



LGNSW Annual Report 2015/16



LOCAL GOVERNMENT NSW

Local Government NSW (LGNSW) is the peak organisation that represents the interests of NSW general purpose councils, associate members including special-purpose councils, and the NSW Aboriginal Land Council.

Our objective is to strengthen and protect an effective, democratic system of local government across NSW by supporting and advocating on behalf of members and delivering a range of relevant, quality services.

- Representing the views of local government to the NSW and Australian governments
- Providing effective, responsive and accountable leadership in our sector
- Providing a comprehensive range of high-quality services and policy advice to members
- Increasing the capacity of local government to deliver quality services
- Enhancing the profile of local government and building community trust and awareness.



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PRESIDENT'S MESSAGE



This year the sector experienced significant upheaval, most notably following the NSW Government's announcement in May 2016 that it was forcibly amalgamating 42 councils to become 19. We farewelled many elected representatives who were abruptly dismissed after faithfully serving their communities, some for decades. We hope to see a return to local democracy when amalgamated councils hold their 2017 elections.

At 30 June 2016 some of the NSW Government's other amalgamation proposals were still being challenged.

Throughout the year we fought hard to oppose forced amalgamations, in line with members' policy. We also provided support to those supporting voluntary amalgamations, and to members preparing for the eventuality. We've had to walk a fine line supporting the perspectives of all.

There are other aspects to the NSW Government's reform program in which we have vigorously pursued members' interests, most notably concerning financial reform and governance.

During the year, we held forums on both topics, which provided the opportunity to consolidate advocacy arguments and bring members up to date on latest developments. A review of the *Local Government Act 1993* also commenced this year. We made a substantial submission to the first phase of the review and will continue to provide input and monitor developments closely.

Financial sustainability has been a priority and we've continued to argue on many fronts that this is where the real, meaningful focus of reform needs to be. In addition, we've continued to lobby for grants and other funding so the sector can continue to do its job in maintaining and improving local infrastructure, facilities and services.

We continued to strenuously advance members' interests through our advocacy, particularly in relation to planning and environment, roads and infrastructure, social and community issues, finance and economic development.

Our industrial relations work and management support services provided critical support during a period of uncertainty. This is only one of the many services LGNSW provides, saving members significant time and cost.

We continued to focus on building sector capacity in the right areas to further the knowledge and professional skills of both elected representatives and council staff through an expanded training program that responds to sector needs. We also started work on a workforce strategy for local government.

This is only a sample of your association's activities and achievements throughout the year. I commend this report to you and in particular encourage you to reflect on the many ways in which your association has been working to support you, our members, and is preparing to do so in the future in a way that is effective, relevant and responsive.

I encourage members to get involved in the Association's activities, and make full use of our services, resources, templates and professional networks. Join the discussions, get involved in the conference and in our many forums, and participate in sector consultation. As a united sector, we can make a difference and continue to influence outcomes for the betterment of local government and the communities we represent.

Without hesitation, I'd like to thank LGNSW Chief Executive Donna Rygate and the Board, past and present, and applaud the energy, diligence and unwavering commitment of LGNSW staff.

A handwritten signature in blue ink, reading "Keith Rhoades". The signature is fluid and cursive, written in a professional style.

Keith Rhoades

CHIEF EXECUTIVE'S MESSAGE



I present this report to you proudly, of LGNSW's activities and achievements throughout a year of enormous change and challenges.

With the prospect of forced amalgamations looming for most of the year we advocated vigorously, in line with members' policy, and kept members informed as events unfolded. At the same time, we demonstrated leadership, quickly developing comprehensive resources, information, training and forums to support amalgamating councils, before and immediately after the NSW Government's announcement in May 2016. As reforms progressed, much occurred that may have otherwise attracted more attention from the sector than it did. We worked hard to protect your interests on many fronts. Because a great deal of this work is ongoing, the results are not always immediately visible, particularly when our action is to prevent undesirable change. However, we had some significant wins. Importantly, we were invited to partner with government on a range of initiatives, earlier, in more influential forums, and more often than in recent years.

With change comes opportunity. Like many members, we seized opportunities and led the way. We made a deliberate effort to strengthen relationships with policy and decision-makers, mindful of the value of these partnerships

in the future. We met frequently and regularly with politicians, staffers, senior departmental staff and other stakeholders; participated in 154 working parties, boards and committees; made 159 written submissions to governments and policy makers; and appeared before several important parliamentary inquiries.

As planning reforms progressed we made sure local government was represented and engaged. We have influenced the way in which the Greater Sydney Commission works. We had significant input into the design of the NSW Government's new container deposit scheme and into draft state environmental planning policies. We were instrumental in ensuring biodiversity reforms, that could have shifted onerous and potentially costly responsibilities onto local government, did not make it into draft legislation. We achieved such things by working closely with stakeholders and providing early input.

Financial reform continued to be a high priority. We welcomed the long-awaited IPART Review of the Local Government Rating System. We continued to argue for the abolition of rate pegging and reform of rate exemptions, and for the NSW Government to fund concessions. Ongoing lobbying with interstate counterparts helped to ensure the freeze on financial assistance grants indexation would not be extended. We also continued, and will continue, to highlight and demonstrate the impact of cost shifting by other spheres of government onto councils. We also made strong representations on behalf of the sector in relation to the NSW Government's proposed emergency services property levy. LGNSW continued to advocate for federal and state funding for roads, water utilities, waste services and libraries. We have succeeded in that funding has been at least maintained and in some cases, increased and we continue to fight for adequate funding.

In the social and community arena, we've been busy assisting councils with their disability inclusion action plans, and partnering with the NSW Government on multicultural issues and refugee

settlement, social justice, community and food safety, ageing and disability, arts and culture, libraries and Aboriginal affairs.

We've restructured the way in which we deliver member services with a focus on innovation and responsiveness, designing a new range of products and services to meet members' changing needs – both in professional development and management services. We provided vital assistance to members with industrial relations advice, support and representation. We began work on an employers' log of claims in preparation for the forthcoming negotiation of the Local Government Award. In 2015/16 industrial relations staff participated in more than 500 meetings and represented members in over 200 industrial relations tribunal and court appearances.

LGNSW exists for one reason only – to represent members. The pillars of our strategic plan - advocacy, leadership, service delivery and excellence – are now very much threaded through our operational plan and everyday work. The President and I travelled across NSW, meeting with individual members so we can maintain a keen sense of what you need, what's changing and different ways in which we can help you. We increased our use of formal and informal channels to communicate with members and external stakeholders. Our initiatives are supported by robust and comprehensive communication, via the media, electronic newsletters, the website, social media and online forums.

This report covers our annual priorities comprehensively, demonstrating the massive volume of work progressed by your association. I thank all staff, members, the Board and the President for their support, hard work and commitment throughout the year.

A handwritten signature in blue ink, which appears to read 'Donna Rygate'. The signature is fluid and cursive, written on a white background.

Donna Rygate

2015/16 IN NUMBERS

39 substantial submissions on behalf of the sector

120 written representations on policy matters to politicians and decision-makers

154 working parties, committees, advisory groups with LGNSW representation

651,451 website page views



4,300 Twitter followers

1,100 LinkedIn connections



7,000 regular weekly and e-newsletter subscribers

150 media statements promoting the sector and advocacy issues



208 industrial tribunal and court appearances

2,365 people participated in special events and conferences



900

delegates attended the annual conference

4,678

e-learning program users



627

attendees at 127 public training workshops

198

days of on-site training provided to 3,150 people

560

people attended 27 amalgamation workshops

101

councils participated in the LGNSW annual remuneration survey



18

significant grants to member councils of \$582,464, administered by LGNSW

\$457,830

provided for Building Resilience to Climate Change

\$3.8 million

in grants secured for councils for the following financial year

551

industrial relations meetings with members or on official associated business



HOW LGNSW HELPED MEMBERS IN 2015/16

VOICE

Ensuring members' views were heard through representations and submissions to government, stakeholders and influencers

- Formally represented the sector on 154 boards and committees
- Signed memorandum of understanding with the Office of Environment
- Made 159 submissions to governments and policy makers on behalf of the sector
- Influenced the workability and appropriateness of the *Local Government Act 1993* in the areas of member consultation, auditing and financial controller arrangements, and the limitation of mandatory requirements
- Shaped the *Greater Sydney Commission Act 2015* to include member consultation, representation and avenues for ongoing involvement
- Led the establishment of the NSW Treasury's Implementation Working Group in relation to the Emergency Services Property Levy, coordinating sector participation and ensuring councils' views were taken into account. Resulted in more acceptable reforms and limits to councils' cost burden
- Advocated against proposed changes to the State Environmental Planning Policy (Exempt and Complying Codes) 2008 which threaten to undermine council local plans and codes
- Played a key role in the development and implementation of the NSW Container Deposit Scheme via membership of the Ministerial Advisory Committee and the Government's Implementation Working Group
- Instituted guidelines to assist the development of disability inclusion action plans and delivered forums
- Secured the omission of contentious vegetation clearing approval components of the NSW Biodiversity

reforms and developed an education package for members

- Prompted the NSW Government to re-determine a process for its review of the *Graffiti Control Act* that incorporates council consultation
- Successfully asserted councillor and mayoral fees should be increased by the full allowable increase (2.5 per cent) in 2016/17
- Led the development of a NSW workforce development strategy for local government
- Researched and released a report showing significant cost shifting by federal and NSW governments to local councils totalling \$670 million annually
- Represented members at 208 industrial tribunal and court appearances
- Successfully represented members' interests in both NSW and federal industrial relations jurisdictions, and consulted councils to develop an employers' log of claims in preparation for the Local Government (State) Award negotiation

CAPACITY BUILDING

- Developed and delivered the Annual Conference and 14 special events to 2,365 participants
- Ran amalgamation workshops to support councils at various stages of local government reform, attended by more than 560 staff and elected representatives
- Held the Water Management Conference and Tourism Conference, each attended by around 200 staff
- Launched a new planning breakfast series at Parliament House with the first event featuring the Greater Sydney Commission
- Assisted councils and general managers by externally facilitating 38 performance reviews
- Delivered e-learning programs to 4,678 council users
- Expanded training services, in particular providing locally-based learning for councils. We facilitated 198 days of in-house training for more than 3,150 people covering over 40 topics
- Launched two comprehensive amalgamation reform-related toolkits for councils: Local Government Workplace Reform Kit – Managing



Providing resources and forums to develop skills and access to current information

FUNDING

Helping to secure funding for councils and communities

Workplace Change, and - the LGNSW Amalgamation Toolkit – a comprehensive web-based package with information on 17 different functional areas and more than 140 resources and links

- Designed and delivered sustainable procurement forums for specialist council staff
- Provided mayor and councillor support with a mentoring service and education weekends that focussed on high-quality skill sets and best-practice knowledge
- Continued to expand the reach, breadth and depth of our member survey topics: council staff remuneration, HR metrics benchmarking, general manager remuneration and staff transition
- Grew online and face-to-face networks for professional staff to share information, knowledge, skills and resources – five different speciality networks with more than 250 members

AVAILABLE IN 2015/16

- \$354 million for local roads and bridges in 2015/16 (\$278 million under the Roads to Recovery program, \$44 million under the Black Spots program and \$42 million under the Bridges Renewal program)
- \$177 million in 2015/16 from the NSW Government for council-managed regional roads
- \$39.3 million in first round funding under the NSW Fixing Country Roads program
- \$38 million in capital funding for councils' local water utilities under the Country Towns Water Supply and Sewerage Program
- \$67 million for the Water Security for Regions program
- \$8 million for the Resources for Regions program
- \$35 million for regional tourism infrastructure (mainly for council airports)
- \$16.2 million for the Local Infrastructure Renewal Scheme
- \$11 million for noxious weeds management
- \$26 million for the Coastal, Estuary and Flood Management Grants program
- \$60 million for the Waste Less Recycle More initiative
- \$27.5 million for libraries
- \$457,830 for Building Resilience to Climate Change second round grants
- \$161,700 for Lift and Change projects
- \$142,409 for Liveable Communities projects
- \$110,000 in arts and culture funding

NEWLY ANNOUNCED OR ONGOING

- \$317 million for local roads and infrastructure (\$234.7 million under the Roads to Recovery program, \$62 million under the Black Spots program and \$16.1 million under the Bridges Renewal program)
- \$180.7 million from NSW 2016/17 funding for the Regional Road Block Grants and Repair program
- \$50 million in second round funding for 2016/17 from the Fixing Country Roads program for 64 projects across 50 local government areas
- \$45 million of capital funding for councils' local water utilities under the Country Towns Water Supply and Sewerage Program
- \$2 million under the Council Roadside Reserves Program to provide grants of up to \$50,000 to help build capacity to manage environmental values in roadside services
- \$60 million for the Waste Less Recycle More initiative
- \$16 million for the Local Infrastructure Renewal Scheme
- \$28.3 million for libraries - the first increase to recurrent funding since 2006
- \$450,000 in new funding (grants) for disability inclusion and accessible tourism
- \$11 million for noxious weeds management
- \$1 million for grants to manage flying fox camps
- \$460,000 for Building Resilience to Climate Change (third round funding)
- \$31 million funding under the Coastal, Estuary and Flood Management Grants program
- The financial assistance grants indexation freeze on local government funding, which could have been extended, will be lifted and indexation restored from 2017/18

ADVOCACY

Representing the views of
members to achieve outcomes
for local government



Strategic Advocacy

Advocating for the Sector

LGNSW worked to ensure a strong and influential voice for local government. We represented members to the highest levels of state and federal politics, in the industrial courts, and engaged with government agencies, business leaders, the media and influencers.

We continued to advocate for policies and outcomes that allow councils and other members across NSW to deliver better results for their local communities. In 2015/16 LGNSW made 39 substantial submissions to the NSW and federal governments and the Independent Pricing and Regulatory Tribunal (IPART) about changes to policy and legislation that affect local government.

We also made more than 120 written submissions to policy makers on behalf of members; attended 33 face-to-face meetings with ministers and politicians; achieved changes to at least four significant pieces of NSW legislation; represented members at inquiries; and helped secure \$860 million in funding for the local government sector.

We also provided a range of events, forums and conferences for members to share their views and inspire thought leadership on contemporary issues facing local government.

LGNSW staff are specialists in the key fields of successful advocacy including policy, research, government relations, industrial relations, communications, media and events. We continued to devise strategies and plans that set agendas, influenced policy debates and legislative processes, drove media campaigns and represented members in state and federal industrial matters.

Key advocacy issues for members during 2015/16 were:

- Local government reforms
- Review of the *Local Government Act 1993*
- The IPART Review of the Local Government Rating System
- Emergency services funding, including the NSW Government's proposed Emergency Services Property Levy
- Planning reforms

- Disability inclusion action plans
- Public health
- Biodiversity reform legislation
- Coastal reform legislation
- Container deposit legislation
- Roads and infrastructure
- Heavy vehicles
- Local Government (State) Award 2014 negotiations

As the peak body for local government, LGNSW also represented the sector on a wide range of external committees and other bodies. Most representatives were Board members or members of staff, although some council staff also participated.

Participation in these committees enabled LGNSW to influence policy and legislative development. In 2015/16 the sector was represented by LGNSW on 154 boards and committees in this way.

Local Government Act

One of the key policy areas LGNSW focused on in 2015/16 was the NSW Government's review of the *Local Government Act 1993* - the main legislation for our sector.

The *Local Government Act 1993* establishes and regulates the system of local government in NSW, empowers councils, and provides for the participation of local communities. It is the key piece of legislation for the sector and influences what councils do and how they conduct themselves.

During the year the Office of Local Government (OLG) progressed the first phase of a review of the Act. This largely concerned governance and planning issues, and commenced a move to a principles-based piece of legislation. The OLG proposed amendments to clarify the roles of councils, mayors, councillors and general managers; enable councils to reduce councillor or meeting numbers; increase the term of office of mayors; amend pecuniary interest and code of conduct provisions; streamline integrated planning and reporting; appoint the Auditor-General as the council auditor; and provide for the appointment of financial controllers to councils.

Delivering effective strategic advocacy in the right areas

LGNSW provided a detailed submission based on established policy positions and member consultation, and participated extensively in a working group.

As a result of our representations, the final bill adopted some significant recommendations from the LGNSW submission, and included many changes identified by LGNSW in the working group that improved its workability and appropriateness. For example:

- The integrated planning and reporting guidelines were changed from being mandatory guidelines developed by the OLG, to being guidelines prescribed by regulation. This will ensure there will be proper parliamentary oversight, regulatory impact analysis during the development or modification of the guidelines, and the opportunity to have input.
- The financial controller provisions provide greater clarity on the role and also require the Minister to consider criteria before appointing a financial controller or a temporary advisor to a council.
- The auditing provisions also provide greater clarity about the Auditor-General's role and responsibilities.

Democracy

Reform

Over the past year the NSW local government sector experienced the biggest changes seen for decades.

By 1 July 2015, councils had submitted their Fit for the Future (FftF) responses to the NSW Government for assessment after a lengthy, resource-intensive process that began in earnest in late 2014. In the following months, LGNSW sought every avenue available to strenuously advance the interests of members and their communities as the reform process proceeded.

This included supporting members preparing for voluntary amalgamations while simultaneously supporting those opposed to forced amalgamations.

Throughout, LGNSW continued to press the NSW Government to address the real issue - financial sustainability. Through our membership of the Fit for the Future Ministerial Advisory Group, we secured information about the evolving reforms

and made 11 written submissions. At all times we challenged the NSW Government to adhere to the principles of consistency, fairness, impartiality and balance throughout the process.

LGNSW's examination of IPART's final report, Assessment of Council's Fit for the Future Proposals (October 2015) found inconsistencies and that it did not consider all available information.

We argued resolutely that councils had participated and committed significant resources to the FftF assessment process in good faith.

LGNSW made a comprehensive written submission to the Parliamentary Inquiry into the Fit for the Future program, and gave evidence at its first hearing in Sydney on 27 July 2015. The final report tabled in NSW Parliament reflected LGNSW's advocacy position.

LGNSW continued to maintain its members' firm policy of supporting voluntary structural reform while opposing forced council amalgamations, and calling for attention to financial reform.

