

BUSINESS PAPER

ORDINARY MEETING

Thursday 21 June 2018 6.00pm Council Chambers, Crookwell

TABLELANDS REGIONAL COUNCIL'S VISION

To build and maintain sustainable communities while retaining the region's natural beauty.

COUNCIL'S MISSION

To provide services and facilities to enhance the quality of life and economic viability within the Council area.

COUNCIL'S AIMS

To perform services in a cost efficient, effective and friendly manner in order to achieve Council's Mission in meeting the annual objectives and performance targets of the principal activities Council undertakes on behalf of the community.

NOTICE OF MEETING

13 June 2018

Councillors

Dear Members

Ordinary Meeting of Council

Notice is hereby given that the next Ordinary Meeting of Council will take place on Thursday 21 June 2018 in the Council Chambers, Crookwell commencing at 6.00pm.

Your presence is requested.

Yours faithfully

Gary Woodman

Acting General Manager

Upper Lachlan Shire Council

AGENDA

ACKNOWLEDGEMENT OF COUNTRY

I would like to acknowledge the Traditional Custodians of this Land. I would also like to pay respect to the Elders past and present, of the Wiradjuri Nation, and extend that respect to other Aboriginals present.

1	APO	LOGIES AND LEAVE OF ABSENCE	
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UPPER LACHLAN SHIRE COUNCIL LEAVE OF ABSENCE

General Manager Upper Lachlan Shire Council Spring Street CROOKWELL NSW 2583

Dear Sir

I wish to apply for leave of absence from the Council Meeting to be held on Date:

I will be absent for the following reason/s:

Yours faithfully

(Councillor Signature)

ETHICAL DECISION MAKING AND CONFLICTS OF INTEREST

A GUIDING CHECKLIST FOR COUNCILLORS, OFFICERS AND COMMUNITY COMMITTEES

ETHICAL DECISION MAKING

- Is the decision or conduct legal?
- Is it consistent with Government policy, Council's objectives and Code of Conduct?
- What will the outcome be for you, your colleagues, the Council, anyone else?
- Does it raise a conflict of interest?
- Could your possible conflict of interest lead to private gain or loss at public expense?
- Can the decision be justified in terms of public interest?
- Would it withstand public scrutiny?

CONFLICT OF INTEREST

- A conflict of interest is a clash between private interest and public duty. There are two types of conflict:
 - 1. Pecuniary regulated by the *Local Government Act* and Office of Local Government and,
 - 2. Non-pecuniary regulated by Codes of Conduct and policy, ICAC, Ombudsman, Department of Local Government (advice only).

THE TEST FOR CONFLICT OF INTEREST

- Is it likely I could be influenced by personal interest in carrying out my public duty?
- Would a fair and reasonable person believe I could be so influenced?
- Conflict of interest is closely tied to the layperson's definition of "corruption" using public office for private gain.
- Important to consider public perceptions of whether you have a conflict of interest.

IDENTIFYING PROBLEMS

- 1st Do I have private interest affected by a matter I am officially involved in?
- 2nd Is my official role one of influence or perceived influence over the matter?
- 3rd Do my private interest conflict with my official role?

Whilst seeking advice is generally useful, the ultimate decision rests with the person concerned.

AGENCY ADVICE

Officers of the following agencies are available during office hours to discuss the obligations placed on Councillors, Officers and Community Committee members by various pieces of legislation, regulation and Codes.

Contact	Phone	Email	Website
Upper Lachlan Shire Council	(02) 4830 1000	council@upperlachlan.nsw.gov.au	www.upperlachlan.nsw.gov.au
ICAC	(02)8281 5999 Toll Free 1800463909	icac@icac.nsw.gov.au	www.icac.nsw.gov.au
Office of Local Government	(02) 4428 4100	olg@olg.nsw.gov.au	www.olg.nsw.gov.au
NSW Ombudsman	(02) 9286 1000 Toll Free 1800451524	nswombo@ombo.nsw.gov.au	www.ombo.nsw.gov.au

UPPER LACHLAN SHIRE COUNCIL COUNCILLORS DISCLOSURE OF A

PECUNIARY INTEREST

PURSUANT TO SECTION 451 OF THE NSW LOCAL GOVERNMENT ACT 1993 (AS AMENDED)

To the General Manager	
I,	
Declare a Conflict of Interest, being a PECUNIA	RY Interest.
COUNCIL MEE	TING
Name of Meeting	
Date of Meeting	
Page Number Ite	m Number
Subject	
Reason for Interest	
OTHER THAN COUNCI	L MEETINGS
Reason for Interest	
Signature	Date

COUNCILLORS DISCLOSURE OF A

NON-PECUNIARY INTEREST

PURSUANT TO SECTION 451 OF THE NSW LOCAL GOVERNMENT ACT 1993 (AS AMENDED)

To the General Manager				
I,				
Declare a Conflict of Interest, being a NON-	PECUNIARY Interest.			
□ Significant	□ Non Significant			
COUNCI	L MEETINGS			
Name of Meeting				
Date of Meeting				
Page Number	Item Number			
Subject				
Reason for Interest				
As a result of my non-pecuniary interest, my	v involvement in the meeting will be as follows:			
Option A – Make a declaration, stay in	the Chamber, participate in the debate, and vote.			
Option B – Make a declaration, stay in vote.	the Chamber, participate in the debate, but not			
Option C – Make a declaration, stay in the Chamber for the vote.	the Chamber, participate in the debate, but leave			
Option D – Make a declaration, stay in vote.	the Chamber, not participate in the debate, but			
Option E – Make a declaration, stay in not vote.	the Chamber, not participate in the debate and			
Option F – Make a declaration, do not upon making the declaration, and not re	participate in the debate, leave the Chamber eturn until the matter is resolved.			
Signature	Date			

4	CONFIRMATION OF MINUTES
The	following minutes are submitted for confirmation -
4.1	Minutes of the Ordinary Meeting of Council of 17 May 201812

MINUTES OF THE

ORDINARY MEETING OF COUNCIL

HELD IN THE COUNCIL CHAMBERS

ON 17 MAY 2018

PRESENT:

Mayor B McCormack (Chairperson), Clr P Culhane, Clr P Kensit, Clr R Opie, Clr J Stafford, Clr R Cummins, Clr J Searl, Mr G Woodman (Acting General Manager), Mr A Croke (Director Finance and Administration), Mr M Shah (Director of Works and Operations), Mrs T Dodson (Director of Environment & Planning), Mr L Moloney (Manager Operations), Mrs H Peterson (Executive Assistant) and Ms D Crosbie (Media Officer)

THE MAYOR DECLARED THE MEETING OPEN AT 6.00PM

SECTION 1: APOLOGIES & LEAVE OF ABSENCE

Apologies were received for the absence of Clr J Wheelwright and Clr D O'Brien.

122/18 RESOLVED by Clr Searl and Clr Kensit that the apologies be received

and the leave of absence granted.

SECTION 2: CITIZENSHIP CEREMONY

Nil

SECTION 3: DECLARATIONS OF INTEREST

Clr Richard Opie – Declared a Pecuniary Interest in Item 19.4 – Streetscape Design Project as he is a part owner of a property in the main street and will make the declaration, leave the Chamber and not return until the matter is resolved.

SECTION 4: CONFIRMATION OF MINUTES

123/18 RESOLVED by Clr Searl and Clr Stafford

That the minutes of the Ordinary Council Meeting held on 19 April 2018 be adopted.

- CARRIED

MINUTES OF THE

ORDINARY MEETING OF COUNCIL

HELD IN THE COUNCIL CHAMBERS

ON 17 MAY 2018

A motion was moved by Clr Culhane and Clr Cummins that a report be prepared by the Information Systems Coordinator on the feasibility of recording/webcasting of Council Meetings.

On being put to the meeting the motion was carried.

124/18 RESOLVED by Clr Culhane and Clr Cummins that a report be

prepared by the Information Systems Coordinator on the feasibility

of recording/webcasting of Council Meetings.

SECTION 5: MAYORAL MINUTES

ITEM 5.1 MAYORAL MINUTE - APRIL/MAY 2018

125/18 RESOLVED by Mayor McCormack and Clr Searl

That Council receive and note the activities attended by the Mayor for

March/April 2018.

- CARRIED

ITEM 5.2 MAYORAL MINUTE - COLLECTOR VILLAGE PUMPKIN FESTIVAL

126/18 RESOLVED by Mayor McCormack and Clr Searl

That Council receive and note the Collector Village Pumpkin Festival

Mayoral Minute.

- CARRIED

MINUTES OF THE

ORDINARY MEETING OF COUNCIL

HELD IN THE COUNCIL CHAMBERS

ON 17 MAY 2018

MAYORAL MINUTE - TEAM PENNING EVENT ITEM 5.3 127/18

RESOLVED by Mayor McCormack and Clr Searl

That Council receive and note the Team Penning Mayoral Minute.

- CARRIED

ITEM 5.4 MAYORAL MINUTE - CROOKWELL POTATO FESTIVAL

RESOLVED by Mayor McCormack and Clr Searl 128/18

That Council receive and note the Crookwell Potato Festival Mayoral

Minute.

- CARRIED

SECTION 6: PRESENTATIONS TO COUNCIL/PUBLIC

Nil

SECTION 7: CORRESPONDENCE

ITEM 7.1 CORRESPONDENCE FOR THE MONTH OF MAY 2018

129/18

RESOLVED by Clr Searl and Clr Stafford

That Item 7.1 - [Correspondence/Information] listed below be received:

Australian Local Government Association - Federal Budget submission summary 2018/2019.

A motion was moved by CIr Cummins and CIr Kensit that Council makes representations to our local Federal Member, the Hon. Angus Taylor MP for funding of a transport hub in the Shire.

On being put to the meeting the motion was carried.

MINUTES OF THE

ORDINARY MEETING OF COUNCIL

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ON 17 MAY 2018

130/18

<u>RESOLVED</u> by Clr Cummins and Clr Kensit that Council makes representations to our local Federal Member, the Hon. Angus Taylor MP for funding of a transport hub in the Shire.

- CARRIED

- 2. Crookwell RSL Sub Branch Letter of thanks to Council for support ANZAC Day Services 2018.
- 3. Bigga Progress Association Complaint about Greenmantle Road Grid.
- 4. Australian Agricultural Centre Update on Funding for Council.

- CARRIED

SECTION 8: LATE CORRESPONDENCE

Nil

SECTION 9: INFORMATION ONLY

ITEMS 9. – 9. INFORMATION ONLY ITEMS FOR APRIL 2018

131/18 RESOLVED by Clr Searl and Clr Stafford

1. Items 9.1, 9.2, 9.3, 9.4, 9.5 and 9.6 be received and noted.

- CARRIED

The Mayor asked Councillors to identify any items of business listed that they wish to speak on – Clr Cummins indicated he wished to speak on items 9.7 and 9.8 and Clr Opie indicated he wished to speak on items 9.9.

MINUTES OF THE

ORDINARY MEETING OF COUNCIL

HELD IN THE COUNCIL CHAMBERS

ON 17 MAY 2018

ITEM 9.7	RV FRIENDLY TOWN PROGRAM - POTENTIAL SITES IN CROOKWELL
132/18	RESOLVED by Clr Cummins and Clr Opie

- 1. Council receive and note the report as information;
- 2. Council staff continue to investigate the potential of the site and prepare a further report to Council.

- CARRIED

ITEM 9.8 STAFFING MATTERS133/18 <u>RESOLVED</u> by Clr Cummins and Clr Searl

1. Council receive and note the report as information.

- CARRIED

17 ACTION SUMMARY - COUNCIL DECISIONS134/18 RESOLVED by Clr Opie and Clr Stafford

1. Council receive and note the report as information.

- CARRIED

MINUTES OF THE

ORDINARY MEETING OF COUNCIL

HELD IN THE COUNCIL CHAMBERS

ON 17 MAY 2018

REPORTS FROM STAFF AND STANDING COMMITTEES

SECTION 10: ENVIRONMENT AND PLANNING

ITEM 10.1 PROJECT BRIEF FOR THE ECONOMIC DEVELOPMENT

REVITALISATION AND ACTION PLAN

135/18 <u>RESOLVED</u> by Clr Searl and Clr Culhane

1. Council review the draft Economic Development Revitalisation and Action Plan Project Brief and add comments/ideas to the specified areas.

Councillors who voted for:- Clrs P Culhane, R Cummins, P

Kensit, B McCormack, R Opie, J

Searl and J Stafford

Councillors who voted against:- Nil

- CARRIED

SECTION 11: WORKS AND OPERATIONS

ITEM 11.1 COMPULSORY ROAD WIDENING ACQUISITION - OBERON ROAD

CURRAWEELA

136/18 RESOLVED by Clr Searl and Clr Kensit

1. Council acquire Lot 1 in the Plan of Acquisition comprising 754 m2 DP 1232215 under the Land Acquisition (Just Terms) Compensation Act 1991.

- 2. Council seeks the consent of the Governor of NSW and Minister of Local Government to the compulsory acquisition of such land for the purposes of road widening under the Roads Act 1993.
- 3. The acquisition is completed in accordance with the Native Title Act 1993.

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ON 17 MAY 2018

- 4. The consent of both NSW Department of Industry Lands and Local Land Services to the acquisition be sought and that any compensation payable be in accordance with Section 55 of the Land Acquisition (Just Terms) Compensation Act.
- 5. Council authorise the Mayor and Acting General Manager to sign and seal the documents relating to the transaction, as required.

- CARRIED

ITEM 11.2 FUNDING GUNDAROO ROAD ALLOCATION OF BLACKSPOT FUNDING 2018/19

137/18 <u>RESOLVED</u> by Clr Searl and Clr Kensit

- 1. Council reallocate \$213,330 from the Gundaroo Road (MR52) project for 2017/18 Financial Year to fund additional unsealed and sealed urban and local road maintenance:
- 2. Council continue to fund the entire scope of the project using a revised estimate of \$1,100,000.

CARRIED

ITEM 11.3 EPA CORRESPONDENCE

138/18 <u>RESOLVED</u> by Clr Searl and Clr Culhane

1. Council receive the report and note the information.

- CARRIED

MINUTES OF THE

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ON 17 MAY 2018

139/18 LOCAL TRAFFIC COMMITTEE MEETING HELD 22 FEBRUARY 2018 RESOLVED by Cir Searl and Cir Stafford

- 1. Council accepts the recommendations of the Local Traffic Committee minutes as attached for all items except item 4.2;
- 2. Council notes the expenditure of approximately \$31,000 to implement the recommendations of the Local Traffic Committee excepting item 4.2;
- 3. Council refers item 4.2 back to the Local Traffic Committee for further consideration;

- CARRIED

ITEM 11.5 INSTITUTE OF PUBLIC WORKS ENGINEERS AUSTRALASIA - NSW DIVISION - LOCAL ROADS CONGRESS

140/18 RESOLVED by Clr Searl and Clr Stafford

1. Council appoints Mayor Brian McCormack to attend the NSW Roads Congress along with Director of Works and Operations.

- CARRIED

MINUTES OF THE

ORDINARY MEETING OF COUNCIL

HELD IN THE COUNCIL CHAMBERS

ON 17 MAY 2018

SECTION 12: FINANCE AND ADMINISTRATION

ITEM 12.1 QUARTERLY BUDGET REVIEW STATEMENTS - 3RD QUARTER

2017/2018

141/18 RESOLVED by Clr Searl and Clr Culhane

 Council adopts the 3rd Quarter Budget Review Statements for 2017/2018 including revotes of income and expenditure to the Operational Plan; and

2. Council endorses the Operational Plan Performance Summary Report.

- CARRIED

SECTION 13: ACTING GENERAL MANAGER

ITEM 13.1 LOCAL GOVERNMENT NSW ANNUAL CONFERENCE 2018

MOVED by Clr Searl and Clr Kensit

 The Mayor and Deputy Mayor will attend the Annual Conference of Local Government NSW as the Council's Delegates and the General Manager as the Council's Observer and the Council delegates and observer will be reimbursed reasonable out of pocket expenses including any costs associated with the Mayor, Deputy Mayor and General Manager and their partners attending the Annual Conference Dinner.

- CARRIED

An amendment was moved by Clr Stafford and Clr Opie

That the Mayor or alternate delegate will attend the Annual Conference of Local Government NSW as the Council's Delegate and the General Manager as the Council's Observer and the Council delegate and observer will be reimbursed reasonable out of

MINUTES OF THE

ORDINARY MEETING OF COUNCIL

HELD IN THE COUNCIL CHAMBERS

ON 17 MAY 2018

pocket expenses including any costs associated with the Mayor or alternate delegate and General Manager and their partners attending the Annual Conference Dinner.

On being put to the meeting the amendment was carried and became the motion.

On being put to the meeting the motion was carried.

142/18

That the Mayor or alternate delegate will attend the Annual Conference of Local Government NSW as the Council's Delegate and the General Manager as the Council's Observer and the Council delegate and observer will be reimbursed reasonable out of pocket expenses including any costs associated with the Mayor or alternate delegate and General Manager and their partners attending the Annual Conference Dinner.

SECTION 14: LATE REPORTS

ITEM 14.1 LATE REPORT FOR THE MONTH OF MAY 2018

143/18 RESOLVED by Clr Searl and Clr Opie

That Item 14.1 - [Minutes of Committee/Correspondence/Information] listed below be received:

1. Economic Development Task Force Committee – Minutes from meeting held 1 May 2018.

ITEM – CORRESPONDENCE – CLR CULHANE RESIGNATION RECOMMENDATION:

That a letter be sent to Clr Paul Culhane thanking him for his time and commitment to the EDTF Committee.

ITEM 4.1 VALUATION OF LAND LOT 3 DP1112816 SALEYARDS AND LAGGAN ROADS RECOMMENDATION:

That Council deliberate whether it is appropriate to consider the opportunity of a joint venture between Council and CTAC concerning the use of the adjacent land.

144/18

RESOLVED by Clr Searl and Clr Opie that Item Correspondence and Item 4.1 from the Economic Development Committee be adopted.

- CARRIED

MINUTES OF THE

ORDINARY MEETING OF COUNCIL

HELD IN THE COUNCIL CHAMBERS

ON 17 MAY 2018

NEW REPRESENTATIVE ON THE ECONOMIC DEVELOPMENT

TASK FORCE.

145/18 RESOLVED by Clr Opie and Clr Kensit that Council nominates Clr

Searl to be on the Economic Development Task Force Committee.

SECTION 15: REPORTS FROM OTHER COMMITTEES, SECTION 355

COMMITTEES AND DELEGATES

ITEM 15.1 REPORTS FOR THE MONTH OF MAY 2018

146/18 <u>RESOLVED</u> by Clr Searl and Clr Kensit

That Item 15.1 - [Minutes of Committee/Information] listed below be received:

- 1. Pye Cottage Precinct Committee s355 Minutes from meeting held 28 March 2018.
- 2. Traffic Committee Minutes from meeting held 22 February 2018.

SEE ITEM 11.4 FOR ADOPTION OF RECOMMENDATIONS

- CARRIED

SECTION 16: BUSINESS WITHOUT NOTICE

Nil

SECTION 17: NOTICES OF MOTION

Nil

SECTION 18: QUESTIONS WITH NOTICE

Nil

CLOSED COUNCIL ITEMS

In accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2005, in the opinion of the General Manager, the following business is of a kind as referred to in 10A (2) (a), 10A (2) (c) and 10A (2) (d(i)) of the Act and should be dealt with in a part of the meeting closed to the public and the media.

MINUTES OF THE

ORDINARY MEETING OF COUNCIL

HELD IN THE COUNCIL CHAMBERS

ON 17 MAY 2018

Note: Pursuant to Clause 25(1) of the Local Government (Meetings) Regulation, Council invites verbal representation by members of the public about whether the items listed below should not be considered by Council in a Closed Meeting. The items are:

147/18 RESOLVED by Clr Opie and Clr Searl

- 1. That Council move into Closed Council to consider business identified, together with any late reports tabled at the meeting.
- 2. That pursuant to the Local Government Act 1993: the press and public be excluded from the meeting on the basis that the business to be considered is classified confidential under the provisions of section 10A (2) (a), 10A (2) (c) and 10A (2) (d(i)) as outlined above.
- 3. That the report relevant to the subject business be withheld from access to the media and public as required by section 11(2) of the Local Government Act, 1993.

Council closed its meeting at 8.03pm and the public, staff and press left the chambers.

The time being 8.04pm the meeting adjourned. The time being 8.15pm the meeting resumed.

148/18 RESOLVED by Clr Searl and Clr Stafford

That Council move out of Closed Council and into Open Council.

- CARRIED

Open Council resumed at 9.31pm.

Resolutions from the Closed Council Meeting

The following resolutions of Council, while the meeting was closed to the public, were read to the meeting by the Mayor.

MINUTES OF THE

ORDINARY MEETING OF COUNCIL

HELD IN THE COUNCIL CHAMBERS

ON 17 MAY 2018

SECTION 19: CONFIDENTIAL SESSION

ITEM 19.1 STAFFING MATTER – QUESTION WITH NOTICE

Refer to the Business Paper for Council Meeting held 17 May 2018 for the response.

ITEM 19.2 REALIGNMENT OF WORKS AND OPERATIONS

149/18 RESOLVED by Clr Searl and Clr Stafford

- 1. Council allocate \$70,000 to fund the proposed realignment of Works and Operations using unrestricted cash reserves;
- 2. Council approves the proposed realignment and restructure of Works and Operations and the engagement of a suitable consultant to undertake the proposed works;
- 3. Council authorise the Director of Works and Operations to implement the Council resolution.

- CARRIED

ITEM 19.3 REPLACEMENT OF TRAILER

150/18 RESOLVED by Clr Searl and Clr Kensit

1. Council purchase one Super Dog Trailer from M & S Trailers for the sum of \$77,000 (Ex GST) using funds from the restricted Plant Reserve.

- CARRIED

Clr Opie left the meeting in accordance with his declaration the time being 9.25pm.

