



Office of
Local Government



Annual Report

2014-15

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All offices are wheelchair accessible.

ALTERNATIVE MEDIA PUBLICATIONS

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

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| Letter to the Minister

The Hon Paul Toole MP
Minister for Local Government
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Minister

I am pleased to submit for presentation to Parliament the Annual Report for the Office of Local Government for the year ending 30 June 2015.

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

Yours sincerely



Tim Hurst
Acting Chief Executive
Office of Local Government

Chief Executive's Foreword

The Office of Local Government's activities over 2014-15 have continued to provide the guidance needed for councils to deliver their core services, while supporting the NSW Government in preparing and implementing the *Fit for the Future* reforms to provide a modern system of local government.

The Office began implementation of a number of initiatives in the *Fit for the Future* reform package. This included initiating and supporting five pilot Joint Organisations, establishing the Far West Initiative, beginning work on designing a new Local Government Act and commencing a review of Financial Assistance Grants.

The Office provided extensive support to councils to prepare *Fit for the Future* proposals, including holding over 20 workshops with councils across the State, developing the *Fit for the Future* website and a range of other information materials, and establishing a One Stop Shop providing access to support and advice.

A new web-based tool was developed to improve accessibility and usability of information available to monitor council financial performance.

The Office continued to maintain effective governance oversight of local councils, including the investigation of key issues. Four misconduct and two pecuniary interest matters were determined in 2014-15, and two Performance Improvement Orders were issued to councils.

The Office assisted the Government in responding to the recommendations of the Joint Standing Committee on Electoral Matters Inquiry of the 2012 Local Government

Elections, culminating in amendments to the *City of Sydney Act 1998* and the *Local Government Act 1993*.

As part of the recommendations from the Local Government Infrastructure Audit the Office delivered \$12,683,925 of interest subsidy claims to eligible councils under the Local Government Infrastructure Renewal Scheme, while the Local Government Grants Commission made \$716 million of cash payments to local authorities.

Over 320,000 swimming pools were registered in 2014-15, and 14,318 certificates of compliance were issued as part of the delivery of a number of important upgrades to the NSW Swimming Pool Register.

As part of the Responsible Pet Ownership Education Program the Office delivered over 2,400 teaching sessions to primary and preschool children.

Throughout the year, staff of the Office worked hard to meet the needs of our stakeholders, and managed nearly 6,500 pieces of correspondence.

It is due to the high standard of professionalism and commitment of the Office's staff that the achievements included in this report were possible, and I thank them for their dedicated service.

Tim Hurst
Acting Chief Executive



Section One: About Us

What the Office does

The Office of Local Government is responsible for regulating local government across NSW.

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

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

Principal Legislation

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

Lord Howe Island Board

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

The Office provides advice and support to the 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.

High level budget summary for the year

The total budget for 2014-15 was \$117.3 million (including protected items). Key budget items included:

- Provision for the Local Infrastructure Renewal Scheme of \$17.6 million
- Provision for local government reform of \$6.3 million
- Grant for the operations of the Lord Howe Island Board of \$4.6 million
- An increase in the Pensioner Concession Scheme from \$76 million to \$78.5 million

Structure

As at 30 June 2015, the Office was organised into four groups.

Innovation and Development Group

This group focuses on strengthening the local government sector through the development and implementation of policies, programs and other initiatives. It applies a strategic whole of sector approach to its activities and works closely with the sector, government agencies and other stakeholders.

The group is responsible for providing leadership and guidance on council governance issues.

The group has lead accountability for implementing the *Fit for the Future* program.

Investigations and Performance Group

This group's primary focus is at an individual council level, concentrating on legislative, regulatory and guideline compliance.

When required, the group leads targeted interventions with councils. This group is responsible for monitoring council performance and for delivering programs that have a direct impact on communities.

The group is also responsible for the review and assessment of all statutory applications. It provides legal support and manages the legislative program for the Office.

Operations Group

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

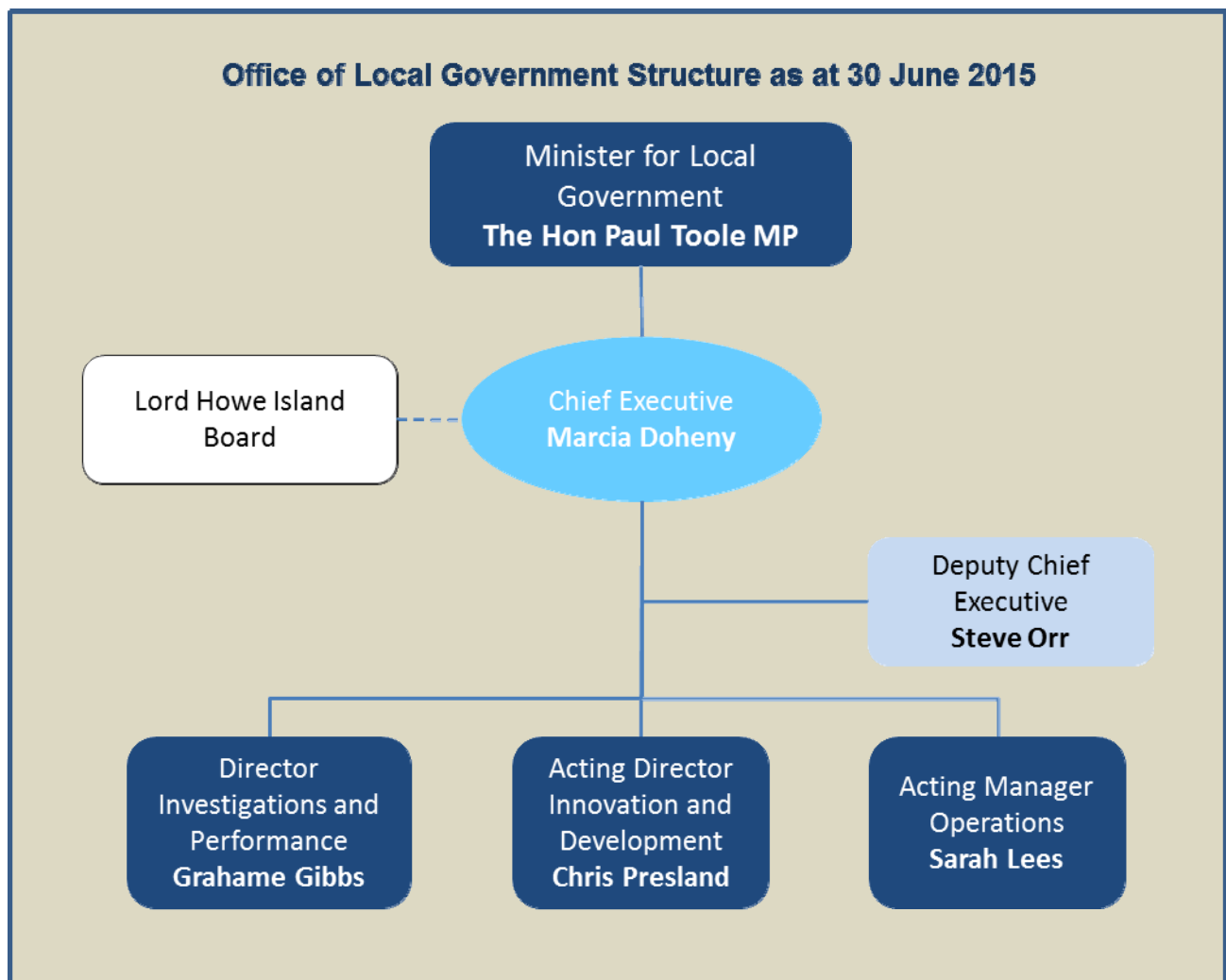
The group is also responsible for the Office's outward communications including internet and printed publications.

Executive Group

This 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 the governance, performance, strategy and risk management framework for the Office.