In this context, LGNSW initiated a Finance Summit themed 'Fix the Funding First' in August 2015 (see page 37).

LGNSW also made comprehensive submissions during 2015/16 on other aspects of sector reform, including:

- IPART Review of Reporting and Compliance Burdens on Local Government
- Fit for the Future Joint Organisations Emerging Directions Paper
- IPART Review of the Local Government Rating System
- *Local Government Act 1993* Review

The NSW Government released maps in December 2015 proposing a reduction of NSW councils from 152 to 112. In its communication and advocacy, LGNSW continued to argue for its members' position.

LGNSW also provided extensive support for councils that were preparing for amalgamations. In the first half of 2016 we held 27 workshops with 560



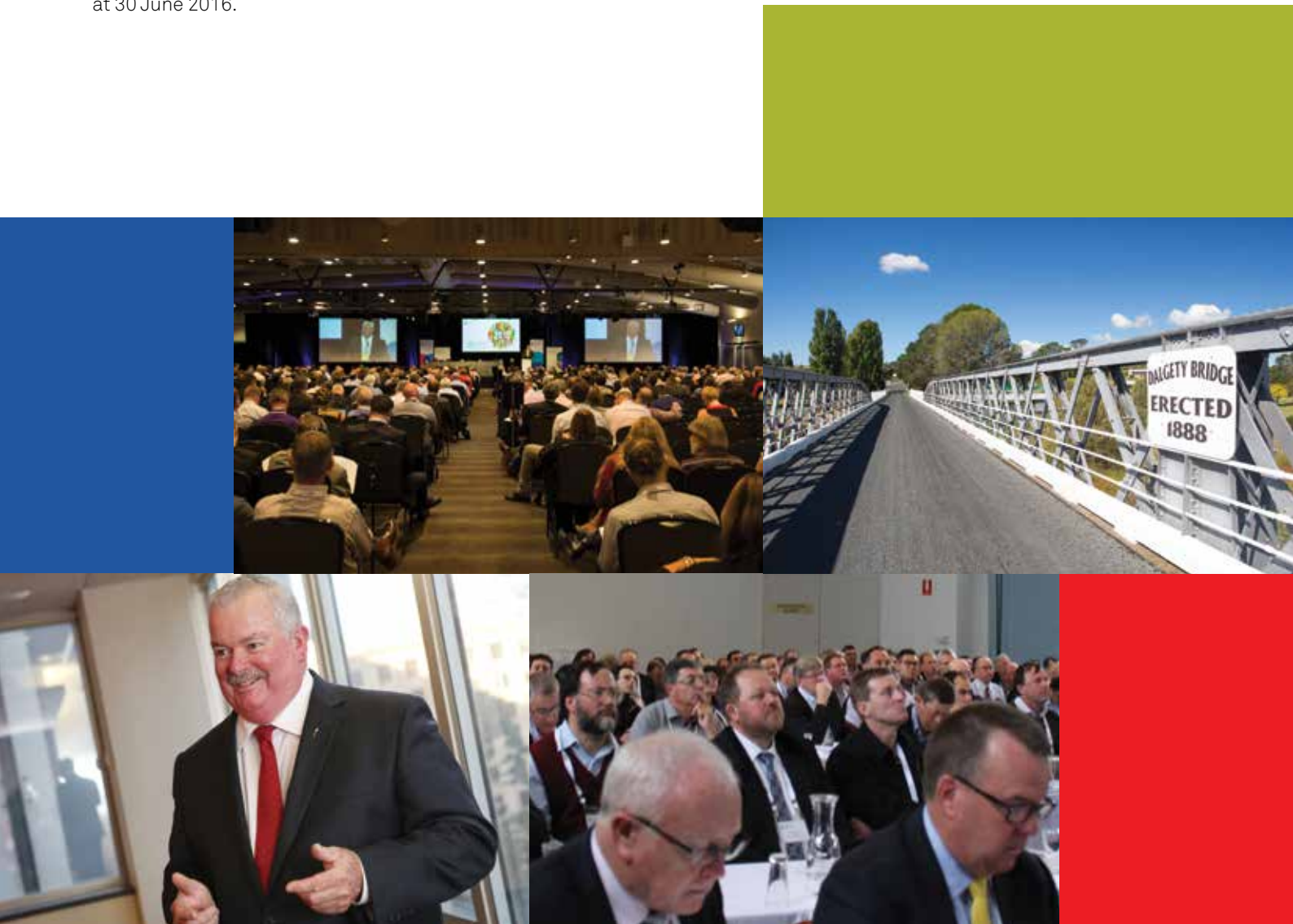
people attending from councils facing structural reform. We provided regular updates on a dedicated FftF web page, one of our most visited pages this year.

We compiled fact sheets and provided numerous background papers. Importantly, we also launched two reform-related toolkits:

- Local Government Workplace Reform Kit – Managing Workplace Change, and
- LGNSW Amalgamation Toolkit – a comprehensive web-based package containing information about 17 different functional areas and more than 140 resources and links.

The creation of 19 new councils as a result of the amalgamation of 42 councils across NSW was announced by the NSW Government on 12 May 2016, effective immediately. A further 29 councils were facing pending amalgamations into 12 new councils as at 30 June 2016.

A local government system based on the democratic principle of election of the governing body from, and by, the community, with organisational structures and processes to support that system



IR & Employment

Industrial Awards

The nominal term of the Local Government (State) Award 2014 expires on 30 June 2017. During the year, LGNSW consulted with councils to prepare an employers' log of claims. The log will provide a basis for negotiation with local government unions, which is expected to commence in late 2016.

As part of that consultation, LGNSW convened an Award working party based on regional groupings of councils. Members were selected following a nomination process and consist of a representative mix of general and human resources managers from rural, regional, metropolitan and urban councils.

LGNSW industrial officers also visited regional organisations of councils to explain how councils could be involved in suggesting award variations, and briefed councils at quarterly LGNSW Human Resources Network meetings.

In July 2016, the United Services Union notified the NSW Industrial Relations Commission of a dispute with LGNSW in relation to the award negotiations. Such

notification is usual for industry award negotiations as it alerts the Commission to a major industrial case that is likely to require time and resources, providing it with the opportunity to issue directions so that negotiations can remain on track. The Commission directed LGNSW and the unions to exchange their logs of claims by 10 October 2016, and set aside several days for conciliation, and if necessary arbitration, in March, May and June 2017.

LGNSW also played an important role in ensuring that other NSW state awards were maintained for the benefit of members, as part of the 2016 State Wage Case, and the Three Yearly Review of Awards before the NSW Industrial Relations Commission. Following these proceedings, award rates of pay and allowances were varied, obsolete provisions removed and some awards consolidated. A new Local Government

Aged, Disability and Home Care (State) Award was created, replacing five former awards relating to aged, disability and home care.

LGNSW, together with other state and territory local government associations, represented members' interests, during the Four Yearly Review of the federal Local Government Industry Award 2010, before the Fair Work Commission. LGNSW's industrial relations staff and council representatives participated in six hearings before the Commission in Sydney and Melbourne.

Collectively, we succeeded in ensuring that the Award remained a simple, easy to understand and contemporary industrial instrument that sets a fair and relevant minimum safety net of terms and conditions of employment, for local government entities covered by the federal industrial relations jurisdiction.

Promoting local government employer interests



Working with Members

LGNSW industrial officers attended 551 meetings covering a range of industrial relations and employment related issues. These included: resolving workplace grievances and disputes; negotiating enterprise agreements, enterprise awards and council agreements; providing advice on changes to industrial relations and employment-related legislation, local government reform and council amalgamations; and consultations about the renegotiation of the Local Government (State) Award.

Workforce Development Strategy

The NSW Government, the NSW Independent Local Government Review Panel and the local government sector have long agreed that a sector-wide workforce strategy was needed to help councils attract and retain quality staff, develop staff skills to meet current and future demands, and put quality leadership and management programs in place.

During the year, LGNSW led the development of a NSW Local Government Workforce Strategy 2016-2020, outlining clear priorities, strategies and actions (and reflecting

key themes of the National Workforce Strategy 2013-2020). The strategy was developed with funding support from the Office of Local Government, and in collaboration with Local Government Professionals Australia (NSW), the Institute of Public Works Engineering Australasia (NSW), the NSW Public Sector Industry Training Advisory Body and the Institute for Public Policy and Governance, University of Technology Sydney.

Between March and June 2016, LGNSW held consultation sessions with councils, regional organisations of councils and joint organisations. In June 2016 a draft was distributed to stakeholders. The strategy is scheduled for launch in late 2016, following consultation with key groups including sector unions.

Capability Framework

In June 2016, LGNSW commissioned a project to scope the development of a capability framework for the NSW local government sector. The project, due for completion in late 2016, will recommend how a framework might support: consistent job design and role descriptions; benchmarks for recruiting and assessing candidates; performance

management (giving managers and staff a common understanding of role expectations); sector mobility (based on a consistent understanding of capabilities required of various roles); targeted learning and development activities; career planning; and systematic workforce planning, with capability used to identify current and future workforce capability needs and gaps.



Finance & Economic Development

IPART Review of the Local Government Rating System

LGNSW has long advocated for a major review of the NSW rating system. The current rating system has its roots in the 1800s and does not respond to modern social and economic realities. The IPART Review of the Local Government Rating System commenced in December 2015. LGNSW made a comprehensive initial submission making the case for a modern, equitable and efficient system, and participated in a public hearing. We made a reasoned call for the abolition of rate pegging, a reform of outdated rate exemptions, full funding of pensioner concessions by the NSW Government, and objected strongly to a rate path freeze for newly merged councils.

NSW and Federal Budgets

We made a strong case for members' funding priorities in our pre-budget submission to the NSW Budget 2016/17. We outlined how the NSW Government can work with, and assist, local government in tackling shared challenges

of supporting economic growth and resilience, dealing with a growing and ageing population, addressing the impacts of climate change by supporting councils' investment in local infrastructure, and building councils' capacity to plan for the future. Our submission also called upon the NSW Government to establish an ongoing local government improvement fund. We provided members with a comprehensive analysis of the NSW Budget 2016/17 when it was released in June.

Outcomes included an increase of funding under the Fixing Country Roads program from \$39.3m in 2015/16 to \$50m in 2016/17; an increase in public library funding from \$27.5m in 2015/16 to \$28.3m in 2016/17; and an increase from \$26m in 2015/16 to \$31m in 2016/17 for councils under the Coastal, Estuary and Flood Management Grants program.

LGNSW also contributed to the Australian Local Government Association's pre-budget submission to the Federal Budget 2016/17, in particular focusing on capital funding for council roads and transport infrastructure, and Commonwealth financial assistance grants (FAGs). FAGs are the major form of grant funding for councils and represent a significant proportion of

the revenue base for many. LGNSW also analysed the Federal Budget 2016/17 and provided information to members.

Ongoing advocacy by way of budget submissions and other representations resulted in the maintenance of, and significant one-off increases in, roads and infrastructure funding under the federal Roads to Recovery program.

It was a significant win for local government that the 2016/17 Federal

Supporting members' pursuit of financial sustainability and economic development



Budget confirmed that the FAGs indexation freeze, which could have been extended, would be lifted and indexation restored from 2017/18.

Cost Shifting Survey

For many years, councils in NSW have faced very real challenges associated with cost shifting where the costs of providing services, concessions, assets or regulatory functions, have been shifted from other spheres of government without financial support or a means of cost recovery.

Through data obtained through its annual cost shifting survey, LGNSW tries to identify, quantify and combat cost shifting as it erodes councils' income, at significant cost to communities.

In December 2015, LGNSW released the report of its 2013/14 cost shifting survey. The report showed that cost shifting in 2013/14, by the federal and NSW governments on to councils, amounted to \$670 million, representing seven per cent of local government total income before capital amounts.

Emergency Services Property Levy

In December 2015 the NSW Government announced it would introduce an Emergency Services Property Levy

(ESPL) from 1 July 2017. This new levy would: replace the Emergency Services Levy (ESL) currently collected by insurers (via property-based insurance policies); be paid by property owners alongside council rates; and be collected for the NSW Government by local councils. It will not replace the local government contribution to emergency services funding.

LGNSW has been a strong advocate for members in relation to the proposed ESPL. We have called for the removal of the current ESL on councils of 11.7 per cent, in addition to the replacement of the ESL on property insurance policies, and we will continue to do so. We have also insisted that councils be reimbursed in full for all costs associated with collecting a new levy.

LGNSW took a leadership role in the establishment of NSW Treasury's Implementation Working Group, coordinating the sector's participation in implementation, and ensuring councils' views were taken into account. We successfully negotiated with NSW Treasury to ensure that councils would be reimbursed for reasonable costs associated with implementing and administering the levy.

LGNSW also argued, successfully, that the NSW Government should provide operational support to councils and that the levy should be clearly identified and presented as a NSW Government, not a council, levy.

Finance, Asset Management and Accounting

LGNSW continued to represent members on the Office of Local Government (OLG) Technical Advisory Group which provides advice on accounting and financial management matters, and on the implications of related OLG policy decisions.

Through this forum, we raised member issues and influenced policy development relating to accounting and financial reporting, financial management and auditing, asset management and financial sustainability.

LGNSW contributed to the development of accounting advice for merged councils and the ongoing improvements to the accuracy and reliability of infrastructure auditing, accounting and reporting under Special Schedule 7 of the Local Government Code of Accounting Practice and Financial Reporting.



Planning & Environment

Planning Reform

The NSW Government continued to push forward with policy and legislative planning reforms on a number of fronts during 2015/16.

Through regular meetings with the NSW Minister for Planning and the Department of Planning and Environment (DP&E), LGNSW continued to provide regular, high-level input into proposed changes to legislation. In May and June 2016 we attended a series of workshops held by the DP&E across NSW and sought to influence how the Government consults with the sector about changes. In doing so, we raised the profile of local government as a crucial stakeholder in the reform process, and ensured that councils will have an opportunity to provide vital feedback on changes as they proceed.

Greater Sydney Commission

In January 2016, the Greater Sydney Commission was formed to drive the implementation of Sydney's metropolitan plan. Prior to its commencement, LGNSW engaged with key stakeholders involved in developing draft legislation and asserted members' views.

LGNSW argued for a model that represented members, a robust consultation process with councils, and a workable way of sharing responsibilities between councils and

the Commission on plan-making and other decision-making practices.

LGNSW's advocacy work throughout 2015 led to important changes to the *Greater Sydney Commission Act 2015*. These changes increased the rigour of consultation provisions and contributed to a more equal partnership between councils and the Commission. Another outcome achieved was that every council was involved in choosing the District Commissioner who would ultimately represent its area. Councils are also actively involved in providing feedback on the emerging district plans. LGNSW continued to pursue a close working relationship with the Commission and will hold it to its stated task of coordinating the delivery of key state infrastructure in line with anticipated growth.

Planning Breakfast Series

LGNSW launched a planning breakfast series to provide opportunities for local government elected representatives and professionals to meet key planning decision-makers and influencers, and to discuss planning challenges, regulations, funding and reforms.

The first event, in March 2016 at NSW Parliament House, featured speakers from the Greater Sydney Commission: Chief Commissioner Lucy Turnbull and Chief Executive Officer Sarah Hill. More than 100 people attended for a briefing and discussion about the Commission's work and future directions. Future

planning breakfasts are scheduled for metropolitan and regional locations in 2016/17.

Parliamentary Inquiries

A number of important NSW parliamentary inquiries on current planning issues were conducted during the year. In each case LGNSW made written submissions and provided verbal evidence to parliamentary committees.

In March 2016, LGNSW provided evidence to the high-profile Parliamentary Inquiry into the Adequacy of the Regulation of Short Term Holiday Letting in NSW. This inquiry covered the fraught debate around short-term rentals generally, and the rise of Airbnb and similar platforms which allow residential properties to be used for short-term stays. LGNSW has been part of this debate for many years, providing robust and informed advice based on feedback from the sector.

In the same month, LGNSW also appeared before the Parliamentary Inquiry into Regional Planning Processes in NSW. This inquiry focused on rural plan-making issues of importance to regional and rural councils.

In August 2015 LGNSW responded on behalf of the sector to the Parliamentary Inquiry into the Regulation of Brothels. Our evidence covered the failures of the current system to close down unlawful premises being used for prostitution, and highlighted the financial and regulatory burden on councils.



Codes SEPP

LGNSW opposes the indiscriminate expansion of complying development codes, as they override local planning controls and shift power to private certifiers.

LGNSW continued its strong and persistent advocacy against proposed changes to the State Environmental Planning Policy (Exempt and Complying Codes) 2008, which threatened to undermine council local plans and codes.

Through our membership of the Department of Planning and Environment's (DP&E) Complying Development Technical Panel, and participation in other working groups, we engaged in active verbal and written debate throughout 2015/16.

We also prepared two major submissions on proposals to expand complying development: on medium-density development, referred to as the 'missing middle'; and on the Inland Code, which simplifies the current NSW Housing Code for rural areas.

In these submissions and in other policy discussions with the Minister for Planning and DP&E, LGNSW rigorously prosecuted the case for limiting complying development provisions to development considered low risk. In addition, LGNSW provided regular feedback on ways to simplify the existing NSW Housing Code.

Supporting members to enhance local natural and built environments, and wider environmental sustainability

Building Regulation and Certification

LGNSW consistently lobbied to address the numerous and persistent deficiencies of building regulation and certification in NSW. LGNSW had previously responded to several independent reviews and recommended far-reaching reforms.

Throughout 2015/16, we again highlighted these issues in three written submissions and representations to senior NSW Government ministers, calling for action on the recommendations of previous reviews. LGNSW, together with a number of industry peak groups, continues to press the NSW Government to respond to the findings of previous reviews and tighten regulation and enforcement of builders and certifiers.

Container Deposit Scheme

Following the NSW Government's decision to introduce a container deposit scheme (CDS) by 1 July 2017, LGNSW actively sought to guide the scheme's design.

LGNSW represented the sector on the Ministerial CDS Advisory Committee and on most of its six issue-specific working groups. We also made a strong submission to the CDS discussion paper, drawing upon advice from more than 40 councils.