MINUTES OF THE ORDINARY MEETING OF COUNCIL HELD IN THE COUNCIL CHAMBERS

ON 17 MAY 2018

ITEM 19.4	REPORT ON THE STREETSCAPE PROJECT
151/18	RESOLVED by Clr Searl and Clr Kensit

- 1. Council accepts the alternative proposal submitted by Fresh Landscape Design for a total sum of \$88,690 ex GST.
- 2. The streetscape working party is renamed as Streetscape Project Control Group (PCG) with the addition of Project Manager as an additional member of the group.

- CARRIED

CIr Opie returned to the meeting the time being 9.29pm

THE MEETING CLOSED AT 9.30pm

Minutes confirmed 21 JUNE 2018

Mayor

5 MAYORAL MINUTES

The following item is submitted for consideration -

5.1 Mayoral Minute

28

Mayoral Minutes - 21 June 2018

ITEM 5.1 Mayoral Minute

FILE REFERENCE | 118/285

MAY

8 May 9 May 9 May 11 May 12 May	Taralga Wind Farm community fund disbursement Committee Meeting Outreach meeting at gunning Citizenship Ceremonies Attended art festival potato festival Welcome Irish Ambassador and Costa to the Potato Festival
14 May	Attended Poetry comp and presented certificates Congratulated and addressed employees, RMS Personnel and local community members on MR54 construction completion
4C May	Inspected Cemetery and Transfer station
16 May	Outreach meeting Crookwell
17 May	Council Meeting
22 May	Cullerin Wind Farm meeting at gunning
22 May	Inspected Crookwell Waste Depot
23 May	Outreach Meeting Collector
24 May	Traffic Committee Meeting
25 May	Biggest Morning Tea Gunning
	Inspected Library Building
31 May	Gullen Range Wind Farm Community Fund
31 May	Meet with Telstra officials in Sydney re mobile towers and communication within the shire

JUNE

1 June	Attended Country Mayors meeting Parliament house in Sydney
2 June	Addressed and congratulated the Pumpkin Festival Committee and
	volunteers for their dedication and commitment to the festival in collector
4-5 June	Attended Local Roads Congress in Sydney
7 June	Met with AGL representatives regarding a gas fired power station site within ULSC

7 CORRESPONDENCE

The following item is submitted for consideration -

7.1 Correspondence for the month of June 2018

30

Correspondence - 21 June 2018

ITEM 7.1

Correspondence for the month of June 2018

RECOMMENDATION:

That Item 7.1 - [Correspondence/Information] listed below be received:

- Tuena Hall & Recreation Area Committee Letter of thanks for sealing of Goulburn to Bathurst Road.
- 2. Gunning RSL Chapter Letter of thanks for assistance of Anzac Day 2018 in Gunning.
- 3. Breadalbane Hall s355 Committee Letter of Thanks for assistance with Stronger Country Communities Fund round 2.
- 4. Goulburn Crookwell Heritage Railway Inc 2018/2019 Financial Assistance to Crookwell Heritage Railway Inc Update on Progress.

ATTACHMENTS

1. <u>↓</u>	Tuena Hall & Recreation Area Committee - Letter of Thanks for	Attachment
	Sealing of Goulburn to Bathurst Road	
2.	Gunning RSL Chapter - Letter of Thanks for assistance of	Attachment
	Anzac Day 2018 in Gunning.	
3.	Breadalbane Hall 355 Committee - Letter of Thanks for	Attachment
	Assistance with Stronger Country Communities Fund Round 2	
4. <u>U</u>	Goulburn Crookwell Heritage Railway Inc - 2018/2019 Financial	Attachment
	Assistance to Crookwell Heritage Railway Inc - Update on	
	Progress	

The road that connects Goulburn to Bathurst was officially opened recently and a luncheon was held in Tuena Community Hall to thank all involved in the construction and to celebrate the completion of this major work. The RMS, the designers and planners, the subcontractors, council staff, local villagers and landholders were all in attendance. Gary Anable, from Upper Lachlan Shire, did a great job giving an overview of the 4 year long construction process and shared some very interesting statistics. One of which was the total amount of man hours that the project would have taken if completed by one man only. This amounted to 37 years for one man working 38 hours per week.

Our Mayor, Brian McCormack, spoke at the luncheon and thanked all involved in the completion of this road. Special thanks went to Duncan Gay for tirelessly petitioning the Government for the necessary funding.

The "locals" of the Tuena area choose to believe that their constant petitioning to have this road sealed speeded up the process and we are quietly giving ourselves a pat on the back.

The road, known as State Road 54 or The Bathurst Road or Junction Point Road, is now WONDERFUL. It is safer, wider, clear verges, has barriers where needed, dips are gone, rises flattened out, bad corners adjusted where possible, has good drainage and sealed to perfection. Having driven on it quite a bit now it amazes me how soon we forget how bad it was and take the new road for granted.

Historically this road has been an issue for an eternity. This photo is of a sign that for many years could be seen entering Tuena. Not in possession of the actual facts, my understanding is that it was there for several years in the 1980's. This was a council sign, can we now assume the completion of the road is WAY ahead of schedule, or that the one man working on his own for 38 hours a week for 37 years has finished the job and retired? Either way this road is complete and all the Landholders and all the residents of Tuena and surrounds are grateful as are all who use it.

It is a great road....job WELL DONE $\,$ to all who worked on it.

C. I. .: . II . C. . !II .

THANKYOU

Gabrielle Saville
Secretary Tuena Hall and Recreation Committee.
Luncheon catered by: Leave it to Me, Ell Evans
Photo courtesy of Donny & Maree Couzins, Crookwell.

From: David Findlay

To: Upper Lachian Shire Council
Subject: Anzac Day in Gurning.
Date: Tuesday, 8 May 2018 10:54:40 AM

For Ted Alchin, Foreman, Gunning Works Department.

Dear Ted,

I want to thank you and your assistants for arranging the traffic detour during the Anzac Day Ceremony in Gunning. Your efforts were very much appreciated.

Kind regards, Dave Findlay Gunning RSL Chapter.

This email has been scanned by the Symantec Email Security.cloud service. For more information please visit http://www.symanteccloud.com

Mr John Bell **General Manager Upper Lachlan Shire Council** 44 Spring St **CROOKWELL NSW 2583**

Dear John,

RE: Stronger Country Communities Fund Round 2

On behalf of the Breadalbane Community, and particularly the Breadalbane Hall & Park Committee, I write to express our sincere thanks for accepting our expression of interest application for the Breadalbane Hall Pergola Project under the Stronger Country Communities Fund Round 2.

We have been working towards this project for many years now, as it will significantly increase and improve the capacity of Breadalbane Hall to hold events. Once completed, the Pergola addition to Breadalbane Hall will give fundraising events opportunity to include more guests so greatly increasing their funds raised. The extra room will also allow community events to be held completely within the Hall, and will provide the final step to completion of the building of Breadalbane Hall.

The committee appreciate very much the support of Upper Lachlan Shire Council.

I would also like to take this opportunity to sincerely thank Linus Nesbitt-Hawes for her support and assistance over the past couple of years. Linus has been extremely helpful in our various submissions for funding assistance, and has been proactive in her approach to supporting Breadalbane Hall. We could not have come this far without Linus' knowledgeable and cheerful advice.

We look forward with anticipation to the announcement of the successful projects in August.

Yours sincerely

Sally McLean Breadalbane Hall Chairman 2018

4 June 2018



GOULBURN CROOKWELL HERITAGE RAILWAY, INC.

ABN 22 363 670 171

www.gchr.org.au

Crookwell Railway Station Precinct, Colyer Street Crookwell NSW 2583

Please address mail to Crookwellheritagerailway@gmail.com or
The Secretary, Crookwell Heritage Railway, PO Box 6107 CONDER ACT 2906.

05 June 2018

General Manager Upper Lachlan Shire Council PO Box 42 Gunning NSW 2581

Attention: Mr Bruce Johnston
Manager of Finance and Administration

UPPER	LACHLAN SHIRE COUNCIL
	GUNNING OFFICE
	- 7 JUN 2018
File No:	

Dear Sir

2018-2019 Financial Assistance to Crookwell Heritage Railway Inc Your reference F12/148-07

On behalf of the Committee and members of the Crookwell Heritage Railway group, I am writing to convey our appreciation and gratitude for the ongoing support provided by the Upper Lachlan Shire Council through the donation of funds to cover our waste water and sewer rates for 2018-2019.

We are pleased to advise that we received a Licence for Heritage Operations by Transport for NSW through their agent John Holland Rail in 2017 and this has enabled us to operate our fleet of track maintenance and inspection vehicles to undertake track maintenance work ahead of applying to the National Rail Safety Regulator for a variation of our Rail Transport Operator accreditation to permit the carriage of public passengers.

We have also commenced the regulatory processes for approval to relocate two NSW Railway Pay Bus heritage vehicles as static displays in the Crookwell station precinct. The vehicles will be on loan from Transport Heritage NSW and will give a scale factor to the site with 'full size' rail vehicles in the precinct.

We are also evaluating a rail bike which we have on short term loan from the Rail Explorers company. Our initial evaluation relates to the use of a tandem bike as a track inspection vehicle but also in the longer term as an option for public use using a similar model to the Rail Explorers operations in the USA. www.railexplorers.net The founders of Rail Explorers are Australian and a fully supportive of the potential developments at Crookwell.

Our strategic planning is aimed at developing the Crookwell Heritage Railway as a significant element in the list of tourist attractions in the Upper Lachlan Shire with activities to suit all ages and physical abilities.

I gave a presentation to the Council a few years ago regarding our activities and at that time aspirations which has since been realised. I would welcome the opportunity to provide a detailed update of our current and planned activities to a future Council meeting and request details of whom I should contact to make arrangements.

Again we thank the Upper Lachlan Shire of your continued assistance and support.

Yours sincerely,

Peter Simpson Secretary

Crookwell Heritage Railway

9 INFORMATION ONLY

The following items are submitted for consideration -

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ITEM 9.1 Monthly Weeds Activities Report

FILE REFERENCE | 118/278

AUTHOR Biosecurity Weeds Manager

ISSUE

Providing Council with a summary of weed control activities conducted in the past month.

RECOMMENDATION That -

1. Council receives and notes the report as information.

BACKGROUND

Standard monthly report providing Council with a summary of the weed control activities conducted in the month of May 2018.

REPORT

Property Inspections

Weed	Parish	Road or Street	Date	Action	Degree
S/T	Upper Tarlo	Woodhouslee	3/5/18	Routine	1
S/T	Upper Tarlo	Woodhoulee	3/5/18	Routine	1
S/T	Belmore	Sapling	9/5/18	Routine	1
S/T	Belmore	Sapling	9/5/18	Routine	1
BB	Pajar	Pejar	10/5/18	Notified	2
S/T	Pejar	Pejar	10/5/18	Routine	1
S/T	Pejar	Pejar	10/5/18	Routine	1
S/T	Burridgee	Millsvale	15/5/18	Notified	2
S/T	Burridgee	Millsvale	15/5/18	Notified	2
S/T	Burridgee	Millsvale	16/5/18	Routine	1
S/T	Burridgee	ridgee Millsvale		Notified	2
S/T	Burridgee	Fullerton	22/5/18	Routine	1
S/T BB	Burridgee	Fullerton	22/5/18	Routine	1, 2
S/T	Pejar	Pejar	23/5/18	Notified	3
S/T	Pejar	Pejar	23/5/18	Routine	1
S/T ALG	Narrawa	Boorowa	24/5/18	Notified	2, 1
S/T	Narrawa	Boorowa	24/5/18	Routine	1
S/T	Winduella	Boorowa	28/5/18	Notified	2
BB	Winduella	Boorowa	28/5/18	Notified	2
S/T	Burridgee	Millsvale	29/5/18	Notified	2
S/T	Burridgee	Millsvale	29/5/18	Notified	2

Information Only MONTHLY WEEDS ACTIVITIES REPORT cont'd

S/T	Burridgee	Millsvale	30/5/18	Notified	2
S/T	Burridgee	Millsvale	30/5/18	Notified	2
S/T BB	Burridgee	Millsvale	30/5/18	Notified	2
S/T BB	Burridgee	Millsvale	31/5/18	Notified	2, 3
S/T	Burridgee	Millsvale	31/5/18	Routine	1
S/T BB	Burridgee	Millsvale	31/5/18	Notified	2, 3
S/T	Burridgee	Millsvale	5/6/18	Routine	2
S/T	Burridgee	Millsvale	5/6/18	Notified	3
S/T	Burridgee	Millsvale	5/6/18	Notified	2
S/T	Dalton	Dalton	1/5/18	Routine	1
S/T BB	Jerrawa	Coolalie	7/5/18	Routine	3
S/T BB	Garway	Castle Hill	14/5/18	Routine	1
S/T	Mundoonan	Hillgrove	14/5/18	Routine	1
S/T	Gunning	Hume Hwy	23/5/18	Routine	2
S/T	Gunning	Bourong Av	23/5/18	Routine	1
S/T BB	Jerrawa	Jerrawa	24/5/18	Routine	1
S/T	Garway	Castle Hill	29/5/18	Routine	1
S/T BB	Collector	Collector	29/5/18	Routine	2
S/T BB	Garway	Alton Hill	29/5/18	Routine	3
S/T	Mundoonan	Berrabanglo	31/5/18	Notified	1
S/T BB	Gunning	Ryan Pl	31/5/18	Routine	1
S/T BB	Gunning	Ryan Pl	31/5/18	Routine	1

Key for Weed Abbreviations

Weed ID Weed Identification

SJW St John's Wort

S/T Serrated Tussock
PC Paterson's Curse
EB English Broom
FW Fireweed
FW CG Coolatai Grass CNG Chilean Needle Grass ALG African Lovegrass

Go Gorse CG Coolatai Grass

Key for Degree of Infestations

- 1. Scattered Plants
- 2. Scattered Plants with Isolated Patches
- 3. Dense Infestations

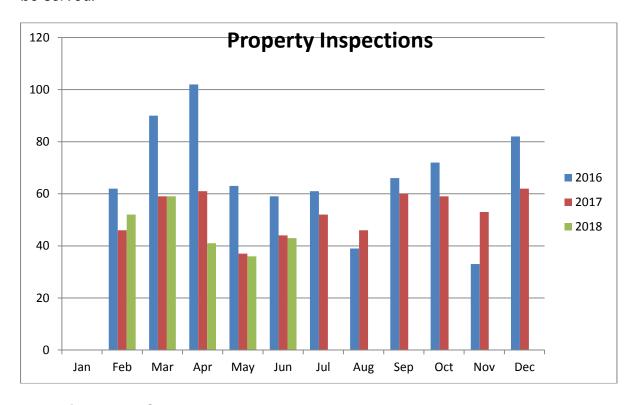
Key for Actions of Inspections

Routine - an inspection where the landowner has either provided adequate information or conducted adequate control work to fulfil their obligations to control weed infestations on their land.

Notified – an inspection where landowners are notified either verbally or by letter that control work is required on specific weed infestations. These inspections generally will require a reinspection.

Reinspection - an inspection that has been conducted to investigate whether adequate control work has been conducted after notification to control weed infestations.

Notice – an inspection where a Weed Control Notice under section 18 of the Act will be served.



Roadside Weed Control

Roadside weed control programs are currently focusing on the control of grass weeds including Serrated Tussock, African Lovegrass, Chilean Needle Grass and Coolatai Grass. Control work is also being conducted on Sifton Bush infestations, targeting areas where this plant is not widespread in the landscape.

POLICY IMPACT

Nil

OPTIONS

Nil

FINANCIAL IMPACT OF RECOMMENDATIONS

Nil

RECOMMENDATION That -

1. Council receives and notes the report as information.

ATTACHMENTS

Nil

ITEM 9.2 Development Statistics for the Month of May 2018

FILE REFERENCE 118/266

AUTHOR Director of Environment and Planning

ISSUE

Providing Council with a brief summary of the development control activities that have occurred in the month of May 2018.

RECOMMENDATION That -

Council receives and notes the report as information.

BACKGROUND

Standard monthly report providing Council with a summary of the development control activities that have occurred in the month of May 2018.

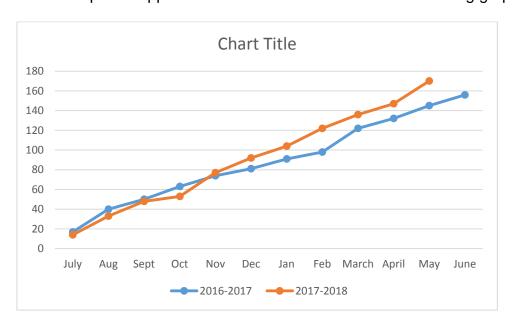
REPORT

I he follo	The following report outlines the type and value of new development.									
	Statistics by Development Type									
		Curre	nt Yea	r				Last	year	
DA Type	May 2018		1/	Year to Date 1/7/2017 to 30/6/2018		May 2017 1/7/2			r to date /2016 to /6/2017	
	Cour	³ \$Va	llue	Count	\$	Value	Count	\$Value	Count	\$Value
Commerci al	2	\$61	0,000	11	\$23	,846,000	1	\$1,000	10	\$1,224,585
Residential	20	\$4,19	8,240	122	\$24	,109,472	10	\$1,701,739	111	\$18,828,996
Industrial	0		\$0	0		\$0	0	\$0	1	\$0
Other	0		\$0	10	\$6	,373,000	2	\$700	11	\$115,700
Total	22	\$4,80	08,240	143	\$54	,328,472	13	\$1,703,439	133	\$20,169,281
Subdivision	1									
Туре		Count	Lots	Cou	Count Lots		Coun t	Lots	Count	Lots
Residential		0	0	3	3 17		0	0	4	78
Rural Residential		0	0	4		12	1	6	4	15
Commercial		0	0	1		0	0	0	0	0

Industrial	0	0	0	0	0	0	0	0
Boundary Adjustment	0	0	4	3	0	0	0	0
Strata	0	0	0	0	0	0	0	0
Agricultural	0	0	9	17	0	0	3	8
Modification/Other	0	0	1	53	0	0	2	13
Total	0	0	22	102	1	6	13	114

Development Applications

The level of development applications received is detailed in the following graph.



The current level of development activity being assessed is summarised below:

DAs under assessment	DA modifications under assessment	DAs received May 2018	DA modifications received May 2018	DAs determined May 2018	DA modifications determined May 2018
34	3	17	2	14	1

The average determination processing time is for the month of May was 34 days.

Determinations issued 1 May to 31 May 2018 are summarised in the following table:

De	Determinations Issued between 1 May 2018 to 31 May 2018							
DA No.	Proposal	Property						
29/2017	Dwelling	Lot 3 DP 1083826 – 115 Cobodong Rd, Curraweela						
15/2018	Dwelling	Lot 7 DP 1135717 – 70 Back Arm Road, Middle Arm						

Dete	Determinations Issued between 1 May 2018 to 31 May 2018								
DA No.	Proposal	Property							
28/2018	Dwelling	Wombat St Gunning Lot 30 Sec 2 DP 758493							
35/2018	Diesel Tank & Signage	56 Yass St, Gunning Lot 1 DP 214923							
36/2018	Dwelling	2958 Harley Rd, Crookwell Lot 1 DP 937719							
41/2018	Garage/Shed	1211 Rugby Rd, Dalton Lot 1 DP 1173050							
44/2018	Alterations Additions Retail	Goulburn St, Crookwell Lot 1 DP 984056 Lot 1 & 4 DP 237150							
46/2018	Garage/Shed	19 Crown St, Crookwell Lot 23 DP 250695							
50/2018	Dwelling	30 Tait St, Crookwell Lot 97 DP 1111842							
56/2018	Additions & Alterations	17 Chapel St, Dalton Lot 11 Sec 5 DP 758335							
59/2018	Carport/Awning	140 St Stephens Rd, Woodhouselee Lot 2 DP 588162							
17/2017(mod)	Commercial Use	210 Goulburn St, Crookwell Lot 1 DP 655209							
37/2018	Subdivision	16 Grabben Gullen Rd, Crookwell Lot 101 DP 1232773							
39/2018	Dwelling/Carport/Awning	513 Cooksvale Rd, Peelwood							

The Development Applications outstanding as of 31 May 2018 are summarised in the following table:

DA No.	Date Rec	Proposal	Property	Reason
33/2016	22/4/2016	Fence/Wall	Lot 1 DP 256082 – Church Street, Collector	Awaiting additional information
77/2017	15/8/2017	Dwelling	Lot 22 DP 1095649 – Towrang Rd, Greenwich Park	Awaiting additional information
122/2017	24/11/2017	Gullen Range Windfarm Substation & Underground Transmission Line	Lot 185,186,187,188,204 & 224 DP 754126, Lot 1 & 2 DP 877769, Lot 6 DP 1115749, Lot 1 & 2 DP 1115746, Lot 7,197,226,319 DP 754126, Lot 4 DP	Awaiting additional information