Structure



The Office's Senior Executive hold the following qualifications, as at 30 June 2015:

Marcia Doheny	Bachelor of Arts and Law
Steve Orr	Master of Business Administration
Grahame Gibbs	Bachelor of Business Studies (Accounting)
Chris Presland	Bachelor of Business (Economics and Finance)
Sarah Lees	Master of Business Administration (Management) Bachelor of Social Science

Key priorities

In September 2014, the NSW Government announced *Fit for the Future*, the most significant investment the State has ever made in the local government sector.

This package of reform is designed to improve the local government system, including the laws that govern it, the way the State works with councils and the support that councils receive.

Fit for the Future has shaped much of the Office's activities during the year. Our priorities included:

- Supporting councils to prepare high quality *Fit for the Future* proposals by June 2015
- Development of a Joint Organisation model
- Develop options for rural councils
- Working with the Department of Premier and Cabinet to consider options for the Far West
- Development of a Far West model
- Developing the foundations for a new Local Government Act

The Office did not lose sight of core business, and prioritised projects and programs that would assist councils to provide the services and infrastructure their communities need. Our priorities included:

- Implement measures to ensure successful deployment of sale and lease provisions for properties with swimming pools
- Ensure the swimming pool registration process was easy and efficient

- Implement improvements to the Companion Animals Register
- Improve asset management reporting and auditing by councils
- Reduce red tape for councils by increasing on-line services and reducing the need for hard copy documents

Councils are accountable to their communities. To assist with this, the Office provides the public and councils with access to council performance data through a new web-based tool, which helps to deliver a clear and balanced picture of how effectively and efficiently councils meet local needs.

The Office's staff and work environment are critical to its effectiveness. Operational priorities were to:

- Align the organisation's HR practices to make an effective transition to the requirements of the *Government Sector Employment Act 2013*
- Mobilise the Office's workforce through remote access technology and equipment
- Collaborate with Planning and Environment Cluster agencies to make better use of existing resources
- Streamline and improve processes to create efficiencies in how we undertake operational tasks

Stakeholders and Staff

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

Communities

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

Local Government

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

State Government

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

Business

- Reduced red tape and consistent application of regulation
- Easy to work with

Staff

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

- Professional development opportunities for all staff in collaboration with Planning and Environment Cluster partners
- Reviewing and refining of the staff performance appraisal system to align with the new capability framework under the *Government Sector Employment Act 2013*
- Enhancing the Office's Intranet to communicate key messages to staff and share knowledge more broadly across the Office
- Ongoing management of staff and visitor health and safety through the Office's Work Health and Safety Committee
- Regular liaison with staff through the Office's Joint Consultative Committee
- Establishing professional development action plans and individual workplans for all staff in accordance with the Office's performance management framework

People Matter Survey

In September 2014, the Public Service Commission released the results of the sector-wide *People Matter Survey*. In response, the Office established a working group consisting of staff from across the agency to review the findings and make recommendations to management.

Highlights

- 100% of staff felt that members of their workgroup treat customers/clients with respect
- 96% of staff felt that the organisation ensures Government policies and programs affecting the community are implemented equitably
- 96% of staff felt that their manager provides acknowledgement or other recognition for the work they do

Comparison with the sector

- 87% of staff felt that the organisation offers practical employment arrangements and conditions to help employees achieve a work-life balance, higher than the sector average of 64%
- 82% of staff felt that they receive regular feedback on their performance, higher than the sector average of 55%

Comparison with the Office 2012 results

- 80% of staff felt that their manager talks to them about how the values apply to their work, higher than the 2012 result of 51%
- 89% of staff felt that their performance is assessed against clear criteria, higher than the 2012 result of 64%

All staff felt that members of their workgroup treat customers/clients with respect.



Section Two: Our Achievements

Implementing *Fit for the Future*

In 2014-15 the Office supported the implementation of *Fit for the Future* reforms by:

- Creating a One Stop Shop Team, to support councils preparing their *Fit for the Future* proposals
- Establishing five pilot Joint Organisations to refine the model to help deliver a consistent regional forum for local councils in regional and rural NSW to work together, with the State and others, on issues of regional strategic priority such as jobs and important community infrastructure
- Engaging the Independent Pricing and Regulatory Tribunal to review the reporting and compliance burden on local councils, and report to the Minister within 12 months
- Commencing work on options to redistribute Financial Assistance Grants to those councils with the greatest need resulting in major increases for Brewarrina (9.7%), Bourke (9.2%), Carrathool (8.6%), Central Darling (8.3%), and Balranald (8.0%). Overall, 82 of the State's authorities received increases in their general purpose component grant.
- Supporting the *Fit for the Future* Ministerial Advisory Group to consolidate the views of key stakeholders and to advise the Minister for Local Government on the direction and implementation of the *Fit for the Future* program

Review of the Local Government Act

The Office supported the Government in responding to the recommendations of the Local Government Acts Taskforce arising from its review of the *Local Government Act 1993* (the Act).

The Taskforce found that many aspects of the current Act still work well, however its effectiveness has been eroded as a consequence of incremental amendments over the past 20 years. It also found that the integrated planning and reporting provisions of the Act should be given much greater prominence in the new Act.

Development of a new Act commenced in 2014 .

Promoting Better Practice

The Promoting Better Practice program drew to a close during the 2014-15 year, with finalisation of the final nine reviews.

Infrastructure

The Office continued to implement the recommendations from the Local Government Infrastructure Audit. A staged process has been established to audit the Report on Infrastructure Assets prepared by councils. The first stage is an asset preparedness assessment on the 2014-15 results followed by an audit on the infrastructure report in the following year.

Local Government Infrastructure Renewal Scheme (LIRS)

The Office administers LIRS, which provides loan subsidies to councils to fund infrastructure backlog works. The Office delivered interest subsidy claims totalling \$12,683,925 to eligible councils in 2014-15. The Office has so far paid a total of \$22,550,663 in interest rate subsidies to councils. There are 166 approved projects and 63 have been completed.

LIRS has unlocked \$817 million in council investment; it will continue until 30 June 2025.

Ministers' Awards for Women in Local Government

The Ministers' Awards are presented jointly by the Minister for Local Government and the Minister for Women. The Awards celebrate outstanding contributions to the local government sector and the community more broadly from elected representatives, council executives, council staff and women in non-traditional roles in councils.

This year 44 nominations were received for these prestigious Awards with the following winners in each of the categories.

Elected Representative from a Metropolitan Council: Cllr Sue Heins, Warringah Council

Elected Representative from a Rural or Regional Council: Cllr Gae Swain, Gunnedah Shire Council

Senior Staff Member – Metropolitan Council: Nicole Magurran, Camden Council

Senior Staff Member – Rural or Regional Council: Therese Manns, Broken Hill City Council

Non-Senior Staff Member – Metropolitan Council: Sarah Sampson, Penrith City Council

Non-Senior Staff Member – Rural or Regional Council: Joint Winners Shellie Buckle, Parkes Shire Council and Laura Kendall, Lake Macquarie City Council

Women in a Non-Traditional Role – Metropolitan Council: Sara Foster, Wyong Shire Council

Women in a Non-Traditional Role – Rural or Regional Council: Sharon Ross, Parkes Shire Council.

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

The Office supported the preparation of the Government's response to the recommendations of the Joint Standing Committee on Electoral Matters arising from its inquiry into the 2012 Local Government Elections.

The Government's response was tabled on 22 October 2014. This culminated in amendments to the *City of Sydney Act 1988* and the *Local Government Act 1993*.

Swimming Pools

The Office delivered a number of important upgrades to the NSW Swimming Pool Register, to support the registration of swimming pools and the ongoing operations of councils and private certifiers. There were 321,096 swimming pools registered and 14,318 certificates of compliance issued in 2014-15.

Responsible Pet Ownership

In August 2014, the Office delivered the first round of a three year \$900,000 grants program to councils. Applications were received from councils and their community partners, and 24 projects received funding totalling \$303,375. The program targets local community services such as subsidised microchipping and desexing.

The Government renewed the Responsible Pet Ownership Education Program for a further three years. This very successful program, administered by the Office, targets three key groups: pre and post natal parents, preschool children and primary school children.