In May 2016, in a win for the sector, the NSW Government confirmed that eligible containers in kerbside bins would be redeemable. The Government invited LGNSW to join its CDS Implementation Working Group, which will advise on implementation of the scheme including redemption mechanisms.



Asbestos

LGNSW continued to represent local government on the Heads of Asbestos Coordination Authorities (HACA). LGNSW works collaboratively with HACA to support councils and communities in managing asbestos safely. The NSW Government provided funding for LGNSW's role in this work, and in 2015/16 extended funding through to December 2017.

During the year, LGNSW made representations to NSW Fair Trading and the Loose-fill Asbestos Implementation Taskforce regarding councils' views on loose fill asbestos insulation regulations which facilitate disclosures to protect purchasers, tenants and tradespeople.

We also developed guidance for councils on managing asbestos when buildings are damaged by small scale fires, and organised free forums for council staff, in Grafton, Dubbo and Oberon, on managing naturally occurring asbestos.

LGNSW was awarded Best Asbestos Awareness Month Campaigner: Association or Community Group in The Betty Awards 2015.

Biodiversity

LGNSW was one of only four stakeholders invited to targeted, confidential consultation on the land management and conservation (biodiversity) reforms in late 2015/early 2016. LGNSW had previously expressed concern about the Independent Biodiversity Review Panel's recommendation that could have seen councils managing some native vegetation clearing for new agricultural development through the *Environmental Planning and Assessment Act 1979*.

LGNSW's strong advocacy with the Minister for the Environment, the Office of Environment and Heritage (OEH), the Department of Planning and Environment and the Department

of Primary Industries contributed to the omission of this contentious component from the reform package, in a substantial win for local government.

LGNSW also worked with the OEH to arrange 10 regional local government workshops attended by 215 participants from 75 councils, and a webinar to explain the reform package to local government elected officials and staff, for which 90 participants registered.

Based on members' input from these forums, LGNSW provided a robust submission to the NSW Government's consultation package in late June 2016.

Coastal Planning and Reforms

The NSW Government released a draft coastal management framework for public consultation in November 2015. The reform package included a draft bill for a new Coastal Management Act, a new coastal management manual, and a Statement of Intended Effects

Forums

LGNSW represented local government in numerous policy forums, to promote the work and skills of the sector, provide a local government perspective and look out for the interests of local government in reform processes. In the planning and environment portfolio, this included active participation on:

- NSW Roadside Environment Committee
- Stakeholder forums on the review of the Legislative Planning Reforms
- Waste Less Recycle More technical assessment panels (various)
- Complying Development Expert Panel
- ePlanning Steering Implementation Committee
- Australian Committee providing input to the International Standard for Sustainable Procurement
- Heads of Asbestos Coordination Authorities Working Group
- Coastal and Estuary Management technical assessment panels
- Various NSW Environmental Trust subcommittees and grant assessment panels
- State Weeds Committee
- Pest Animal Council
- Flying Fox Consultative Committee
- Community Sharps Program Advisory Committee
- CDS Advisory Committee

Submissions

- Draft invasive species plan 2015-2022
- Natural Resources Commission review of pest animal management in NSW
- Container deposit scheme discussion paper
- Land management and conservation (biodiversity) reforms
- Coastal management reforms
- Mulch order 2015 and mulch exemption 2015
- Local land services state strategic plan
- Travelling stock reserves framework
- Manufactured estates, caravan parks and camping grounds
- Complying development for inland NSW
- Complying development for medium-density development
- Short-term residential development
- Regional land use planning
- Planning enforcement issues, including the regulation of sex premises

of a Coastal Management State Environmental Planning Policy (SEPP).

LGNSW liaised with coastal councils to prepare a submission on the consultation package, and secured the removal of an increased threshold for liability protections for councils. Other contentious points include the lack of coastal inundation hazards information, which will not be included in the SEPP's coastal vulnerability mapping. LGNSW will continue to advocate on this issue during consultation on the coastal management SEPP due for release in late 2016.

Agency Liaison

LGNSW continued to meet regularly with the NSW Environment Protection Authority (EPA), the Office of Environment and Heritage (OEH) and the Department of Planning and Environment to discuss and work on issues of common interest. We now have

signed memoranda of understanding with OEH and EPA outlining how we will share information and work together on issues, including major reforms.

Environment Awards

LGNSW hosted its annual Excellence in the Environment Awards in December 2015. The awards recognise outstanding local government work in environmental management and protection.

More than 150 finalists and council representatives attended a morning forum to share project highlights. A keynote panel discussion on 'What Local Government Really Thinks of Life, the Universe and Everything,' featured speakers from LGNSW, the Institute of Sustainable Futures and the Office of Environment and Heritage. The Minister for the Environment presented the awards at a lunch afterwards.

More than 50 councils submitted 78 entries across 15 categories.

Eurobodalla Shire Council won the major Local Sustainability Award for its practice and promotion of sustainability within the community. This included 9,000 hours of bushland management volunteer work, planting of 7,000 native trees and plants, and the installation of more than 630kW of solar power.

Kelly Williamson from Campbelltown City Council received the Louise Petchell Memorial Award for individual achievement by a council officer or elected councillor.

A full list of winners and projects was published on the LGNSW website.

Awards

- LGNSW's Councils Caring for Roadside Vegetation implementation project was highly commended in the Natural Environment Sustainability Award category in the Green Globe Awards 2015.
- LGNSW was awarded Best Asbestos Awareness Month Campaigner: Association or Community Group in the Betty Awards 2015.



Roads & Infrastructure

Representation

LGNSW strengthened relationships with government departments and stakeholders through its policy and funding advocacy for roads and other infrastructure. The Minister for Roads, Maritime and Freight appointed LGNSW's President to the Road Safety Advisory Council. The Minister also appointed LGNSW's Chief Executive to the NSW Road Freight Industry Council, upon which the LGNSW President is also represented.

We continued our representation on the Roads and Maritime Services Local Government Liaison Committee, the NSW Road Safety Advisory Council, and on numerous other related committees and working parties. LGNSW provided technical and operational policy advice to councils regarding road management roles and responsibilities, in partnership with the Institute of Public Works Engineering Australasia (IPWEA) and the Roads and Transport Directorate. LGNSW also presented at IPWEA's NSW Local Government Roads Congress in June 2016 at NSW Parliament House.

Funding

LGNSW continued to impress upon governments the urgent need to address the infrastructure funding backlog in NSW and the growing demand on local roads and bridges. Through a collaborative effort between LGNSW, the sector and other stakeholders, as well as budget submissions and state and federal deputations, funding under various programs was either maintained or increased.

Federal funding provided to NSW councils for local roads and bridges in 2015/16 included \$278 million under the Roads to Recovery program, \$44 million under the Black Spots program and \$42 million under the Bridges Renewal program.

The NSW Government provided \$177 million for council-managed regional roads and announced \$50 million in second round funding under its Fixing Country Roads program. The latter relates to 64 projects across 50 local government areas which specifically target freight connectivity constraints on local roads.

Australian Infrastructure Audit and Plan

In our submission to Infrastructure Australia's 2016 Australian Infrastructure Audit and Plan, we welcomed potential improvements to the way all spheres of government plan and provide infrastructure funding.

Our submission also called upon the federal government and Infrastructure

Supporting members to achieve better road and other infrastructure management



Australia to incorporate local infrastructure needs under its plan and embrace local government as a process partner. In addition, we addressed specific infrastructure matters such as population growth, transport infrastructure including roads, public transport, freight and aviation, water quality and street lighting.

LGNSW also contributed to the Australian Local Government Association's response to the final Australian Infrastructure Plan.

Water Management

LGNSW continued to represent members regarding water policy issues that relate to councils and their local water utilities.

In our submission to the Independent Pricing and Regulatory Tribunal of NSW's (IPART) review of reporting and compliance burdens on local government we challenged IPART's view on the role and capabilities of local water utilities and strongly advocated for councils to remain responsible for regional water supply and demand planning.

We also continued to liaise with the Department of Primary Industries - Water and NSW Health's Water Unit, about pricing and economic regulation, ongoing infrastructure funding, best practice

management, performance reporting, the implementation of drinking water quality management systems and other policy issues.

\$38 million of capital funding was made available in 2015/16 from the NSW Government for councils' local water utilities as part of the Country Towns Water Supply and Sewerage Program.

There was also a budget allocation of \$67 million for local government under the Water Security for Regions program.

Our work with the Water Directorate continued with technical and operational support, the provision of information to councils' local water utilities and coordination of advocacy activities.

We represented councils' local water utilities on the Sydney Water Customer Council and the steering committee of the Aboriginal Communities Water and Sewerage Program. The latter supports councils with funds to provide operational, maintenance, and monitoring services of systems in Aboriginal communities.

In August 2015, we also held our annual Water Management Conference (see page 33).

Public Lighting

LGNSW represented the sector on the NSW Government's Public Lighting Forum, which also included representatives from the NSW Department of Industry, Resources & Energy, Roads and Maritime Services, electricity distribution service providers, councils, and regional organisations of councils. We advocated for reform of street lighting service provision consistent with a position based on member feedback, and that expressed in previous submissions.

We participated in a review of the NSW Public Lighting Code, calling for its mandatory application, with a reporting and enforcement framework with financial penalties. In addition, LGNSW recommended the imposition of adequate negotiable minimum service levels on electricity distribution network providers.

LGNSW also continued to advocate for changes to the regulatory framework and funding assistance to accelerate the transition to energy efficient street lighting.



Social & Community

Social Justice

LGNSW continued to represent the sector on social justice and community services issues in 2015/16 through submissions and responses to: the *Public Health Act 2010* review; the National Disability Insurance Scheme Information, Linkages and Capacity-Building Commissioning Framework; the *NSW Carers (Recognition Act) 2010* review; the Department of Family and Community Services' Targeted Earlier Intervention programs reform; the Department of Planning and Environment's Community Consultative Committee guidelines; and issues affecting the financial performance of rural and remote aged care providers.

Multicultural Issues and Refugees

During the year, LGNSW built strong engagement with Multicultural NSW and the Local Government Multicultural Network. In addition, LGNSW was sought out as a key partner to work with the NSW Coordinator-General for Refugee Resettlement, the Department of Premier and Cabinet and Multicultural NSW to work on refugee resettlement issues and support of NSW multicultural communities. LGNSW also helped the NSW Government to liaise with, and provide support to councils welcoming refugees and supporting culturally diverse communities.

Health

Through the year, LGNSW was involved in a number of projects with NSW Health including: the review of the Community Sharps Management Program and the development of guidelines for NSW Health local health districts for working with local government. LGNSW is also a member of the NSW Wellbeing Collaborative which is developing a wellbeing framework for NSW.

Community Safety

LGNSW continued to represent members on a number of advisory groups on: disability and natural disasters in NSW, swimming pool safety, water safety and rock fishing. We are also a part of the Office of Emergency Management's Community Engagement Stakeholders Group. In addition, we commenced engagement with the NSW Local Government's Community Safety and Crime Prevention Network.

LGNSW also engaged with Women NSW on domestic and family violence issues, particularly on the role of local government in prevention.

Food Safety

Through our membership of the NSW Food Authority's Food Regulation Forum, we contributed to advice on regulation and enforcement. The Authority's Scores on Doors scheme is a voluntary hygiene and food safety scoring program that displays the results of food premises' inspections. At

Supporting members in social policy to apply the principles of equity, rights, access and participation

LGNSW's 2015 conference a motion was raised, but not debated, seeking that Scores on Doors be made mandatory across NSW and that it be based on a single electronic platform.

LGNSW surveyed councils and developed a policy position. The survey results showed that most councils did not support Scores on Doors becoming mandatory but did support the development of a central electronic platform. LGNSW has advocated to the Minister for Primary Industries and the NSW Food Authority to develop such a platform.



Human and Cultural Services

LGNSW commissioned a literature review of the benefits of investment in human and cultural infrastructure and services. This followed LGNSW's Human and Cultural Services Survey in 2015 in which members raised a number of key issues. The literature review examined council investment in libraries, community centres, cultural activities, sport and recreation, playgrounds, health services, seniors, events and festivals.

It found that while there was extensive evidence on the social and economic benefits of libraries, community centres and cultural activities, the other areas were lacking in the same depth of information. It also highlighted a need for research identifying community benefits in terms of outcomes rather than outputs.

Ageing and Disability

Family and Community Services and the Australian Department of Health co-fund a senior policy officer position at LGNSW to work with councils and represent them in relation to ageing and disability issues.

Through our active participation in the NSW Ageing Strategy Interdepartmental Committee, we provided advice on the role of local government in the new strategy, which is due for release in 2016/17. We also contributed to the NSW Ageing Roundtable on the review of the strategy.

LGNSW presented a paper on state-wide programs aimed at making communities more age-friendly. We also showcased NSW councils' ageing-related programs at the International Federation on Ageing Conference in June 2016 in Brisbane.

In June 2016, we brought together representatives from 34 councils to provide direct feedback to the Commonwealth Department of Health on specific issues facing councils providing aged care services in the context of current aged care reforms.

In addition, to support and identify local council concerns, LGNSW attended 12 Ageing and Disability Network meetings across metropolitan Sydney. We communicated feedback from the sessions to state and federal governments.

LGNSW continued to build advocacy partnerships with peak reference groups such as the NSW Ageing Alliance and the Community Care Issues Forum, participated in the NSW Government's public transport workshop on whole-of-journey planning, and provided input on improving the practical voting rights of people with disability as part of the NSW Electoral Commission Reference Group. LGNSW also supported the 2016 International Universal Design Conference.

We also advocated for councils to receive adequate funding under the National Disability Insurance Scheme's Information, Linkages and Capacity-Building program, and argued that challenging third-party verification requirements for councils should be modified.

LGNSW provided ongoing support to councils to assist in the development of their disability inclusion action plans by 1 July 2017.

LGNSW developed disability inclusion action planning guidelines to assist councils plan for the diverse needs of people with disability in their communities. The guidelines, available on LGNSW's website, can be used to develop stand-alone disability inclusion action plans or for a planning process through the integrated planning and reporting framework.

We also hosted a forum in Sydney in November 2015 attended by 100 people from 70 councils. Another forum was held in Ballina in May 2016. Attendees rated both forums as very valuable. More are planned for regional NSW in the coming year.

LGNSW also supported and presented on NSW council initiatives at the first accessible tourism forum held at NSW Parliament House.

In 2015/16 LGNSW also secured \$161,700 of NSW Family and Community Services funding for councils to retrofit existing accessible public toilet facilities to include adult change tables and hoists. An additional \$65,000 was committed for spending in 2016/17. In all, funding was allocated for six council facilities in Blue Mountains, Campbelltown, Clarence Valley, Northern Beaches, Shoalhaven and Yass Valley local government areas.

Volunteering

The Productivity Commission values the contribution of NSW volunteers to local communities at \$5 billion annually. Volunteering is important to local government and communities with work ranging from bush regeneration to community support such as Meals on Wheels. LGNSW contributed to the second NSW volunteering strategy through its participation in a ministerial forum advising the NSW Minister for Ageing, Disability and Multiculturalism.

Aboriginal Affairs

LGNSW has a dedicated liaison officer who helps councils understand and respond to local Aboriginal communities and improve their relationships with local Aboriginal land councils. LGNSW also encourages governments to provide infrastructure, facilitates and services for Aboriginal and Torres Strait Islander people (and appropriate funding for indigenous programs) and works to improve legislation relating to indigenous issues.

LGNSW worked in collaboration with Port Macquarie Hastings Council to host the 2015 NSW Aboriginal Local Government Network conference which was attended by 80 delegates.

We also provided support for Aboriginal people interested in standing as elected council representatives, providing information on campaigning and on the legal requirements of standing for elections. These are part of a resource kit which LGNSW commenced updating in 2015.

LGNSW is represented on the Aboriginal Water and Sewerage Program Steering Committee. Twenty-one of the target of 61 Aboriginal communities now have essential water and sewerage services under the \$205 million program.

In partnership with the NSW Aboriginal Land Council and the Environment Protection Authority, we held Aboriginal cultural awareness workshops for council waste officers and managers (in Dubbo, Coffs Harbour and Ballina) under the auspice of the Waste Aid Program for Discrete NSW Aboriginal Communities. This program aims to develop strategies to improve waste management, increase recycling and

tackle litter and illegal dumping in disadvantaged communities. As part of the program, a Waste Aid pilot in Bourke was completed and Ernst and Young commenced an evaluation.

As at 30 June 2016 Aboriginal cultural heritage legislation reforms were pending and LGNSW continues to monitor progress.

We also played an important role through membership of the NSW Government's Aboriginal Community Land and Infrastructure Solution Brokerage Working Party, managed by Aboriginal Affairs NSW. Solution brokerage is the coordinated management of critical issues and opportunities to bring about improved outcomes in 59 discrete Aboriginal communities across NSW. It includes service and policy integration and coordination to ensure policy reforms are delivered.

Arts and Culture

LGNSW extended its leadership role in local government arts and culture through a dedicated, government-funded position which delivered the implementation of benchmark research, a professional platform for museum managers and a state-wide forum.

LGNSW is a member of the National Local Government Cultural Forum and collaborated with the National Cultural Development Network to develop a data set of measurable sector outcomes. This data will enable NSW councils to plan and evaluate cultural programs with evidence-based information.

In November 2015 we commenced an in-depth research project surveying general

managers about the current state of delivery of arts and culture services in local government. The year-long research project will culminate in a report for councils, providing a benchmark for future planning and the development of cultural facilities and programs. The report and recommendations are expected by late 2016.

In 2015/16 LGNSW initiated a local government museum managers' network to provide a professional platform and structured communication framework for information exchange amongst local government museum staff. The network initially gained 65 members from councils across NSW. LGNSW held an initial reference group meeting in November 2015 followed by a roundtable meeting in April 2016 both to identify key issues and agree on how the network would function.

LGNSW hosted its annual Arts and Culture Forum in April 2016 at NSW Parliament House. More than 100 delegates from all spheres of government and peak bodies attended. Delegates rated the event highly as an opportunity to gather information and network during a period of change. Presentations addressed a proposed arts funding review, new heritage funding, regional opportunities and funding, the library sector, new planning frameworks and measurable outcomes for cultural planning.