	Development Applications Outstanding on 31 May 2018 (In order of date submitted to Council)						
DA No.	Date F	Rec	Proposal	Property	Reason		
				1031856, Lot 100 DP 1026064, Lot 103 DP 750043, Lot 2 DP 1168750, Lot 101 DP 1083286 – Gurrundah Area			
124/2017	29/11/	2017	Consolidation	Lots 220 and 221 DP 750019 – Gurrundah Road, Gurrundah	Awaiting Additional Information		
134/2017	14/12/	2017	Subdivision	Lot 20 DP 1207639 & Lot 1,149 & 62 DP 753011 – 1593 Grabine Rd, Grabine	Awaiting Additional Information		
2/2018	4/1/20	18	Subdivision	Lot 8 DP 1213731 - 34 McGaw Rd, Crookwell	Referred to Engineering		
23/2018	26/2/2	2018	Dwelling	Lot 1 DP 754573, Lot 148 & 197 DP 754113 – Gundaroo Rd, Bellmount Forest	Referred to Engineering		
24/2018	24/2/2018		Change of Use – Shed to Dwelling	Lot 2 DP 1045168 Lot 59 & 79 DP 753063 – 2646 Golspie Rd, Golspie	Awaiting Additional Information		
25/2018	1/3/20	18	Transportable Dwelling	Lot 1 DP 1239043 – 5 Cullivin St, Gunning	Referred to Engineering		
27/2018 (Mod)	12/3/2	018	Poultry Farm	239 Learys Lane, Bannister Lot 101 DP 1083286	Awaiting Additional Information		
33/2018	16/3/2	018	Subdivision	Clements St Crookwell Lot 25, 26, 27, 28, 29, 30, Sec 11 DP 2383 & Lot 1 DP 134469	Awaiting Additional Information		
30/2018	19/3/2	018	Garage/Shed	187 Woodhouselee Rd, Wayo Lot 142 DP 750054	Awaiting Additional Information		
31/2018	19/3/2	018	Garage/Shed	239 Woodhouselee Rd, Wayo Lot 79 DP 750054	Awaiting Additional Information		
32/2018	19/3/2	018	Garage/Shed	Woodhouselee Rd, Wayo Lot 63 DP 750054	Awaiting Additional Information		
38/2018	6/4/20	18	Dwelling	1707 Jerrawa Rd, Dalton Lot 2 DP 1209732	Awaiting Additional Information		

	Development Applications Outstanding on 31 May 2018 (In order of date submitted to Council)						
DA No.	Date Rec	Proposal	Property	Reason			
40/2018	13/4/2018	Alterations/ Additions	Chapmans Lane, Tarlo Lot 102 DP 750051	Awaiting Additional Information			
42/2018	16/4/2018	Change of Use – Shed to Dwelling	Collector Lot 1 DP 126042	Under Assessment			
47/2018	30/4/2018	Garage/Shed	2 George St, Collector Lot 5 Sec 13 DP 758263	Awaiting Additional Information			
48/2018	2/5/2018	Dwelling	171 Craigs Rd, Curraweela Lot 2 DP 1222109	Under Assessment			
49/2018	2/5/2018	Dwelling	1136 Veterans Rd, Lade Vale Lot 4 DP 1089023	Awaiting Additional Information			
51/2018	4/5/2018	Transportable Dwelling	128 Collector Rd, Gunning Lot 4 DP 1185667	Awaiting Additional Information			
52/2018	4/5/2018	Alterations/ Additions	2500 Golspie Rd, Golspie Lot 281 DP 720154	Under Assessment			
53/2018	7/5/2018	Dwelling	Boorowa Rd, Lost River Lot 1 DP 1240856	Awaiting Additional Information			
54/2018	8/5/2018	Alterations/ Additions	4987 Oberon Rd, Taralga Lot 1 DP 134284	Awaiting Additional Information			
55/2018	9/5/2018	Dwelling & Garage/Shed	67 McArthur St, Taralga Lot 2 DP 263866	Referred to Engineering			
57/2018	10/5/2018	Dog Kennels	148 Bigga Rd, Crooked Corner Lot 4 DP 1052845	Public Exhibition			
58/2018	14/5/2018	Dog Kennels	120 Salisbury Rd, Bigga Lot 237 DP 753041	Public Exhibition			
60/2018	14/5/2018	Transportable Dwelling	Dawson's Creek Rd, Crookwell Lot 1 DP 834753	Under Assessment			
61/2018	18/5/2018	Additions	9 Elizabeth St, Crookwell Lot 31 DP 28434	Under Assessment			
62/2018	22/5/2018	Transportable Dwelling	Castle Hill Rd, Gunning Lot 607 DP 1086775	Under Assessment			
63/2018	23/5/2018		5947 Oberon Rd, Curraweela Lot 55 DP 865853	Under Assessment			
64/2018	23/5/2018	Dwelling	56 Gibraltar Rd, Big Hill Lot 129 DP 750014	Under Assessment			
65/2018	24/5/2018	Garage/Shed	15 Holborrow St, Crookwell	Under Assessment			

DA No.	Date F	Rec	Proposal	Property	Reason
122/2016 (Mod)	25/5/2	2018	Dwelling Additions/ Alterations	46 Cooper St, Taralga	Under Assessment
14/2018 (Mod)	29/5/2018		Relocation of Dwelling	Bourke St, Collector	Under Assessment
66/2018	29/5/2	2018	Dwelling	116 Collector Rd Gunning	Under Assessment
67/2018	29/5/2	2018	Garage/Shed /Carport	26 Carrington St, Crookwell	Under Assessment

Construction Certificates

Construction Certificates Issued between 1 May 2018 & 31 May 2018				
CC No.	Proposal	Property		
71/2017	Dwelling	43 Cobodong Rd, Curraweela Lot 1 DP 1083826		
35/2018	Garage/Shed	1211 Rugby Rd, Dalton Lot 1 DP 1173050		
38/2018	Garage/Shed	19 Crown St, Crookwell Lot 23 DP 250695		
40/2018	Dwelling	Gurrundah Rd, Parkesbourne Lot 2 DP 861753		
39/2018	Attached Carport/Awning	513 Cooksvale Rd, Peelwood Lot 18 DP 753013		
41/2018	Alterations/Additions	17 Chapel St, Dalton Lot 11 Sec 5 DP 758335		
42/2018	Carport/Awning	140 St Stephens Rd, Woodhouselee Lot 2 DP 588162		
45/2018	Dwelling	2958 Harley Rd, Crookwell Lot 1 DP 937719		

Approved by Council			
May 2018	Year to date		
8	69		

Occupation Certificates

Occupation Certificates Issued between 1 May 2018 and 31 May 2018			
OC No.	Proposal	Property	
31/2018	Garage/Shed	13 Brooklands St, Crookwell Lot 3 DP 829343	

Approved by Council

Information Only

DEVELOPMENT STATISTICS FOR THE MONTH OF MAY 2018 cont'd

May 2018	Year to date	
1	22	

Subdivision Certificates

Subdivision Certificates Issued between 1 May 2018 and 31 May 2018			
SC No.	Proposal	Property	
7/2018	Subdivision	239 Reids Flat Rd, Bigga Lot 1 DP 657843, Lot 1 DP 937003, Lot 1 DP 960540, Lor 2 DP 1046024	

Approved by Council			
May 2018	Year to date		
1	44		

Planning Certificates

The number of Planning Certificates issued this financial year is detailed below.

Year	Number of Certificates Issued
1 July 2008 to 30 June 2009	383
1 July 2009 to 30 June 2010	464
1 July 2010 to 31 June 2011	535
1 July 2011 to 30 June 2012	426
1 July 2012 to 30 June 2013	408
1 July 2013 to 30 June 2014	457
1 July 2014 to 30 June 2015	426
1 July 2015 to 30 June 2016	481
1 July 2016 to 30 June 2017	461
1 July 2017 to 30 June 2018	417

POLICY IMPACT

Nil

OPTIONS

Nil

FINANCIAL IMPACT OF RECOMMENDATIONS

Nil

RECOMMENDATION That -

1. Council receives and notes the report as information.

ATTACHMENTS

Nil

ITEM 9.3 Bridge Inspection and Condition Reporting Program -

CENTROC Funding Grant

FILE REFERENCE 118/228

AUTHOR Assets & Risk Coordinator

ISSUE

This report provides information to the community and Councillors with regard to the funding of regional Inspection and Condition Assessment of Bridges.

RECOMMENDATION That -

1. Council receive and note the report as information.

BACKGROUND

CENTROC has recently been successful in securing grant funding through the Regional Bridge and Route Load Assessments Stream under Round 3 of the NSW Government's Fixing Country Roads Program. These assessments will help assess the auditability of Council bridges to take on heavy vehicle traffic and help provide information for the approval of heavy vehicle approvals under the National Heavy Vehicle Regulator Law (NHVL).

The grant is for a total of \$1,087,000 from the State's dedicated Infrastructure fund, Restart NSW. The project is expected to finish by December 2018. The list of bridges to be assessed is provided as Attachment 1.

The funding is on behalf of 9 participating member Councils (Bathurst, Cabonne, Cowra, Forbes, Lachlan, Oberon, Parkes, Upper Lachlan and Weddin) for the inspection and condition assessment of 145 bridges and culverts across the region. The Deed was signed in the week ending 21 April 2018 by Forbes Shire Council on behalf of the region.

REPORT

Councils are required to assess the condition of their infrastructure bridges and requires technical assistance to determine the load bearing capacity of bridges. This assessment information helps determine infrastructure investment priorities. Additionally, information about load bearing capacity also helps make informed decisions about approvals related to heavy truck access through the NHVL.

This investment will also help reduce cost to small operators and reduce assessment and response times.

Information Only BRIDGE INSPECTION AND CONDITION REPORTING PROGRAM - CENTROC FUNDING GRANT cont'd

Time frame

The following table shows the breakdown of tasks, responsibility and timeframe:

Descriptor	Responsibility	Timing
Project Commencement	CENTROC Program Manager	1 May 2018
Request for Quotation/Tender (RFX) opens	CENTROC Program Manager	22 May 2018
RFX closes	CENTROC Program	12 June 2018/
(allowing for a 1 week extension if requested)	Manager	19 June 2018
Evaluation of RFX responses - Parkes	Tender Evaluation Panel, supported by CENTROC Program	26/27/28 June 2018
	Manager	I will circulate details for a Doodle poll to find most appropriate date.
Contract negotiations	CENTROC Program Manager	June/July
Reports to individual participating Councils and Contract signing	CENTROC Program Manager to provide proforma reports to members	Throughout July
Contract commencement	Contractor, Member Councils, CENTROC Program Manager	1 August 2018
Project Inception Meeting	Contractor, Member Councils, CENTROC Program Manager	First week of August 2018
Regional Contract Delivery	CENTROC Program	1 August 2018 to
	Manager, participating member Councils	30 November 2018
Project Completion	CENTROC Program Manager, participating member Councils	21 December 2018

Bridge inspection Scope requirements

For each of the bridges identified in the attached file the following investigation work will be undertaken:

- 1. Level 3 assessment of the bridges, which includes Level 2, and document the outcomes of this inspection in a detailed report to each Council.
- 2. Non-destructive testing on the bridge to assess its load carrying capacity, and document the finding of this investigation in a detailed report to each Council.
- 3. Confirm through physical testing and engineering analysis whether the bridge is capable of safely carrying all:

Information Only

BRIDGE INSPECTION AND CONDITION REPORTING PROGRAM - CENTROC FUNDING GRANT cont'd

- a. General Access truck combinations, loaded in accordance with NSW General Mass Limits.
- b. NSW Restricted Access truck combinations up to 36.5m in length, legally loaded in accordance with NSW General Mass Limits.
- c. NSW General Access truck combinations, legally loaded in accordance with NSW Higher Mass Limits.
- d. NSW Restricted Access truck combinations up to 36.5m in length, legally loaded in accordance with NSW Higher Mass Limits.
- e. Legally loaded NSW truck combinations up to 36.5m in length, loaded in accordance with the NSW Grain Harvest Management Scheme, the NSW Livestock Loading Scheme, and any other relevant schemes.
- 4. Where the bridge is not capable of satisfying the requirements of Item 3(a):
 - a. Recommend a safe load limit and/or speed limit that should be applied to the bridge.
 - b. Describe remedial works that would be appropriate to restore the capacity to that required to satisfy Item 3(a).
 - c. Provide options for replacement where necessary.
- 5. Where the bridge is not capable of satisfying the requirements of any of Items 3(b), 3(c), 3(d), and 3(e), and the bridge is a 2 lane, 2 way bridge, assess the suitability (or otherwise) of the bridge for use by a single heavy vehicle under each of these configurations, on the basis that the bridge is restricted to use by only one heavy vehicle at any time.

POLICY IMPACT

Procurement and Contractual Arrangements

As CENTROC is a Section 355 Committee of Forbes Shire Council, the Deed of Agreement with the NSW Government has been signed by Forbes Shire Council on behalf of the region.

The procurement process will be conducted by CENTROC on behalf of participating member councils. Each Council will enter into an individual contract with the preferred provider.

Councils will be required to provide evidence to CENTROC of the work being completed prior to Restart NSW releasing the funds for each milestone. Once the funding has been received from Restart NSW, it will then be distributed to member councils accordingly for their portion of the project.

Council contribution

CENTROC manages the procurement process including all costs of advertising and tender assessment and takes a management fee from the supplier to cover these costs.

Information Only BRIDGE INSPECTION AND CONDITION REPORTING PROGRAM - CENTROC FUNDING GRANT cont'd

Council is not required to make financial contribution towards this project.

OPTIONS

N/A

FINANCIAL IMPACT OF RECOMMENDATIONS

The breakdown of funding is as follows:

Council	# bridges	\$ funding
Bathurst	7	\$52,500
Blayney	0	\$0
Cabonne	55	\$405,000
Cowra	6	\$45,000
CTW	0	\$0
Forbes	24	\$187,500
Hilltops	0	\$0
Lachlan	9	\$67,500
Lithgow	0	\$0
Oberon	5	\$37,500
Orange	0	\$0
Parkes	20	\$150,000
Upper Lachlan	17	\$127,500
Weddin	2	\$15,000
Total	145	\$1,087,500

RECOMMENDATION That -

1. Council receive and note the report as information.

ATTACHMENTS

1. <u>U</u>	Centro - Bridge Inspection - R1_2017_inspection and condition	Attachment
	assessment of bridges_final_ULSC	

Bridge#	STRUCTURE NAME	STRUCTURE TYPE	ROAD NAME	LOCALITY	ROAD TYPE	LENGTH
127	Arthursleigh Rd / Sandy Ck	B-Bridge	Arthursleigh Rd	Big Hill	L- Local	7.5
128	Bigga Rd / Kangaroo Ck	B-Bridge	Bigga Rd	Bigga	C-Collector	14
129	Blue Hills Rd / Monkey Ck	B-Bridge	Blue Hills Rd	Yalbraith	L- Local	16
130	Cooksvale Rd / Peelwood Ck	B-Bridge	Cooksvale Rd	Peelwood	L- Local	22.2
131	Gullen Flats RD / Kialla Ck	B-Bridge	Gullen Flats RD	Banni ster	L- Local	5.3
132	Harley Rd / Kiamma Ck	B-Bridge	Harley Rd	Crookwell	L- Local	6
133	Jeffreys Rd / Bridgy Ck	B-Bridge	Jeffreys Rd	Big Hill	L- Local	8.27
134	Julong Rd 1 / Crookwell river	B-Bridge	Julong Rd	Binda	L- Local	6.4
135	Julong Rd 2 / Crookwell river	B-Bridge	Julong Rd	Binda	L- Local	29.3
136	Kangaloolah Rd / Diamond Ck	B-Bridge	Kangaloolah Rd	Binda	L- Local	19.8
137	Laggan Rd / Kiamma Ck	B Bridge	MR 248 E Laggan Rd	Crookwell	C Collector	5.9
138	MR 256 / Abercrombie river	B-Bridge	MR 256 Taralga Rd	Curraweela	C-Collector	39
139	Peelwood Rd / Peelwood Ck	B-Bridge	Peelwood Rd	Peelwood	C-Collector	32.1
140	Peelwood Rd / unknown	B-Bridge	Peelwood Rd	Peelwood	C-Collector	7
141	Reids Flat Rd 2 / Coates Crk	B-Bridge	Reids Flat Rd	Bigga	C-Collector	10
142	Willcox Rd / Clifford's Ck	B-Bridge	Willcox Rd	Laggan	L- Local	9
143	Woodville Rd / Potten- Ck	B-Bridge	Woodville Rd	Binda	L Local	10.2
131a	MR 248 E Laggan - Taralga road / Curraburgla Crk	B-Bridge	MR 248 E -Laggan- Taralga Rd	Curraburgla	C-Collector	54.5
137a	MR248W Booroward / Wheeo Crk	B-Bridge	MR248 W Boorowa Road	Wheeo	C-Collector	29.7
138a	MR248W Boorowa rd / Old man Gunyah Crk	B-Bridge	MR248 W Boorowa Road	Narrawa	C-Collector	35
143a	Reids Flat Rd / Lachlan River	B-Bridge	Reids Flat Rd	Reid Flat	L-Local	48

WIDTH	NO. of SPANS	DECKING MATERIAL
4.1	1	T-Timber
6.15	3	T-Timber
3.7	2	T-Timber
3.8	3	T-Timber
3.7	1	T-Timber
5.6	1	C-Concrete
3.7	1	T-Timber
3.95	1	T-Timber
3.8	4	T-Timber
3.8	4	T-Timber
6.7	1	C Concrete
4.9	4	T-Timber
4.9	3	T-Timber
5.5	1	T-Timber
6	1	T-Timber
5.7	1	T-Timber
4.6	1	T Timber
9	3	Concrete
6	3	Concrete
7		Concrete
7	4	Concrete

ITEM 9.4 Institute of Public Works Engineers Australasia - Local

Roads Congress

FILE REFERENCE 118/271

AUTHOR Mayor

ISSUE

This report is intended to provide feedback to the Council on recent IPWEA Roads Congress.

RECOMMENDATION That -

1. Council receive and note the report as information.

BACKGROUND

The 2018 NSW Local Roads Congress of the Institute of Public Works Engineers Australasia was held on 4 June 2018 at the InterContinental Hotel Sydney. The Congress was attended by the Mayor and Director of Works & Operations.

The theme of the Congress was "Roads as Critical Infrastructure". A copy of the program is attached as Attachment 2.

REPORT

The Congress was addressed by The Hon. Melinda Pavey, MP, Minister for Roads, Maritime and Freight and Ms Jodi McKay MP, Shadow Minister for Transport and Shadow Minister for Roads, Maritime and Freight.

In addition, industry experts addressed the gathering highlighting the importance of roads. The communique provides seeking further support for ongoing funding of this critical infrastructure. Attachment 3 provides a copy of the final Communique from the Congress.

It is important that Upper Lachlan Shire Council continue to lobby Commonwealth and NSW State Government for increased funding of our local roads.

POLICY IMPACT

Nil

OPTIONS

Nil

Information Only INSTITUTE OF PUBLIC WORKS ENGINEERS AUSTRALASIA - LOCAL ROADS CONGRESS cont'd

FINANCIAL IMPACT OF RECOMMENDATIONS

Nil

RECOMMENDATION That -

1. Council receive and note the report as information.

ATTACHMENTS

1. <u>↓</u>	IPWEA Local Road Congress 2018 flyer	Attachment
2. <u>↓</u>	IPWEA - Agenda -Local Roads Congress 2018	Attachment
3.₫	Congress media release and Communique	Attachment





2018 NSW Local Roads Congress

Roads as Critical Infrastructure

REGISTER NOW >



Rectangular Spir

Again this year the Roads & Transport Directorate in collaboration with Local Government NSW is hosting the Local Roads Congress and Congress Dinner at the InterContinental Hotel Sydney Monday 4th June.

CONGRESS THEME: Roads as Critical Infrastructure
CONGRESS FACILITATOR: Rob Carlton
DINNER SPEAKER: Greg Aplin MP

We are pleased to announce that the Minister for Roads, Maritime & Freight Melinda
Pavey MP will be addressing the Congress and the current challenges facing Local and
State Government throughout NSW.

Other Speakers include

Cr Linda Scott, President LGNSW

Ms Jodi McKay MP, Shadow Minister for Transport and Shadow Minister for Roads,
Maritime & Freight

Rodd Staples, Secretary, Transport for NSW (i)

Mr John Sidoti MP, Parliamentary Secretary to Premier and Cabinet (i)

Chief Inspector Phil Brooks, NSW Traffic & Highway Patrol Command (i)

As the road toll in NSW is worsening and the number of lives lost is increasing, the Panel Session will be a broad range of Panellists discussing 'Councils as Road Authorities - Critical Infrastructure Managers' facilitated by Rob Carlton.

BRING YOUR COUNCILLOR FOR FREE!

When an Infrastructure Manager or Director is registered to attend the Congress, it unlocks an offer to bring along a Councillor at no cost!





2018 NSW Local Roads Congress

Roads as Critical Infrastructure James Cook Ballroom, Hotel InterContinental

CONGRESS MC - Rob Carlton

	Monday 4 June 2018
9:00 am	Welcome
	Warren Sharpe OAM, President IPWEA (NSW)
9:15am	Opening
	Cr Linda Scott, President of Local Government NSW
9:45am	Keynote Address
3.43 a 111	The Hon. Melinda Pavey, MP, Minister for Roads, Maritime and Freight
	The Hon. Melinda Pavey, MP, Minister for Roads, Manuffle and Height
10:15 am	Morning Tea
	Road Network
10:30	Rodd Staples - Secretary, Transport for NSW
	Rodu Supres Secretary, Hamport for How
	Warren Sharpe OAM, President IPWEA (NSW)
	Infrastructure and Transport requirements throughout NSW
	John Crozier, Chair, Trauma Committee, Royal Australasian College of Surgeons
	Mr John Sidoti MP, Parliamentary Secretary to Cabinet (Engineers and Infrastructure)
12:30pm	Lunch
1:30pm	Councils as Road Authorities - Critical Infrastructure Managers
•	<u>Panelists</u>
	Clr Ken Keith OAM – Mayor Parkes Shire Council, Chair Newell Highway Taskforce
	Bernard Carlon – Centre for Road Safety, Transport for NSW
	Chief Inspector Phillip Brooks – Stakeholder Manager, NSW Traffic & Highway Patrol Command
	Melissa Weller – Safety and Skills Adviser, Australian Trucking Association
	John Gilbert – National Heavy Vehicle Regulator – Chain of Responsibility
	Martin Dwyer - State Emergency Management Committee Engineering Functional Area
	Discussion of Communicati
3:15pm	Discussion of Congress Communiqué Afternoon Tea
3:30pm	Roads & Transport
3:30pm	John Dinan, RMS - RMCC
	John Dillary (17)
	Ms Jodi McKay MP, Shadow Minister for Transport and Shadow Minister for Roads, Maritime and Freight
	Mick Cayago Manager Pondo & Transport Directorate
	Mick Savage, Manager, Roads & Transport Directorate
	Adoption of Congress Communiqué
5:00pm	Congress Close
	Pre-Dinner drinks — Hotel InterContinental
5:30pm	Congress Dinner - Hotel InterContinental
	Guest Speaker:
	Greg Aplin, Chair NSW Staysafe Committee
9:30pm	Close Close

IPWEA (NSW) ROADS & TRANSPORT DIRECTORATE

ACN: 093 562 602 Level 12, 447 Kent Street ABN: 35 093 562 602 SYDNEY NSW 2000

Ph: (02) 8267 3000 Fax: (02) 8267 3070

www.roadsdirectorate.org.au

Institute of Public Works Engineering Australasia Limited NSW Division



IPWEA (NSW) Media Release 8th June 2018

2018 Local Roads Congress Councils Urge Action on Road Safety

Councils need to take immediate action to address the horrific road safety toll. That's the key message coming out of the NSW Local Roads Congress held in Sydney on 4 June 2018. And they are going to need the help of the NSW and Australian Governments to make a real difference.