The program delivers 'living safely with pets' advice to prospective and new parents, and teaches young children to safely interact with dogs.

During 2014-15, there were 1,730 primary school sessions teaching 82,253 children and 684 preschool sessions teaching 15,055 young children to live safely with pets.

The Companion Animals Register has been upgraded and changed to reflect the Government's changes to the Dangerous Dog Framework. A system development project has also commenced to modernise the Register.

The Office delivered the first round of a 3 year \$900,000 grants program to councils, to fund responsible pet ownership projects.

Red tape reduction

Each year the Office reviews information collected from councils with the view of reducing reporting obligations of councils.

A streamlined process was implemented for the reporting of rates information by councils (permissible income calculation). The 2014-15 annual permissible income calculation and related audit process was incorporated into the financial reporting process. This meant that councils were no longer required to separately submit their Rating Return and Statement of Compliance to the Office.

The Office worked with other agencies, such as the Australian Bureau of Statistics, supplying electronic information to them on behalf of councils, to eliminate the requirement for councils to lodge a separate set of financial statements.

Statutory applications

During 2014-15 the Office received and assessed 76 applications from councils to compulsorily acquire land within the councils' local government areas.

The Office is also responsible for assessing and making recommendations about a range of other statutory applications including for boundary alterations, leases, licences and estates over community land and local approval policy exemptions.

Application Type	Received	Processed	Processed on time
Compulsory Acquisition of Land/Interests in Land	81	76	100%
Leases, Licences and Other Estates over Community Land	6	5	100%
Boundary Alterations	5	1	100%
Capital Expenditure Reviews	18	16	100%
Public Private Partnerships	3	2	100%
Section 358 formation of a Corporation	3	2	100%
Section 458 Pecuniary Interest Exemptions	1	0	100%
Companion Animals Clause 16(d) Exemptions	29	29	100%
Local Approvals Policies	2	2	100%

Local Government Grants Commission

The Grants Commission's primary function is to make recommendations to the Minister for Local Government on the allocation to local governing bodies in NSW of general purpose grants under the provisions of the Commonwealth's *Local Government (Financial Assistance) Act 1995*. During 2014-15, the Grants Commission made cash payments to local authorities totalling \$715,676,168.

Monitoring role

The Office monitors the financial performance of all councils in NSW. Access to council performance information is provided to the public and councils in the *Your Council* report and time series data, which is presented on the Office's website. The 2013-14 report was released in June 2015.

A new web-based tool was developed by the Office during the year to provide greater accessibility and usability to this information. This tool will be used to report councils' 2014-15 financial results.

The Office has established an internal Council Improvement, Monitoring and Intervention Group, which oversees the Office's council monitoring framework and activities. On average, the Office is closely monitoring between 10 and 20 councils at any one time.

The Office also monitors the actions of councils by observing meetings and visiting councils to discuss issues of concern. Officers undertook these actions on four occasions in 2014-15.

Public Inquiries

In early 2014 concerns arose about the financial stability of Central Darling Shire Council. Given the seriousness of the concerns, the councillors were suspended and an interim administrator appointed.

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

Due to ongoing concerns, on 19 June 2014 the Minister for Local Government, the Hon Paul Toole MP, announced a public inquiry into Central Darling Shire Council.

The Office provided an officer to assist with the public inquiry, as well as administrative support.

In October 2014 the inquiry reported to the Minister and recommended that the councillors be dismissed from civic office until the ordinary council elections in 2020. The Minister subsequently appointed a council administrator Council until 2020.

Section 430 investigation

A key role of the Office of Local Government is to investigate serious breakdowns in council operations. Under section 430 of the *Local Government Act 1993*, the Chief Executive has the power to carry out investigations into council

operations. This power is generally only used if a council's conduct is having a serious impact on the local community.

Section 430 investigations are currently underway regarding Strathfield Municipal Council and Hurstville City Council.

Council interventions

In July 2014, a Performance Improvement Order (PIO) was issued to Strathfield Municipal Council. The PIO arose from concerns over internal control and procurement issues. The PIO required that Council take steps to address the issues with the assistance of a temporary adviser.

In December 2014, a PIO was issued to North Sydney Council. The PIO arose from concerns over conduct and relationship issues impacting on the performance of the Council. The PIO required that Council take steps to address the issues through mediation and other processes, with the assistance of a temporary adviser.

In November 2014, the Minister issued a notice of intention to issue a PIO to Rockdale City Council due to concerns that councillors were leaving Council meetings without a quorum, thereby disrupting the business of Council relating to specific matters. Following the issuing of the notice of intention, the business that had been disrupted was restored and therefore the PIO was not issued.

In December 2014, a PIO was issued to North Sydney Council. The PIO arose from concerns over conduct and relationship issues impacting on the performance of the Council. The PIO required that

Council take steps to address the issues through mediation and other processes, with the assistance of a temporary adviser. As at 30 June 2015, the assessment of the Council's implementation of the PIO had not been concluded.

Councillor misconduct and pecuniary interest matters

There were five misconduct and two pecuniary interest matters determined during 2014-15. The determination of one matter stemmed from an appeal against an earlier decision of the NSW Civil and Administrative Tribunal (NCAT). The appeal resulted in a decision by the NCAT to suspend the councillor being set aside and the councillor was instead reprimanded and their right to be paid entitlements of civic office suspended for three months.

Each matter dealt with in 2014-15 resulted in a sanction being imposed. In addition to the results of the above appeal, one councillor was suspended from office for one month, and another was suspended for two months for misconduct.

One councillor was reprimanded, with orders that he not be paid his entitlements as councillors for a period of two months for misconduct.

One councillor was reprimanded, with orders that they not be paid their entitlements as a councillor for three months for breaching the pecuniary interest provisions of the Act.

Two further councillors were reprimanded for pecuniary interest breaches and misconduct.

Remote access

To mobilise the workforce, staff have been provided with mobile technology, including laptops, mobile devices and work based applications, to facilitate remote working.

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

This initiative has increased productivity while providing staff with the flexibility to achieve an important balance of personal and professional commitments.

Working smarter

The Office has been working closely with the Planning and Environment Cluster to enter into shared service arrangements for HR, finance and IT services, to make better use of existing resources.

The Office has streamlined and improved processes to create efficiencies in managing correspondence by reducing double handling and improving the use of its electronic data management system to workflow documents.

GSE framework

To align the organisation's HR practices with the requirements of the *Government Sector Employment Act 2013*, the Office has developed GSE compliant role descriptions for all staff, introduced new recruitment practices and is realigning its performance management framework to focus on capabilities.

New and amending legislation

The Office was responsible for the development of a number of legislative amendments during the year. Following are the changes in Acts and subordinate legislation administered by the Office in 2014-15.

Local Government Amendment (Elections)

Act 2014, which amended the *Local Government Act 1993* in a number of respects concerning elections to civic office, most notably by enabling count-backs to be held instead of by-elections in certain circumstances, and allowing certain elections to be conducted by postal voting.

The City of Sydney Amendment (Elections)

Act 2014, was enacted in response to the recommendations by the NSW Parliament's Joint Standing Committee on Electoral Matters. This provided for the enrolment of a maximum of two eligible non-residential electors per land holding in the City of Sydney local government area including automatic enrolment in certain circumstances.

Local Government (General) Amendment (Elections) Regulation 2015 which amended the *Local Government (General) Regulation 2005* to provide that electors of the City of Sydney are to be automatically qualified for postal and pre-poll voting, and requiring the NSW Electoral Commissioner and general managers as election managers to report on certain information.

Research and development

The Office did not undertake any research and development activities during 2014-15.



Section Three: How we Operate

Staff Policies

Personnel

The Office works closely with the Department of Planning and Environment and other agencies to ensure consistency in personnel policies and practices across the Cluster.

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

The Office has adopted and promoted the Public Service Commission's Code of Ethics and Conduct, and has integrated ethics the Code into the performance management system.

Disability Inclusion Action Plan

The Office has worked with the Department of Community Services and with the Planning and Environment Cluster partners to develop its Disability Inclusion Action Plan (DIAP) for implementation in late 2015.