Libraries

NSW receives the lowest per-capita funding for public libraries of all states in Australia. State expenditure on council libraries decreased as a proportion of total public library

expenditure from 23 per cent in 1980 to seven per cent in 2013/14.

LGNSW remains concerned about the continuous decline in real terms of NSW Government support for council libraries. In partnership with the NSW Public Libraries Association and through our involvement with the NSW Library Council's Public Libraries Consultative Committee, we continued to call for increased recurrent funding to reach a new target of \$30 million annually (indexed each year).

Funding for 2015/16 remained static at \$27.5 million but will increase in 2016/17 to \$28.3 million. An additional \$1.3 million will be provided in 2017/18. This welcome result is the first real increase to recurrent funding since 2006.

Children and Youth

LGNSW continued to advocate on issues affecting local government children and youth services. We engaged with the sector through membership of the Local Government Children's Services Managers' Network, the peak body reference group for the Targeted Earlier Intervention Reform Directions, and the Department of Education's Early Childhood Education and Care Reference Group.

In June 2016 we established a network of 20 dedicated local government staff working in childrens and youth services to provide policy advice and to discuss policy issues affecting the sector.



Profile

Website

LGNSW's website cemented its place as information central for members during 2015/16. Updated daily, it contains detailed policy information, submissions, advice, resources and toolkits, a comprehensive calendar of events, news, training and grants opportunities, conferences, campaigns and links to professional networks.

The site attracted more than 650,000 page views, an increase of 19 per cent from the previous period. During the year, LGNSW undertook an audit and updated the site to improve navigation and search functions.

In February 2016 we published a comprehensive toolkit to guide members through the challenges of amalgamation. It was a significant driver of increased traffic and was only second in popularity to the LGNSW homepage. Other pages popular on the LGNSW website included the weekly newsletter, media releases, the annual conference and training services.

Social Media

Over the year, we increased our Twitter following by 23 per cent to 4,300, and LinkedIn connections by 44 per cent to 1,120.

These channels provided alternative, immediate ways to share important information with members and stakeholders, broaden our reach and improve engagement.

In 2015/16 we analysed followers which included people from councils, state government bodies, media, not-for-profit organisations and businesses. The data gathered will enable us to improve our strategic use of these channels over time.

Media

Media plays a key role in supporting LGNSW's advocacy work, and helps raise the public profile of the sector as a whole. During 2015/16 we issued 150 media releases and responses on a wide range of issues.

LGNSW's elevated advocacy profile was reflected in a 41 per cent increase in the number of media inquiries throughout the financial year which resulted in 4,230 media hits.

NSW Government announcements on council amalgamations accounted for the peak media periods of December 2015 and May 2016 in which a total of 1,309 media hits were recorded – almost one-third of total media mentions for the year.

Local Government Week

Every year, LGNSW coordinates Local Government Week during which councils around the state organise activities, events and participate in a coordinated communication campaign to raise awareness of the many services they provide. The week provides an opportunity for the sector to come together to promote the value of councils in their communities.

The 2015 theme was 'Active All Areas'. Many councils embraced it and made use of our marketing materials for events and campaigns, and participated

Maintaining a high, positive public profile of local government and LGNSW

in a coordinated Twitter campaign. During the week, there were 7,000 page views on LGNSW's website, and many local activities generated media interest.

More than 250 guests attended LGNSW's Local Government Awards evening at the end of Local Government Week at the Australian National Maritime Museum. Awards presented included the RH Dougherty Awards (see page 30), the Heart Foundation's NSW local government awards, and awards for Youth Week initiatives.



LEADERSHIP

Providing strong and principled leadership for local government



Innovative Leadership

Embedded Leadership

The year was particularly challenging for the local government sector in terms of the number of NSW Government reforms of direct impact (particularly council amalgamations and the *Local Government Act 1993* review) and others that related to the work of local government (e.g. biodiversity reforms and planning reforms).

LGNSW positioned itself to assist and lead the sector through this period by embedding leadership into every activity.

This approach brought results that can be seen throughout this report.

LGNSW quickly developed and delivered a number of events and tools to support amalgamating councils, including merger workshops, the Amalgamation Toolkit and the Workplace Reform Toolkit.

In addition, we delivered a series of events so the sector could consider broad, strategic issues and explore fresh ideas and approaches. We invited members along with senior expert local and international speakers from local and state government, the private sector, the non-profit sector and academia to our Finance Summit in August 2015 (see page 37), our Planning Breakfast in March 2016 (see page 18) and our Good Governance Forum in June 2016 (see page 29) as well as Amalgamation Workshops (see page 37).

These leadership initiatives aimed to position the sector to prepare for and meet challenges ahead. Our work also ensured LGNSW remained well placed to provide constructive contributions to policy debates and advocate based on solid evidence-based positions.

Good Governance Forum

The LGNSW Good Governance Forum focused on steps local government could take to maintain and demonstrate high standards.

The forum encouraged participants to:

- Consider a definition of 'good governance' that draws together

ethical and appropriate behaviour, probity, sound decision-making, efficiency and effectiveness, community engagement and continuous improvement

- Review issues raised and lessons from recent cases of alleged governance failure
- Canvass options to improve the sector's performance and reputation, including measures to counter perceived corrupt conduct
- Examine the purpose, relevance and merits of proposed amendments to the *Local Government Act 1993*, notably significant new directions in the role of the governing body of councillors, internal audit and community engagement.

A good governance action plan was developed which is expected to be endorsed by the Board in early 2016/17.

Board Working Committees

LGNSW reviewed its board working committee system in 2015/16, nine months after its introduction. The review found the system effective in providing valuable input to LGNSW's representations on topics such as such as local government reform, metropolitan planning (including the Greater Sydney Commission), new research on planning and infrastructure in metropolitan and regional settings and on human and cultural services.

The review noted that the work of the original five committees had concluded, and recommended the board working committee system continue, with four new committees aligned to key issues facing the sector: capacity building, local government reform, review of the *Local Government Act 1993*, and review of LGNSW's interim policy statements.

The working committees established continued to provide valuable opportunities for Board members and staff to progress significant sector issues collectively.

Addressing local government strategic challenges through effective and innovative leadership

Member Engagement & Information

Annual Conference

LGNSW's annual conference is the highlight of the local government year and the sector's main policy-setting forum. Our conference, at Sydney's Rosehill Racecourse in October, attracted 900 delegates including mayors, councillors and senior local government professionals. Amalgamation and reform were the key focus of addresses from the NSW Premier, the Minister for Local Government and the Shadow Minister.

Other highlights included a breakfast with the Australian Local Government Women's Association, a working lunch for general managers, and a Q&A-style panel featuring representatives from the Parliamentary Inquiry into Local Government in NSW, academics and researchers. More than 70 organisations supported the conference through sponsorship and a trade exhibition, helping to minimise registration costs.

The Weekly Newsletter

LGNSW's weekly newsletter kept members up to date with the latest local

government news including information on legislative and policy changes, sector news, grants, training and events. It featured a message from the LGNSW President each week detailing recent activities and LGNSW's position on various issues.

Members and non-members subscribed to the newsletter via our website. Subscriptions had climbed to 3,350 by 30 June 2016. During the year we scoped the development of a new, improved e-newsletter for launch in 2016/17.

e-Newsletters

Throughout the year we continued to issue specialised e-newsletters (most of which are also available via the website). The Land & Environment Court Reporter and policy-related e-newsletters covering sustainability and sustainable procurement, natural resource management and waste management all continued to grow in popularity.

Member Messages

LGNSW prepared and distributed 52 member messages covering a range of topics such as reform, elections, key events and other issues of whole-of-sector importance.

Communications Network

LGNSW coordinated an online network for communications and public relations professionals. Ninety members used the network to share news, information resources and professional knowledge on a wide range of media and communication topics, and to coordinate campaigns such as Local Government Week.

Speeches

LGNSW's President and Chief Executive made more than 30 formal speeches and presentations to member and stakeholder groups, across all levels of government and at other events. On each occasion, speeches were aimed at supporting members' advocacy agenda and raising the Association's profile and influence.

Communication Awards

LGNSW's RH Dougherty Awards, recognising excellence in local government communication, were presented at the end of Local Government Week in August 2015.

Winning projects in the Excellence in Communication category included Mosman, Willoughby, Ryde and the



Shore Regional Organisation of Councils. Awards were presented in a Reporting to Your Community category to Parkes, Wagga Wagga and Randwick councils. Four councils were recognised in an Innovation in Special Events category: Tamworth, Parramatta, Parkes and Lake Macquarie.

An outstanding individual award was presented to Adrienne Murphy, Blue Mountains City Council, for work in disaster and crisis management during and after the Blue Mountains bushfires in 2014.

AR Bluett Memorial Award

The highly coveted AR Bluett Memorial Awards recognise progressive NSW councils. Each year LGNSW supports the A R Bluett Trust in running the awards and the Trust presents them at the LGNSW annual conference.

Warringah Council and Lithgow City Council were named winners of the 2015 awards. Pittwater Council also received a special award.

Warringah Council won the city and regional category for its infrastructure renewal programs, high resident satisfaction, sound financial position, organisational improvements, staff engagement and professional development, collaboration with community groups and other organisations, active youth program, art and cultural projects, environmental and planning initiatives, and community infrastructure projects.

Lithgow City Council won the rural category for its sound sustainable financial management and funding of infrastructure, public amenity upgrades, extensive flood mitigation works, aquatic centre project, major

sewer augmentation, family friendly community strategy, and youth, planning and heritage programs, along with ongoing tourism and business development initiatives. Pittwater Council received a special commendation award.

The AR Bluett Trust introduced a new Stephen Ward Scholarship program in 2015/16. Scholarships of up to \$2,500 are now available to one or more employees of award-winning councils, so they can undertake study, professional development or research.

Engaging and motivating members to participate and providing high-quality and timely information



SERVICE DELIVERY & SUPPORT

Delivering outstanding member services



Policy

Legal

LGNSW provided timely, accurate and accessible responses to mayors, general managers and other members on a wide range of legal issues. Throughout the year, members requested advice on many diverse topics related to legislation and procedure. We provided 76 detailed written advices and an average of three short advices per week in response to telephone or email enquiries.

We also contributed to various internal projects and matters requiring legal advice. They included the review of LGNSW contracts, funding agreements and other documentation and the preparation of submissions in collaboration with specialist policy officers and networks. LGNSW also continued to represent the sector's interests on special purpose working groups including the significant legislative review of the *Local Government Act 1993* and crown lands legislation.

LGNSW continued to offer its legal assistance scheme which coordinates contributions to court costs for specific councils contesting issues of sector-wide importance.

Water Management Conference

The annual LGNSW Water Management Conference was held in Bowral in August 2015. Attended by more than 190 delegates, and made possible

with the support of sponsors, the high-rating conference focused on key issues for councils' water utilities. These issues included: institutional and regulatory reform in the context of the NSW Government's local government reform agenda; strengthening regional approaches to service provision; water recycling; drinking water catchment protection; and innovative operational practice.

Other topics discussed included the impact of coal seam gas activities on water supplies, interaction between private water services and local utilities, trialling of health-based targets, and quality management systems for drinking water.

LGNSW Tourism Conference

LGNSW held its tourism conference in Byron Bay in 2016 in partnership with Destination NSW. Over 200 delegates attended the conference, which showcased council and private investment collaboration. Visitor information centres were the topic of a half-day workshop and keynote

presentations addressed the role of local government in tourism and celebrating local heritage. Concurrent streams addressed resourcing and financing, economic development, digital marketing, art, heritage and culture.

Delegates rated the conference highly as a forum to gain valuable information, exchange ideas and build knowledge.

Cr Pat Dixon Training Support Program

The Cr Pat Dixon training support program aims to encourage Aboriginal councillors and staff to enhance their local government work and leadership skills. Established in 2002 with funds from NSW Government and local councils, the program is administered by LGNSW on behalf of a Trust.

Two people from Holroyd Council were funded in 2015 to undertake study under the program.

Grants

LGNSW and the Office of Environment and Heritage (OEH) administered

Providing members with support to address all major functional and policy areas



NSW Building Resilience to Climate Change grants, funded by the NSW Environmental Trust and OEH. The program addresses climate change risks and vulnerabilities facing NSW councils with grants of up to \$80,000 per project.

In its second round in July 2015, the grant program received 33 applications totalling \$2.2 million. Eight successful applicants were awarded a total of \$457,830 for projects that addressed priority infrastructure, risks to water supply and quality. LGNSW secured funding of \$460,000 for a third round of grants in 2016/17.

LGNSW also secured \$2 million in Council Roadside Reserve program funding from the NSW Environmental

Trust to provide grants of up to \$50,000 to councils to help build their capacity to manage the environmental values in their roadside reserves.

We also received \$1 million for a flying foxes grants program from OEH to help councils manage flying fox camps. Grants will be distributed over the next 12 months.

Sustainable Choice

Sustainable Choice is a LGNSW/OEH collaboration. It is a membership-based program that assists councils in NSW to integrate sustainability into their procurement systems.

LGNSW coordinated two sustainable procurement forums during the year, one

in the Sydney metropolitan area (hosted by Willoughby City Council) and the other in the Northern Rivers region (hosted by Tweed Shire Council). Forty-four local government participants attended and 14 supplier stalls showcased innovation and products.

In addition to its work with councils, LGNSW's Sustainable Choice officer continued to represent local government through membership of the Australian Committee for the Development of ISO 20400 (the first international guidance standard on sustainable procurement). The standard is expected to be released in 2017.



Industrial Representation

Courts and Tribunals

LGNSW represented members in 2015/16 at 208 court and tribunal listings involving a range of issues including unfair dismissals, underpayment of wages claims, unlawful discrimination, alleged breaches of the award and industrial disputes. Significant achievements included several successful arbitrations in the Industrial Relations Commission of New South Wales (NSWIRC), before single members of the NSWIRC and an appeal matter before the NSWIRC full bench.

LGNSW made a submission on the review of mayoral and councillor fees

to the Local Government Remuneration Tribunal. The submission highlighted the opportunity for a new remuneration structure to reflect the diverse and evolving roles of mayors and councillors especially in view of local government reform. We also asked the Tribunal to review the remuneration structure, as a matter of urgency, to align with the timing of reforms.

LGNSW asserted councillor and mayoral fees should be increased by the full 2.5 per cent for 2016/17 based on a number of factors, including cost of living pressures, ongoing increased workload and responsibilities, and additional tasks relating to implementing the NSW Government's reform process. The tribunal accepted our arguments and agreed to the maximum allowable increase as limited by legislation.

Assisting members to meet award and statutory obligations and manage staff effectively

Industrial Advisory

Advisory Service

LGNSW's advisory service responded to telephone, email and written requests from members on a broad range of industrial and employment related issues. In 2015/16 the most common enquiries related to award interpretation and compliance, human resources management, employee discipline, performance management, employment contracts, work health and safety, grievances and disputes, workplace investigations, managing ill or injured workers, workplace change and redundancy, and legal obligations relating to council amalgamations.

Many of these issues were discussed throughout the year at LGNSW's

quarterly Human Resources Network meetings with human resources managers and others with responsibility for industrial relations and/or human resources management.

Employment Law Seminar

LGNSW held its annual Employment Law Seminar in May 2016 with leading employment lawyers as guest speakers. Eighty-one delegates from 48 councils attended, providing extremely positive feedback.

Topics included: change and getting fit for purpose; managing disruption; conducting and finalising effective workplace investigations; regulators' attendance and employee management; drug and alcohol testing; and employee privacy.

Supporting members to comply with employer obligations and adopt good practice

Member Training & Capacity Building

Professional Development

Throughout 2015/16 LGNSW delivered high-quality, cost-effective professional development options for the sector. We worked with councils, groups of councils, regional organisations of councils, accredited training providers and expert training consultants to offer training programs, workshops, seminars and courses, tailored for local government, and delivered by presenters experienced in working with councils.

LGNSW delivers programs in four streams:

- Essential skills and knowledge - targetted training from expert presenters to develop professional and practical skills and knowledge
- Effective workplace relations - professional development programs to improve workplace relations and people management

- Advancing local leadership - supporting and developing the role of both elected and professional leaders
- Smarter local government - networking events with local government peers to share ideas and generate innovative solutions.

During 2015/16, LGNSW collected feedback from course participants. The feedback was analysed and 98 per cent of participants ranked courses as excellent or very good.

Through qualitative feedback LGNSW identified demand for ongoing courses and workshops, their frequency and location, and more importantly members' new and emerging training and development needs, as well as resources for the future.

In-house and Public Workshops

During the year LGNSW was asked to deliver many training programs in-house or in local council regions. In 2015/16 LGNSW provided 198 days of in-house training in 71 councils and regional locations to 3,150 people. We

also delivered 127 public workshops to 627 staff, leaders and elected members. Our team of expert presenters travelled across NSW to deliver more than 40 different programs and workshops.

LGNSW offered both popular and newly-designed courses including:

- Business Planning
- Change Management
- Coaching and Mentoring for Managers
- Community and Stakeholder Engagement
- Conflict Resolution
- Customer Care Professionalism
- Effective Workplace Investigations
- Finance for Non-Finance Managers
- GIPA Training
- Handling Difficult People
- Improving Grammar and Punctuation
- Improving Report Writing
- Improving Business Writing
- Improving Minute Taking Skills
- Introduction to Local Government
- Introduction to Project Management

Delivering public and in-house training, coaching and mentoring for members, councillors and council staff



- Leadership for Aspiring Women
- Managing Inappropriate Conduct and Performance
- Outdoor Leadership
- Performance Appraisal Training
- Price Setting for Fees and Charges
- Strategic Planning
- Supervisor Series
- Time Management - Outlook
- Workforce Planning

Reform Workshops

In 2015/16 LGNSW developed programs to help elected representatives and council staff prepare for amalgamations. We offered each of the following new programs to more than 560 attendees in 27 workshops in 19 locations around NSW:

- Employment and IR Workshop for Amalgamated Councils
- Responding to Merger Proposals: Councils and Communities
- Amalgamations Anonymous: Senior Leaders' Network
- Joint Organisations: Emerging Directions for Regional Collaboration
- Managing Workplace Reform
- Responding to Change
- Writing a Resume and Performing in Interviews
- Making Consultative Committees more Effective

Finance Summit

LGNSW's Finance Summit in August 2015, themed 'Fix the Funding First', sought to identify new solutions to financial sustainability issues in local government. A mix of elected members, general managers and financial professionals attended along with private and public sector stakeholders, providing extremely positive feedback afterwards.