Councils and experts from across NSW were joined by the President of Local Government NSW Linda Scott and Members of Parliament from both sides to develop a way to lower the road toll across NSW. With 392 deaths and more than 12,000 serious injury crashes in 2017 in NSW alone, and the trend going in the wrong direction, the Congress is calling for extra measures to turn the road toll trend around.

Presenting at the Congress, Minister for Roads, Maritime, and Freight Melinda Pavey, MP highlighted the new \$125M Saving Lives on Country Roads Program as a significant step forward and called for collaboration between all levels of government. The Minister also confirmed the LG Road Safety Program through to 2021.

IPWEA NSW President Warren Sharpe OAM called on the NSW Government to build on the excellent work being done in partnership with IPWEA (NSW), LGNSW and councils.

"Almost 90 per cent of NSW roads are under the control of councils. We're urging all councils to identify the most effective actions in their own community by developing road safety plans. To do this, they need skilled engineers and technical officers so IPWEA (NSW) has developed new guidelines. Nearly two-thirds of councils now have trained road safety auditors provided through a partnership between IPWEA (NSW) and the NSW Government. We're calling on the remaining councils to take advantage of this opportunity", Mr Sharpe said.

"The NSW Government's transport funding programs provide a once in a generation opportunity for councils to make a real difference to road safety and freight efficiency on local road networks", Mr Sharpe added.

"Despite this, our research clearly shows that communities in the bush need additional ongoing financial support. We've put the case that Federal Assistance Grants should be re-distributed to regional NSW with city councils able to sustain their income by rating high density development vertically. Any re-distributed funding must be tied to roads", Mr Sharpe said.

The Opposition agrees. Shadow Minister for Transport and Roads, Maritime, and Freight, Jodi MacKay, MP and Shadow Minister for Local Government Peter Primrose MLC, were united in their support of the redistribution of FAG funding at the Congress.

IPWEA (NSW) Roads & Transport Directorate Manager, Mick Savage, outlined the importance of additional funding in the bush.

"Rural areas produce the food and resources we all rely on in the city. A million dollars a year extra at Moree or Griffith spent on their local road network just means so much more, and when two-thirds of all fatalities are occurring in regional NSW, it just makes sense to provide greater support in our regional areas to lower the road toll", Mr Savage said.

IPWEA NSW Level 12 447 Kent Street Sydney NSW 2000 • ABN 35 093 562 602
Tel 02 8267 3001 • Fax 02 8267 3071 • Email: nsw@ipwea.org Website: www.ipwea.org/nsw

2

The Congress also heard from Dr John Crozier, Trauma Chair, Royal Australasian College of Surgeons, who left no doubt as to the impacts of road crashes. In a confronting presentation, he outlined an 'average day' in a hospital emergency ward, including that for every serious injury recorded, there were an additional seven presentations to hospitals from road crashes.

NSW Police, Australian Trucking Association, Centre for Road Safety, State Emergency Services, National Heavy Vehicle Regulator and the Newell Highway Taskforce all backed further measures to address improved road safety and transport and road worker safety. Mayor of Parkes, Ken Keith OAM, further called on Councils to develop new cadet Engineers to grow skilled professionals of the future from their own towns.

NSW Staysafe Committee Chair Greg Aplin, MP wrapped up the Congress outlining recent successes including compulsory minimum driver training for young drivers but highlighted speeding, drink and drug driving, fatigue and driver distraction as remaining road safety challenges.

Delegates adopted a communique calling for the development of a sustainable and more equitable funding model to look after roads, target road safety and open up local road network to more efficient transport to better service our community and drive the NSW economy forward.

The communique is available here

https://www.ipwea.org/roadstransportdirectorate/aboutrd/new-item/congress

Media Contacts:

Warren Sharpe, OAM 0409 398 358 John Roydhouse 0406 959 344

IPWEA (NSW)

Level 12 447 Kent Street Sydney NSW 2000 Tel 02 8267 3001 Fax 02 8267 3071 Email: nsw@ipwea.org Website: www.ipwea.org/nsw

About IPWEA (NSW)

The Institute of Public Works Engineering Australasia NSW Division (IPWEA NSW) is a professional organisation and registered charity providing services and advocacy for those involved in and delivering public works and engineering services to the community.

About the Roads and Transport Directorate

The NSW Roads and Transport Directorate is a partnership between IPWEA (NSW) and Local Government NSW (LG NSW) and seeks to advocate and assist policy makers and road managers on the technical aspects of roads and transport issues in NSW.

IPWEA NSW Level 12 447 Kent Street Sydney NSW 2000 • ABN 35 093 562 602
Tel 02 8267 3001 • Fax 02 8267 3071 • Email: nsw@ipwea.org Website: www.ipwea.org/nsw

NSW LOCAL ROADS CONGRESS Roads as Critical Infrastructure 4 June 2018 Congress Communiqué

The NSW Roads & Transport Directorate, a partnership between Local Government NSW (LGNSW) and the NSW Institute of Public Works Engineering Australasia (IPWEA NSW), in holding the 2018 NSW Local Roads Congress resolved to announce the following communiqué.

The Congress recognizes the contribution of other levels of Government in providing ongoing financial assistance for the management of local roads and infrastructure, particularly in regional areas through:

NSW Government

- Rebuilding NSW
- Fixing Country Roads
- Fixing Country Rail
- Fixing Country Truck Washes

Australian Government

- Bridges Renewal Program
- Heavy Vehicle Safety and Productivity Programme
- The current \$744.5m Black Spot Programme with a commitment to providing \$60m per year after 2021-22
- Roads to Recovery Program

The Roads to Recovery program will provide local Councils across Australia with a total of \$4.8 billion from the 2013-14 financial year to the 2021-22 financial year. The Australian Government has announced a commitment to increase R2R funding for Councils across Australia from \$350 million to \$400 million a year beginning 2019-2020¹. The Roads to Recovery Program is now a permanent feature under the National Land Transport Act 2014, allowing the program to continue beyond 2021-22. The R2R funding is critical to the effective management of Council roads and there is still a need for the quantum of this funding to be increased to sustain local road infrastructure, improve road safety outcomes, manage growing congestion, and provide improved freight connections to improve the efficiency of links between areas of production and national and international ports and markets.

The increase in the NSW road toll from 307 in 2014 to 392 in 2017 with almost 70% occurring on roads under the care, control and management of Local Government is a significant and growing concern. Current statistics point to this figure increasing to around 420 for the 2018 year. The Congress also notes with the same level of concern there were more than 12,000 serious crashes in NSW in 2017 and accepts that all levels of Government must give road safety greater attention.

¹ Chester, D. 2017, Road Safety focus for Roads to Recovery Program, media release 07 November, Canberra, viewed 5 June 2018, < http://minister.infrastructure.gov.au/chester/releases/2017/november/dc349 2017.aspx>

The 2017 Road Benchmarking Report shows that only 42 Councils have a Road Safety Plan in place and that half of these plans were prepared during 2017. The remaining 86 Councils must be encouraged and supported to develop Road Safety Plans to ensure all Councils are considering the road safety implications of all the activities they undertake.

There is still uncertainty surrounding the basis for funding of the NSW Local Government Road Safety Program. The NSW Road Safety Plan 2021 supports the LGRSP through to 2021 and beyond. The Congress calls on the State Government to confirm that funding for the NSW Local Government Road Safety Program is on a three-year rolling program basis and that this advice be formally confirmed for Councils.

The Congress notes the invaluable two-way partnership between Councils and the RMS in delivering the Roads Maintenance Council Contracts on State highways across regional NSW. The Congress supports the on-going direct delivery of the RMCC by Councils for the RMS, noting Councils should not be compelled to deliver the RMCC via Joint Organisations. The Congress encourages the RMS to work with Councils and the Roads & Transport Directorate to develop and imbed the new RMS system requirements for the effective delivery on RMCC and to further build capacity across the Local Government sector.

The Congress supports the on-going development of a skilled and qualified workforce as essential for the effective stewardship of road infrastructure for NSW communities. The Congress notes the research presented by IPWEA NSW which shows that:

- All Councils currently have qualified Engineers
- 29% of Engineer roles are filled by non-qualified personnel
- There is no requirement in NSW for Engineers to be registered (noting Queensland has had this in place for some time and Victoria is now implementing this legislation)
- Only 53% of Councils have a cadetship program to develop qualified Engineers for the future with the specific skills needed by Local Government.

The Congress fully supports the Australian Local Government Association's (ALGA) call for the Australian Government to commit to:

- Helping to maintain living standards and local economic growth by restoring the quantum
 of the Financial Assistance Grants to a level equal to at least 1 percent of Commonwealth
 tax revenue;
- Realising the productive potential of Australia's freight routes by establishing a Local Freight Productivity Investment Plan, funded at \$200 million per annum for five years, to ensure that first mile/last mile and freight connectivity issues are addressed;
- Improving the safety and management of local roads by doubling Roads to Recovery funding;
- Improving the safety and management of local bridges by making the Bridges Renewal Program permanent.

The Congress fully supports The Local Government NSW (LGNSW) submission to the Staysafe Committee's *Inquiry into Heavy Vehicle Safety and Use of Technology to Improve Road Safety* calling on ongoing funding to improve safety on Council managed roads:

"While LGNSW has welcomed the Government's recent announcement of a new \$125 million Saving Lives on Country Roads program, we believe there is ample justification for an additional \$125 million to specifically address road safety outcomes on the Council managed local and regional road network."

To further the outcomes of this Congress, the Congress calls on Governments to take the following measures:

NSW Local Government

The Congress calls on Local Government in NSW to:

Progress the Congress Communiqué by writing to the relevant Ministers and their local NSW and Australian Government MPs seeking their support for the Congress outcomes

- Continue to improve asset management performance by:
 - a. continuing to work with the Office of Local Government to improve the transparency and consistency of infrastructure measures within the Integrated Planning & Reporting framework, including incorporation of a Road Safety Plan within Council Resource Plan
 - b. building capacity within the Local Government industry by supporting ongoing training and knowledge sharing
 - taking responsibility for developing skilled professionals for tomorrow through cadetships, experiential development programs and supporting a phased requirement for the registration of Engineers
 - d. encouraging region based standing working groups on asset management to provide peer support to public works professionals and Councils in each area
- Support the employment of better techniques and the importation of proven technology to better meet our community's needs.
- Commit to encouraging modal change for people movement through promotion of public transport and active travel solutions in metropolitan and larger regional centres.

NSW Government

The Congress calls on the NSW Government to:

- Develop a sustainable funding model for Local Government in NSW which removes the impediments to sustainable funding within the existing Integrated Planning and Reporting framework
- 2. Support the Notice of Motion before the Parliament to:
 - (1) Recognise the importance of qualified engineers and calls on the government, in consultation with key industry groups, to implement on a transitional phase in basis, a requirement for all local government authorities to have a suitably qualified engineer.
 - (2) Call on the Government to recognise engineers as a profession, through a state and national registration scheme, similar to Queensland and as raised at Council of Australian Governments in 2011-12.
 - (3) Support cadetships for civil engineering across all Government projects, in order to ensure the long-term workforce capabilities.
- Redistribute Federal Assistance Grants to regional NSW to address social equity and reduce the infrastructure funding gap, with a more meaningful rate charged on urban land so large urban Councils are not financially disadvantaged.
- 4. Increase the existing Regional Road Block Grant and Repair Programme allocations to reflect increases in the construction cost index which is well above CPI.

- Continue to support Local Government Reform through processes such as the IPART Review of the Local Government Rating System
- 6. Initiate consultation with Local Government to develop a Freight Strategy to increase productivity through targeted investment
- Work through the RMS to support Councils needing assistance to achieve R2 prequalification to ensure Councils are strengthened in contracting to RMS to deliver Road Maintenance Council Contracts (RMCC).
- 8. Implementation of future RMCC Contracts be direct with Councils and any other arrangements only at the request of the individual Councils, avoiding the pitfalls of a one size fits all approach.
- 9. Support for Councils to work with local businesses and communities to implement local and regional Climate Change Plans particularly in relation to infrastructure.
- 10. Support Councils in developing and implementing strategic Road Safety Plans as part of the implementation of the NSW Road Safety Plan 2021. This could be achieved through the:
 - a) Delivery of a capacity building program similar to the successful Local Government Road Safety Auditor Training Program delivered by IPWEA NSW to improve specialist skills and capacity within Local Government
 - b) Provision of funding support for the development of a Road Safety Plan for those Councils below a rating threshold to be determined in conjunction with LGNSW
- 11. Increase financial support for Weight of Loads groups for better road asset management and road safety.
- 12. Provide planning and funding for initiatives that contribute to the reduction of private car journeys across the state such as additional commuter and satellite parking facilities. This is a broad benefit initiative that will have a positive impact on road safety outcomes, reducing congestion, improving community health and optimizing asset useful lifecycle.
- 13. To improve systems for open reporting and sharing of data with Local Government including during emergency situations (eg road closures).
- 14. Support Regional NSW development by funding regional infrastructure to support and stimulate local economies and improve services in communities.
- 15. Continue to work with Local Government to develop a more equitable financial arrangement for the implementation of the use of day labour to repair road infrastructure when responding to undertake repairs resulting from natural disasters.

NSW & Australian Governments

The Congress calls on the NSW and Australian Governments to:

- 1. Continue the funding to Local Government under grant programmes such as *Fixing Country Roads* and the *Bridges Renewal Programme*
- 2. Build upon the Fixing Country Rail Programme to target the reduction of freight loads on local and regional roads, including resolving institutional impediments for access to existing rail
- ALGA work with COAG, informed by State LG peak bodies and IPWEA NSW, to develop a new National Infrastructure Partnership for the three tiers of Government for smarter long term investment planning in transport and community infrastructure.
- 4. Provide new guidelines to allow National Disaster relief payments to be used by Local Government for betterment of affected assets and to allow the use of Council's day labor resources to assist communities during emergency response and recovery operations.

Australian Government

The Congress calls on the Australian Government to:

- 1. Review the distribution of Federal Assistance Grants, having regard to social equity for local Councils having lower populations
- Increase the current level of Roads to Recovery funding and make the Programme permanent from the commencement of the 2019-20 financial year and commit to double available funding to at least \$700 million per annum
- 3. Progressively increase funding to Local Government tied to a percentage of the GST equivalent to 1% of National GDP

Australian Local Government Association

The NSW Congress seeks the support of ALGA to deliver the NSW Roads Congress outcomes.

Further enquiries:

Warren Sharpe OAM, President IPWEA (NSW) - 0409 398 358 Garry Hemsworth, Director IPWEA (NSW) - 0427 432 216 Mick Savage, Manager Roads & Transport Directorate - 0418 808 085

ITEM 9.5 Investments for the month ending May 2018

FILE REFERENCE 118/239

AUTHOR Director of Finance and Administration

ISSUE

Council Investment Portfolio Register as at 31 May 2018.

RECOMMENDATION That -

1. Council receive and note the report as information.

BACKGROUND

A schedule of the investment portfolio register and summary of available cash by fund as at 31 May 2018 is provided as information to Council.

REPORT

Investments to 31 May 2018

Investment	T	Investment	Interest	Term	Maturity	Latanaat Door
Institution	Туре	Face Value	Rate	Days	Date	Interest Due
СВА	Call	\$750,000	1.45%	N/A	31-05-18	\$1,255.34
Bank of Qld	TD	\$1,000,000	2.55%	182	01-08-18	\$12,715.07
Bank of Qld	TD	\$1,200,000	2.55%	84	15-08-18	\$7,042.19
Bank of Qld	TD	\$800,000	2.60%	308	24-10-18	\$17,551.78
Bank of Qld	TD	\$800,000	2.70%	188	31-10-18	\$11,125.48
Bank of Qld	TD	\$700,000	2.75%	362	17-04-19	\$19,091.78
Bankwest	TD	\$800,000	2.45%	112	04-07-18	\$6,014.25
Bankwest	TD	\$1,200,000	2.40%	70	18-07-18	\$5,523.29
Bankwest	TD	\$1,000,000	2.57%	84	22-08-18	\$5,914.52
Bankwest	TD	\$500,000	2.60%	364	26-09-18	\$12,964.38
Bendigo Bank	TD	\$1,200,000	2.55%	364	15-08-18	\$30,516.16
Bendigo Bank	TD	\$700,000	2.55%	84	22-08-18	\$4,107.95
Bendigo Bank	TD	\$600,000	2.40%	189	05-09-18	\$7,456.44
Bendigo Bank	TD	\$1,000,000	2.60%	364	13-02-19	\$25,928.77

Information Only INVESTMENTS FOR THE MONTH ENDING MAY 2018 cont'd

Bendigo Bank	TD	\$800,000	2.55%	357	13-02-19	\$19,952.88
СВА	TD	\$1,000,000	2.53%	307	06-06-18	\$21,279.73
СВА	TD	\$1,000,000	2.62%	362	12-09-18	\$25,984.66
СВА	TD	\$1,000,000	2.71%	308	06-03-19	\$22,867.95
СВА	TD	\$1,000,000	2.68%	364	20-03-19	\$26,726.58
IMB	TD	\$900,000	2.50%	182	13-06-18	\$11,219.18
IMB	TD	\$1,000,000	2.50%	259	25-07-18	\$17,739.73
IMB	TD	\$1,300,000	2.55%	84	08-08-18	\$7,629.04
IMB	TD	\$500,000	2.55%	182	10-10-18	\$6,357.53
NAB	TD	\$1,500,000	2.53%	362	06-06-18	\$37,638.08
NAB	TD	\$1,400,000	2.49%	189	20-06-18	\$18,050.79
NAB	TD	\$500,000	2.53%	364	27-06-18	\$12,615.34
NAB	TD	\$800,000	2.58%	119	11-07-18	\$6,729.21
NAB	TD	\$1,100,000	2.51%	364	21-11-18	\$27,534.36
Westpac	TD	\$400,000	2.55%	365	21-08-18	\$10,200.00
Westpac	TD	\$500,000	2.76%	364	26-04-19	\$13,762.19
		\$26,950,000				\$453,494.63

COUNCIL INVESTMENT PERFORMANCE: -

BUDGET COMPARISON TO 31 MAY 2018

\$631,942
\$581,500
108.67%
91.78%

BBSW COMPARISON TO 31 MAY 2018

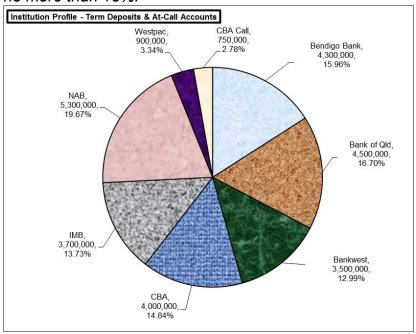
Average market interest rate (90 day BBSW)	1.81%
Average return on all investments	2.48%

The above investments have been made in accordance with Section 625, of the Local Government Act 1993, the Local Government Regulations, the Ministerial Investment Order and the Council's Investment Policy.

INVESTMENTS FINANCIAL INSTITUTION PROFILE AS AT 31 MAY 2018

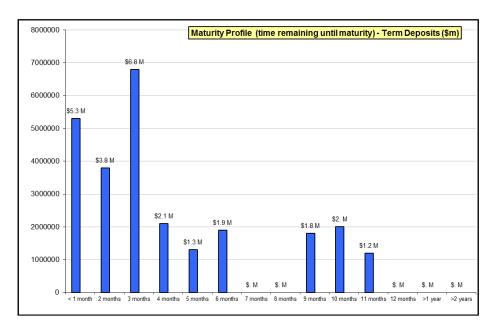
The following chart shows the current distribution of Council's investment portfolio between the authorised financial institutions used. The current distribution of funds between institutions complies with Council's Investment Policy which states:-

"The maximum percentage that may be held in term deposits with any one financial institution is 25% of the portfolio, and the maximum to be held in at-call accounts be no more than 15%."



<u>INVESTMENTS - MATURITY PROFILE AS AT 31 MAY 2018</u>

The following chart illustrates the maturity profile of Council's investment portfolio showing the amount of time remaining until current term deposits mature. This demonstrates that Council's investing activities should meet future cash flow requirements.



SUMMARY OF AVAILABLE CASH AT 31 MAY 2018

TOTAL INVESTMENTS: -

\$ 26,950,000.00

INVESTMENTS BY FUND (INCLUDES RESTRICTED AND UNRESTRICTED CASH): -

General Fund Reserves	\$ 18,809,279.70
Water Supply Fund Reserves	\$ 1,867,390.26
Sewerage Fund Reserves	\$ 4,319,421.54
Domestic Waste Management Fund Reserves	\$ 1,938,180.33
Trust Fund Reserves	\$ 15,728.17

POLICY IMPACT

Investments are in accordance with Council's Investment Policy and Strategy.