In addition, the Office was part of the working group, led by Local Government NSW, to develop Guidelines to support councils in their implementation of the DIAP framework.

Multicultural Policies & Services Program

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

The Office is in the process of developing a Multicultural Policies and Services Plan to enable equitable access to services and programs to all individuals. This plan is being developed in consultation with other agencies in the Planning and Environment Cluster.

The Office did not enter into any agreement with Multicultural NSW under the *Multicultural NSW Act 2000* in the year.

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

All staff who identify as Aboriginal or Torres Strait Islander are entitled to an additional day's leave to attend NAIDOC celebrations. Currently, 4.1% of Office of staff identify as either Aboriginal or Torres Strait Islander.

Industrial Relations

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

Privacy Management Plan

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

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

Staff Policies

Workplace Health and Safety

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

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

Claims and Reports

There was one worker's compensation claim for 2014-15.

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

Year	Premiums paid	Claims lodged	Open claims
2014-15	\$41,846.83	1	1

Overseas travel

No staff from the Office travelled overseas during the reporting period.

Staff profile

Staff profile by employment category

Staff numbers by category	2012-13			2013-14			2014-15		
	Men	Women	TOTAL	Men	Women	TOTAL	Men	Women	TOTAL
Permanent full time	27	31	58	24	32	56	26	36	62
Permanent part time	0	6	6	0	2	2	0	2	2
Temporary full time	1	2	3	1	1	2	2	3	5
Temporary part time	0	0	0	0	0	0	0	2	2
Contract SES	2	0	2	4	2	6	1	0	1
Contract non-SES	0	0	0	0	0	0	0	0	0
Training positions	0	0	0	0	0	0	0	0	0
Retained staff	0	0	0	0	0	0	0	0	0
TOTAL	30	39	69	29	37	66	29	43	72

Workforce diversity

Workforce Diversity *	2012-13	2013-14	2014-15
Women	51.4%	55.7%	59.7%
Aboriginal People and Torres Strait Islander	2.9%	5.1%	4.1%
People whose language spoken as a child was not English	7.1%	13.3%	8.3%
People with Disability	2.9%	4.4%	2.7%
People with a Disability requiring work related adjustment	2.9%	4.4%	2.7%

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

Senior Executive

2014-15 Senior Executive Positions (including Lord Howe Island Board)

Number of Senior Executive by Band*	2013-14		2014-15	
	Female	Male	Female	Male
Band 4 (Secretary)	0	0	0	0
Band 3 (Deputy Secretary)	0	1	1	0
Band 2 (Executive Director)	0	1	0	1
Band 1 (Director)	2	2	2	1
Totals	2	4	3	2
	6		5	

**Transitional former senior officers are now taken to be senior executives and employed in the equivalent band under the Government Sector Employment Act 2013.*

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

Approximately 9% of the Office's employee related expenditure in 2014-15 was related to senior executive staff.

Consultancies, Funds & Grants Paid

Consultancies of value less than \$50,000

Purpose of consultant	Number of consultancies	Cost
Finance and accounting	1	\$33,621
Local Government Reform	2	\$41,963
Organisational review	1	\$10,305
TOTAL	4	\$85,889

Consultancies of value more than \$50,000

Consultants	Category	Project	Fee
KPMG Australia	Local government reform	Review of Financial Grants methodology	\$67,520

Funds and Grants paid during the period

For the 2013-14 Annual Report, the Office of Local Government reported for the period 24 February 2014 to 30 June 2014 (figures for the period 1 July 2013 to 23 February 2014 were reported in the Department of Premier and Cabinet's Annual Report as the agency was a Division of DPC during that period). The figures identified below are for the full 2014-15 financial year.

During 2014-15, there were no funds granted by the Office to non-government community organisations.

Name of organisation	Nature and purpose of grant	Paid
NSW Councils	Financial Assistance Grants	\$715,676,168
NSW Councils	Local Infrastructure Renewal Scheme	\$12,683,925
NSW Councils	Council rates concession for eligible pensioners	\$78,739,813
TOTAL		\$807,099,906

Audit and Assets

Audit and risk management

Due to changes in machinery of government which resulted in the Office of Local Government becoming a stand-alone agency, a request was submitted to the Minister for Local Government for an exception from the core requirements of TPP 09-05 *Internal Audit and Risk Management Policy for the NSW Public Sector for the financial year ending 30 June 2015*.

The request was submitted in order to provide time for the agency to establish appropriate risk management processes. The exception was granted by the Minister for 2014-15.

Credit Card Certification

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

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

Major Capital Works

The Office had no major capital works.

Land Disposal

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

Access to Information

Public Interest Disclosures

The following information on public interest disclosures is provided in accordance with section 4(2) of the *Public Interest Disclosures Regulation 2011* for the period 1 July 2014 to 30 June 2015.

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

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

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

No public interest disclosures were finalised within the period.

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

To ensure awareness of responsibilities under the *Public Interest Disclosures Act 1994*, the *Public Interest Disclosures—Policy & Procedures* is available on the Office's intranet and the NSW Ombudsman's *Public Interest Disclosures e-News* is distributed to staff. Also, the Manager Investigations attends regular meetings of Public Interest Disclosure Investigating Authorities, which are sponsored by the NSW Ombudsman.

Reporting

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

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

Consumer response

The Office received one complaint about its delivery of services during the reporting period.

Access to information

The Office received a total number of 11 access applications under the *Government Information (Public Access) Act 2009 (GIPAA)* during the reporting year (including withdrawn applications, but not including invalid applications).

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

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

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

Table B: Number of applications by type of application 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 if information is held	Application withdrawn
Personal information applications*	1	0	0	0	0	0	0	1
Access applications (other than personal information applications)	4	3	0	1	0	0	0	1
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

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

Access to information

Table C: Invalid applications

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

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

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

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

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

	Number of occasions when application not successful
Responsible and effective government	1
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

Access to information

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	7
Decided after 35 days (by agreement with applicant)	2
Not decided within time (deemed refusal)	0
Total	9

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

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of GIPAA	0	0	0
Review by Administrative Decisions Tribunal	0	2	2
Total	0	2	2


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

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

	Number of applications for review
Applications by access applicants	2
Applications by persons to whom information the subject of access application relates (see section 54 of GIPAA)	0

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

	Number of applications transferred
Agency initiated transfers	0
Applicant initiated transfers	0



Section Four:

Audit and Information Technology Attestations

Internal Audit and Risk Management Attestation for the 2014-2015 Financial Year for the Office of Local Government

I, Marcia Doheny, am of the opinion that the internal audit and risk management processes for the Office of Local Government depart from the core requirements set out in Treasury Circular NSW TC 09/08 and that (a) the circumstances giving rise to these departures have been determined by the Portfolio Minister and (b) the Office of Local Government has implemented the following practicable alternative measures that will achieve a level of assurance equivalent to the requirement:

Ministerially Determined Departure	Reason for Departure and Description of Practicable Alternative Measures Implemented
<ul style="list-style-type: none"> Exception from the core requirements of TPP 09-05 <i>Internal Audit and Risk Management Policy for the NSW Public Sector for the financial year ending 30 June 2015</i>. 	<ul style="list-style-type: none"> Due to changes in machinery of government, the Office of Local Government became a stand-alone agency and requested an exception from TPP 09-05 for a period of time in order to establish appropriate risk management processes. This exception was approved for the 2014/15 financial year. In the interim, arrangements were made for the DP&E Audit and Risk Committee to have oversight of the OLG. This arrangement provided a level of independent assurance regarding the adequacy of the OLG's internal controls.
<p><i>The determination by the Portfolio Minister for the Office of Local Government in respect of these departures, dated 24 April 2015, is appended to this attestation statement.</i></p>	

Commencing 2015/16, the OLG's audit and risk oversight will be provided by the Department of Planning and Environment Audit and Risk Committee under a Treasury approved shared arrangement.

I, Marcia Doheny, am of the opinion that the Audit and Risk Committee for the Department of Planning and Environment is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08.