The event featured speakers from local and state government, the private sector, non-profit organisations and universities, as well as international experts. They discussed fresh ideas and new approaches to advocating for stronger local government finances and a fairer and more sustainable funding environment. Presentations were published on LGNSW's website.

National HR Conference

LGNSW worked in collaboration with partner associations across the country to deliver a biannual conference for HR professionals in local government. Themed 'Lead change and foster high-performance cultures', the conference was held in Melbourne in November 2015. This event brought together human resources practitioners and local government managers from across Australia to hear and learn about challenges confronting the sector. Key topics included leading change, enabling women leaders, social outcomes, driving high performance, technology, cultural

diversity, conflict resolution and inspiring a leadership culture.

Executive and Personal Assistants' Conference

LGNSW's annual conference for executive and personal assistants has been running for 15 years. In August 2015 the conference was held in Sydney, focusing on local government reform and the role of executive assistants in a changing workplace. Around 100 participants attended, and of those 93 per cent rated the conference as very good or excellent. Feedback suggested that delegates enjoyed the inspiring speakers and found the conference invaluable in sharing knowledge and networking with colleagues.

Mayor and Councillor Support

LGNSW continued to provide tailored learning and development for NSW mayors and councillors including a comprehensive range of courses to help enhance their skills.

LGNSW's free mentor service for new and returning mayors and chairs of member county councils continued during the year. The service provided access to confidential advice from experienced colleagues and supported mayors to respond to the reform agenda and the electoral cycle. Mayors who used the service indicated appreciation of the support.

Building upon the program's success and in response to a member survey, LGNSW called for expressions of interest



from experienced people to develop a new councillor mentoring service.

LGNSW hosted two weekend seminars for mayors and its first councillors' weekend. The councillors' weekend focused on support for those who were newly elected or keen to update their knowledge. The program incorporated proposed changes to the *Local Government Act 1993* such as mayoral tenure and role, and proposed new responsibilities for individual councillors and for the broader governing body.

Candidate Briefings

From early 2016, LGNSW worked in collaboration with the Office of Local Government (OLG) to prepare guidance and support for councils preparing for September 2016 elections. We provided input into the OLG publication, *Stand for Your Community: All you Need to Know About Becoming a Councillor*.

Learning

LGNSW's self-paced e-learning courses continued to provide a contemporary, cost-effective and accessible way to gain new skills and knowledge. These programs are customised for local government and deliver in-built compliance for nominated staff. The e-learning programs were offered to councils to deliver through their own learning management systems or directly to staff through LGNSW's system. In 2015/16 we delivered e-learning programs to 4,678 participants in 13 member councils.

LGNSW Events Network

LGNSW hosted three free half-day seminars to assist council staff involved in events and tourism.

In September 2015, LGNSW hosted 'Responding to the Unexpected: How to Plan and Manage for Spontaneous and

Commemorative Events', in conjunction with the NSW Department of Premier and Cabinet. In April 2016, 'Be Inspired! A Showcase of Local Government Award Winners for Innovation in Special Events' at the RH Dougherty Awards 2015, gave attendees insights into award-winning applications. A third session was held in June 2016, 'Leadership in Times of Change - Will Amalgamation Affect my Events?'

Learning and Development Network

LGNSW's Learning and Development Network provided a valuable forum for local government staff responsible for training. We hosted four network meetings in 2015/16 with a total of 74 participants. Each event involved representatives from 13 to 17 local councils. Guest speakers presented case studies and discussed emerging trends and solutions.



Executive & Senior Management Services

Executive Recruitment

LGNSW's management solutions team assisted councils with executive and senior management recruitment. Members continued to benefit from our broad market knowledge, extensive networks and competitive rates.

During the year, we assisted councils with 17 executive and senior management recruitment processes and the placement of locum staff during a period of uncertainty, as councils awaited the NSW Government's amalgamation announcements.

Recruitment services provided included advertising, shortlisting, interviewing, background checks, remuneration package design and negotiation, employment contracts and performance plans. Support was offered as a complete end-to-end service or as unbundled components.

LGNSW staff also continued to provide advice to members on general recruitment matters.

Performance Management Support

LGNSW provides an external facilitation service for senior executive performance reviews. We offer an in-depth understanding of the sector, and fair and unbiased advice. In 2015/16 we assisted with 38 general manager performance reviews.

We also continued to review and refine general management performance review processes, in particular by adding metrics to our template to improve assessment objectivity.

HR Benchmarking Survey

LGNSW's 2015 HR Metrics Benchmarking Survey was completed by 76 councils in December 2015, providing useful comparative data on HR issues, including recruitment and retention, leave (and leave liability), work health and safety, and learning and development.

Participating councils received a report of top-line results. Councils were also able to purchase detailed, customised reports with comparative information across regions and similar council types. Legacy reports were also produced with trend data spanning three years.

Remuneration Survey

LGNSW'S annual remuneration survey provided comprehensive, comparative data across the sector on senior staff remuneration packages (for general managers, executive, specialist and supervisory staff). Survey data helps councils establish workforce plans, understand what is happening across the sector, and plan employee budgets.

In 2015/16 more than 100 councils participated in the survey. All of the councils that took part received free reports comparing their councils with median and average benchmarks. Customised reports, with detailed information comparing individual councils across regions, and with similar council types, were also available for purchase.

GMs Remuneration Report

LGNSW's General Manager Remuneration Report was produced in December 2015. Reports are customised for individual councils, benchmarking each general manager's total remuneration package against others from similar councils (for example, by region type, by size and population). These reports provide useful data for determining and negotiating remuneration packages.

Service Package

During the year LGNSW launched a new package offering members a cost-effective way to access a range of user-pays services with a single annual payment, rather than on a service-by-service basis. The package included executive performance management and recruitment support, comparative data reports, and council improvement plan audits.

Staff Engagement Transition Survey

LGNSW launched a new staff engagement and transition survey in March 2016. Staff engagement is a critical factor in managing an amalgamation successfully, so the survey was of particular use to affected councils. The survey measured changes in attitudes and behaviours and their impact on organisational effectiveness, before and after amalgamations. The data provides a baseline for subsequent years and valuable insights for all councils.

Supporting members to attract and retain quality executive and senior staff

EXCELLENCE

Demonstrating best practice across all key areas in an efficient organisation



Governance & Reporting

Planning and Reporting

In 2015/16 LGNSW implemented a new system of internal reporting against the deliverables in its operational plan, to increase efficiency and accountability.

We also commenced documentation of procedures and applying systems to capture and record corporate knowledge.

Governance Framework

During the year, LGNSW adopted a new framework to guide the continuous improvement of good governance practices within the organisation.

The framework aims to deliver:

- Strong leadership
- Respectful relationships
- Efficiency
- Accountability
- Member satisfaction
- An engaged workforce
- Positive outcomes, and
- Excellent reputation.

The framework is underpinned by a number of principles that include the need to be transparent, responsive, participatory and impartial, to build trust, to act lawfully and ensure a sound basis for decision-making.

Applying rigorous, quality governance and management frameworks

Board Operation

LGNSW Board

The LGNSW Board is established by the Rules of the Association, and is responsible for governance between conferences. LGNSW's annual conference is the supreme policy-making body of the Association and the Board operates in accordance with its resolutions.

The Board was reduced from 24 to 18 members after LGNSW's October 2015 elections (following a resolution made at the 2014 annual conference).

The year was challenging, with several changes to the Board composition throughout the year, starting with the Board election in October 2015.

The Federal Court declared the election of 13 new LGNSW Board members void on 29 March 2016 due to an administrative irregularity in the October 2015 voting. A fresh vote to be

conducted by secret postal ballot was ordered as part of the decision.

The NSW Government's proclamation of amalgamations on 12 May 2016 also impacted Board membership. A Board member who was no longer a councillor became ineligible.

The Board convened eight times during 2015/16 with the Senior Executive Group meeting five times to consider and make recommendations on matters prescribed by Association rules, largely related to finance and the Association's management and performance.

Despite the challenges and changes throughout the year, the Board continued

to deliver successful stewardship for the Association and its members.

Board Induction and Training

LGNSW introduced a new board induction program in 2015. Board members spent a half-day with senior LGNSW staff, discussing roles and responsibilities, governance and key sector issues.

New Board members undertook training in governance and financial accountability, in accordance with LGNSW's obligations under the rules and the *Fair Work (Registered Organisations) Act 2009*.

Maintaining a cohesive, skilled and effective Board

Financial Sustainability

Financial Results

LGNSW recorded a consolidated surplus of \$1.9 million in 2015/16. This result included two large non-cash transactions being a gain on revaluation of the LGNSW premises at 28 Margaret Street, Sydney of \$2.2 million, offset by unrealised investment decrements of \$300,000. The real operating result was therefore closer to the balanced budget that LGNSW had set at the beginning of the year.

Financial Sustainability

As a not-for-profit organisation, it is essential that LGNSW operates in a prudent manner that not only delivers

quality outcomes for members, but also maintains adequate financial resources for the future.

Although LGNSW's core services are primarily funded through member subscriptions these do not cover all costs. Other revenue streams, including investment returns, are critical to fund the balance.

The LGNSW investment portfolio is managed by Mutual Limited. All investment recommendations are made in accordance with LGNSW's investment

policy, which currently requires 75 per cent of the portfolio to be capital secure and 25 per cent to be predominantly ASX50 equities. It is important that these investment levels are maintained to keep membership subscriptions as low as possible through a reliable revenue stream, and to provide a safety net for unforeseen emergencies.

LGNSW continued to review its operating budget to identify savings throughout the year.

A financially sustainable organisation

People & Culture

Chief Executive Profile

Donna Rygate has been the Chief Executive of Local Government NSW (LGNSW) since August 2014. Previously, Donna worked in a range of senior policy, communications, governance and operational roles in the NSW public sector. Before joining LGNSW, she was Chief Executive of the NSW Office of Communities (incorporating Sport & Recreation, Venues NSW, Sydney Olympic Park Authority, Penrith Lakes, Youth, Veterans' Affairs, Volunteering, the Commission for Children & Young People, the Children's Guardian and Aboriginal Affairs); Executive Director of Corporate Governance and Policy at the NSW Department of Planning & Infrastructure; and Deputy Director-General, Strategy, Communication and Governance at the NSW Department of Community Services.

Donna's broad experience has also included other roles in central agencies, transport and environment protection, all of which have given her a strong understanding of the connections between those areas and local government.

Donna has an Economics degree with Honours in Government and Public Administration, a Masters' degree in Planning and is a Fellow of the Institute of Public Administration. Donna also runs a farming and grazing property in Central Western NSW, giving her a first-hand appreciation of issues facing rural and regional NSW.

LGNSW's People

As at 30 June 2016, LGNSW employed 54.07 full-time equivalent (including 5.74 grant-funded) staff. The focus of core staff is on delivering the strategic and operational plans endorsed by the LGNSW Board.

In 2015/16 LGNSW's internal focus has been on a 'Year of Leadership', in particular, leading and supporting members through a period of immense change.

Led by the Chief Executive, a two-day workshop with senior managers enabled the leadership team to review the operational plan and set priorities for the year. The team also focused on topics such as systems, practices and the internal culture needed to support members and LGNSW's future direction. LGNSW has re-emerged with an outward-looking, member-focused culture that continues to strengthen

stakeholder engagement and build the Association's internal capabilities.

A new intranet was introduced in June 2016 featuring collaborative work tools designed to increase engagement and information flow and improve productivity.

Performance Management

LGNSW implemented a new performance management system focused on organisational objectives, embedding the strategic plan in all activities and providing a clear line of sight between the performance of individual employees, the groups they work with, and organisational goals.

Fostering a positive and strong organisational culture

LOCAL GOVERNMENT PROCUREMENT



Overview

Local Government Procurement (LGP) provides fully integrated procurement services including contract panels, procurement consulting services, training and professional development and contract management. It was established in 2006 and is a wholly owned subsidiary of LGNSW.

LGP general management is supported by 24 staff across three divisions:

- Operations – providing procurement consulting and training services, specialist advice and support to councils and approved contractors
- Contracts and tenders – providing contract management and skilled professional support for the short and long-term management and planning of LGP tenders
- Marketing and administration - providing strategic administrative support and marketing for the organisation.

As LGP is a prescribed entity under s55 of the *Local Government Act 1993*, councils do not need to tender for values greater than the tendering threshold and may instead opt to use supply arrangements coordinated by LGP.

Contracts

All councils, approved not-for-profit organisations, universities, state government departments and agencies can access LGP contracts and as at 30 June 2016 there were 27 contracts in place, encompassing 638 LGP-approved contractors available to councils. Councils also nominated participation intent for an additional 13 electricity and gas contracts. In total, 119 LGP customers (including 103 councils) participated in the electricity and gas contracts.

Councils and LGP-approved customers have spent \$440 million through LGP contracts for the 2015/16 year. LGP refunded in excess of \$1 million to councils through its rebate refund program based on expenditure for this period.

Procurement

LGP's specialised procurement project team successfully delivered individual support to more than 40 customised projects to councils.

The team completed work to further refine processes and documentation aimed at delivering benefits to councils. Review and development of new tools and services to meet evolving needs are ongoing. During the year this included

a suite of contract management tools which provide council representatives guidance in the execution and management of contracts.

During the year LGP received 10 requests for probity services, an area we have seen grow steadily as councils realise the benefits of the probity audit and probity advice we offer. We are confident that the opportunities in this area will grow to be a core part of the services the project team provides.

Services engaged by individual councils included the:

- Facilitation of end-to-end tenders for projects between \$500,000 and \$3 million
- Review and development of procurement-specific policy, procedures and processes
- Probity advice and audit services for major tenders valued from \$11-\$19 million.

Training and Professional Development

LGP revised its training programs during 2016 with its new customised face-to-face and e-learning training modules now delivered in partnership with ArcBlue.



Re-launched in May 2016, the programs consist of blended learning solutions which offer accessible, cost-effective training for those working in procurement.

The face-to-face training program, The Learning Centre, features NSW local government specific interactive and best practice procurement modules.

The e-learning program, ProcureLearn, uses state-of-the-art technology and is designed to complement face-to-face modules and workplace development for council employees engaged in all aspects of purchasing.

LGP continued to build training options aimed at assisting procurement personnel and raise the level of formal qualifications for the benefit of the sector. LGP appointed Bayley and Associates following a competitive tender process for a registered training organisation to deliver Certificate IV, Diploma and Advanced Diploma of Government (Procurement & Contracting).

Procurement Conference

LGP's annual conference, Procurement – Gearing Up for the Future, was held on November 2015 at the Sydney Masonic Centre and was attended by over 75 delegates from 50 councils and

other organisations. Attendees found it informative, worthwhile and felt armed with practical information for council implementation.

Awards

LGP presents annual awards to recognise excellence and achievement in procurement in the local government sector. The winners of the 2015 Local Government Procurement Awards were:

- David Connelly, Bankstown City Council
NSW Local Government Procurement Professional Award
- Ian Rudgley, City of Sydney
NSW Local Government Procurement Professional Award
- Deb Tuckerman, Great Lakes Council
NSW Local Government New Procurement Professional Award
- Illawarra Joint Organisation
NSW Local Government New Procurement Organisation Award.

Services and Resources

In addition to project-specific fee-for-service work of the procurement team, LGP provides free advice to councils in relation to legislation compliance, procurement, governance and probity.

A documentation working party, which was coordinated and funded by LGP, included members from a range of councils, procurement consultants and LGP staff, to develop an extensive series of contemporary purchasing and tender documents for NSW councils, as part of the Procurement Leadership Program. The document suite meets strict legislative and best practice requirements of NSW council as verified by independent scrutiny and legal review.

The documents were designed to be added to pre-existing council tender materials or used as a ready-made library of templates.



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Corporate Information

Legislation and Rules

LGNSW is registered federally under the *Fair Work (Registered Organisations) Act 2009 (Cth)* and in NSW under the *Industrial Relations Act 1996*. Each Act requires compliance with a set of rules which govern the way in which the Association is operated. The rules cover matters such as the objects and powers of the Association, membership, control and governance of the Association, the annual conference, the Board, finance and auditing.

The rules are subject to continual improvement and may only be amended by resolution approved at the annual conference.

Significant Changes in Financial Affairs

The only significant change in the Association's financial affairs during 2015/16 was the revaluation of premises at levels 7 & 8, 28 Margaret St, Sydney from a book value of \$6.1 million to \$8.3m, resulting in an increase in net assets of \$2.2 million or 6.3 per cent.

Rights of Member to Resign

Under s. 174, of the *Fair Work (Registered Organisations) Act 2009* and Rule 8 of the LGNSW Rules, a member of an organisation may resign from membership by written notice addressed and delivered to the Chief Executive. No members resigned during the period.

Board

The Board at 30 June 2016 comprised five members. Composition of the Board varied significantly throughout the year due to a combination of the two-yearly Board election held in October 2015, the loss of councillors due to council amalgamations, and as a result of a Federal Court decision concerning the 2015 election.

Board Members as at 30 June 2016:

Cr Keith Rhoades AFSM
President
Coffs Harbour City Council

Cr Scott Bennison
Treasurer
Lane Cove Council

Cr Bill Pickering
Vice President - Metropolitan/Urban
Ryde City Council

Cr Mazhar Hadid
Liverpool City Council

Cr Leo Kelly OAM
Blacktown City Council

Board Meetings

Please refer to the key below the table for further information about the variations in Board composition.