OPTIONS

Nil

FINANCIAL IMPACT OF RECOMMENDATIONS

Nil

RECOMMENDATION That -

1. Council receive and note the report as information.

ATTACHMENTS

Nil

ITEM 9.6 Bank Balance and Reconciliation - 31 May 2018

FILE REFERENCE | 118/238

AUTHOR Director of Finance and Administration

ISSUE

Statement of Bank Balance and Reconciliation – 31 May 2018.

RECOMMENDATION That -

1. Council receive and note the report as information.

BACKGROUND

Nil

REPORT

STATEMENT OF BANK BALANCE & RECONCILIATION	\$
General Ledger Balance brought forward 30 April 2018 Add: Receipts for May 2018	263,698.14 5,087,273.04
	5,350,971.18
Deduct: Payments for May 2018	4,776,170.68
Balance as at 31 May 2018	574,800.50
Balance as per Bank Statement 31 May 2018	722,832.74
Add: Outstanding Deposits	36,081.94
	758,914.68
Deduct: Unpresented Cheques / EFTs	184,114.18
Balance as at 31 May 2018	574,800.50

POLICY IMPACT

Nil

OPTIONS

Nil

FINANCIAL IMPACT OF RECOMMENDATIONS

Nil

RECOMMENDATION That -

1. Council receive and note the report as information.

ATTACHMENTS

Nil

ITEM 9.7 Rates and Charges outstanding as at 31 May 2018

FILE REFERENCE 118/237

AUTHOR Director of Finance and Administration

ISSUE

Rates and Charges Outstanding Report 2017/2018.

RECOMMENDATION That -

1. Council receive and note the report as information.

BACKGROUND

Summary report of Rates and Charges outstanding at month end of May 2018 is detailed.

REPORT

There is an attached report titled "Rate Collection Year 2018" for the 2017/2018 financial year. A comparison of the rates and charges outstanding percentage to previous financial years, as at 31 May 2018, is highlighted in the below table:-

Description	31/05/2018	31/05/2017	31/05/2016
Total % Rates and Charges Outstanding	6.14%	7.48%	5.39%
Total \$ Amount Rates and Charges Outstanding	\$693,673	\$813,049	\$571,184

POLICY IMPACT

Nil

OPTIONS

Nil

FINANCIAL IMPACT OF RECOMMENDATIONS

Nil

RECOMMENDATION That -

1. Council receive and note the report as information.

ATTACHMENTS

1. Rate Collection Year - June 2018	Attachment
-------------------------------------	------------

Rate Collection 2018 Year

Rating Categories	Levy Raised	Rates Received to	Rates Outstanding to	% Rates Outstanding
	to date	3 June 2018	3 June 2018	3 June 2018
Farmland	4,807,978.85	4,546,611.49	261,367.36	5.44%
Residential	1,176,929.74	1,063,378.07	113,551.67	9.65%
Rural Residential	636,796.33	574,019.88	62,776.45	9.86%
Business	273,895.75	263,367.62	10,528.13	3.84%
Mining	1,767.10	1,767.10	-	0.00%
Water	868,151.82	796,799.10	71,352.72	8.22%
Sewerage	1,386,889.07	1,274,195.61	112,693.46	8.13%
Domestic & Comm Waste	1,106,122.31	1,017,718.91	88,403.40	7.99%
Rural Waste	595,906.48	546,414.69	49,491.79	8.31%
Storm Water	46,277.66	42,376.61	3,901.05	8.43%
**Arrears	397,399.09	336,776.42	60,622.67	15.25%
Credits	***	141,015.30	-141,015.30	
Overall Total Rates	11,298,114.20	10,604,440.80	693,673.40	6.14%

Date 4/6/2018

Date 4/6/2018

I:\2017-2018\Rates\Recs\%outst_May 31-2018

ITEM 9.8 NSW Audit Office Financial Audit - Report on Local

Government 2017

FILE REFERENCE 118/240

AUTHOR Director of Finance and Administration

ISSUE

Financial audits of local government are conducted by the NSW Audit Office. The Auditor General provides a report on statutory financial audits of councils to the NSW Parliament.

RECOMMENDATION That -

1. Council receive and note the report as information.

BACKGROUND

The roles and responsibilities of the Auditor-General are set out in the *Public Finance* and *Audit Act 1983* and the *Local Government Act 1993*. The NSW Audit Office conduct annual financial audits of the NSW public sector and local government entities' Financial Statements. Financial audits are designed to add credibility to financial statements, enhancing their value to end-users.

Financial audits are reported by the Auditor-General to the NSW Parliament, under Section 421 (c), of the *Local Government Act 1993*.

REPORT

The appointment of the NSW Audit Office as the auditor of NSW local government councils commenced in 2016/2017. The appointment of the NSW Audit Office was to fulfil the following objectives:-

- Strengthening governance and financial oversight in local government;
- Providing greater consistency in external audit;
- Ensuring reliable financial information is available to assess council performance; and
- Improving financial management, fiscal responsibility and public accountability in how councils use citizens' funds.

The Report on Local Government 2017 provides analysis and comparison of councils performance from the 2016/2017 Financial Statements audits. The report also provides guidance and includes recommendations to councils and the Office of Local Government aimed at strengthening financial reporting, asset management, governance and internal controls. The report details recommendations at Appendix 2 on Page 70.

Information Only NSW AUDIT OFFICE FINANCIAL AUDIT - REPORT ON LOCAL GOVERNMENT 2017 cont'd

NSW Auditor General Recommendations

Financial Reporting

Councils can improve the quality of financial reporting by reviewing their financial statements close processes to identify areas for improvements.

Councils can improve the quality of financial reporting by involving an audit, risk and improvement committee in the review of Financial Statements.

The Office of Local Government should release the Local Government Code of Accounting Practice and Financial Reporting and the End of Year Financial Reporting Circular earlier in the audit cycle, ideally by 30 April each year.

The Local Government Code of Accounting Practice and Financial Reporting should align with Australian Accounting Standards.

The Office of Local Government should introduce early close procedures with an emphasis on asset valuations.

Asset Management

The Office of Local Government should address the different practices across the local government sector in accounting for rural fire-fighting equipment before 30 June 2018. In doing so, the Office of Local Government should work with NSW Treasury to ensure there is a whole-of-government approach.

Governance and Internal Controls

Councils should early adopt the proposed requirement to establish an audit, risk and improvement committee.

The Office of Local Government should introduce the requirement for councils to establish internal audit functions and update its 2010 Internal Audit Guidelines.

The Office of Local Government should maintain an accurate register of entities approved *under Section 358 of the Local Government Act 1993.*

The Office of Local Government should consider establishing a financial reporting framework for council entities.

POLICY IMPACT

Nil

OPTIONS

Nil

Information Only NSW AUDIT OFFICE FINANCIAL AUDIT - REPORT ON LOCAL GOVERNMENT 2017 cont'd

FINANCIAL IMPACT OF RECOMMENDATIONS

Nil

RECOMMENDATION That -

1. Council receive and note the report as information.

ATTACHMENTS

1. <u>↓</u>	Audit Office NSW - Financial Report on Local Government 2017	Attachment
2. <u>↓</u>	Office of Local Government - Circular 18-14 - Auditor General's	
	report to Parliament on the 2016-17 Financial Audits of NSW	
	Councils	



Report on Local Government 2017

20 APRIL 2018



NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

FINANCIAL AUDIT

THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983* and the *Local Government Act 1993*.

We conduct financial or 'attest' audits of State public sector and local government entities' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to entities to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to entities and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on entity compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an entity is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an entity's operations, or consider particular issues across a number of entities.

As well as financial and performance audits, the Auditor-General carries out special reviews and compliance engagements.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.

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GPO Box 12 Sydney NSW 2001

The Legislative Assembly Parliament House Sydney NSW 2000 The Legislative Council Parliament House Sydney NSW 2000

In accordance with section 421C of the *Local Government Act* 1993, I present a report titled 'Report on Local Government 2017'.



Margaret Crawford

Auditor-General 20 April 2018



audit.nsw.gov.au

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Report on Local Government 2017

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Report on Local Government 2017

This report analyses the results of the financial statement audits of NSW councils in 2016–17.



Auditor-General's foreword

Under section 421C of the *Local Government Act 1993*, I am pleased to present our first report on the statutory financial audits of councils, to NSW Parliament.

My appointment as the auditor of local government in New South Wales is the most significant change to the Auditor-General's mandate in nearly three decades.

Moving to the new audit arrangements over the past 18 months has been challenging but rewarding. It has confirmed my appreciation of local government – a sector passionate about the community and focused on delivering local services.

The unique relationship each council has with its community differentiates it from other tiers of government.



Our audits

I am pleased to report that we completed 139 out of 140 financial statement audits for the 2016–17 audit cycle. The remaining council received an extension to lodge its financial statements.

We have also released a performance audit report on council reporting on service delivery. We will soon release another report on fraud controls in local councils and a report on council shared services later this year.

While the new audit mandate brings immense responsibility, my office has embraced the challenges involved and the objectives that NSW Parliament gave us:

- strengthening governance and financial oversight in local government
- · providing greater consistency in external audit
- ensuring reliable financial information is available to assess council performance
- improving financial management, fiscal responsibility and public accountability in how councils use citizens' funds.

This report

This report is rich in data extracted from the results of the 2016–17 financial audits. For the first time, it presents a consistent view of financial performance across the New South Wales local government landscape. The report also provides guidance and includes recommendations to councils and the Office of Local Government aimed at strengthening financial reporting, asset management, governance and internal controls.

The report will help NSW Parliament understand the common challenges that councils face. It provides points of comparison for councils and signposts matters that will be the focus of future audits. Importantly, this report and the data visualisation that accompanies it, provides comprehensive and accessible information to citizens regarding the management and performance of their councils.

I would like to acknowledge the cooperation of councils throughout the audit process and our partnerships with the contract audit firms that helped us to deliver the audits. Together we can learn from each other and work towards improving outcomes for the community.

NSW Auditor-General's Report to Parliament | Report on Local Government 2017 | Auditor-General's foreword



Executive summary



1. Introduction

Local government sector

Service delivery



2. Financial reporting

Quality of financial reporting

Timeliness of financial reporting

NSW has 140 councils: 128 local councils serving a geographic area and 12 county councils formed for a specific purpose.

We completed audits of 139 councils' 2016–17 financial statements and eight councils' 2015–16 financial statements. Bayside Council received a lodgement extension from the Office of Local Government (OLG) and has not yet presented their 2016–17 financial statements for audit

Each council provides a range of services, influenced by population density, demographics, the local economy, geographic and climatic characteristics. These differences influence the financial profile of councils.

The overall quality of financial reporting needs to improve:

- we issued modified (qualified) audit opinions on the financial statements of three councils in 2016–17 and one council and one water authority in 2015–16
- we reported 39 significant matters to 29 councils. They related to material accounting issues and significant deficiencies in internal controls
- twenty-two councils required material adjustments to correct errors in previous audited financial statements
- moderate risk issues were identified in financial statement preparation processes for 43 councils.

OLG guidance for council year-end financial reporting needs to align with Australian Accounting Standards and be issued earlier.

Timeliness of financial reporting needs to improve. Forty councils required lodgement extensions past the 31 October 2017 statutory reporting deadline.



Financial performance and sustainability

Operating revenue

Eighteen councils operating expenses exceed current operating revenue.

Fifty-nine councils do not meet OLG's target of 60 per cent for own source operating revenue.

Liquidity and working capital

Most councils have sufficient liquidity and working capital. However, there are indicators that:

- three councils may not have the ability to meet shortterm obligations as measured by the unrestricted current ratio
- two councils may not have sufficient operating cash available to service debt as measured by the debt
- eighteen councils do not meet the OLG benchmark for the collection of rates and annual charges
- five councils may not have sufficient cash to continue paying expenses without additional cash inflows as measured by the cash expense cover ratio.

Asset management measures

Reporting against OLG's asset management performance measures highlights that councils need to consider whether spending on existing infrastructure assets is sufficient to ensure they continue to meet service delivery standards:

- seventy councils are not renewing assets in line with the rate of their depreciation
- eighty-four councils did not meet OLG's benchmark for managing the infrastructure maintenance backlog
- seventy-one councils are not maintaining their assets in accordance with their asset management plans.



4. Asset management

High risk issues

Asset reporting

Asset valuation

Asset useful life estimates

Asset policy and planning

We reported ten high risk issues relating to councils' asset management and accounting practices.

The accuracy of asset registers requires improvement and all assets need to be reported in the financial statements.

At 30 June 2017, 62 councils did not record all rural firefighting equipment in their financial statements. A large proportion of rural fire-fighting equipment is not reported in either State government or local government financial statements.

We reported seven high risk matters related to asset valuations, including two that resulted in qualified audit opinions.

We identified that accounting for the useful lives of similar assets varied across councils, resulting in variable depreciation expense for these assets.

In addition, the useful lives of assets need to be reviewed annually. This review should be supported by current condition assessments.

Thirteen councils do not have an asset management strategy, policy and plan, as required by the Office of Local Government's Integrated Planning and Reporting Framework.

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Governance and internal controls

High risk issues

Governance

We reported 17 high risk issues relating to governance, financial accounting, purchasing and payables and payroll matters.

There is currently no requirement for councils to have an audit, risk and improvement committee and internal audit function. Consequently, 53 councils do not have an audit committee and 52 councils do not have an internal audit function.

The Office of Local Government has incomplete information on the number of entities established by councils. There is no financial reporting framework for the variety of entities established by councils.

Councils can strengthen policies and procedures to support critical business processes, practices for risk management and compliance with key laws and regulations.

Councils can improve internal controls over manual journals, reconciliations, purchasing and payables and payroll.

Information technology

High risk issues

Internal controls

Access to IT systems

Information Technology governance

We reported nine high risk issues relating to information technology .

Controls over user access to IT systems need to be strengthened.

IT governance benefits from appropriate policies, standards and guidelines across all critical IT processes. We identified that:

- around one in four councils do not have an IT strategy or operational plan
- · half of NSW councils have an IT security policy
- seventeen councils do not have a documented plan to recover from a disaster.



1. Introduction

The Auditor-General has the mandate under the *Local Government Act 1993* to audit the NSW local government sector. One-hundred and thirty-nine councils presented their 2016–17 financial statements and eight councils also presented their 2015–16¹ financial statements for audit. These audits have been completed. The Office of Local Government (OLG) granted Bayside Council an extension until 31 May 2018 to lodge their 2016–17 financial statements and Bayside Council has not yet presented them for audit.

We also tabled a performance audit report on 'Council reporting on service delivery' on 1 February 2018. We will soon release a report on 'Fraud controls in local councils' and a report on 'Council shared services' later this year.

This report focuses on the results of our financial audits, highlights issues that were common across the local government sector and provides guidance that councils should consider. This will help Parliament understand the challenges that councils face and the measures that can improve their financial management and reporting.

Each council provides a range of services to meet its communities' needs

New South Wales has 128 local councils servicing a geographic area, and 12 county councils formed for specific purposes, such as supplying water, managing flood plains or eradicating noxious weeds. Each council provides a range of services, influenced by population density, demographics, the local economy, geographic and climatic characteristics. These differences also influence the spending profile of metropolitan, regional and rural councils.



Financial reporting

Each year, councils lodge their audited financial statements with OLG and publish them on their website. Council financial statements capture their financial activities, performance and position.

We issued five modified (qualified) audit opinions and identified a range of material financial reporting errors and significant accounting and control issues

We issued unmodified audit opinions on the financial statements of:

- one-hundred and thirty-six out of 139 councils for 2016–17
- two water authorities for 2016–17
- seven out of eight councils for 2015–16
- two out of three water authorities for 2015–16.

An unmodified audit opinion means that the financial statements present fairly the financial position and performance of the council. The Hills Shire Council, Junee Shire Council and Yass Valley Council received modified (qualified) audit opinions for 2016–17. We also issued disclaimers of opinion for the City of Botany Bay Council and Gosford Water Authority for 2015–16.

Our audits identified a further 33 material errors in the previous years' audited financial statements of 22 councils that have been corrected. Eighty-eight per cent of these errors related to the way councils account for and value assets.

We also reported 39 significant matters to 29 councils. These related to material accounting issues and internal control weaknesses, of which 77 per cent related to assets. Councils should improve the way they account for their assets as a priority.

- specific request of councils
- · failure by councils to appoint an auditor
- · inability of the previous auditor to complete the audit due to external investigation
- auditor retirement.

¹ The Auditor-General was appointed statutory auditor of eight councils for the 2015–16 reporting period due to the following reasons:

Chapter 4 of this report further discusses the asset accounting issues identified during our audits.

Councils can improve their financial reporting processes

Our audits found that 43 councils need to improve the way they prepare their financial statements. A more robust review of the financial statements by councils prior to submitting them for audit would improve both quality and timeliness.

Recommendation

Councils can improve the quality of financial reporting by reviewing their financial statements close processes to identify areas for improvements.

Our experience at the State level shows that the preparation of annual financial statements benefits from review by independent audit committees.

Councils are not currently required to have an audit, risk and improvement committee and consequently 53 councils do not have an audit committee. For those councils with an audit committee, 55 per cent play no role in the review of financial statements.

Amendments made to the Local Government Act 1993 by the Local Government Amendment (Governance and Planning) Act 2016 will require all councils to appoint an audit, risk and improvement committee. Under transitional provisions, councils will not be required to comply until March 2021, six months after the next ordinary election.

Recommendation

Councils can improve the quality of financial reporting by involving an audit, risk and improvement committee in the review of financial statements.

OLG can improve the quality and timeliness of guidance provided to councils each year

The Office of Local Government (OLG) needs to release key guidance documents, such as the Local Government Code of Accounting Practice and Financial Reporting (Code) and end of year financial reporting circular, to councils earlier.

Councils are required to prepare financial statements in accordance with Australian Accounting Standards and the Code. The Code applicable for 2016–17 financial reporting provided options and guidance that in some instances did not align with Australian Accounting Standards.

Recommendation

The Office of Local Government should release the Local Government Code of Accounting Practice and Financial Reporting and the End of Year Financial Reporting Circular earlier in the audit cycle, ideally by 30 April each year.

The Local Government Code of Accounting Practice and Financial Reporting should align with Australian Accounting Standards.

Seventy-one per cent of councils lodged audited financial statements by the statutory deadline

Councils must lodge audited financial statements with OLG by 31 October each year, that is, within four months after the end of their financial year. Forty councils did not meet this deadline for their 2016–17 financial statements and required an extension from OLG. Bayside Council received a lodgement extension for their 2016–17 financial statements to 31 May 2018 and has not yet presented them for audit.

Early close procedures help to improve the quality and timeliness of financial reporting

Early close procedures can identify issues and key risk areas that councils need to consider and resolve before the year-end process. Asset valuation issues affected the quality and timeliness of many councils' financial statements in 2016–17. Completing infrastructure, property plant and equipment valuations is a key early close procedure that can improve the quality and timeliness of financial reporting.

Recommendation

The Office of Local Government should introduce early close procedures with an emphasis on asset valuations.



3. Financial performance and sustainability

Our next chapter reviews the financial performance of councils using indicators that the OLG prescribe. Councils must report against these in their audited financial statements:

- operating performance
- own source operating revenue
- unrestricted current ratio
- debt service cover ratio
- · rates and annual charges outstanding percentage
- cash expense cover ratio.

Councils' annual reports also include the unaudited Special Schedule 7 'Report on Infrastructure Assets', in which councils report performance against four further measures:

- building and infrastructure renewals ratio
- · infrastructure backlog ratio
- asset maintenance ratio
- cost to bring assets to agreed service level.

Three rural councils did not meet OLG benchmarks for three audited performance measures

Most councils met OLG benchmarks for at least five or all of the six audited performance measures. Eight rural, four regional, four metropolitan and two county councils did not meet OLG's benchmarks for two out of the six audited performance measures. Three rural councils did not meet OLG's benchmarks for three out of the six audited performance measures.

Eighteen councils operating expenses exceed their revenue base

The first measure of financial sustainability looks at the operating revenue that councils raise to cover their operating expenses. Eighteen councils operating expenses exceed their revenue base. For 11 councils, this has been the case for the past three years. Another 20 councils would not have met the operating performance benchmark without the advance receipt of their 2017–18 financial assistance grant, which was recorded as revenue during 2016–17.

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Fifty-nine councils did not meet the OLG benchmark for generating own source revenue

Councils are also expected to generate 60 per cent of their revenue from their own sources. Fifty-nine councils did not meet this OLG benchmark, and 42 of these were rural councils. Rural councils have high-value infrastructure assets that cover large areas, with smaller populations and less capacity to raise revenue from alternative sources compared with metropolitan councils.

Most councils have sufficient liquidity and working capital

All but three councils met OLG's benchmark for the unrestricted current ratio, meaning the councils can meet short-term obligations as they fall due.

Most councils also have the capacity to cover more than three months of operating expenditure as measured by the cash expense cover ratio. However, some of the funds held by councils are restricted and should only be used for specific purposes.

A council with a high proportion of restricted funds may have limited flexibility to pay operating expenses. While a council can resolve to lift internal restrictions on funds to use them for a different purpose, the Minister for Local Government's approval is required to use externally restricted funds for another purpose.

All but two councils met OLG's debt service cover ratio benchmark

The debt service cover ratio measures the operating cash available to service debt. All but two councils met OLG's benchmark of greater than two times. This was due to these two councils repaying borrowings early.

One-hundred and twenty-three councils reported borrowings at 30 June 2017. Councils utilise borrowings to fund capital projects and to address backlog maintenance. Regional councils accounted for 56 per cent of the value of total council borrowings because they also borrow to manage water and sewerage infrastructure.

Eighteen councils did not meet OLG's benchmark for collecting rates and annual charges

Most councils are collecting rates and annual charges levied. However, eight rural, five regional, three metropolitan and two county councils did not meet the benchmark of having less than five per cent (metropolitan) or ten per cent (regional, rural and county) of rates and charges outstanding. These eighteen councils also did not meet the infrastructure backlog ratio.