The Chair and Members of the Audit and Risk Committee are:

- Independent Chair, Brian Blood, appointed from 1 December 2013 for a term of 4 years.
- Independent Member 1, Alan Zammit, appointed from 27 February 2012 for a period of 3 years and re-appointed from 27 February 2015 for a further 3 years.
- Independent Member 2, Elizabeth Crouch, appointed from 21 October 2013 for 3 years



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



Marcia Doheny
Chief Executive
Office of Local Government



Digital Information Security Annual Attestation Statement for the 2014-15 Financial Year for the Office of Local Government within the Planning and Environment Cluster

I, Tim Hurst, am of the opinion the Office of Local Government does not have a sufficiently high risk profile to warrant that an independent Information Security Management System be developed in accordance with the core requirements of the *Digital Information Security Policy for the NSW Public Sector*, as the agency moved from the *Department of Premier and Cabinet* and into the *Department of Planning and Environment* where it has relied upon the expertise of the cluster Department for elevated information security controls.

I, Tim Hurst, am of the opinion that the Office of Local Government has met the minimum obligations in internal audit and risk management, information security techniques, digital information security controls, security community of practice membership, and attestation in place during the 2014-15 financial year that is consistent with the Core Requirements set out in the *NSW Government Digital Information Security Policy*.

I, Tim Hurst, am of the opinion that the 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, Tim Hurst, am of the opinion that the Office of Local Government does not meet the requirements necessary for maintained certified compliance with *ISO 27001 Information technology - Security techniques - Information security management systems - Requirements* by an Accredited Third Party during the 2014-15 financial year.

Furthermore, the Office of Local Government is transitioning into a cluster shared services arrangement for the delivery of ICT. Under this provision of services, the cluster service provider will maintain accreditation against 27001.

Tim Hurst
Acting Chief Executive
Office of Local Government



Section Five: Financial Statements

Our financial statements

Economic or other factors

The Office is not aware of any economic or other factors affecting the achievement of operational objectives for 2014-15.

Account payment performance

During 2014-15, the Office paid a total number of 754 accounts to suppliers or contractors, of which a total of 685 accounts were paid on time. Based on number of accounts, this represents 90.85% of accounts paid on time. Based on dollar amount, this represents 99.70% of accounts paid on time. There have not been any penalty interests charged to the Office for late payments in 2014-15.

Aged Analysis at the end of each quarter - All suppliers					
Quarter	Current (within due date)	< 30 days overdue	30-60 days overdue	61-90 days overdue	90+ days over- due
September	\$1,447,774	\$0	\$0	\$(51,238)	\$0
December	\$65,826	\$0	\$(14,716)	\$4,829	\$(51,238)
March	\$67,920	\$0	\$140,693	\$634	\$5,675
June	\$2,945	\$0	\$(11,409)	\$(240)	\$76,283

Accounts due or paid within each quarter - All suppliers				
Measure	September	December	March	June
Number of accounts due for payment	121	732	429	754
Number of accounts paid on time	109	670	371	685
Actual percentage of accounts paid on time (based on number of accounts)	90.08%	91.53%	86.48%	90.85%
Dollar amount of accounts due for payment	\$617,579	\$265,569,902	\$180,313,720	\$185,237,921
Dollar amount of accounts paid on time	\$606,106	\$265,019,157	\$179,915,703	\$184,686,785
Actual percentage of accounts paid on time (based on \$)	98.14%	99.79%	99.78%	99.70%



Office of Local Government

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Our Reference:
Your Reference:
Contact:
Phone:

A440104
Richie Rivas
02 4428 4137

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

2 October 2015

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

Yours sincerely

Tim Hurst
Acting Chief Executive
Office of Local Government





INDEPENDENT AUDITOR'S REPORT

Office of Local Government

To Members of the New South Wales Parliament

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 2015, the statement of comprehensive income, statement of changes in equity, statement of cash flows and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Office as at 30 June 2015, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2015.

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 preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the Acting Chief Executive determines is necessary to enable the preparation of financial statements that give a true and fair view and 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

6 October 2015
SYDNEY

Office of Local Government

**Financial Statements
for the year ended 30 June 2015**

**Office of Local Government
Statement of comprehensive income
for the year ended 30 June 2015**

		Actual	Budget	Actual
		2015	2015	24 Feb to 30
	Notes	\$'000	\$'000	June 2014
				\$'000
Expenses excluding losses				
Operating expenses				
Employee related expenses	2(a)	12,037	12,573	4,483
Other operating expenses	2(b)	10,624	11,692	3,469
Depreciation and amortisation	2(c)	154	176	78
Grants and subsidies	2(d)	97,087	103,904	5,132
Finance costs	2(e)	8	-	1
Total expenses excluding losses		119,910	128,345	13,163
Revenue				
Sale of goods and services	3(a)	35	3,295	16
Investment revenue	3(b)	265	344	28
Retained taxes, fees and fines	3(c)	7,694	7,408	2,601
Grants and contributions	3(d)	110,296	116,582	10,447
Personnel services	3(e)	3,350	-	1,385
Acceptance by the Crown Entity of employee benefits and other liabilities	3(f)	473	327	166
Recurrent grants from principal department		-	-	-
Total Revenue		122,113	127,956	14,643
Gain / (loss) on disposal		-	-	-
Other gains/(losses)		52	-	-
Net result		2,255	(389)	1,480
Other comprehensive income		-	-	-
Total other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME		2,255	(389)	1,480

The accompanying notes form part of these financial statements.

**Office of Local Government
Statement of financial position
as at 30 June 2015**

		Actual 30 June 2015 \$'000	Budget 30 June 2015 \$'000	Actual 30 June 2014 \$'000
	Notes			
ASSETS				
Current Assets				
Cash and cash equivalents	6	18,324	2,024	2,647
Receivables	7	3,742	1,622	13,535
Total Current Assets		22,066	3,646	16,182
Non-Current Assets				
Plant and equipment				
Plant and Equipment	8	199	89	147
Leasehold Improvements	8	104	-	127
Intangible assets	9	87	98	135
Total Non-Current Assets		390	187	409
Total Assets		22,456	3,833	16,591
LIABILITIES				
Current Liabilities				
Payables	10	11,298	1,747	7,534
Provisions	11	2,005	1,030	2,107
Total Current Liabilities		13,303	2,777	9,641
Non-Current Liabilities				
Provisions	11	339	363	391
Total Non-Current Liabilities		339	363	391
Total Liabilities		13,642	3,140	10,032
Net Assets		8,814	693	6,559
EQUITY				
Accumulated funds		8,814	693	6,559
Total Equity		8,814	693	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 2015**

	Notes	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2014		6,559	6,559
Net result for the period		<u>2,255</u>	<u>2,255</u>
Other comprehensive income		-	-
Total other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>2,255</u>	<u>2,255</u>
Increase / (decrease) in net assets from equity transfers	13	<u>-</u>	<u>-</u>
Balance at 30 June 2015		<u>8,814</u>	<u>8,814</u>
Balance at 23 February 2014		-	-
Net result for the period		<u>1,480</u>	<u>1,480</u>
Other comprehensive income		-	-
Total other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>1,480</u>	<u>1,480</u>
Transaction with owners in their capacity as owners		-	-
Increase / (decrease) in net assets from equity transfers		<u>5,079</u>	<u>5,079</u>
Balance at 30 June 2014		<u>6,559</u>	<u>6,559</u>

The accompanying notes form part of these financial statements.