	2015				2016			
	AUG	OCT	NOV	DEC	FEB	APR	3 JUN	30 JUN
Keith Rhoades AFSM	✓	✓	✓	✓	✓	✓	✓	✓
Khal Asfour	✓	X						
Zoe Baker	✓	✓						
Scott Bennison			✓	✓	✓	✓	✓	✓
Paul Braybrooks OAM	✓	✓						
Lindsay Brown			✓	✓	✓			
Ruth Fagan			✓	✓	✓			
Lesley Furneaux-Cook	✓	✓						
George Glinatsis			✓	✓	✓			
George Greiss	X	✓						
Mazhar Hadid			✓	✓	✓	✓	✓	✓
Jodie Harrison	✓	X						
Michael Hawatt	X	X						
Paul Hawker	✓	✓	✓	✓	✓			
Julie Hegarty	X	✓	✓	✓	✓			
Con Hindi	X	✓						
Yvonne Keane			✓	X	✓			
Leo Kelly OAM	X	✓	✓	✓	✓	✓	✓	✓
Scott Lloyd	✓	✓						
Chris Manchester	✓	✓						
Greg Matthews	✓	✓	✓	✓	✓			
Bruce Miller	✓	✓						
Phyllis Miller OAM	✓	✓	✓	✓	✓			
Denise Osborne	✓	X	✓	✓	✓			
Bill Pickering	✓	✓	✓	✓	✓			✓
Lindsay Renwick	✓	✓						
Linda Scott			✓	✓	✓			
Ben Shields	✓	✓	✓	✓	X	✓		
Mark Troy OAM			✓	✓	✓			
Darriea Turley	✓	✓	✓	✓	✓			
Maria Woods	✓	✓						

Key

- Not elected to the Board at the relevant time (i.e. either before or after October election)
- Election declared invalid by Federal Court on 29 March 2016
- Ceased to be a councillor on 12 May 2016 due to council amalgamation

*Cr Fergus Thomson OAM was also on the LGNSW Board at the commencement of 2015/16 but passed away on 25 July 2015. Board working committees met in July and September 2015, and March 2016.

Board Remuneration

Top five earning officers in 2015/16:

Cr Keith Rhoades

LGNSW Board	\$173,142.07
External boards	\$60,192.48
Total	\$233,334.55

Cr Bruce Miller

LGNSW Board	\$3,982.52
External boards	\$43,198.87
Total	\$47,181.39

Cr Paul Braybrooks

LGNSW Board	\$5,136.65
External boards	\$20,631.42
Total	\$25,768.07

Cr Greg Matthews

LGNSW Board	\$16,500.59
External boards	\$0.00
Total	\$16,500.59

Cr Bill Pickering

LGNSW Board	\$8,887.03
External boards	\$0.00
Total	\$8,887.03

No disclosures were received in relation to personal interests held.

LGNSW did not make any payments to related parties of the organisation or to a person holding a material interest.

Officers and employees who are superannuation fund trustees or director of a company that is a superannuation fund trustee:

Local Government Super - Cr Bruce Miller (Director), Donna Rygate (Trustee).

Members

The number of members (including associate members) at 30 June 2016 was 135.

Senior Management Team

The following individuals held principal positions during 2015/16.

NAME	POSITION	PERIOD IN POSITION
Donna Rygate	Chief Executive	25 August 2014 – present
Lillian Tiddy	Director Member Services	7 July 2008 – present
Kylie Yates	Director Advocacy	14 March 2016 – present
Noel Baum	Director Advocacy	5 September 1994 – 13 November 2015

Employee Profile

The following data relates to the Association's full-time equivalent employee (FTE) composition as at 30 June 2016. (It does not include Local Government Procurement Pty Ltd, a subsidiary of LGNSW which employed 26.28 FTE staff at the end of the financial year.)

		MALE	FEMALE	TOTAL
Core funded				
Casual		1	0	1
Contract		0	0	0
Permanent	Full-time	13	26	39
	Part-time	0	8.33	8.33
Temporary	Full-time	0	0	0
	Part-time	0	0	0
Grant funded				
	Full-time	1	1	2
	Part-time	0	3.74	3.74
Total		15	39.07	54.07

Grants and Donations

LGNSW administered the following grants exceeding \$1,000 in 2015/16.

LIFT AND CHANGE

Purpose: Providing adult lift and change facilities in council-owned accessible toilets through retrofitting or by new building.

Funding provided by: Department of Family and Community Services

Clarence Valley Council	\$32,700
Yass Valley Council	\$35,000
Shoalhaven City Council	\$35,000
Blue Mountains City Council	\$24,000
Campbelltown City Council	\$35,000

BUILDING RESILIENCE TO CLIMATE CHANGE

Purpose: Providing council support to adapt to climate change

Funding provided by: Office of Environment and Heritage and NSW Environmental Trust

Queanbeyan City Council	\$15,200
Lake Macquarie City Council	\$19,040
Blacktown City Council	\$58,182
Kyogle Council	\$55,488
Parkes Shire Council	\$48,000
Lake Macquarie City Council	\$40,800
Penrith City Council	\$64,000
Blacktown City Council	\$59,736
Penrith City Council	\$13,400
Shoalhaven City Council	\$21,818
Wollondilly Shire Council	\$15,500
Albury City Council	\$9,600

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LOCAL GOVERNMENT NEW SOUTH WALES

Report on the Financial Report

We have audited the accompanying consolidated financial report of the Local Government New South Wales and the entities its controls at the end of, or during the year, collectively referred to as ("the Association"), which comprises the statements of financial position as at 30 June 2016, the statements of profit and loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the boards declaration.

Executives' Responsibility for the Financial Report

The Executive of the Association is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Industrial Relations Act 1991 and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

CHARTERED ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LOCAL GOVERNMENT NEW SOUTH WALES (CONT)

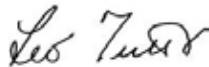
Auditor's Opinion

In our opinion the financial report of the Local Government New South Wales is in accordance with the Industrial Relations Act 1991, as amended, including:

- i. giving a true and fair view of the financial position of the Association as at 30 June 2016 and of its financial performance and its cash flows for the period then ended; and
- ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Industrial Relations Act 1991, as amended.

A handwritten signature in black ink that reads "William Buck".

William Buck
Chartered Accountants
ABN 16 021 300 521

A handwritten signature in black ink that reads "L.E. Tutt".

L.E. Tutt
Partner
Sydney, 24 August 2016

**Local Government New South Wales
Board's declaration
30 June 2016**

In the opinion of the Board the financial report as set out on the following pages :

1. Presents a true and fair view of the financial position of Local Government New South Wales ('LGNSW') as at 30 June 2016 and its performance for the year ended on that date in accordance with Australian Accounting Standards, mandatory professional reporting requirements and other authoritative pronouncements of the Australian Standards Board.
2. Has been prepared to meet the requirements of the Industrial Relations Act 1991 and Fair Work (Registered Organisations) Act 2009.
3. Presents a true and fair view of the consolidated financial position of the activities operated by Local Government New South Wales as at 30 June 2016 and its performance for the year ended on that date in accordance with Australian Accounting Standards, mandatory professional reporting requirements and other authoritative pronouncements of the Australian Standards board.
4. At the date of this statement, there are reasonable grounds to believe that Local Government New South Wales will be able to pay its debts as and when they fall due.

This statement is made and signed for and on behalf of Local Government New South Wales by:

Cr Keith Rhoades
(President)



Dated this

24th

Day of

AUGUST

2016

Notice to Members

Subsections (1) and (2) of section 512 of the Industrial Relations Act 1991, preserved as regulations under section 282(3) Industrial Relations Act 1996, provide that:

- (1) A member of an organisation, or the Industrial Registrar, may apply to the organisation for specified information prescribed by the regulations in relation to the organisation. [Industrial Relations Regulation 1992, clause 60]
- (2) An organisation must, on the making of such an application, make the specified information available to the member or the Industrial Registrar in the manner, and within the time, prescribed by the regulations.

Local Government New South Wales
Statements of profit or loss and other comprehensive income
For the year ended 30 June 2016

		LGNSW CONSOLIDATED		LGNSW	
	Note	2016	2015	2016	2015
		\$	\$	\$	\$
Revenue					
Membership subscriptions		5,139,129	5,152,465	5,139,129	5,152,465
Council services		1,974,650	1,863,244	1,974,650	1,863,244
Commissions received		7,469,045	6,397,883	1,609,719	1,630,501
Conferences and seminars		1,646,383	1,681,650	1,564,393	1,588,270
Investment income	6	586,333	941,144	605,258	969,769
Cost contribution income		-	-	220,525	799,754
Other revenue		17,003	38,811	17,003	38,811
		<u>16,832,543</u>	<u>16,075,197</u>	<u>11,130,677</u>	<u>12,042,814</u>
Grant income	7	1,284,712	1,865,498	1,284,712	1,865,498
Expenses					
Employee benefits expense	8	(9,827,024)	(8,752,126)	(6,590,111)	(6,277,660)
Affiliation fees	10	(568,582)	(555,008)	(568,582)	(555,008)
Administrative expenses	11	(4,101,996)	(4,315,872)	(2,958,150)	(3,350,908)
Grant expenses	7	(1,284,712)	(1,865,498)	(1,284,712)	(1,865,498)
Council services		(2,071,532)	(1,349,088)	(904,893)	(919,501)
Depreciation and amortisation expense	12	(318,945)	(429,593)	(223,721)	(344,082)
Legal costs	13	(206,075)	(126,691)	(155,826)	(58,306)
Audit fees		(19,432)	(24,463)	(9,827)	(18,672)
Net loss from sale of assets	14	(7,612)	(5,535)	(8,222)	(1,856)
Other expenses	15	-	(632)	-	(632)
		<u>(288,655)</u>	<u>516,189</u>	<u>(288,655)</u>	<u>516,189</u>
Profit/(Loss) before income tax expense					
Income tax expense		-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(Loss) after income tax expense for the year attributable to the owners of Local Government New South Wales	32	<u>(288,655)</u>	<u>516,189</u>	<u>(288,655)</u>	<u>516,189</u>
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Gain on the revaluation of land and buildings		2,217,289	-	2,217,289	-
Other comprehensive income for the year, net of tax		<u>2,217,289</u>	<u>-</u>	<u>2,217,289</u>	<u>-</u>
Total comprehensive income for the year attributable to the owners of Local Government New South Wales		<u>1,928,634</u>	<u>516,189</u>	<u>1,928,634</u>	<u>516,189</u>

The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

**Local Government New South Wales
Statements of financial position
As at 30 June 2016**

		LGNSW CONSOLIDATED		LGNSW	
	Note	2016	2015	2016	2015
		\$	\$	\$	\$
Assets					
Current assets					
Cash and cash equivalents	16	2,063,459	783,204	1,633,144	480,547
Trade and other receivables	17	5,693,926	8,555,417	4,682,669	7,608,080
Available-for-sale financial assets	18	4,803,768	4,630,549	4,803,768	4,630,549
Held to maturity investments	19	8,699,700	2,925,199	8,699,700	2,925,199
Prepayments	20	403,066	438,962	340,775	337,268
Total current assets		21,663,919	17,333,331	20,160,056	15,981,643
Non-current assets					
Available-for-sale financial assets	21	3,000,000	3,000,000	3,000,000	3,000,000
Held to maturity investments	22	13,507,947	16,830,701	13,507,947	16,830,701
Land and buildings	23	8,300,000	6,214,173	8,300,000	6,214,173
Property, plant and equipment	24	539,731	319,305	303,288	124,283
Intangible assets	25	31,182	46,683	-	5,230
Investment in associates	26	-	-	36	36
Total non-current assets		25,378,860	26,410,862	25,111,271	26,174,423
Total assets		47,042,779	43,744,193	45,271,327	42,156,066
Liabilities					
Current liabilities					
Trade and other payables	27	2,439,041	2,958,018	1,105,858	1,685,693
Short term provisions	28	687,662	647,797	513,305	529,347
Other financial liabilities	29	10,133,532	8,256,478	10,133,532	8,256,478
Total current liabilities		13,260,235	11,862,293	11,752,695	10,471,518
Non-current liabilities					
Employee provisions	30	1,194,820	1,222,810	929,790	1,024,340
Total non-current liabilities		1,194,820	1,222,810	929,790	1,024,340
Total liabilities		14,455,055	13,085,103	12,682,485	11,495,858
Net assets		32,587,724	30,659,090	32,588,842	30,660,208
Equity					
Settled sum		20	20	-	-
General funds	31	2,217,289	-	2,217,289	-
Retained earnings	32	30,370,415	30,659,070	30,371,553	30,660,208
Total equity		32,587,724	30,659,090	32,588,842	30,660,208

The above statements of financial position should be read in conjunction with the accompanying notes

**Local Government New South Wales
Statements of changes in equity
For the year ended 30 June 2016**

	General funds \$	Settled sum \$	Retained earnings \$	Total equity \$
LGNSW CONSOLIDATED				
Balance at 1 July 2014	-	20	30,142,881	30,142,901
Profit after income tax expense for the year	-	-	516,189	516,189
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	516,189	516,189
Balance at 30 June 2015	-	20	30,659,070	30,659,090
LGNSW CONSOLIDATED				
	General funds \$	Settled sum \$	Retained earnings \$	Total equity \$
Balance at 1 July 2015	-	20	30,659,070	30,659,090
Loss after income tax expense for the year	-	-	(288,655)	(288,655)
Other comprehensive income for the year, net of tax	2,217,289	-	-	2,217,289
Total comprehensive income for the year	2,217,289	-	(288,655)	1,928,634
Balance at 30 June 2016	2,217,289	20	30,370,415	32,587,724
LGNSW				
	General funds \$	Settled sum \$	Retained earnings \$	Total equity \$
Balance at 1 July 2014		-	30,144,019	30,144,019
Profit after income tax expense for the year		-	516,189	516,189
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		-	516,189	516,189
Balance at 30 June 2015		-	30,660,208	30,660,208
LGNSW				
	General funds \$	Settled sum \$	Retained earnings \$	Total equity \$
Balance at 1 July 2015		-	30,660,208	30,660,208
Loss after income tax expense for the year		-	(288,655)	(288,655)
Other comprehensive income for the year, net of tax	2,217,289	-	-	2,217,289
Total comprehensive income for the year	2,217,289	-	(288,655)	1,928,634
Balance at 30 June 2016	2,217,289	-	30,371,553	32,588,842

The above statements of changes in equity should be read in conjunction with the accompanying notes

Local Government New South Wales
Statements of cash flows
For the year ended 30 June 2016

	Note	LGNSW CONSOLIDATED		LGNSW	
		2016	2015	2016	2015
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		20,864,715	15,717,927	14,928,575	11,742,863
Payments to suppliers and employees		(18,576,012)	(16,319,138)	(13,191,489)	(12,905,634)
Investment income		1,007,262	881,910	1,005,456	1,061,411
Net cash from/(used in) operating activities	38	<u>3,295,965</u>	<u>280,699</u>	<u>2,742,542</u>	<u>(101,360)</u>
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		26,818	94,491	17,727	103,570
Net movements in investments		(3,045,895)	(728,209)	(3,045,895)	(1,092,297)
Purchase of property, plant and equipment		(415,961)	(162,701)	(292,529)	(45,674)
Purchase of intangibles		(11,424)	-	-	-
Net cash used in investing activities		<u>(3,446,462)</u>	<u>(796,419)</u>	<u>(3,320,697)</u>	<u>(1,034,401)</u>
Cash flows from financing activities					
Net receipts from other reporting units/controlled entity	39	-	-	300,000	536,831
Net movement in government grant funding received	29	1,430,752	82,869	1,430,752	82,869
Net cash from financing activities		<u>1,430,752</u>	<u>82,869</u>	<u>1,730,752</u>	<u>619,700</u>
Net increase/(decrease) in cash and cash equivalents		1,280,255	(432,851)	1,152,597	(516,061)
Cash and cash equivalents at the beginning of the financial year		783,204	1,216,055	480,547	996,608
Cash and cash equivalents at the end of the financial year	16	<u><u>2,063,459</u></u>	<u><u>783,204</u></u>	<u><u>1,633,144</u></u>	<u><u>480,547</u></u>

The above statements of cash flows should be read in conjunction with the accompanying notes

Local Government New South Wales
Recovery of wages activity
30 June 2016

	Note	LGNSW CONSOLIDATED		LGNSW	
		2016	2015	2016	2015
		\$	\$	\$	\$
Cash assets in respect of recovered money at beginning of year		-	-	-	-
Receipts					
Amounts recovered from employers in respect of wages etc.		-	-	-	-
Interest received on recovered money		-	-	-	-
Total receipts		-	-	-	-
Payments					
Deductions of amounts due in respect of membership for:					
- 12 months or less		-	-	-	-
- Greater than 12 months		-	-	-	-
- Deductions of donations or other contributions to accounts or funds of:					
The reporting unit:					
- Account		-	-	-	-
- Fund		-	-	-	-
Name of other reporting unit of the organisation:					
- Account		-	-	-	-
- Fund		-	-	-	-
- Name of other entity:					
- Account		-	-	-	-
- Fund		-	-	-	-
- Deductions of fees or reimbursement of expenses		-	-	-	-
- Payments to workers in respect of recovered money		-	-	-	-
Total payments		-	-	-	-
Cash assets in respect of recovered money at end of year		-	-	-	-
Number of workers to which the monies recovered relates		-	-	-	-
Aggregate payables to workers attributable to recovered monies but not yet distributed					
Payable balance		-	-	-	-
Number of workers the payable relates to		-	-	-	-
Fund or account operated for recovery of wages					
Fund		-	-	-	-

Note: LGNSW did not have any recovery of wages activity however under disclosure requirements the statement is required even if 'nil'.

The above statement of recovery of wages activity should be read in conjunction with the accompanying notes

Note 1. Statement by the Board

The financial statements cover both Local Government New South Wales as an individual entity and the Association consisting of Local Government New South Wales and the entities it controlled at the end of, or during, the year, together referred to as "the Association". The financial statements are presented in Australian dollars, which is the Association's functional and presentation currency.

The financial statements were authorised for issue on 24 August 2016.

Note 2. Significant accounting policies

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Association.

The following Accounting Standards and Interpretations are most relevant to the Association:

AASB 10 Consolidated Financial Statements

The Association has applied AASB 10 from 1 January 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The Association not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 12 Disclosure of Interests in Other Entities

The Association has applied AASB 12 from 1 January 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

Basis of preparation of the financial statements

The financial statements are general purpose financial statements that and have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board ('AASB') and the Associations Incorporations Act 1996, the Industrial Relations Act 1991 and Fair Work (Registered organisations) Act 2009. For the purpose of preparing the general purpose financial statements, Local Government New South Wales is a not-for-profit entity.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Comparative amounts

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Association's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Note 2. Significant accounting policies (continued)

Principals of Consolidation

Consolidated Entities

The following is the list of Consolidated entities. All Consolidated entities have a 30 June financial year end.