Many councils did not meet OLG's benchmarks for renewing and maintaining infrastructure assets

The infrastructure asset indicators reported by councils suggest that many need to examine their asset management plans and consider whether investment in infrastructure assets is sufficient. Thirty-one councils reported they do not meet the OLG benchmarks for either the buildings and infrastructure renewals ratio, the infrastructure backlog ratio or the asset maintenance ratio. Individually:

- seventy councils reported that they are not renewing infrastructure assets at the same rate they are depreciating them
- eighty-four councils reported that they have not kept the infrastructure maintenance backlog below OLG's benchmark
- seventy-one councils reported actual asset maintenance lower than planned asset maintenance.

NSW Auditor-General's Report to Parliament | Report on Local Government 2017 | Executive summary



Asset management

NSW councils own and manage a significant range of assets, including infrastructure, property, plant and equipment with a value of \$136 billion. Many of our audit report qualifications, significant matters, prior-period errors and high risk issues related to assets.

Councils need to strengthen their asset registers

Our audits identified \$145 million worth of land and infrastructure assets at 24 councils that were not recorded in asset registers or the financial statements. This is in addition to the rural fire-fighting equipment not recorded by councils that is discussed in the following sections. We also found examples of multiple asset registers with conflicting information, inaccurate or incomplete registers and unreconciled registers.

Effective asset management requires accurate records of the assets that councils control. Council asset registers should accurately capture all assets to improve the quality and timeliness of financial statements. It is important that councils regularly update registers and reconcile them with asset management systems. Where manual spreadsheets are used to record asset details, suitable controls must be in place.

A large part of rural fire-fighting equipment is not reported in government financial statements

Our 2016–17 audits of the NSW local government sector noted that 46 councils did record vested rural fire-fighting equipment in their financial statements. However, 62 councils do not record similar rural fire-fighting assets in their financial statements. These councils are of the view that they do not control these rural fire-fighting assets used by the NSW Rural Fire Service.

NSW Treasury and the NSW Rural Fire Service are of the view that the NSW Rural Fire Service does not control rural fire-fighting equipment which has been vested in councils under the *Rural Fires Act 1997*. NSW Treasury and NSW Rural Fire Service consider that these assets are controlled by councils. The financial statements of the NSW Total State Sector and the NSW Rural Fire Service do not include these assets. Consequently, a large portion of rural fire-fighting assets are not reported in either State government or local government financial statements.

Recommendation

The Office of Local Government should address the different practices across the local government sector in accounting for rural fire-fighting equipment before 30 June 2018.

In doing so, the Office of Local Government should work with NSW Treasury to ensure there is a whole-of-government approach.

Asset valuation methods are not capturing asset values effectively

The Code requires that council assets reflect the fair value principles in Australian Accounting Standards.

Many significant issues arose in our audits because council asset revaluation processes were not robust. This affected both the quality and timeliness of the financial statements.

Our audits identified that ten councils overstated the fair value of land assets as their valuations did not take into account external restrictions on community land or land under roads as required by the Code and Australian Accounting Standards. This was the reason for one-third of the material errors that needed to be corrected in councils' previous years' audited financial statements and for the qualified audit opinion issued on The Hills Shire Council's 2016–17 financial statements.

We also found multiple cases where councils did not adequately review valuation results, comply with applicable codes or obtain accurate valuations. This was the reason for the qualified audit opinion issued on Junee Shire Council's 2016–17 financial statements.

Councils need to improve their asset valuation processes by strengthening reviews, supporting valuations with robust documentation and commencing the revaluation process earlier in the financial year.

NSW Auditor-General's Report to Parliament | Report on Local Government 2017 | Executive summary

Considerable variability in the way councils report the useful lives of similar assets

We found considerable variability in the way councils reported the useful lives of similar assets in their financial statements. This in turn affects the depreciation expense recognised in councils' financial statements and the key performance indicators that councils report. The useful lives of all assets need to be reviewed annually using current asset condition assessments.

All councils should comply with OLG asset planning requirements

Sound asset management requires effective planning. All councils should meet the asset management planning requirements in OLG's Integrated Planning and Reporting Framework to help ensure they have a plan to manage assets efficiently over their life.

We found that 13 councils did not have an asset management policy, strategy and plan.



Governance and internal controls

Councils should prioritise high risk governance and control deficiencies

Our audits reported 17 high risk issues relating to policies and procedures, risk management, manual journals, reconciliations, purchasing and payables, and payroll processes. It is important to address high risk matters as a priority.

Councils can improve management oversight and governance structures

We found that councils can strengthen governance measures, by having audit committees and internal audit functions, policies and procedures for critical business processes, legislative compliance frameworks and risk management practices.

Councils are not currently required to have an audit, risk and improvement committee and consequently 53 councils do not have an audit committee. Proposed legislative changes will require all councils to appoint an audit, risk and improvement committee by March 2021.

Recommendation

Councils should early adopt the proposed requirement to establish an audit, risk and improvement committee.

An internal audit function is currently not a requirement for councils, and consequently, 52 councils do not have this function. In addition, the Office of Local Government (OLG) has not updated its Internal Audit Guidelines since they were issued in 2010.

Recommendation

The Office of Local Government should introduce the requirement for councils to establish internal audit functions and update its 2010 Internal Audit Guidelines.

The Office of Local Government's register of council entities is not complete

The Local Government Act 1993 requires councils to obtain the consent of the Minister for Local Government before forming a corporation or any other entity², as defined under section 358(4) of the Act (referred to as a 'council entity'). OLG maintains a register of council entities for which ministerial approval has been sought. Our audit work concluded that the register that OLG maintains is not complete.

Recommendation

The Office of Local Government should maintain an accurate register of entities approved under section 358 of the *Local Government Act 1993*.

² Section 358(4) of the *Local Government Act 1993* defines entity as 'any partnership, trust, joint venture, syndicate or other body (whether or not incorporated), but does not include any such entity that is of a class prescribed by the regulations as not being within this definition'.

We also found that the *Local Government Act 1993* does not stipulate a financial reporting framework for council entities. As a result, there are disparate reporting and auditing practices for entities established across the sector.

Recommendation

The Office of Local Government should consider establishing a financial reporting framework for council entities.

Councils can strengthen policies and procedures to support business processes

Our audits identified two high risk instances in two councils where business and IT policies and procedures did not exist to support critical business and information technology processes. It is important that critical policies, standards and guidelines are available to staff and contractors to provide direction for the day-to-day operations of a council, promote consistency in processes, clarify roles and responsibilities and support compliance with laws, regulations and codes.

Councils can improve internal controls in business processes

Effective internal controls are important to help councils operate efficiently and effectively, to meet service delivery objectives, and to enable accurate and timely reporting.

We identified two high risk issues where councils had weak controls over manual journals. In one instance, this resulted in significant errors in the financial statements. Councils should independently review manual journals and prepare and review account reconciliations earlier.

We identified five high risk internal control deficiencies in the purchasing function relating to unauthorised expenditure, non-compliance with tendering guidelines and a significant breakdown of purchasing controls.

We noted one high risk internal control deficiency in the payroll function related to payroll staff having unrestricted access to amend sensitive payroll data in the system.



Information technology

Like many organisations, councils increasingly rely on information technology (IT) to deliver services and manage sensitive information.

Our audits reported nine high risk issues, predominantly related to inappropriate user access. Information technology deficiencies represented the highest number of issues we reported.

Controls over user access to IT systems need to be strengthened

User access controls reduce the risk of users having excessive access to critical financial systems and sensitive information. Our audits found many instances where user access controls were insufficient. These controls should ensure that individuals only have access to financial systems and data necessary to undertake their job responsibilities.

Our audits also found examples of users with inappropriate privileged access In addition, we found instances of inadequate review and insufficient retention of access logs to monitor the activities of privileged system users. Privileged access occurs when a person can change key system configurations and has wide access to system data, files and accounts. We also identified external IT service providers with unrestricted privileged access to council systems and data.

It is important that councils strengthen user access administration to prevent inappropriate access. They should update user access roles in line with the responsibilities of a position and review the level of user access regularly. Councils also need to ensure their existing risk management framework provides assurance for controls over IT outsourcing, and strengthen controls where required.

We identified weaknesses in user developed applications (UDAs), which are developed or managed outside IT administration. This increases the risk of errors that may adversely affect the integrity and quality of information produced. Councils need to adequately control UDAs where they continue to use them and back up business-critical information.

Councils need to strengthen information technology governance

IT governance should be founded on:

- a fit-for-purpose IT strategy and operational plan
- appropriate policies, standards and guidelines across all critical IT processes.

We found that one in four councils do not have an IT strategy or IT operational plan and some need to develop or improve IT policies and procedures. Sixty-six councils do not have an adequate information security policy.

Seventeen councils also do not have a documented plan to recover from a disaster. Councils need to develop a plan and periodically review it. They also need to periodically test that they can restore backed-up data to ensure business continuity in the face of a system disaster.



1. Introduction

1.1 The local government sector

Local government is the third tier of government. It is established under State legislation, which defines the powers and geographical areas each council is responsible for.

Each council is a statutory corporation. Elected councillors form the governing body that directs council affairs in line with the *Local Government Act 1993* and Local Government (General) Regulations 2005.

Local councils deliver services and infrastructure to a geographic area. County councils are formed for specific purposes such as to supply water, manage flood plains or eradicate noxious weeds.

During 2016, the NSW local government sector was reduced from 166 to 140 councils, resulting in 128 local councils and 12 county councils. This was due to council amalgamations that formed 19 new councils on 12 May 2016 and one new council on 9 September 2016. Appendix four lists the former councils that were amalgamated into 20 new councils.

The table below shows the number of councils before and after amalgamations.

Council categories	Number of councils before amalgamations	Number of councils after amalgamations (as at 30 June 2017)
Metropolitan	38	34
Regional	48	37
Rural	66	57
County	14	12
Total	166	140

From 1 July 2017, two more county councils were dissolved. The functions of:

- Mid-Coast County Council were transferred into the newly formed Mid-Coast Council
- Southern Slopes County Council were transferred into the Yass Valley Council and the newly formed Hilltops Council.

This report includes the audit results of the 139 councils that have lodged their 2016–17 audited financial statements with the Office of Local Government, plus two water authorities. Bayside Council received a lodgement extension for their 2016–17 financial statements to 31 May 2018 and has not yet presented them for audit.

This report also includes the audit results of the 2015–16 financial statements of eight councils and three water authorities.

In preparing this report, the comments and analysis are drawn from:

- audited financial statements
- · data collected from councils
- audit findings reported to councils
- data from external sources, including population, kilometres of roads, and council area data obtained from the Australian Bureau of Statistics and the Office of Local Government.

We have also classified councils into four groups – metropolitan, regional, rural and county. Further details are provided in Appendix three.

1.2 Service delivery

Councils invest significant resources each year to deliver a wide range of services to the community. These include waste collection, planning, child and family day care, and recreational services. Councils also build and maintain infrastructure, including roads, footpaths and drains, and enforce various laws.

Council services vary depending on community needs

While core functions, such as waste collection, are similar across councils, the range of services that each council provides varies greatly. The mix is influenced by population density, demographics, the local economy, geographic and climatic characteristics.

Spending on services

The following graphic shows the councils' expenditure by function in 2016-17.



- a Categories are based on the Local Government Purpose Classifications issued by the Australian Bureau of Statistics.
- b Appendix six provides further information on council expenditure by function. Source: Audited financial statements for 2016–17. Excludes county councils.

In 2016-17, councils collectively reported expenditure of \$11.4 billion, of which:

- \$2.1 billion was for governance and administration, including corporate and support services, engineering works, council elections, meetings and policy-making committees, members' fees and expenses, subscriptions, public disclosures and legislative compliance.
- \$2.1 billion was for transport and communications, including sealed and unsealed roads, bridges, footpaths, parking areas and aerodromes.
- \$2.0 billion was spent on the environment, including waste management, sanitation and garbage, street cleaning, drainage and stormwater management, and environmental protection.
- \$1.7 billion was spent on recreation and culture, including public libraries, museums, art
 galleries, community centres, public halls and performing arts venues, sporting grounds and
 venues, swimming pools, parks, gardens and lakes.

Metropolitan councils service sixty-five per cent of the State's population in an area of 12,135 square kilometres (1.7 per cent of the total State area). Regional and rural councils provide water and sewerage services to communities outside areas covered by metropolitan water utilities. Rural councils maintain almost 60 per cent of all roads controlled by local government authorities.

Twelve county councils perform activities that typically span across a number of council areas, such as supplying water, managing flood plains and eradicating noxious weeds.

Audit Office performance audit report on how councils report on service delivery

On 1 February 2018, the Auditor-General tabled a performance audit report on 'Council reporting on service delivery'. It concluded that councils reported well on their outputs, but there are opportunities to improve reporting on outcomes, efficiencies and results against targets.

1.3 Council data visualisation

To aid access, transparency, and comparison of councils' financial statement data, we have created a data visualisation as part of this report, which is available on the Audit Office of New South Wales website. The visualisation presents revenue, expense, operating surplus, asset and liability data, along with key financial performance and sustainability indicators for each council. The 2016–17 financial statement data used in the data visualisation tool is summarised in Appendix nine and ten of this report.

The data visualisation also presents minimum, median and maximum values within selected council groupings. While these values aid in comparison and assist further inquiry, a good or bad performance conclusion cannot be drawn from this data alone.

The visualisation excludes financial statement data for four councils due to either an incomplete audit, or where our audit opinion on the councils' financial statements was modified (qualified).





Financial reporting

Accurate and timely financial statements are an important element of sound financial management. They bring accountability and transparency to the way councils use public resources. Our financial audits assessed the following aspects of councils' financial reporting:

- quality of financial reporting
- timeliness of financial reporting.

Observation

Conclusion or recommendation

2.1 Quality of financial reporting

Qualified audit opinions

We issued unmodified audit opinions on the:

- 2016–17 financial statements of 136 councils and two water authorities
- 2015–16³ financial statements for seven councils and two water authorities.

The councils that received unmodified audit opinions prepared financial statements that fairly present their financial position and results.

We issued modified (qualified) opinions on the:

- 2016–17 financial statements of three councils
- 2015–16 financial statement of one council and one water authority.

Councils with modified opinions should address the issues that give rise to the audit qualification.

Significant audit matters

We reported 39 significant matters in 29 councils. They included material accounting issues and significant deficiencies in internal controls. Seventy-seven per cent of the matters related to assets.

Significant issues with the quality of financial reporting delayed the completion of a number of audits.

Improving the reporting on assets should be a priority.

Prior period errors

We found 33 material errors worth \$9.1 billion in the previous audited financial statements of 22 councils. These all required prior-year audited balances to be corrected.

Eighty-eight per cent of these were asset-related.

The high number of asset-related prior-period errors reinforces the need for councils to improve the way they value and account for assets.

Financial statements

We reported 43 moderate risk findings where councils can improve the way they complete their financial statements.

Of the councils that had an audit, risk and improvement committee, 55 per cent of these did not review the financial statements before audit.

Recommendation

Councils can improve the quality of financial reporting by reviewing their financial statements close processes to identify areas for improvements.

Recommendation

Councils can improve the quality of financial reporting by involving an audit, risk and improvement committee in the review of financial statements

³ The Auditor-General was appointed statutory auditor of eight councils for the 2015–16 reporting period at the specific request of councils, due to the failure by councils to appoint an auditor, or the inability of the previous auditor to complete the audit due to external investigation or auditor retirement.

Observation

OLG guidance

To support councils in preparing 30 June 2017 financial statements, OLG issued guidance documents in June 2017 and September 2017. This limited the time councils had to prepare financial statements in the prescribed form and resolve financial reporting and audit issues.

The Code applicable for the 2016–17 financial reporting period provided options and guidance that in some instances did not fully align with Australian Accounting Standards.

Conclusion or recommendation

Recommendation

The Office of Local Government should release the Local Government Code of Accounting Practice and Financial Reporting and the End of Year Financial Reporting Circular earlier in the audit cycle, ideally by 30 April each year.

Recommendation

The Local Government Code of Accounting Practice and Financial Reporting should align with Australian Accounting Standards.

2.2 Timeliness of financial reporting

Statutory deadlines

One hundred councils submitted audited financial statements to OLG by the statutory deadline of 31 October 2017.

Thirty-nine councils received reporting extensions up to 28 February, including 16 of the 20 newly amalgamated councils.

Bayside Council received a reporting extension to 31 May 2018 and has not yet presented their financial statements for audit.

Early close procedures

Councils currently do not use early close procedures to resolve accounting issues before the end of the financial year.

Councils need to improve their financial reporting processes in order to lodge their financial statements by the statutory reporting deadline.

Recommendation

The Office of Local Government should introduce early close procedures with an emphasis on asset valuations.

2.1 Quality of financial reporting

Three indicators help to assess the quality of councils' financial statements:

- modified and unmodified audit opinions
- significant matters reported to management and those responsible for the governance of a council
- · prior-period errors.

While we issued unmodified audit opinions for most councils, the number of significant matters and prior period errors indicate that the overall quality of financial reporting requires improvement.

Asset valuation issues affected the quality of many councils' financial statements in 2016–17, and were the reason for:

- two modified (qualified) audit opinions
- most of the prior-period errors, significant matters and high risk matters reported.

Audit opinions

The key outcome of our audits is an independent audit report on the financial statements that councils must produce each year. We issue either a modified or unmodified opinion on these reports, which indicates whether councils' financial statements fairly present their financial position and performance.

We issued five modified (qualified) audit opinions

We issued modified audit opinions on the:

- 2016–17 financial statements of three councils
- 2015–164 financial statements of one council and one water authority.

The following tables explain the reasons for our modified audit opinions.

Council	Reason for modified audit opinion on the financial statements	
2016-17 financial statements		
The Hills Shire Council	The method used by council to value land under roads did not appropriately reflect external restrictions on the use of this land as required by Australian Accounting Standards.	
Junee Shire Council	Council could not demonstrate that roads, bridges, footpaths and bulk earthworks were reported at fair value, as it did not value these asset classes during the year. The last valuation was conducted in 2012.	
Yass Valley Council	Council did not record the receipt of financial assistance grants from the Australian Government as revenue in the year received, as required by Australian Accounting Standards.	
2015–16 financial statements		
City of Botany Bay Council	Significant breakdowns in administrative, financial and governance internal controls affected the reliability of financial reporting of the former Council. A significant fraud involving former management was also identified in the reporting period.	
	Consequently, councillors and management were unable to provide written representation that the financial statements present fairly the financial performance and position of the Council. As a result, Australian Auditing Standards require a disclaimer of opinion to be issued.	
Gosford Water Authority	Management could not confirm it had recorded all transactions in the financial statements due to control weaknesses in the Authority's finance system.	

In addition, one council received an unmodified audit opinion on its 2016–17 financial statements, that also emphasised an important matter.

Council	Reason for the emphasis of matter in the unmodified audit opinion	
2016–17 financial statements		
Central Darling Shire Council	It was uncertain if the council could continue operating without using restricted water and sewer funds. Using externally restricted funds for other purposes requires Ministerial approval under the <i>Local Government Act 1993</i> . Ministerial approval was not obtained.	

We issued unmodified audit opinions for the remaining:

- 136 councils and two water authorities on the 2016–17 financial statements
- seven councils and two water authorities on the 2015–16 financial statements.

⁴ The Auditor-General was appointed statutory auditor of eight councils for the 2015–16 reporting period at the specific request of councils due to the failure by councils to appoint an auditor, or the inability of the previous auditor to complete the audit due to external investigation or auditor retirement.

We are yet to issue an audit opinion on Bayside Council's 2016-17 financial statements.

Council	Approved lodgement extension date	Reason for extension
Bayside Council	31 May 2018	The Office of Local Government approved a reporting extension for this council until 31 May 2018 due to incomplete financial records of the former City of Botany Bay Council.

The outcome of this incomplete audit will be reported in next year's report to Parliament.

Councils received unqualified audit opinions on special purpose financial information

Councils must also prepare two further documents that are audited:

- special purpose financial statements for declared business activities
- special schedule 8 'Permissible Income'.

The special purpose financial statements are required when councils provide services that compete in the marketplace. Special schedule 8 details the amount that councils can levy from rates for the next financial year. This amount is capped by the rate-peg limit set by the Independent Pricing and Regulatory Tribunal NSW.

The City of Botany Bay Council's 2015–16 special purpose financial statements were modified for the reason noted above. The Council did not prepare Special Schedule 8 'Permissible Income' in 2015–16.

Significant matters

Australian Auditing Standards require that we report significant matters identified during the audit to those responsible for the governance of a council. This includes the mayor or administrator, councillors and general manager. We also report significant matters to existing audit, risk and improvement committees, given their role in overseeing the financial reporting process.

Significant matters can include material accounting issues and internal control weaknesses.

The 2016-17 audits reported 39 significant matters

Our 2016–17 audits reported 39 significant matters in 29 councils. Most related to asset valuation and accounting issues, including:

- ineffective controls and procedures to support asset valuations
- not appropriately considering external restrictions on the use of community land and land under roads when determining the fair value of assets
- incorrect accounting for Crown reserves and investment properties.

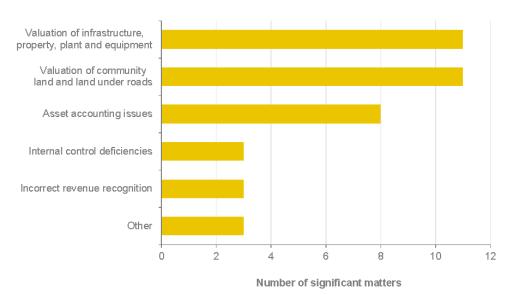
We discuss the asset-related issues further in Chapter 4.

The non asset-related significant matters included:

- internal control deficiencies over IT security
- incorrect recognition of revenue from government grants
- inappropriate use of corporate credit cards
- restricted funds used inappropriately.