**Office of Local Government
Statement of cash flows
for the year ended 30 June 2015**

	Actual	Budget	Actual
	30 June	30 June	24 February
	2015	2015	to 30 June
Notes	\$'000	\$'000	2014
			\$'000

CASH FLOWS FROM OPERATING ACTIVITIES

Payments

Employee related	(8,575)	(12,246)	(2,909)
Grants and subsidies	(95,008)	(103,904)	(109)
Other	(10,660)	(11,692)	(19,367)
Total Payments	(114,243)	(127,842)	(22,385)

Receipts

Other	1,514	3,295	16
Interest received	161	344	28
Retained taxes, fees and fines	7,637	7,408	2,147
Grants and contributions	120,743	116,582	10,447
Total Receipts	130,055	127,629	12,638

NET CASH FLOWS FROM OPERATING ACTIVITIES

16	15,812	(213)	(9,747)
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of plant and equipment	8	(135)	(105)	(171)
Other		-	(40)	-

NET CASH FLOWS FROM INVESTING ACTIVITIES

(135)	(145)	(171)
--------------	--------------	--------------

NET INCREASE (DECREASE) IN CASH

Opening cash and cash equivalents		15,677	(358)	(9,918)
Cash transferred in (out) as a result of administrative restructuring		2,647	2,382	-
Payable by Department of Premier and Cabinet	13	-	-	6,291
		-	-	6,274

CLOSING CASH AND CASH EQUIVALENTS

6	18,324	2,024	2,647
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For the period ended 30 June 2014 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
Service group statements
for the year ended 30 June 2015**

	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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AGENCY'S EXPENSES AND INCOME										
Expenses excluding losses										
Operating expenses		2,715	-	-	571	383	3,350	1,385	12,037	4,483
• Employee related expenses	8,116	899	-	-	7,078	2,570	-	-	10,624	3,469
• Other operating expenses	3,546	66	-	-	8	12	-	-	154	78
Depreciation and amortisation	146	5,132	-	-	303	-	-	-	97,087	5,132
Grants and subsidies	18,044	1	78,740	-	-	-	-	-	8	1
Finance costs	8	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES EXCLUDING LOSSES	29,860	8,813	78,740	-	7,960	2,965	3,350	1,385	119,910	13,163
Revenue										
Capital grants from principal department	-	-	-	-	-	-	-	-	-	-
Sale of goods and services	35	16	-	-	-	-	-	-	35	16
Investment revenue	199	-	-	-	66	28	-	-	265	28
Retained taxes, fees and fines	-	-	-	-	7,694	2,601	-	-	7,694	2,601
Grants and contributions	31,556	10,447	78,740	-	-	-	-	-	110,296	10,447
Personnel services	-	-	-	-	-	-	3,350	1,385	3,350	1,385
Acceptance by the Crown Entity of employee benefits and other liabilities	406	147	-	-	67	19	-	-	473	166
Total Revenue	32,196	10,610	78,740	-	7,827	2,648	3,350	1,385	122,113	14,643
Gain / (loss) on disposal	-	-	-	-	-	-	-	-	-	-
Other gains / (losses)	52	-	-	-	-	-	-	-	52	-
Net result	2,388	1,797	-	-	(133)	(317)	-	-	2,255	1,480
TOTAL COMPREHENSIVE INCOME	2,388	1,797	-	-	(133)	(317)	-	-	2,255	1,480

* The purposes of each service group is summarised in Note 5.

**Office of Local Governments
Service group statements
for the year ended 30 June 2015**

	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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
AGENCY'S ASSETS & LIABILITIES										
Current Assets										
Cash and cash equivalents	15,183	2	-	-	3,141	2,645	-	-	18,324	2,647
Receivables	1,095	10,990	-	-	1,615	1,595	1,032	950	3,742	13,535
Total current assets	16,278	10,992	-	-	4,756	4,240	1,032	950	22,066	16,182
Non-current Assets										
Plant and equipment	199	147	-	-	-	-	-	-	199	147
Leasehold Improvements	104	127	-	-	-	-	-	-	104	127
Intangible assets	87	135	-	-	-	-	-	-	87	135
Total non-current assets	390	409	-	-	-	-	-	-	390	409
TOTAL ASSETS	16,668	11,401	-	-	4,756	4,240	1,032	950	22,456	16,591
Current liabilities										
Payables	8,386	5,963	-	-	2,774	1,448	138	123	11,298	7,534
Provisions	1,120	1,302	-	-	-	-	885	805	2,005	2,107
Total current liabilities	9,506	7,265	-	-	2,774	1,448	1,023	928	13,303	9,641
Non-current liabilities										
Provisions	330	369	-	-	-	-	9	22	339	391
Total non-current liabilities	330	369	-	-	-	-	9	22	339	391
TOTAL LIABILITIES	9,836	7,634	-	-	2,774	1,448	1,032	950	13,642	10,032
NET ASSETS	6,832	3,767	-	-	1,982	2,792	-	-	8,814	6,559

* The purposes of each service group is summarised in Note 5.

1 Summary of Significant Accounting Policies

(a) Reporting entity

The Office of Local Government (The Agency) is a NSW government entity. 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 commencing 24th February 2014, the Office of Local Government transferred out of the Department of Premier and Cabinet to become a separate agency.

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 period ended 30 June 2015 have been authorised for issue by the Chief Executive on 02 October 2015.

(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 2015* and
- the Financial Reporting Directions published in the Financial Reporting 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, Federal Financial Assistance Grants it receives from the Crown Entity and disburses to Local Councils. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the Agency's own objectives.

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

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

(e) Insurance

The Agency's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim 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*. Rental revenue is recognised in accordance with AASB 117 *Leases* on a straight-line basis over the lease term.

(v) Responsible Pet Ownership Program

Under the Guidelines sent out to Councils with the then Department of Local Government Circular 00/09, there is a requirement that councils pay to the Agency monthly the total amount of Registration fees for transactions that have been successfully entered on the Companion Animals Register. Collections recorded in the Register by Councils for the period ended 30 June 2015 totalled \$7,694k (2014: \$2,601k) which is recorded as retained taxes, fees and fines.

A quarterly reimbursement is made to councils based on Register Reports for the quarter. A total of \$5,736k (2014: \$2,031k) 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.

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

(ii) Capitalisation thresholds

Plant and equipment and intangible assets costing \$5,000 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*.

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

(iv) Impairment of plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. As 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 and amortisation of intangible assets

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

30 June 2015
% Rate

Plant & Equipment

Office furniture and fittings	10
Computer equipment	25
General plant and equipment	14
Leasehold improvements - over the period of the lease	

Amortisation of intangible assets

Software	20 to 33
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1 Summary of Significant Accounting Policies (cont'd)

(h) Assets (cont'd)

(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.

(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 does not transfer substantially all the risks and rewards.

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

Operating lease payments are 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.

(x) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, 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.

1 Summary of Significant Accounting Policies (cont'd)

(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 an approach using nominal annual leave plus annual leave on the nominal 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 entity has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

(b) Long service leave and superannuation

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

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

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

(c) Consequential on-costs

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

1 Summary of Significant Accounting Policies (cont'd)

(i) Liabilities (cont'd)

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

(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

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.

(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 17 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.

1 Summary of Significant Accounting Policies (cont'd)

(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) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements is explained in Note 15.

(n) Comparative information

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

As a result of the administrative restructure that occurred at 23 February 2014, the comparative figures in the financial statements are for a period of four months.

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

(i) Effective for the first time in 2014-15

The accounting policies applied in 2014-15 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 2014-15:

- * AASB 1031 Materiality
- * AASB 1055 Budgetary Reporting
- * AASB 2013 1 regarding budgetary reporting
- * AASB 2013 9 regarding the Conceptual Framework, Materiality and Financial Instruments (Parts B and C).

The impact of these Standards in the period of initial application is not considered material.

1 Summary of Significant Accounting Policies (cont'd)

(o) 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, in accordance with the NSW Treasury mandate [TC 15-03]:

- * AASB 9, AASB 2010 7, AASB 2013 9 (Part C), AASB 2014 1 (Part E), AASB 2014 7 and AASB 2014 8 regarding financial instruments
- * AASB 14 and AASB 2014 1(Part D) regarding Regulatory Deferral Accounts
- * AASB 15 and AASB 2014 5 regarding Revenue from Contracts with Customers
- * AASB 1056 Superannuation Entities
- * AASB 2014 3 regarding accounting for acquisitions of interests in joint operations
- * AASB 2014 4 regarding acceptable methods of depreciation and amortisation
- * AASB 2014 6 regarding bearer plants
- * AASB 2014 9 regarding equity method in separate financial statements
- * AASB 2014 10 regarding sale or contribution of assets between and investor and its associate or joint venture
- * AASB 2015 1 regarding annual improvements to Australian Accounting Standards 2012 2014 cycle
- * AASB 2015 2 regarding amendments to AASB 101 disclosure initiatives
- * AASB 2015 3 regarding materiality
- * AASB 2015 6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities
- * AASB 2015 7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities

The Agency anticipates that the adoption of these Standards in the period of initial application will have no material impact on the financial statements.