Association

By agreement dated 5 September 1994, and amended by agreement dated 26 July 2002, the Local Government Association of New South Wales ("LGA") and the Shires Association of New South Wales ("SA") (collectively referred to as "LGNSW") established an unincorporated joint venture (the "Secretariat") to be a joint operating fund. As from 1 March 2013 a new constitution came into effect, amalgamating the Local Government Association of NSW "LGA NSW" and the Shires Association of NSW "SA NSW" into a single organisation, namely the Local Government and Shires Association of New South Wales (the "Association"), known as Local Government NSW.

Local Government Procurement Partnership

Local Government Procurement Partnership is a partnership established on 18 November 2005. The partners of Local Government Procurement Partnership are LGP (LGA NSW) Pty Ltd and LGP (SA NSW) Pty Ltd, both companies incorporated and domiciled in Australia. The principal activity of the partnership during the financial year was providing tendering and purchasing service.

Local Government Procurement Partnership Pty Ltd

Local Government Procurement Partnership Pty Ltd is a proprietary company incorporated and domiciled in Australia. The company was incorporated on 18 November 2005. The company manages the principal activities of Local Government Procurement Partnership.

LGP (LGA NSW) Pty Ltd

LGP (LGA NSW) Pty Ltd is a proprietary company incorporated and domiciled in Australia. The company was incorporated on 18 November 2005. The company acts solely as trustee of a LGP (LGA NSW) Trust.

LGP (SA NSW) Pty Ltd

LGP (SA NSW) Pty Ltd is a proprietary company incorporated and domiciled in Australia. The company was incorporated on 18 November 2005. The company acts solely as trustee of a LGP (SA NSW) Trust.

LGP (LGA NSW) Trust

LGP (LGA NSW) Trust was formed on 8 December 2005. The beneficiary of the Trust is the Association as defined above.

LGP (SA NSW) Trust

LGP (SA NSW) Trust was formed on 8 December 2005. The beneficiary of the Trust is the Association as defined above.

All intercompany balances and transactions including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the Association.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Association and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Note 2. Significant accounting policies (continued)

Donation income

Donation income is recognised upon receipt.

Receivables

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rent

Rent revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Rendering of services

Revenue from the rendering of services is recognised upon the delivery of the service to customers.

All revenue is stated net of the amount of goods and services tax (GST).

Gains

Sale of assets

Gains and losses from disposal of assets are recognised when control of the asset has passed to the buyer.

Capitation fees and levies

Capitation fees and levies are recognised on an accrual basis and recorded as a revenue and/or expense in the year to which it relates.

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and termination benefits when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities for short-term employee benefits (as defined in AASB 119 Employee Benefits) and termination benefits which are expected to be settled within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits which are expected to be settled beyond twelve months are measured as the present value of the estimated future cash outflows to be made by the Association in respect of services provided by employees up to reporting date.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Provision is made for separation and redundancy benefit payments. The Association recognises a provision for termination as part of a broader restructuring when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations. A provision for voluntary termination is recognised when the employee has accepted the offer of termination.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

Note 2. Significant accounting policies (continued)

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Rental revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets and liabilities

Fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Held-to-maturity investments

Held-to-maturity investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the Association has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Held-to-maturity investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Note 2. Significant accounting policies (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

The Association assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Derecognition of financial assets

The reporting unit derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The reporting unit derecognises financial liabilities when, and only when, the reporting units obligations are discharged, cancelled or they expire. The difference between the carrying amounts of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant notes. They may arise from uncertainty as to the existence of a liability or asset or represent an existing liability or asset in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are disclosed when settlement is greater than remote.

Land, buildings, plant and equipment

Asset recognition threshold

Purchases of land, buildings, plant and equipment are recognised initially at cost in the Statement of Financial Position. The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Note 2. Significant accounting policies (continued)

Revaluations - land and buildings

Following initial recognition at cost, land and buildings are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient frequency such that the carrying amount of assets do not differ materially from those that would be determined using fair values as at the reporting date.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the profit or loss except to the extent that they reverse a previous revaluation increment for that class. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful life using, in all cases, the straight line method of depreciation. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

Buildings	2.5%
Furniture, Fixtures and Fittings	10%
Motor Vehicles	18.75%
Office Equipment	20%
Computer Equipment	33%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Association. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful life. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The useful lives of the Association's intangible assets are:

Website & Software Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Derecognition

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit and loss when the asset is derecognised.

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Taxation

The Association is exempt from income tax under section 50.15 of the Income Tax Assessment Act 1997 however still has an obligation for Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Association determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as land and buildings and investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. For the purpose of fair value disclosures, the Association has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Note 2. Significant accounting policies (continued)

Recognition of Grants and Other Contributions

Grants and other contributions are recognised as revenue when they have been expended for the purpose for which they were given. Any unexpended amounts are shown as liabilities.

Investment - StateCover Mutual Limited

LGNSW has facilitated the establishment and management of pooled Workers Compensation Insurance for its members, by way of a limited public company.

As part of this, LGNSW has provided \$3.0 million (in return for shares) to ensure that prudent financial reserve ratios required by APRA could be met. A fee is paid to LGNSW for this facilitation, governance and other services. The shares do not entitle LGNSW to any share of profits or distributions.

Members of the scheme are fully responsible under the terms of insurance (and the company's constitution) to ensure that the company's prudential solvency requirements are met by way of Capital Shortfall calls and thereby maintain the level of LGNSW's share capital.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Association for the annual reporting period ended 30 June 2016. The Association's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Association, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets.

A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI').

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures.

The Association will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Association.

Note 2. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfill a contract with a customer.

The Association will adopt this standard from 1 July 2017 onwards and is currently in the process of assessing its impact.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

The Association will adopt this standard from 1 July 2019 onwards and is currently in the process of assessing its impact.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Fair value measurement hierarchy

The Association is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The Association determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Association tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Association assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Association and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 4. Capitation fees income

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Capitation fees received	-	-	-	-

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Note 5. Levies

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Levies	-	-	-	-

Note 6. Investment income

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Interest from deposits held with financial institutions	752,741	1,032,786	750,935	1,030,243
Interest from related party	-	-	20,731	31,168
Dividends income from equity portfolio	254,521	90,402	254,521	90,402
Available for sale - unrealised losses	(305,673)	(60,045)	(305,673)	(60,045)
Held to maturity - unrealised losses	(19,525)	(121,999)	(19,525)	(121,999)
Loss on sale of investments	(95,731)	-	(95,731)	-
Total Investment income generated	586,333	941,144	605,258	969,769

Note 7. Grants or donations

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Grants income	1,284,712	1,865,498	1,284,712	1,865,498
Grants paid that were \$1,000 or more	(582,464)	(1,120,658)	(582,464)	(1,120,658)
Grant administration expense	(702,248)	(744,840)	(702,248)	(744,840)
Total grants	-	-	-	-

The Association does not fund grants and donations in its own capacity, but only acts in the capacity of an administrator of the respective grant programs. Administration includes providing managerial facilitation services and ensuring that grant funds and related donations are applied to meet the grants' objectives.

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
Donations				
Donations received	-	-	-	-
Donations paid	-	-	-	-
Total donations	-	-	-	-

Note 8. Employee benefits expense

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Holders of office				
Wages and salaries	(158,121)	(149,763)	(158,121)	(149,763)
Superannuation	(25,177)	(28,427)	(25,177)	(28,427)
Subtotal employee expenses - holders of office	(183,298)	(178,190)	(183,298)	(178,190)

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Note 8. Employee benefits expense (continued)

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
Employees other than holders of office				
Wages and salaries	(7,929,046)	(7,039,175)	(5,354,743)	(5,018,706)
Superannuation	(781,233)	(697,662)	(531,020)	(499,242)
Leave and other entitlements	(217,708)	(102,039)	(111,608)	(70,029)
Other employee expenses	(715,739)	(735,060)	(409,442)	(511,493)
Subtotal employee expenses - employees other than office holders	(9,643,726)	(8,573,936)	(6,406,813)	(6,099,470)
Total employee expenses	(9,827,024)	(8,752,126)	(6,590,111)	(6,277,660)

Note 9. Capitation fees paid

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Capitation fees paid	-	-	-	-

Note 10. Affiliation fees

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Australian Local Government Association	(568,582)	(555,008)	(568,582)	(555,008)

Note 11. Administration expenses

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Consideration to employers for payroll deductions	-	-	-	-
Compulsory levies	-	-	-	-
Fees/allowances - meeting and conferences	(105,173)	(143,964)	(105,173)	(143,964)
Conference and meeting expenses	(1,887,951)	(2,142,579)	(1,700,556)	(1,933,178)
Contractors/consultants	(650,184)	(597,607)	(508,608)	(421,535)
Governance expenses	(219,580)	(264,829)	(219,580)	(264,829)
Property expenses	(14,729)	(10,355)	-	(2,456)
Office expenses	(473,773)	(650,653)	(355,556)	(400,212)
Information communications technology	(149,776)	(107,089)	(66,221)	(45,840)
Other	(397,966)	(398,896)	(2,384)	(138,894)
Subtotal administration expenses	(3,899,132)	(4,315,872)	(2,958,150)	(3,350,908)
Operating lease rentals:				
Minimum lease payments	(202,864)	-	-	-
Total administration expenses	(4,101,996)	(4,315,872)	(2,958,150)	(3,350,908)

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Note 16. Current assets - cash and cash equivalents

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash on hand	2,056	1,056	1,000	1,000
Cash at bank	1,981,169	703,611	1,632,144	479,547
Cash on deposit	80,234	78,537	-	-
	<u>2,063,459</u>	<u>783,204</u>	<u>1,633,144</u>	<u>480,547</u>

Note 17. Current assets - trade and other receivables

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Trade receivables	5,498,659	8,222,690	3,718,310	6,455,223
Provision for doubtful debts	(45,000)	(45,000)	-	-
Loans to related parties	-	-	814,194	872,938
Interest and other receivable	3,949	136,247	3,949	136,247
GST receivable	236,318	241,480	146,216	143,672
	<u>5,693,926</u>	<u>8,555,417</u>	<u>4,682,669</u>	<u>7,608,080</u>

The Association does not have significant concentration of credit risk with respect to any single counterparty and manages its exposure as outlined in Note 33.

Note 18. Current assets - available-for-sale financial assets

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Mutual Investment - Equities	<u>4,803,768</u>	<u>4,630,549</u>	<u>4,803,768</u>	<u>4,630,549</u>

Note 19. Current assets - held to maturity investments

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Term deposits - Commonwealth Bank of Australia	5,396,471	2,822,769	5,396,471	2,822,769
Mutual Investment - Term deposits - Bank of Queensland	<u>3,303,229</u>	<u>102,430</u>	<u>3,303,229</u>	<u>102,430</u>
	<u>8,699,700</u>	<u>2,925,199</u>	<u>8,699,700</u>	<u>2,925,199</u>

Note 20. Current assets - prepayments

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Prepayments	368,317	377,763	306,026	276,069
Premium on investments	<u>34,749</u>	<u>61,199</u>	<u>34,749</u>	<u>61,199</u>
	<u>403,066</u>	<u>438,962</u>	<u>340,775</u>	<u>337,268</u>

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Note 21. Non-current assets - available-for-sale financial assets

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Shares in StateCover Mutual Limited	3,000,000	3,000,000	3,000,000	3,000,000

Note 22. Non-current assets - held to maturity investments

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Term deposit - Bank of Queensland	1,039,283	-	1,039,283	-
Mutual Investment - Fixed interest - Bank of Melbourne	2,000,000	2,000,000	2,000,000	2,000,000
Mutual Investment - Fixed interest - National Australia Bank	2,467,918	2,463,150	2,467,918	2,463,150
Mutual Investment - Fixed interest - ANZ Bank	984,725	1,988,175	984,725	1,988,175
Mutual Investment - Fixed interest - Bank of Queensland	-	3,303,229	-	3,303,229
Mutual Investment - Fixed interest - Bendigo Bank	2,943,592	2,996,434	2,943,592	2,996,434
Mutual Investment - Fixed interest - Westpac Bank	2,003,165	2,003,380	2,003,165	2,003,380
Mutual investment - Fixed interest - Commonwealth Bank of Australia	2,069,264	2,076,333	2,069,264	2,076,333
	<u>13,507,947</u>	<u>16,830,701</u>	<u>13,507,947</u>	<u>16,830,701</u>

Note 23. Non-current assets - land and buildings

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Land and buildings - at fair value	8,868,996	6,651,707	8,868,996	6,651,707
Less: Accumulated depreciation	(568,996)	(437,534)	(568,996)	(437,534)
	<u>8,300,000</u>	<u>6,214,173</u>	<u>8,300,000</u>	<u>6,214,173</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	6,214,173	6,345,635	6,214,173	6,345,635
Revaluation of land and building	2,217,289	-	2,217,289	-
Depreciation expense	(131,462)	(131,462)	(131,462)	(131,462)
Closing fair value	<u>8,300,000</u>	<u>6,214,173</u>	<u>8,300,000</u>	<u>6,214,173</u>

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Note 24. Non-current assets - property, plant and equipment

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Leasehold improvements - at cost	185,762	107,038	107,038	107,038
Less: Accumulated depreciation	(118,729)	(94,976)	(107,038)	(94,976)
	<u>67,033</u>	<u>12,062</u>	<u>-</u>	<u>12,062</u>
Fixtures and fittings - at cost	848,260	599,455	841,884	596,677
Less: Accumulated depreciation	(600,871)	(578,501)	(597,869)	(575,723)
	<u>247,389</u>	<u>20,954</u>	<u>244,015</u>	<u>20,954</u>
Motor vehicles - at cost	185,049	208,423	-	34,723
Less: Accumulated depreciation	(58,333)	(36,801)	-	(6,368)
	<u>126,716</u>	<u>171,622</u>	<u>-</u>	<u>28,355</u>
Office equipment - at cost	967,474	1,005,533	809,540	862,180
Less: Accumulated depreciation	(872,781)	(894,766)	(754,167)	(803,168)
	<u>94,693</u>	<u>110,767</u>	<u>55,373</u>	<u>59,012</u>
Paintings and artworks	<u>3,900</u>	<u>3,900</u>	<u>3,900</u>	<u>3,900</u>
	<u><u>539,731</u></u>	<u><u>319,305</u></u>	<u><u>303,288</u></u>	<u><u>124,283</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

LGNSW CONSOLIDATED	Leasehold Improvements	Furniture, Fixtures & Fittings*	Motor Vehicles	Office Equipment	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2014	33,470	58,575	224,043	147,571	463,659
Additions	-	-	111,147	50,431	161,578
Disposals	-	(636)	(124,042)	(2,474)	(127,152)
Depreciation expense	(21,408)	(33,085)	(39,526)	(84,761)	(178,780)
Balance at 30 June 2015	12,062	24,854	171,622	110,767	319,305
Additions	78,724	248,805	26,528	61,904	415,961
Disposals	-	-	(34,220)	(757)	(34,977)
Depreciation expense	(23,753)	(22,370)	(37,214)	(77,221)	(160,558)
Balance at 30 June 2016	<u><u>67,033</u></u>	<u><u>251,289</u></u>	<u><u>126,716</u></u>	<u><u>94,693</u></u>	<u><u>539,731</u></u>

* Furniture and Fixtures for the purposes of reconciliation includes the paintings and artworks balance.

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Note 24. Non-current assets - property, plant and equipment (continued)

LGNSW	Leasehold Improvements \$	Furniture, Fixtures & Fittings* \$	Motor Vehicles \$	Office Equipment \$	Total \$
Balance at 1 July 2014	33,470	57,993	103,753	105,880	301,096
Additions	-	-	33,363	10,949	44,312
Disposals	-	(727)	(97,480)	(2,144)	(100,351)
Depreciation expense	(21,408)	(32,412)	(11,281)	(55,673)	(120,774)
Balance at 30 June 2015	12,062	24,854	28,355	59,012	124,283
Additions	-	245,207	-	47,322	292,529
Disposals	-	-	(25,737)	(758)	(26,495)
Depreciation expense	(12,062)	(22,146)	(2,618)	(50,203)	(87,029)
Balance at 30 June 2016	-	247,915	-	55,373	303,288

* Furniture and Fixtures for the purposes of reconciliation includes the paintings and artworks balance.

Note 25. Non-current assets - intangible assets

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Website and software development - at cost	488,177	476,753	307,129	307,129
Less: Accumulated amortisation	(456,995)	(430,070)	(307,129)	(301,899)
	<u>31,182</u>	<u>46,683</u>	<u>-</u>	<u>5,230</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

LGNSW CONSOLIDATED	Website & Software Development \$	Total \$
Balance at 1 July 2014	134,063	134,063
Additions	31,971	31,971
Amortisation expense	(119,351)	(119,351)
Balance at 30 June 2015	46,683	46,683
Additions	11,424	11,424
Amortisation expense	(26,925)	(26,925)
Balance at 30 June 2016	<u>31,182</u>	<u>31,182</u>

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Note 25. Non-current assets - intangible assets (continued)

LGNSW	Website & Software Development \$	Total \$
Balance at 1 July 2014	97,076	97,076
Amortisation expense	(91,846)	(91,846)
Balance at 30 June 2015	5,230	5,230
Amortisation expense	(5,230)	(5,230)
Balance at 30 June 2016	-	-

Note 26. Non-current assets - investment in associates

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Investment in related party's Trust companies	-	-	36	36

Note 27. Current liabilities - trade and other payables

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Trade payables	202,340	535,828	84,958	139,235
Sundry payables and accrued expenses	1,150,580	1,515,589	97,067	787,622
GST payable	1,086,121	906,601	923,833	758,836
	<u>2,439,041</u>	<u>2,958,018</u>	<u>1,105,858</u>	<u>1,685,693</u>

All payables are expected to be settled within 12 months and related party payables included in trade payables amount to \$13,334, whilst legal payables amount to \$7,260. Nil amounts are included relating to payroll deductions.

Refer to note 33 for further information on financial instruments.