The following graph below captures the range of significant matters we reported.





Source: Audited financial statements for 2016-17.

Prior-period errors

A prior-period error is an error identified in the current year that relates to the previous year's audited financial statements.

We found 33 material prior period financial reporting errors relating to 22 councils

Eighty-eight per cent of material prior-period errors related to assets, including:

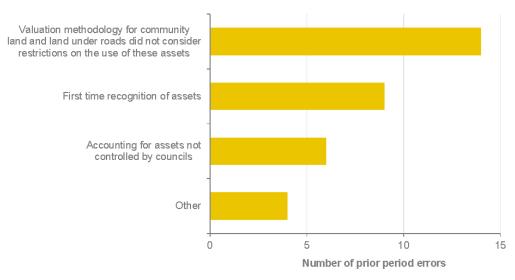
- · failure to account for external restrictions on the use of community land and land under roads
- assets that were not recorded in the financial statements
- incorrect accounting for Crown reserves and investment properties.

We discuss the asset-related issues further in Chapter 4.

The remaining errors related to applying Australian Accounting Standards incorrectly, such as recognising the revenue from government grants.

The graph below illustrates the nature of the prior-period errors we found, which had a total value of \$9.1 billion. These errors meant that previous financial statements had to be corrected.

Material prior period errors identified across the 2016-17 financial audits



Source: Audited financial statements for 2016-17.

Financial statements

Councils need to improve the way they prepare financial statements

Recommendation

Councils can improve the quality of financial reporting by reviewing their financial statements close processes to identify areas for improvement.

The lack of robust quality assurance processes resulted in errors and disclosure deficiencies in councils' financial statements. At 43 councils, we considered these issues were significant enough to report as moderate risk findings in our management letters. Common issues include:

- incomplete note disclosures required by the Code, such as for related parties, commitments, fair value measurement, financial instruments, accounting policies and subsequent events
- · incorrect classification of balances, such as employee provisions
- incorrect reporting of council entities, ownership percentages for interests in other entities and assets transferred on amalgamation
- errors in the cash flow statement and statement of changes in equity.

Better practice guides, such as the Australian National Audit Office's 'Public Sector Financial Statements: High quality reporting through good governance and processes' provide useful guidance, as the following checklist shows.

Better practice: Financial statements preparation process

A better practice financial statements preparation process has the following attributes:

- Has the visible commitment and support of the council and management.
- Invests in a skilled and knowledgeable finance team.
- Applies the concept of materiality to the preparation of the financial statements, including in deciding the level of disclosure required.
- Applies good practice project management including the development of a detailed work plan and a focus on meeting agreed deadlines.
- Maintains a strong and effective internal control framework.
- Applies robust risk management practices.
- Maintains effective, open and constructive relationships with key stakeholders.
- Identifies technical accounting issues and ensures there is consultation with stakeholders at an early stage.
- Adopts good financial reporting practices throughout the year.

Source: Australian National Audit Office, 'Public Sector Financial Statements: High quality reporting through good governance and processes'.

An audit, risk and improvement committee can support councils' financial management

Recommendation

Councils can improve the quality of financial reporting by involving an audit, risk and improvement committee in the review of financial statements.

Councils are not currently required to have an audit, risk and improvement committee and consequently 53 councils do not have an audit committee. Changes to the *Local Government Act* 1993 made by the *Local Government Amendment (Governance and Planning) Act 2016* will require councils to establish an audit, risk and improvement committee (ARIC). This is expected to be a requirement by March 2021.

Of the 85 councils (60 per cent) that already have an ARIC in some form, only 45 per cent reviewed financial statements before they were submitted for external audit.

Councils can make better use of the ARIC, where it does exist, to oversee the council's financial information including the process to prepare the annual financial statements. The ARIC can support quality financial reporting by:

- ensuring key risk areas (such as asset revaluations) have been addressed
- · tracking the resolution of audit findings from prior years
- confirming that key estimates and judgements in financial statements are reasonable
- recommending to the council whether the financial statements are appropriate to sign.

Office of Local Government guidance

The Office of Local Government needs to release key guidance documents earlier

Recommendation

The Office of Local Government should release the Local Government Code of Accounting Practice and Financial Reporting and the End of Year Financial Reporting Circular earlier in the audit cycle, ideally by 30 April each year.

The Office of Local Government (OLG) released two key documents to guide councils in preparing their 2016–17 financial statements:

- June 2017: Local Government Code of Accounting Practice and Financial Reporting (the Code)
- September 2017: End of year financial reporting 2016–17 Circular.

This timing meant there was limited scope for councils to apply the guidance in these documents when preparing financial statements by the statutory deadline of 31 October 2017. This also reduced the capacity of councils to resolve financial reporting, audit and compliance issues.

The Office of Local Government released the Code for the 2017-18 financial reporting year on 18 April 2018.

Local Government Code of Accounting Practice should align with Australian Accounting Standards

Recommendation

The Local Government Code of Accounting Practice and Financial Reporting should align with Australian Accounting Standards.

The Office of Local Government's Code of Accounting Practice and Financial Reporting (Code) sets the financial reporting requirements for councils. The Code requires councils to prepare financial statements in accordance with Australian Accounting Standards.

The Code applicable for 2016–17 financial reporting provided options and guidance that in some instances did not fully align with Australian Accounting Standards. For example, the Code:

- allowed councils the option to either recognise, or to not recognise rural fire-fighting
 equipment assets. This resulted in varying accounting practices across the sector and a
 significant portion of these assets not being reported in any government financial statements
- provided three methods for the valuation of land under roads and one of them did not specify
 that the restricted use of these assets needed to be considered as required by Australian
 Accounting Standards. This resulted in overstated asset values for this asset class for some
 councils.

2.2 Timeliness of financial reporting

Statutory deadlines

Councils had a statutory requirement to lodge their audited financial statements with OLG by 31 October 2017.

Seventy-one per cent of councils lodged audited financial statements by the statutory deadline

One hundred councils (71 per cent) met this requirement for the 2016–17 financial reporting period. However, of these, 71 councils submitted their audited financial statements to OLG during the last week of October 2017.

In many cases, councils provided multiple versions of the financial statements during the audit, including one council where 15 versions of the financial statements were presented for audit. This significantly delayed the audit and the lodgement of audited financial statements with OLG.

Under the *Local Government Act 1993*, a council may apply to OLG for an extension to the statutory reporting deadline. Forty councils received extensions for their 2016–17 financial statements including 16 newly amalgamated councils. These councils experienced challenges in harmonising accounting policies and practices and combining separate and distinct information technology and reporting systems.

Other reasons that councils put forward to support an extension were council resourcing issues and lack of financial records (particularly poor asset records). These issues had implications on audit resourcing and the timely completion of some audits by the Audit Office.

The graph below maps the lodgement dates of councils' financial statements.



Note: No council(s) lodged audited financial statements with OLG in January 2018.

2.3 Early close procedures

Early close procedures help to improve the quality and timeliness of financial reporting

Recommendation

The Office of Local Government should introduce early close procedures with an emphasis on asset valuations.

Early close procedures are those done before the end of a financial year, usually at the end of a month, such as 30 April. These procedures help to improve the timeliness and quality of financial reporting. They can identify issues and key risk areas that councils need to resolve before the year-end process. The table provides examples of early close procedures.

Asset valuation issues affected the quality of many councils' 2016–17 financial statements and were the reason for two modified (qualified) audit opinions and the majority of high risk and significant matters reported.

Preparing proforma financial statements at an early close date is a good test of a council's processes and controls.

The audit, risk and improvement committee could support the early close process by ensuring that audit findings are addressed before the year-end financial statements are prepared.

Early close procedures



Complete infrastructure, property plant and equipment valuations.



Prepare proforma financial statements and associated disclosures.



Prepare variance analysis and meaningful explanations for movements in financial balances.



Perform key account reconciliations.



Assess the impact of material, complex and one-off significant transactions.



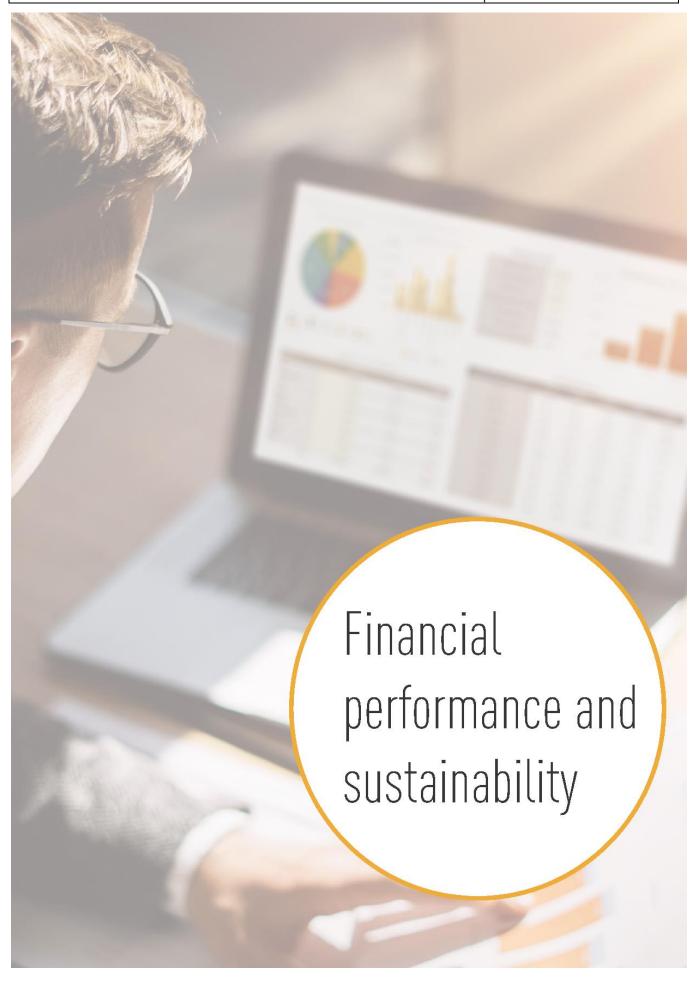
Explain any unresolved prior year audit issues including the proposed action plan to resolve them



Assess the impact of new and revised accounting standards effective in the current and future years.



Review of financial statements and processes by management and the audit, risk and improvement committee.





🗽 3. Financial performance and sustainability

Strong and sustainable financial performance provides the platform for councils to deliver services and respond to the needs of their community. This chapter outlines our audit observations on the performance of councils against the Office of Local Government's (OLG) performance indicators, grouped in three areas:

- operating revenue performance measures
- liquidity and working capital performance measures
- asset management performance measures.

Our analysis indicates that some councils face challenges in meeting these performance and sustainability measures.

Observation

Conclusions

3.1 Operating revenue performance measures

Operating performance

Operating expenses for 18 councils exceeded their operating revenue.

Another 20 councils would not have met OLG's operating performance benchmark without the receipt of 2017-18 financial assistance grants which was recorded as revenue during 2016-17.

Eleven councils have not met OLG's operating performance benchmark for the last three years.

Operating performance measures how well councils contain operating expenses within operating revenue. OLG has prescribed a benchmark of greater than zero. It is important that councils have financial management strategies that support their financial sustainability and ability to meet OLG's operating performance benchmark over the long

Own source operating revenue

Fifty-nine councils did not meet OLG's benchmark, and 42 of those were rural councils.

Own source operating revenue measures a council's fiscal flexibility and the degree to which it can generate revenue from own sources compared with total revenue from all sources. OLG has prescribed a benchmark of more than 60 per cent of total revenue.

Rural councils have high-value infrastructure assets that cover large areas with smaller populations and less capacity to raise revenue from alternative sources compared with metropolitan councils.

Observation

Conclusions

3.2 Liquidity and working capital performance measures

Unrestricted current ratio

All but three councils met OLG's benchmark.

The unrestricted current ratio represents a council's ability to meet its short-term obligations as they fall due. OLG has prescribed a benchmark of greater than 1.5 times.

Most councils can meet short-term obligations as they fall due.

Debt service cover ratio

All but two councils met OLG's benchmark. These two councils did not meet OLG's benchmark due to the early repayment of borrowings.

Regional councils have 56 per cent of the value of all borrowings in the sector.

The debt service cover ratio measures the operating cash available to service debt including interest, principal and lease payments. OLG has prescribed a benchmark of greater than two times.

Most councils have sufficient operating cash available to service their borrowings.

Regional councils borrow more heavily than metropolitan councils to deliver water and sewerage infrastructure. Metropolitan councils do not have the responsibility to provide water and sewerage infrastructure.

Rates and annual charges outstanding

Eight rural, five regional, three metropolitan and two county councils did not meet OLG's benchmark.

These councils also did not meet the infrastructure backlog ratio.

The rates and annual charges outstanding measure assesses the impact of uncollected rates and annual charges on a council's liquidity and the adequacy of debt recovery efforts. OLG has prescribed a benchmark of less than five per cent for metropolitan and less than ten per cent for other councils.

Most councils are collecting rates and annual charges levied. Councils with higher levels of uncollected rates and charges can experience increased pressure on the working capital available to fund operations.

Cash expense cover ratio

Three rural and two county councils did not meet OLG's benchmark.

The cash expense cover ratio indicates the number of months a council can continue paying its expenses without additional cash inflows. OLG has prescribed a benchmark of greater than three months.

This measure does not exclude externally and internally restricted funds. If externally restricted funds are excluded, all councils would still meet OLG's benchmark. If both externally and internally restricted funds are excluded:

- an additional 32 councils would have a cash expense cover ratio of less than three months
- a further nine councils are left without any unrestricted funds for general operations.

Most councils have the capacity to cover more than three months of operating expenses.

Councils with a higher proportion of restricted funds may have less flexibility to pay operational expenses than the cash expense cover ratio suggests. However, councils can resolve to lift internal restriction if required.

Observation

Conclusions

3.3 Asset management performance measures (not audited)

Building and infrastructure renewals ratio

Seventy councils reported to OLG they do not meet the benchmark for this ratio.

Most councils included expenditure related to work-inprogress in calculating this ratio. OLG are of the view that work-in-progress should be excluded and as a result identified that a further 23 councils do not meet the

The building and infrastructure renewals ratio represents the rate at which assets are being renewed relative to the rate at which they are depreciating. OLG has prescribed a benchmark of greater than 100 per cent. These councils appear to not be renewing assets in line with the rate they are depreciating them. This raises questions as to whether council asset management plans are adequate to determine whether assets are being kept up to agreed standards.

Uncertainty on the inclusion of work-in-progress assets does need to be is clarified in order to ensure consistency in determining whether councils are adequately renewing their assets.

Infrastructure backlog ratio

Eighty-four councils reported to OLG that they do not meet the benchmark for this ratio.

The infrastructure backlog ratio represents the proportion of infrastructure backlog relative to the total net book value of a council's infrastructure assets. OLG has prescribed a benchmark of less than two per cent.

These councils may not be maintaining their infrastructure backlog at a manageable level.

Asset maintenance ratio

Seventy-one councils reported to OLG they do not meet the benchmark for this ratio.

The asset maintenance ratio represents the rate at which assets are being maintained relative to the rate at which they are required to be maintained. OLG has prescribed a benchmark of greater than 100 per cent.

These councils' maintenance expenditure may be insufficient to sustain their assets in a functional state so they reach their predicted useful life.

Cost to bring assets to agreed service level

One-hundred and two councils reported results against this indicator to OLG. The reported results ranged from 0.1 per cent to 19.8 per cent.

This ratio represents the estimated cost to renew or rehabilitate existing infrastructure assets that have reached the condition-based interval level adopted by a council, relative to the gross replacement cost of all infrastructure assets. OLG has not prescribed a benchmark for this performance measure.

There is variability between councils in the amount of outstanding renewal works to be completed.

OLG's benchmarks for financial performance and sustainability

Each local council has unique characteristics such as its size, location and services provided to their communities. These differences affect the nature of each council's assets and liabilities, revenue and expenses, and in turn the financial performance measures against which it reports.

The Office of Local Government prescribes performance indicators for council reporting

The analysis in this chapter is based on performance measures prescribed in OLG's Code of Accounting Practice and Financial Reporting (the Code). Councils report against these measures in their annual report, which includes the audited financial statements and other unaudited information. In the audited financial statements, councils report performance against six financial sustainability measures:

- operating performance
- own source operating revenue
- unrestricted current ratio
- debt service cover ratio
- rates and annual charges outstanding percentage
- cash expense cover ratio.

Councils also include the unaudited Special Schedule 7 'Report on Infrastructure Assets' in their annual reports. In this schedule, councils report to OLG on performance against four further measures:

- building and infrastructure renewals ratio
- infrastructure backlog ratio
- asset maintenance ratio
- cost to bring assets to agreed service level.

Each audited measure and three of the four unaudited measures has a prescribed benchmark. OLG's benchmarks are the same for metropolitan, regional, rural and county councils, with the exception of the rates and annual charges outstanding percentage. Regional, rural and county councils have a different benchmark to metropolitan councils for this measure.

Three rural councils did not meet three of the audited OLG benchmarks

Most councils met OLG's benchmarks for at least five or all of the six audited performance measures. Eight rural, four regional, four metropolitan and two county councils did not meet OLG's benchmarks for two out of the six audited performance measures. Three rural councils did not meet OLG's benchmarks for three out of the six audited performance measures.

The following table summarises how the councils performed across the six audited performance measures.

Number of OLG benchmarks	Number of councils			
met by councils	Metropolitan	Regional	Rural	County
6	12	12	29	5
5	17	21	17	5
4	4	4	8	2
3			3	
Not available*	1			
Total	34	37	57	12

^{*} The financial statements for Bayside Council are not yet presented for audit. Source: Audited Financial Statements for 2016–17.

Appendix ten lists the performance of each council against all performance measures.

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NSW Auditor-General's Report to Parliament | Report on Local Government 2017 | Financial performance and sustainability

3.1 Operating revenue performance measures

The first pair of performance indicators relate to the revenue that councils raise to deliver services:

- operating performance
- own source operating revenue.

Operating performance measures how well councils keep operating expenses within operating revenue. Own source operating revenue measures the degree to which a council can generate its own source revenue compared with the total revenue from all sources.

Operating performance

Operating revenue in this measure includes rates and annual charges, user charges and fees, interest, investment and other revenue. It excludes capital grants, capital contributions and changes in the fair value of assets.

OLG sets a benchmark of greater than zero per cent for this measure. Achieving this benchmark means councils are raising enough operating revenue to fund their operating expenses.

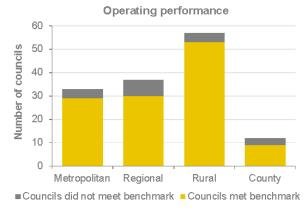
This measure assesses performance annually, so the result can be affected by short-term or one-off events and transactions, such as the profit or loss on disposal of assets and the cost of natural disasters.

Eighteen councils reported negative operating performance

Seven regional, four metropolitan, four rural and three county councils reported negative operating performance in 2016–17.

Of these 18 councils:

- five regional, two metropolitan, two rural and two county councils had reported a negative operating performance for the past three years
- fourteen councils also did not meet the infrastructure backlog ratio and twelve councils also did not meet the buildings and infrastructure renewals ratio.



Source: Audited financial statements for 2016–17.

Councils need to have financial management strategies that support their financial sustainability and meeting OLG's operating performance benchmark over the long term.

Five councils reported a net operating deficit

Yass Valley Council

In Chapter 2 Financial Reporting, we note that the audit opinion issued on the Yass Valley Council's 2016–17 financial statements was modified because Yass Valley Council did not record the receipt of financial assistance grants from the Australian Government as revenue in the year received, as required by Australian Accounting Standards.

The application of Australian Accounting Standards and the Code, with additional disclosure when appropriate, is necessary for financial statements to be presented fairly.

This resulted in an understatement of the net operating result for the year ended 30 June 2017 by \$1.48 million and overstatement of a liability recorded as 'income received in advance' by the same amount. It also affected the OLG indicators reported in the Council's financial statements.

In our audit report, we recalculated affected indicators and noted that if Council had correctly recognised this grant, its operating performance measure would have improved from negative 2.32 per cent to positive 2.48 per cent and met OLG's benchmark.

A council's net result is its operating surplus or deficit after expenses are deducted from revenue. The net result includes revenue from grants and contributions intended for capital purposes, but excludes the impact of extraordinary events such as amalgamations and boundary adjustments.

In 2016–17, one metropolitan, two regional and two county councils reported operating deficits. The remaining councils, including all rural councils, reported operating surpluses.

However, these results are affected by the timing of government grants. In 2016–17, councils received \$365 million of 2017–18 financial assistance grants from the Australian Government, which was recorded as revenue during 2016–17, consistent with the requirements of Australian Accounting Standards.

A council's financial statements present fairly their financial position and performance when transactions are recorded in accordance with the requirements of Australian Accounting Standards and the Code.

This grant income, received in advance, helped the 2016–17 operating performance of councils that had a net result close to break-even. Without these advance grant payments, a further 20 councils (four metropolitan, six regional and ten rural councils) would have reported negative operating performance and not met OLG's benchmark.

Own source operating revenue

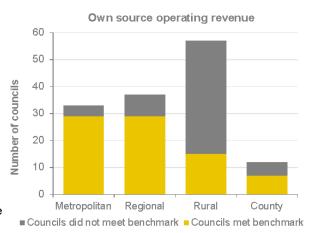
The second operating revenue measure helps to assess a council's fiscal flexibility and the degree to which it can generate own source revenue compared with the total revenue from all sources. The OLG benchmark is for own source operating revenue to be more than 60 per cent of total revenue.

This measure is sensitive to revenue from capital grants and developer contributions, and the percentage will fall where these revenue sources are significant.

Rural councils face challenges generating own source revenue

In 2016-17, forty-two rural, eight regional, five county and four metropolitan councils did not meet OLG's benchmark for own source operating revenue. This may result in councils not generating enough operating revenue to cover operating expenses.