(p) Revision of estimates

As a result of a recent actuarial valuation of long service leave performed by Treasury's actuary (advised in NSWTC 15-09), the Agency has adjusted the superannuation on-cost for 2014-15. The on-cost factor applied to the superannuation is changed to 1.2% (2013-14: 2.4%) for defined benefit superannuation balances and 3.8% (2013-14: 3.15%) for defined contribution superannuation balances. Noted below are the impacts of the changes on the 2014-15.

Decrease in employee related expenses by \$11,000.

Decrease in revenue (liabilities assumed by the Crown) by \$25,000.

An increase in the provision by \$13,000 (current) and \$1,000 (non current) for defined contribution superannuation on-costs.

2 Expenses Excluding Losses

	30 June 2015 \$000	24 February to 30 June 2014 \$000
(a) Employee related expenses		
Salaries and wages (including annual leave)	9,665	3,651
Superannuation - defined benefit plans	101	48
Superannuation - defined contribution plans	829	257
Long service leave	443	200
Workers' compensation insurance	102	77
Payroll tax and fringe benefit tax	562	234
Redundancy payments	173	-
Agency contractors	162	16
	<u>12,037</u>	<u>4,483</u>

The employee related expenses include \$3,350,271 for the Lord Howe Island Board (2014: \$1,385,052). Refer also to notes 1(a) and 3(e).

	30 June 2015 \$'000	24 February to 30 June 2014 \$'000
(b) Other operating expenses include the following:		
Auditor's remuneration - audit of financial statements	62	1
Community events	38	11
Committee fees and expenses	36	6
Consultancy costs	153	27
Corporate services	240	81
Contractor - projects	1,447	501
Fees for services rendered	1,222	189
Insurance	32	-
Motor vehicle expenses	81	33
Operating lease rental expense - minimum lease payments	418	142
Telephone and communication costs	70	24
Stores and minor assets	8	3
Training (staff development)	34	31
Travel costs	123	36
Other expenses	483	157
Other occupancy costs	223	87
Information dissemination	146	77
Responsible Pet Ownership Program payments	5,736	2,031
Maintenance	72	32
	<u>10,624</u>	<u>3,469</u>
* Reconciliation - Total maintenance		
Maintenance expense - contracted labour and other (non-employee related), as above	72	32
Employee related maintenance expense included in Note 2(a)	-	-
Total maintenance expenses included in Note 2(a) + 2(b)	<u>72</u>	<u>32</u>

2 Expenses Excluding Losses (cont'd)

	30 June 2015 \$'000	24 February to 30 June 2014 \$'000
(c) Depreciation and amortisation expense		
Depreciation		
Plant and Equipment	72	31
Leasehold improvements	<u>34</u>	<u>25</u>
	106	56
Amortisation		
Intangible assets	<u>48</u>	<u>22</u>
	48	22
Total depreciation and amortisation	<u>154</u>	<u>78</u>
(d) Grants and subsidies		
NSW Government	4,612	10
Local government	13,735	5,122
Pensioner Rebate	<u>78,740</u>	<u>-</u>
	97,087	5,132

* The nil comparative for the Pensioner Rebate grants is due to payments being made prior to the Agency's separation from the Department of Premier and Cabinet on 24 February 2014. The Pensioner Rebate grants paid in the prior year were \$78,183k.

The above does not include \$715,676,168 (2014: \$88,425,869) paid for the Federal Financial Assistance Grants to NSW Local Councils. (The receipt of \$715,676,168 (2014: \$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.

(e) Finance costs

Unwinding of discount rate on make good provision	<u>8</u>	<u>1</u>
	8	1

3 Revenue

	30 June 2015 \$'000	24 February to 30 June 2014 \$'000
(a) Sale of goods and services		
Rendering of services	<u>35</u>	<u>16</u>
	35	16
(b) Investment revenue		
Interest revenue from financial assets not at fair value through profit or loss	<u>265</u>	<u>28</u>
	265	28
(c) Retained taxes, fees and fines		
Responsible Pet Ownership Program registration fees	<u>7,694</u>	<u>2,601</u>
	7,694	2,601

**Office of Local Government
Notes to the financial statements
for the year ended 30 June 2015**

3 Revenue (cont'd)

	30 June 2015 \$'000	24 February to 30 June 2014 \$'000
(d) Grants and contributions NSW Government	<u>110,296</u>	<u>10,447</u>
	<u>110,296</u>	<u>10,447</u>
 (e) Personnel services Personnel services income	 <u>3,350</u>	 <u>1,385</u>
	<u>3,350</u>	<u>1,385</u>
 (f) Acceptance by the Crown Entity of employee benefits and other liabilities		
Superannuation - defined benefit	101	48
Long service leave	367	116
Payroll tax on superannuation	5	2
	<u>473</u>	<u>166</u>

4 Other gains / (losses)

	30 June 2015 \$'000	24 February to 30 June 2014 \$'000
Other gains / (losses)	<u>52</u>	-
	<u>52</u>	-

5 Service Groups of the Agency

(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.

(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.

(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.

(d) Service Group 4: Personnel Services

Purpose:

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

6 Current Assets - Cash and Cash Equivalents

	30 June 2015 \$'000	30 June 2014 \$'000
Cash at bank and on hand	<u>18,324</u>	2,647
Closing cash and cash equivalents (as per statement of cash flows)	<u>18,324</u>	<u>2,647</u>

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

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

Cash and cash equivalents (per statement of financial position)	18,324	2,647
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Refer Note 17 for details regarding credit risk, liquidity risk, and market risk arising from financial instruments.

7 Current Assets - Receivables

	30 June 2015 \$'000	30 June 2014 \$'000
Sale of goods and services	1,750	1,027
Goods and Services Tax recoverable from ATO	856	512
Prepayments	-	156
Accrued income	1,032	11,840
Other receivables	<u>104</u>	-
	<u>3,742</u>	<u>13,535</u>

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 17.

8 Non-Current Assets – Plant and Equipment

At 1 July 2014 - fair value

Gross carrying amount	1,002	208	1,210
Accumulated depreciation and impairment	(855)	(81)	(936)
Net carrying amount	147	127	274

At 30 June 2015 - fair value

Gross carrying amount	1,017	219	1,236
Accumulated depreciation and impairment	(818)	(115)	(933)
Net carrying amount	199	104	303

Reconciliation

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

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Year ended 30 June 2015			
Net carrying amount at start of year	147	127	274
Additions	124	11	135
Disposals	-	-	-
Depreciation expense	(72)	(34)	(106)
Net carrying amount at end of year	199	104	303

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	1,002	208	1,210
Accumulated depreciation and impairment	(855)	(81)	(936)
Net carrying amount	147	127	274

Reconciliation

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

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Period ended 30 June 2014			
Net carrying amount at start of period	-	-	-
Additions	41	52	93
Disposals	-	-	-
Transferred in (out) due to Administrative Restructure	137	100	237
Depreciation expense	(31)	(25)	(56)
Net carrying amount at end of period	147	127	274

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

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

9 Intangible Assets

	Software \$'000	Total \$'000
At 1 July 2014		
Cost (gross carrying amount)	964	964
Accumulated amortisation and impairment	(829)	(829)
Net carrying amount	<u>135</u>	<u>135</u>
At 30 June 2015		
Cost (gross carrying amount)	964	964
Accumulated amortisation and impairment	(877)	(877)
Net carrying amount	<u>87</u>	<u>87</u>
Year ended 30 June 2015		
Net carrying amount at start of year	135	135
Additions	-	-
Amortisation (recognised in "depreciation and amortisation")	(48)	(48)
Net carrying amount at end of period	<u>87</u>	<u>87</u>
At 24 Feb 2014		
Cost (gross carrying amount)	-	-
Accumulated amortisation and impairment	-	-
Net carrying amount	<u>-</u>	<u>-</u>
At 30 June 2014		
Cost (gross carrying amount)	964	964
Accumulated amortisation and impairment	(829)	(829)
Net carrying amount	<u>135</u>	<u>135</u>
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	<u>135</u>	<u>135</u>

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

10 Current Liabilities - Payables

	30 June 2015 \$'000	30 June 2014 \$'000
Payables		
Accrued salaries, wages and on-costs	361	304
Creditors	<u>10,937</u>	<u>7,230</u>
	<u>11,298</u>	<u>7,534</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 17.