Note 28. Current liabilities - short term provisions

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Annual leave - Employees other than office holders	671,295	647,797	513,305	529,347
Long service leave - Employees other than office holders	16,367	-	-	-
	<u>687,662</u>	<u>647,797</u>	<u>513,305</u>	<u>529,347</u>

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Note 29. Current liabilities - other financial liabilities

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Scholarship funds held	580,644	565,505	580,644	565,505
Unspent government grants	3,474,397	2,058,784	3,474,397	2,058,784
Other deferred income	6,078,491	5,632,189	6,078,491	5,632,189
	<u>10,133,532</u>	<u>8,256,478</u>	<u>10,133,532</u>	<u>8,256,478</u>

Note 30. Non-current liabilities - employee provisions

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Long service leave - Employees other than office holders	<u>1,194,820</u>	<u>1,222,810</u>	<u>929,790</u>	<u>1,024,340</u>

Note 31. Equity - general funds

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revaluation surplus reserve	<u>2,217,289</u>	<u>-</u>	<u>2,217,289</u>	<u>-</u>

Note 32. Equity - retained earnings

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Retained earnings at the beginning of the financial year	30,659,070	30,142,881	30,660,208	30,144,019
Profit/(Loss) after income tax expense for the year	<u>(288,655)</u>	<u>516,189</u>	<u>(288,655)</u>	<u>516,189</u>
Retained earnings at the end of the financial year	<u>30,370,415</u>	<u>30,659,070</u>	<u>30,371,553</u>	<u>30,660,208</u>

Note 33. Financial instruments

Financial risk management policies

Managing the financial risk exposures of Local Government NSW ("LGNSW") is the responsibility of the Board committee ("Board"). The Board monitors LGNSW's financial risk management policies and exposures and approves financial transactions within the scope of its authority.

It also reviews the effectiveness of internal controls relating to counterparty credit risk, liquidity risk and interest rate risk.

The Board's overall risk management strategy seeks to assist LGNSW in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting year whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments which primarily expose LGNSW to interest rate risk are term deposits and cash and cash equivalents.

Note 33. Financial instruments (continued)

	2016		2015	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
LGNSW CONSOLIDATED				
Cash and cash equivalents	2.00%	2,063,459	2.50%	783,204
Receivables	-	5,457,608	-	8,313,937
Investments	4.00%	<u>30,011,415</u>	5.00%	<u>27,386,449</u>
Net exposure to cash flow interest rate risk		<u>37,532,482</u>		<u>36,483,590</u>

An official increase/decrease in interest rates of one hundred (2015: one hundred) basis points would have a deemed favourable/(adverse) effect on profit before tax of \$320,749/(\$320,749) (2015: \$281,696/(\$281,696)) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to LGNSW.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Depending on the division within LGNSW, credit terms are generally 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board has otherwise assessed as being financially sound.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting year excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 17.

Credit risk related to balances with banks and other financial institutions is managed by the Board in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA consist exclusively of term deposits products.

Liquidity risk

Liquidity risk arises from the possibility that LGNSW might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Association manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

LGNSW maintains a very strong cash investment position at all times and does not consider liquidity risk to be significant.

Financial assets pledged as collateral:

No financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts.

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Note 33. Financial instruments (continued)

The following tables detail the Association's expected maturity profile of its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
LGNSW CONSOLIDATED - 2016	\$	\$	\$	\$	\$
Financial liabilities					
<i>Non-interest bearing</i>					
Trade payables	2,439,041	-	-	-	2,439,041
Unspent government grants	1,599,855	2,455,186	-	-	4,055,041
Deferred income	6,078,491	-	-	-	6,078,491
Total non-derivatives	10,117,387	2,455,186	-	-	12,572,573

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
LGNSW CONSOLIDATED - 2015	\$	\$	\$	\$	\$
Financial liabilities					
<i>Non-interest bearing</i>					
Trade payables	2,958,018	-	-	-	2,958,018
Unspent government grants	1,679,457	944,832	-	-	2,624,289
Other deferred income	5,632,189	-	-	-	5,632,189
Total non-derivatives	10,269,664	944,832	-	-	11,214,496

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
LGNSW - 2016	\$	\$	\$	\$	\$
Financial liabilities					
<i>Non-interest bearing</i>					
Trade payables	1,105,858	-	-	-	1,105,858
Unspent government grants	1,599,855	2,455,186	-	-	4,055,041
Other deferred income	6,078,491	-	-	-	6,078,491
Total non-derivatives	8,784,204	2,455,186	-	-	11,239,390

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
LGNSW - 2015	\$	\$	\$	\$	\$
Financial liabilities					
<i>Non-interest bearing</i>					
Trade payables	1,685,693	-	-	-	1,685,693
Unspent government grants	1,679,457	944,832	-	-	2,624,289
Other deferred income	5,632,189	-	-	-	5,632,189
Total non-derivatives	8,997,339	944,832	-	-	9,942,171

The cash flows in the maturity analysis above are not expected to occur significantly earlier than disclosed above.

Note 33. Financial instruments (continued)

Fair values

Fair value estimation

The fair values of financial assets and financial liabilities can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the Association and Local Government NSW are as follows:

	2016		2015	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
LGNSW CONSOLIDATED				
<i>Assets</i>				
Cash and cash equivalents	2,063,459	2,063,459	783,204	783,204
Trade and other receivables	5,693,926	5,693,926	8,555,417	8,555,417
Term deposits	5,396,471	5,396,471	2,822,769	2,822,769
Mutual investments	16,811,176	16,811,176	16,933,131	16,933,131
Mutual equities	4,803,768	4,803,768	4,630,549	4,630,549
Shares in StateCover Mutual Limited (*)	3,000,000	3,000,000	3,000,000	3,000,000
	<u>37,768,800</u>	<u>37,768,800</u>	<u>36,725,070</u>	<u>36,725,070</u>
<i>Liabilities</i>				
Trade and other payables	(2,439,041)	(2,439,041)	(2,958,018)	(2,958,018)
Unspent government grants	(4,055,041)	(4,055,041)	(2,624,289)	(2,624,289)
Other deferred income	(6,078,491)	(6,078,491)	(5,632,189)	(5,632,189)
	<u>(12,572,573)</u>	<u>(12,572,573)</u>	<u>(11,214,496)</u>	<u>(11,214,496)</u>
	2016		2015	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
LGNSW				
<i>Assets</i>				
Cash and cash equivalents	1,633,144	1,633,144	480,547	480,547
Trade and other receivables	3,868,475	3,868,475	6,735,142	6,735,142
Term deposits	5,396,471	5,396,471	2,822,769	2,822,769
Mutual investments	16,811,176	16,811,176	16,933,131	16,933,131
Mutual equities	4,803,768	4,803,768	4,630,549	4,630,549
Shares in StateCover Mutual Limited (*)	3,000,000	3,000,000	3,000,000	3,000,000
Investment in LGP Trust Companies (*)	36	36	36	36
	<u>35,513,070</u>	<u>35,513,070</u>	<u>34,602,174</u>	<u>34,602,174</u>
<i>Liabilities</i>				
Trade and other payables	(1,105,858)	(1,105,858)	(1,685,693)	(1,685,693)
Unspent government grants	(4,055,041)	(4,055,041)	(2,624,289)	(2,624,289)
Other deferred income	(6,078,491)	(6,078,491)	(5,632,189)	(5,632,189)
	<u>(11,239,390)</u>	<u>(11,239,390)</u>	<u>(9,942,171)</u>	<u>(9,942,171)</u>

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Note 33. Financial instruments (continued)

* Investments represent equity instruments deemed held at fair value due to the rights and entitlements attached to those instruments.

Fair value hierarchy

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
LGNSW CONSOLIDATED - 2016				
Term deposits	-	5,396,471	-	5,396,471
Mutual investments	-	16,811,176	-	16,811,176
Mutual equities	4,803,768	-	-	4,803,768
Shares in StateCover Mutual Limited	-	3,000,000	-	3,000,000
	<u>4,803,768</u>	<u>25,207,647</u>	<u>-</u>	<u>30,011,415</u>
LGNSW CONSOLIDATED - 2015				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Term deposits	-	2,822,769	-	2,822,769
Mutual investments	-	16,933,131	-	16,933,131
Mutual equities	4,630,549	-	-	4,630,549
Shares in StateCover Mutual Limited	-	3,000,000	-	3,000,000
	<u>4,630,549</u>	<u>22,755,900</u>	<u>-</u>	<u>27,386,449</u>
LGNSW - 2016				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Term deposits	-	5,396,471	-	5,396,471
Mutual investments	-	16,811,176	-	16,811,176
Mutual equities	4,803,768	-	-	4,803,768
Shares in StateCover Mutual Limited	-	3,000,000	-	3,000,000
Investment in LGP Trust companies	-	-	36	36
	<u>4,803,768</u>	<u>25,207,647</u>	<u>36</u>	<u>30,011,451</u>
LGNSW - 2015				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Term deposits	-	2,822,769	-	2,822,769
Mutual investments	-	16,933,131	-	16,933,131
Mutual equities	4,630,549	-	-	4,630,549
Shares in StateCover Mutual Limited	-	3,000,000	-	3,000,000
Investment in LGP Trust companies	-	-	36	36
	<u>4,630,549</u>	<u>22,755,900</u>	<u>36</u>	<u>27,386,485</u>

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Note 34. Related party disclosures

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenue received from Local Government Procurement Partnership includes the following:				
Cost contribution income	-	-	220,525	799,754
Interest revenue	-	-	20,731	31,168
	-	-	241,256	830,922

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
Amounts owed by Local Government Procurement Partnership include the following				
Trade and other payables	-	-	(814,194)	(872,938)

Note 35. Key management personnel disclosures

Boards

Key management personnel, as defined by the Association, represent the president of the Board at the head of the Association: Councillor Keith Rhoades

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Short-term employee benefits				
Salary (including annual leave taken)	158,121	149,763	158,121	149,763

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
Post-employment benefits				
Superannuation	15,022	14,228	15,022	14,228

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Other long-term benefits				
Long service leave	-	-	-	-

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
Termination benefits	-	-	-	-

Transactions between key management personnel and their close family members

There were no transaction between key management personnel and their close family members for the years ended 30 June 2016 and 30 June 2015.

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Note 36. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by , the auditor of the Local Government NSW:

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
<i>Audit services -</i>				
Audit of the financial statements	29,000	24,463	19,395	18,672
<i>Other services -</i>				
Tax consulting services	6,985	1,420	6,985	1,420
	<u>35,985</u>	<u>25,883</u>	<u>26,380</u>	<u>20,092</u>

Note 37. Contingent liabilities, assets and commitments

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
<i>Commitments for minimum lease payments in relation to operating leases are as follows</i>				
Not later than 12 months	323,424	-	-	-
Between 12 months and 5 years	1,024,171	-	-	-
	<u>1,347,595</u>	<u>-</u>	<u>-</u>	<u>-</u>

The operating lease represents the office leases by a related party for Suite 13.01, Level 55 Clarence St, Sydney. The lease agreement terminates on 31 August 2020 with an option for another 5 years. The lease was signed on 1 August 2015 and no commitment existed in previous financial years, when operations were conducted from group owned premises.

The Association has obtained bank guarantees for the purpose of rental contracts amounting to \$197,140 (2015: \$nil) provided by Commonwealth Bank.

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Note 38. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Profit/(Loss) after income tax expense for the year	(288,655)	516,189	(288,655)	516,189
Adjustments for:				
Depreciation and amortisation	318,945	429,593	223,721	344,082
Net loss / (gain) on disposal of property, plant and equipment	7,612	5,535	8,222	(1,856)
Capital (loss) / gain on floating rate note investments	325,198	182,044	325,198	182,044
Net loss on sale of investments	95,731	-	95,731	-
Cost contribution income	-	-	(220,525)	(817,754)
Change in operating assets and liabilities:				
Decrease / (increase) in trade and other receivables	2,861,491	(831,584)	3,087,192	(256,661)
Decrease / (increase) in prepayments	35,896	144,414	(3,507)	209,330
(Decrease) / increase in trade payables and accruals	(518,430)	31,609	(820,545)	(47,623)
Increase / (decrease) in deferred income	446,302	(120,776)	446,302	(120,776)
Increase / (decrease) in provisions	11,875	(76,325)	(110,592)	(108,335)
Net cash from/(used in) operating activities	<u>3,295,965</u>	<u>280,699</u>	<u>2,742,542</u>	<u>(101,360)</u>

Note 39. Cash flow information

	LGNSW CONSOLIDATED		LGNSW	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash inflows				
Local Government Procurement Partnership	-	-	300,000	536,831
	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>536,831</u>

Note 40. Events after the reporting period

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Association's operations, the results of those operations, or the Association's state of affairs in future financial years.

LGNSW MEMBERS

Ordinary Members

Albury City Council

Armidale Dumaresq Council #

Armidale Regional Council *

Ashfield Council #

Auburn City Council #

Ballina Shire Council

Balranald Shire Council

Bankstown City Council #

Bathurst Regional Council

Bega Valley Shire Council

Bellingen Shire Council

Berrigan Shire Council

Blacktown City Council

Bland Shire Council

Blayney Shire Council

Blue Mountains City Council

Bogan Shire Council

Bombala Council #

Boorowa Council #

Botany Bay City Council

Bourke Shire Council

Brewarrina Shire Council

Broken Hill City Council

Burwood Council

Byron Shire Council

Cabonne Council

Camden Council

Campbelltown City Council

Canterbury-Bankstown Council *

Canterbury City Council #

Carrathool Shire Council

Central Coast Council *

Central Darling Council

Cessnock City Council

City of Canada Bay Council

City of Parramatta Council *

City of Ryde Council

City of Sydney Council

Clarence Valley Council

Cobar Shire Council

Coffs Harbour City Council

Conargo Shire Council #

Coolamon Shire Council

Cooma-Monaro Shire Council #

Coonamble Shire Council

Cootamundra-Gundagai
Regional Council*

Corowa Shire Council #

Cowra Council

Cumberland Council *

Deniliquin Council #

Dubbo Regional Council*

Dungog Shire Council

Edward River Council *

Eurobodalla Shire Council

Fairfield City Council

Federation Council *

Forbes Shire Council

Georges River Council *

Gilgandra Shire Council

Glen Innes Severn Council

Gloucester Shire Council #

Gosford City Council #

Goulburn Mulwaree Council

Great Lakes Council #

Greater Hume Shire Council

Greater Taree City Council #

Griffith City Council

Gundagai Shire Council #

Gunnedah Shire Council

Guyra Shire Council #

Gwydir Shire Council

Harden Shire Council #

Hawkesbury City Council

Hay Shire Council

Hilltops Council *

Holroyd City Council #

Hornsby Shire Council

Hunters Hill Council

Hurstville City Council #

Inner West Council *

Inverell Shire Council

Jerilderie Shire Council #

Junee Shire Council

Kempsey Shire Council

Kiama Municipal Council

Kogarah City Council #

Ku-Ring-Gai Council

Kyogle Council

Lachlan Shire Council

Lake Macquarie City Council

Lane Cove Council

Leeton Shire Council

Leichhardt Municipal Council #

Lismore City Council

Lithgow Council

Liverpool City Council

Liverpool Plains Shire Council

Lockhart Shire Council

Maitland City Council

Manly Council #

Marrickville Council #

Mid-Coast Council *

Mid-Western Regional Council



Moree Plains Shire Council
 Mosman Council
 Murray River Council *
 Murray Shire Council #
 Murrumbidgee Council *
 Murrumbidgee Shire Council #
 Muswellbrook Shire Council
 Nambucca Shire Council
 Narrabri Shire Council
 Narrandera Shire Council
 Narromine Shire Council
 Newcastle City Council
 Northern Beaches Council *
 North Sydney Council
 NSW Aboriginal Land Council
 Oberon Council
 Orange City Council
 Palerang Council #
 Parkes Shire Council
 Parramatta City Council #
 Penrith City Council
 Pittwater Council #
 Port Macquarie-Hastings Council
 Port Stephens Council
 Queanbeyan City Council #
 Queanbeyan-Palerang Regional Council *
 Randwick City Council
 Richmond Valley Council
 Rockdale City Council
 Shellharbour City Council
 Shoalhaven City Council
 Singleton Council
 Snowy Monaro Regional Council *
 Snowy River Shire Council #
 Snowy Valleys Council *

Strathfield Council
 Sutherland Shire Council
 Tamworth Regional Council
 Temora Shire Council
 Tenterfield Shire Council
 The Hills Shire Council
 Tumbarumba Shire Council #
 Tumut Shire Council #
 Tweed Shire Council
 Upper Hunter Shire Council
 Upper Lachlan Shire Council
 Uralla Shire Council
 Urana Shire Council #
 Wagga Wagga City Council
 Wakool Shire Council #
 Walcha Council
 Walgett Shire Council
 Warren Shire Council
 Warringah Council #
 Warrumbungle Shire Council
 Waverley Council
 Weddin Shire Council
 Wellington Council #
 Wentworth Shire Council
 Willoughby City Council
 Wingecarribee Shire Council
 Wollondilly Shire Council
 Wollongong City Council
 Woollahra Municipal Council
 Wyong Shire Council #
 Yass Valley Council
 Young Shire Council #

Associate Members

Castlereagh-Macquarie County Council
 Central Murray County Council
 Central Tablelands County Council
 Far North Coast County Council
 Goldenfields Water County Council
 Hawkesbury River County Council
 Lord Howe Island Board
 MidCoast County Council
 New England Tablelands (Noxious Plants) County Council
 Norfolk Island Advisory Council
 Richmond River County Council
 Riverina Water County Council
 Rous County Council
 Upper Macquarie County Council

Councils dissolved by proclamation on 12 May 2016.

* Councils created on 12 May 2016. Predecessor councils that were dissolved and merged into these new councils were all 2015/16 financial members. New merged councils were treated as members for the remainder of the financial year.



LGNSW thanks the following for generously donating photographs: City of Canada Bay Council, Inner West Council, Richmond Valley Council, Burwood Council, Canterbury-Bankstown Council, Wingecarribee Shire Council, Bogan Shire Council, Goulburn Mulwaree Council, Walgett Shire Council.

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