			
		Interest Rate Exposure		**Maturity Dates**	
	Nominal Amount [1]	**Non-interest bearing**	**< 1 yr**	**1-5 yrs**	**> 5 yrs**
2014					
Payables:					
Accrued salaries, wages and on-costs	293	293	293	-	-
Creditors	7,226	7,226	7,226	-	-
Total	7,519	7,519	7,519	-	-

		Interest Rate Exposure		**Maturity Dates**	
	Nominal Amount [1]	**Non-interest bearing**	**< 1 yr**	**1-5 yrs**	**> 5 yrs**
2013					
Payables:					
Accrued salaries, wages and on-costs	-	-	-	-	-
Creditors	-	-	-	-	-
Total	-	-	-	-	-

Notes:

[1.] The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the entity can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the statement of financial position. There is no interest impact on these financial liabilities.

16 Financial Instruments (cont'd)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Agency has no exposure to foreign currency risk and does not enter into commodity contracts.

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

Interest rate risk

The Agency does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. 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.

		- 1%		**1%**	
	Carrying Amount	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
2014					
Financial assets					
Cash and cash equivalents	2,647	(26)	(26)	26	26
Receivables	12,867	(129)	(129)	129	129
Financial liabilities					
Payables	7,519	(75)	(75)	75	75
2013					
Financial assets					
Cash and cash equivalents	-	-	-	-	-
Receivables	-	-	-	-	-
Financial liabilities					
Payables	-	-	-	-	-

(e) Fair value measurement

(i) Fair value compared to carrying amount

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

17 Events after the Reporting Period

No events have occurred subsequent to balance date which will materially affect the financial statements.

End of audited financial statements

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