11 Current / Non-Current Liabilities - Provisions

	30 June 2015 \$'000	30 June 2014 \$'000
Current		
Employee benefits and related on-costs		
Annual leave	1,084	1,144
Long service leave	775	780
Payroll tax	<u>146</u>	<u>183</u>
	<u>2,005</u>	<u>2,107</u>
Non-current		
Employee Benefits and related on-costs		
Long service leave	24	34
Payroll tax	<u>9</u>	<u>7</u>
	<u>33</u>	<u>41</u>
Other provisions		
Restoration costs	<u>306</u>	<u>350</u>
	<u>339</u>	<u>391</u>
	<u>2,344</u>	<u>2,498</u>
Aggregate employee benefits and related on-costs		
Provisions - current	2,005	2,107
Provisions - non-current	33	41
Accrued salaries, wages and on-costs (Note 10)	<u>361</u>	<u>304</u>
	<u>2,399</u>	<u>2,452</u>

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

11 Current / Non-Current Liabilities - Provisions (cont'd)

The agency has an obligation for restoration costs at the end of its leases at 6 O'Connell Street, Sydney (28 February 2017) and 5 O'Keefe Avenue, Nowra (1 March 2025). The net present value at 30 June 2015 of these restoration costs was calculated using the March 2015 CPI rate and the 30 June 2015 Australian Government 10 year bond rate.

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
2015		
Carrying amount at the beginning of financial year	350	350
Additional provisions recognised	-	-
Unused amounts reversed	(52)	(52)
Unwinding / change in the discount rate	8	8
Carrying amount at end of financial year	<u>306</u>	<u>306</u>

12 Commitments for Expenditure

2015	2014
\$'000	\$'000

(a) Operating Lease Commitments

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

Not later than one year	673	646
Later than one year and not later than five years	2,019	2,610
Later than five years	<u>2,188</u>	<u>2,341</u>
Total (including GST)	<u>4,880</u>	<u>5,597</u>

* The operating lease commitments relate to leasing of office space and motor vehicles. The expenditure above include input tax credits of \$443,553 (2014: \$508,784) that are expected to be recoverable from the Australian Taxation Office.

13 Increase / Decrease in Net Assets from Equity Transfers

Transfers In / (Out) Period Ended 30 June 2015

Nil

Transfers In / (Out) Period Ended 30 June 2014

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.

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

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 Budget Review

Net result

A deficit of \$0.389m was budgeted for however the actual result was a \$2.255m surplus, primarily due to the following major variances:

Employee Related Expenditure is under budget by \$536k mainly related to vacant positions (in projects) that have recently been filled.

Other Operating Expenditure is under budget by \$1.068m, mainly due to lower than budgeted expenditure on consultants and service fees related to the "Reform Implementation" project.

Grants and subsidies are under budget by \$6.817m, mainly due to lower than budgeted payments for the Local Infrastructure Renewal Scheme (LIRS).

Total Revenue is lower than budgeted by \$5.843m, mainly due to less grants received from the Principal Department as not all the funds were required as a result of less expenditure than budgeted.

Assets and liabilities

The actual total equity/net assets are higher than budgeted by \$8.121m, primary due to the following major variances:

Total Assets are higher than budgeted by \$18.623m due to funds received from DPC following the OLG transfer to the DP&E cluster. Funds (from the final recurrent drawdown) were also received in June to pay for projects such as LIRS grants to councils, which have been paid out in July, but relate to the 2014/15 financial year. Therefore, the funds have been committed and accrued for July 2015.

Total Liabilities are higher than budgeted by \$10.502m mainly related to increase in provisions and creditors that have been accrued and are due to be paid in July. The creditors are predominantly councils that are due to receive end of year grants, including LIRS liability.

Cash flows

The actual closing cash and cash equivalent is higher than budgeted by \$16.3m, primary due to the following major variances:

Total Payments are lower than budgeted by \$13.599m due to employee related costs and grants. These are mainly projects based (Reform Implementation and LIRS).

Total Receipts are higher than budgeted by \$2.426m mainly related to funds received from DPC following the OLG transfer to the DP&E cluster.

16 Reconciliation of Cash Flows from Operating Activities to Net Result

	2015 \$'000	2014 \$'000
Net cash used on operating activities	15,812	(9,747)
Net adjustments for equity transfer	-	5,167
Depreciation	(154)	(78)
Unwinding of discount rate	(8)	(1)
Decrease / (increase) in provisions	110	(2,148)
Increase / (decrease) in receivables	(9,793)	15,821
Decrease / (increase) in creditors	(3,764)	(7,534)
Other gain / (loss)	52	-
Net Result	<u>2,255</u>	<u>1,480</u>

17 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	Note	Category	Carrying Amount 2015 \$'000	Carrying Amount 2014 \$'000
Class:				
Cash and cash equivalents	6	N/A	18,324	2,647
Receivables ¹	7	Loans and receivables (at amortised cost)	2,886	12,867
Financial Liabilities	Note	Category	Carrying Amount 2015 \$'000	Carrying Amount 2014 \$'000
Class:				
Payables ²	10	Financial liabilities measured at amortised cost	11,271	7,519

Notes

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

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

(b) Credit Risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Agency. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Agency, including cash, receivables and authority deposits. No collateral is held by the Agency. The Agency has not granted any financial guarantees.

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

Cash

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

Receivables - trade debtors

All trade 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.

17 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 (2015: \$1,387k; 2014: \$553k) and less than 3 months past due (2015: \$81k; 2014: \$102k) are not considered impaired and together these represent 83.9% of the total trade debtors. Most of the Agency's debtors have a AAA credit rating.

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

	Total ^{1,2}	\$'000 Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
2015			
< 3 months overdue	81	81	-
3 months – 6 months overdue	268	268	-
> 6 months overdue	14	14	-
2014			
< 3 months overdue	102	102	-
3 months – 6 months overdue	9	9	-
> 6 months overdue	199	199	-

Notes

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

²The 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.

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

17 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 (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The Agency's exposure to interest rate risk is set out below.

		- 1%		1%	
	Carrying	Profit	Equity	Profit	Equity
	Amount	\$'000	\$'000	\$'000	\$'000
Consolidated 2015					
<i>Financial assets</i>					
Cash and cash equivalents	18,324	(183)	(183)	183	183
Receivables	2,886	-	-	-	-
<i>Financial liabilities</i>					
Payables	11,271	-	-	-	-
2014					
<i>Financial assets</i>					
Cash and cash equivalents	2,647	(26)	(26)	26	26
Receivables	12,867	-	-	-	-
<i>Financial liabilities</i>					
Payables	7,519	-	-	-	-

(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.

18 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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Glossary

DIAP	Disability Inclusion Action Plan
GIPAA	<i>Government Information (Public Access) Act 2009</i>
GSE	Government Sector Employment
HR	Human Resources
LIRS	Local Government Infrastructure Renewal Scheme
Ministers' Awards	Ministers' Awards for Women in Local Government
NAIDOC	National Aboriginal and Islander Day Observance Committee
OLG	The Office of Local Government
PIO	Performance Improvement Order
The Office	The Office of Local Government