Rural councils report challenges in generating their own revenue from rates, annual charges, user charges and fees. This is because they can have smaller populations and rating bases and lower economic activity. This reduces their capacity to generate revenue from alternative sources such as parking fees, infringement notices Source: Audited financial statements for 2016–17. and rental income.



Seven of these 59 councils were also unable to meet the benchmark for OLG's performance measure for the collection of rates and annual charges, which is discussed later in the chapter. It is important for these councils to collect rates and annual charges on time given their challenges in generating this type of own source operating revenue.

Rural councils are responsible for maintaining infrastructure over large geographical areas. Thirteen of the 42 rural councils that did not meet OLG's benchmark for own source operating revenue also did not meet OLG's benchmarks for the buildings and infrastructure renewals ratio and infrastructure backlog ratio. These asset management performance measures are discussed later in this chapter.

Council revenue and expenses

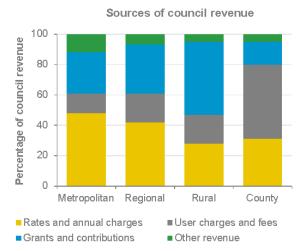
The following section details the main sources of council revenue, including special rate variations approved by the Independent Pricing and Regulatory Tribunal NSW, and the major categories of council expenditure. These are key drivers underlying several performance measures.

Revenue sources can vary significantly between councils

A council's total revenue comes from rates and annual charges, user charges and fees, operating and capital grants and contributions, and other revenue (such as interest, investments and asset disposals).

The graph illustrates the proportion of revenues from these sources for metropolitan, regional, rural and county councils.

Councils in metropolitan areas have the greatest capacity to generate other revenue, such as from childcare, parking fees, rental income and infringement notices. Rural councils rely more on grant funding to deliver their services.



Source: Audited financial statements for 2016-17

County councils do not receive rates but do levy annual charges. They receive the highest proportion of user charges and fees, which they use to provide services such as water supply, management of flood plains, and eradication of noxious weeds.

Forty councils received revenue from special rate variations

In 2016–17, the Independent Pricing and Regulatory Tribunal NSW (IPART) set the allowable percentage increase in a council's annual rates income (the rate peg) at 1.8 per cent. However, IPART can approve special rate variations above the rate peg for things such as:

- extra services
- capital expenditure
- financial sustainability
- infrastructure such as roads, bridges and stormwater drainage.

Forty councils received additional revenue from special rate variations in 2016-17. Seventeen regional, 12 rural and ten metropolitan councils received revenue from special rate variations, ranging from three per cent to 11 per cent of their rates revenue. One rural council received approval to levy a special rate of 30 per cent.

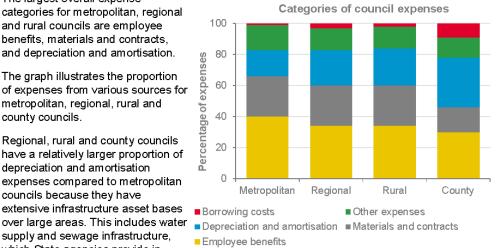
However, even with this extra revenue, four regional, one rural and one metropolitan council reported negative operating performance in 2016-17.

Employee benefits expense is the largest expense category for most councils

The largest overall expense categories for metropolitan, regional and rural councils are employee benefits, materials and contracts, and depreciation and amortisation.

The graph illustrates the proportion of expenses from various sources for metropolitan, regional, rural and county councils.

Regional, rural and county councils have a relatively larger proportion of depreciation and amortisation expenses compared to metropolitan councils because they have extensive infrastructure asset bases supply and sewage infrastructure, which State agencies provide in metropolitan areas.



Source: Audited financial statements for 2016-17.

3.2 Liquidity and working capital performance measures

The next group of indicators help to assess the way councils can:

- meet short term obligations
- service their debt
- · collect outstanding rates and annual charges
- meet their future expenses.

Unrestricted current ratio

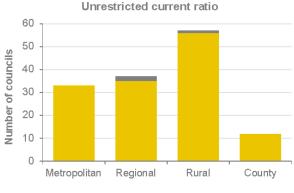
The unrestricted current ratio captures a council's ability to meet its short-term obligations as they fall due. The ratio excludes externally restricted assets and liabilities. OLG sets a benchmark of having available in unrestricted current assets more than 1.5 times the value of unrestricted current liabilities.

Two regional and one rural council did not meet OLG's benchmark for unrestricted current ratio.

The assets and liabilities of a council can fall into three categories:

- externally restricted
- · internally restricted
- unrestricted.

Externally restricted assets are those affected by legislation or other externally imposed requirements. Internally restricted assets are affected by council resolution or policy, usually for an identified future works program. All other assets are unrestricted. Liabilities are restricted (specific purpose) if they relate to externally restricted assets.



■Councils did not meet benchmark ■Councils met benchmark

Source: Audited financial statements for 2016–17.

Ninety-six councils had twice OLG's minimum benchmark for working capital

Forty-six rural, 21 metropolitan, 19 regional and ten county councils reported an unrestricted current ratio exceeding twice the OLG benchmark.

Two regional and one rural council did not meet OLG's benchmark for the unrestricted current ratio. One of these regional councils also did not meet OLG's benchmark for the collection of rates and annual charges. To meet operational needs, councils with a low unrestricted current ratio may need to:

- consider the availability of borrowings
- seek the Minister for Local Government's approval to use externally restricted funds
- look at ways to reduce expenditure or seek extra revenue from other sources.

Debt service cover ratio

One metropolitan and county council did not meet OLG's benchmark for the debt service cover ratio

The debt service cover ratio measures the operating cash available to service a council's debt, including interest, principal and lease payments. The benchmark OLG sets is to have available greater than twice the amount required to service debt.

The debt service cover ratio compares the operating result (before capital grants, capital contributions, depreciation and amortisation) with the repayment of borrowings and borrowing costs.

Fifty-seven rural, 37 regional, 27 metropolitan and five county councils reported borrowings at 30 June 2017. Councils utilise borrowings to fund capital projects and to address backlog maintenance. Regional councils accounted for 56 per cent of the value of total council borrowings because they also borrow to manage water and sewerage infrastructure.

One metropolitan and one county council did not meet this ratio as they repaid significant borrowings during 2016–17. One of these councils was newly amalgamated and the other was winding up.

Rates and annual charges outstanding percentage

The rates and annual charges outstanding percentage assesses how successful councils are in collecting rates and annual charges. The indicator measures the percentage of rates and annual charges levied throughout the year that remain unpaid as at 30 June.

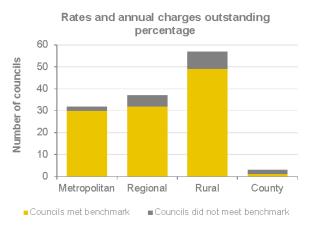
The OLG benchmark is that unpaid rates and annual charges for metropolitan councils should be less than five per cent and less than ten per cent for regional, rural and county councils.

Eighteen councils did not meet OLG's benchmark for outstanding rates and annual charges

Eight rural, five regional, three metropolitan and two county councils did not meet OLG's benchmark for the rates and annual charges outstanding percentage. Nine county councils do not levy rates and annual charges.

Councils with high levels of outstanding rates and annual charges may have less working capital available to fund operations. These eighteen councils also did not meet the infrastructure backlog ratio, which is discussed later in this chapter.

One rural council reported a rates and annual charges outstanding



Source: Audited financial statements for 2016-17.

percentage of 36 per cent. Its inability to collect rates and charges resulted in less cash available for operations. This council also reported a cash expense cover ratio of 1.6 months, which is short of OLG's benchmark of more than three months. Unpaid rates are a debt on property. In certain circumstances, councils can assume ownership of land to recover a debt.

Cash expense cover ratio

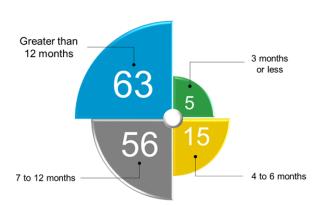
The cash expense cover ratio estimates the number of months a council can continue paying its expenses without extra cash. It compares the total cash, cash equivalents and term deposit balances against the total payments for operating and financing activities from the cash flow statement. OLG sets a benchmark of greater than three months for this ratio.

Most councils met the cash expense cover ratio benchmark of more than three months

All but three rural and two county councils were able to cover more than three months of expenditure without extra cash inflows.

Sixty-three councils (45 per cent) had enough cash on hand to fund more than 12 months of expenditure.

Another 56 councils (40 per cent) had enough cash to fund between seven and 12 months of expenditure, and 15 councils (11 per cent) had enough cash to cover four to six months of expenditure.



Cash expense cover ratio

Source: Audited financial statements for 2016-17

Cash expense cover ratio is lower when restricted funds are excluded

Central Darling Shire Council

In Section 1.1 of Chapter 2 Financial Reporting, we note that the audit opinion issued on the 2016–17 general purpose financial statements of Central Darling Shire Council referred to uncertainty over the council's ability to continue operating without using restricted water and sewer funds. This council used externally restricted funds for daily operations without ministerial approval.

On 2 March 2018, the council's administrator sought approval from the Minister for Local Government to continue using restricted cash as necessary.

Councils are not required to exclude externally and internally restricted funds when calculating the cash expense cover ratio. Restricted and unrestricted funds are held in accounts that councils control.

Section 409(3) of the Local Government Act 1993 does not permit the use of externally restricted funds for general operations. A council with a high proportion of restricted funds may have a positive cash expense cover ratio, but limited flexibility to pay its operating expenses.

Section 410(3) of the Local Government Act

1993 requires a council to obtain the Minister for Local Government's approval before using externally restricted funds collected from levying special rates and charges for another purpose. A council must pass a resolution to use internally restricted funds for another purpose.

If externally restricted funds are excluded from the cash expense cover ratio, all councils would still meet OLG's benchmark. However, if both internally and externally restricted funds are excluded:

- six regional, one rural and two county councils are left without any unrestricted funds, meaning there are no available funds for general operations, such as to pay salaries and suppliers
- seventeen rural, nine regional, four metropolitan and two county councils would have a cash
 expense cover ratio of three months or less.

Of these councils, 18 did not meet OLG's benchmark for own source operating revenue.

3.3 Asset management performance measures

The Office of Local Government (OLG) has prescribed four indicators to assess councils' asset management:

- · buildings and infrastructure renewals ratio
- infrastructure backlog ratio
- asset maintenance ratio
- cost to bring assets to agreed service level.

Appendix ten lists the results of each indicator reported by councils to OLG.

Councils report to OLG against these indicators in the Special Schedule 7 'Report on Infrastructure Assets'. Special Schedule 7 is not required to be externally audited and does not form part of a council's independently audited financial statements. It provides information in addition to that available in the audited financial statements related to the maintenance, renewal, condition and costs of infrastructure assets. The Code requires that the information in Special Schedule 7 is consistent with the council's asset management plans.

Data reported against OLG's benchmarks is an indicator of whether councils' spending on renewing and maintaining their infrastructure assets is sufficient

Thirty-one councils reported they do not meet the OLG benchmarks for either the buildings and infrastructure renewals ratio, the infrastructure backlog ratio or the asset maintenance ratio. These councils may need to examine their asset management plans and consider if their investment in maintaining and renewing infrastructure assets is sufficient.

Councils are required to have asset management plans that consider community needs, available funds, the council's risk appetite, and the whole-of-life costs of owning and/or managing the infrastructure assets under their control.

The asset management indicators reported in Special Schedule 7 provide a snapshot of data at a point in time. While they may assist with further inquiry, a good or bad performance conclusion cannot be drawn from this data alone.

Buildings and infrastructure renewals ratio

Seventy councils do not meet OLG's buildings and infrastructure renewals ratio benchmark

The buildings and infrastructure renewals ratio is used to assess the rate at which infrastructure assets are being renewed against the rate at which they are depreciating. OLG sets a benchmark of greater than 100 per cent. The underlying information used to calculate this indicator is derived from a council's audited financial statements.

Achievement of the OLG benchmark indicates that a council is renewing its assets at the same rate it is depreciating them. Twenty-six rural, 24 regional, 16 metropolitan and four county councils reported to OLG they do not meet the prescribed benchmark for the buildings and infrastructure renewals ratio.

OLG's Code requires that the buildings and infrastructure renewals ratio is calculated based on a council's renewal expenditure on specific infrastructure assets listed in Special Schedule 7. OLG has informed the Audit Office that work-in-progress assets are not infrastructure assets for the purposes of reporting in Special Schedule 7. Eighty per cent of councils included work-in-progress assets in calculating the ratio. If work-in-progress assets are excluded from the calculation, a further 23 councils would not meet OLG's benchmark. This means that 93 councils, or 69 per cent of those that reported this indicator, did not meet the OLG benchmark for renewing their assets.

OLG will need to clarify the requirements for calculating the buildings and infrastructure renewals ratio with councils.

Infrastructure backlog ratio

Eighty-four councils do not meet OLG's infrastructure backlog ratio benchmark

The infrastructure backlog ratio shows the amount of infrastructure backlog expenditure relative to the total net book value of a council's infrastructure assets. OLG sets the benchmark for this ratio at less than two per cent. Achievement of the OLG benchmark indicates that infrastructure backlog is kept at a manageable level. The underlying information used to calculate this indicator is derived from a council's audited financial statements and other unaudited sources.

Infrastructure backlog is defined in Special Schedule 7 as the estimated cost to bring a council's infrastructure, buildings, other structures and depreciable land improvements back to a condition determined to be satisfactory by the council and the community.

Thirty-seven rural, 28 regional, 15 metropolitan and four county councils reported to OLG they do not meet the prescribed benchmark for the infrastructure backlog ratio. This means that 60 per cent of councils that reported this indicator did not meet OLG's benchmark for maintaining their infrastructure backlog.

Asset maintenance ratio

Seventy-one councils do not meet OLG's asset maintenance ratio benchmark

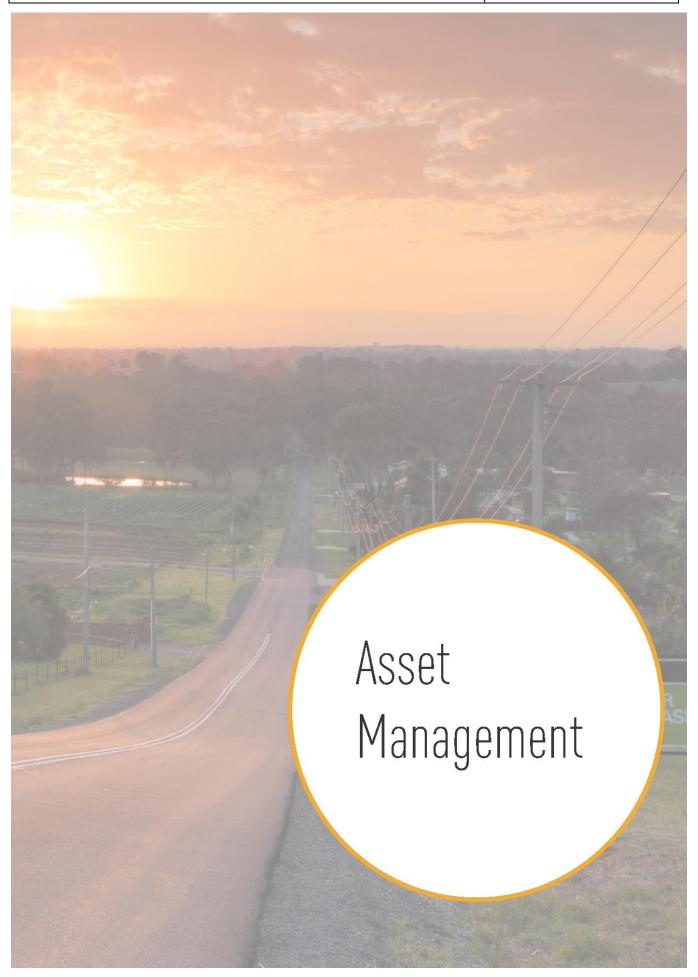
The asset maintenance ratio compares a council's actual asset maintenance expenditure to the amount planned in their asset management plans. OLG sets a benchmark of greater than 100 per cent. Achievement of the OLG benchmark indicates that a council is investing enough funds to sustain their assets in a functional state so they reach their predicted useful life. The underlying information used to calculate this indicator is derived from a council's unaudited asset management plans and other unaudited sources.

Twenty-nine rural, 26 regional, 13 metropolitan and three county councils reported to OLG that they do not meet the prescribed benchmark for the asset maintenance ratio. This means that 54 per cent of councils that reported this indicator did not maintain their assets in accordance with their asset management plans.

Cost to bring assets to agreed service level

The cost to bring assets to agreed service level compares the estimated cost to renew or rehabilitate existing infrastructure assets, that have reached the condition-based intervention level adopted by a council, to the gross replacement cost of all infrastructure assets. OLG has not prescribed a benchmark for this indicator. The underlying information used to calculate this indicator is derived from unaudited sources.

One-hundred and two councils reported results against this indicator to OLG, expressed as a percentage. The reported results ranged from 0.1 per cent to 19.8 per cent. This reflects significant variability between councils in the proportion of outstanding renewal works compared to the total replacement cost of infrastructure assets under their care and stewardship.





4. Asset management

NSW councils own and manage a significant range of assets, including infrastructure, property, plant and equipment with a total value of \$136 billion.

Many of the issues that our local government audits identified related to asset management. This chapter discusses some of the asset accounting issues we found, focusing on five areas:

- overall asset management issues
- asset registers
- asset valuation
- recognition and asset useful life estimates
- asset policy and planning.

Observation

Conclusion or recommendation

4.1 High risk issues

Significant matters reported to those charged with council governance

Our 2016–17 audits identified ten high risk issues related to the accuracy of asset registers, restricted assets and asset revaluations.

High risk issues affect council's ability to maintain their assets in the condition required to deliver essential services.

4.2 Asset reporting

Accuracy of asset registers

Our audits identified instances where councils had multiple asset registers, inaccurate or incomplete registers, unreconciled registers, or uncontrolled manual spreadsheets.

Maintaining accurate asset records is important as it enables councils to manage their assets effectively and report on finances appropriately.

Unrecorded land and infrastructure assets

Twenty-four councils had not recorded \$145 million worth of assets, mainly land and infrastructure assets.

Rural fire-fighting equipment

At 30 June 2017, forty-six councils did report vested rural fire-fighting equipment in their financial statements. However, 62 councils did not record vested fire-fighting equipment in their financial statements. These rural fire-fighting equipment assets are not reported in either State government or local government financial statements.

Assets not captured in council records is at risk of not being subject to their care and control, nor recorded in the financial statements.

Recommendation

The Office of Local Government should address the different practices across the local government sector in accounting for rural fire-fighting equipment before 30 June 2018.

In doing so, the Office of Local Government should work with NSW Treasury to ensure there is a whole-of-government approach.

Observation

Conclusion or recommendation

4.3 Asset valuation

Restricted assets

Our audits found that ten councils did not appropriately consider restrictions on the use of community land and land under roads when determining asset fair values in accordance with Australian Accounting Standards.

Nine councils corrected the land values in their 2016–17 financial statements, reducing the reported value of community land and land under roads by \$12.1 billion.

The valuation of community land and land under roads should reflect the physical and legislative restrictions on these assets as required by Australian Accounting Standards. The impact of restrictions can be significant. Councils should consider engaging experts to assist with the determination of asset fair values, as necessary.

Asset revaluations

Our audits found many cases where councils did not review valuation results, comply with applicable codes, or work effectively with valuers to obtain accurate asset valuations.

Valuing large infrastructure assets is a complex process. Councils would benefit if the process is started earlier and there is a clear plan to ensure valuations are appropriately managed and documented.

4.4 Asset useful life estimates

Asset useful life estimates

We found considerable variability in councils' useful lives for similar assets.

In some cases, the useful lives of assets are not reviewed annually or supported by regular condition assessment.

Depreciation is a significant expense for councils and therefore impacts on reported financial results and key performance indicators.

To comply with Australian Accounting Standards, councils need to reassess the useful lives of all assets annually.

Regular condition assessments are essential to identify maintenance requirements and maintain service delivery.

4.5 Asset policy and planning

Asset management strategy

Thirteen councils do not have an asset management policy, strategy and plan, as required by OLG's Integrated Planning and Reporting Framework. Newly amalgamated councils have until 30 June 2018 to implement this

An effective asset management strategy, policy and plan helps councils to manage their assets appropriately over their life cycle and to make informed decisions on the allocation of resources.

Assets overview

NSW councils own and manage a significant range of assets, including infrastructure, property, plant and equipment.

At 30 June 2017, the combined carrying value of NSW council assets was as follows.



Source: Audited financial statements for 2016–17.

4.1 High risk issues

Significant matters reported to those charged with council governance

We reported ten high risk asset management issues

Our audits identified ten high risk issues related to asset practices.



Councils should address high risk issues as a priority because they can affect their ability to maintain their assets in the condition required to deliver essential services.

The high risk issues were in three areas:

- accuracy of asset registers
- restricted assets
- asset revaluations.

This chapter also discusses the need to strengthen asset depreciation practices and asset management strategies.

4.2 Asset reporting

Accuracy of asset registers

Effective asset management calls for accurate records of the assets that councils control. Our audits found that council asset registers and systems need to improve. Councils should regularly update asset registers and reconcile them with asset management systems. Suitable controls must be in place to ensure the integrity of manual spreadsheets.

Councils should improve how they manage asset registers

Asset registers record key data on the infrastructure, property, plant and equipment that a council holds. Our 2016–17 audits found:

- twenty-two examples where manual spreadsheets stored asset data without any controls to protect their integrity (discussed further in chapter 6)
- · sixteen cases of multiple fixed-asset registers with inconsistent content and formats
- · nine instances of inaccurate and incomplete asset registers without supporting documents
- six examples of asset registers that do not, or are not, reconciled with the asset management system used for operational activities
- five instances of completed works-in-progress not capitalised as assets on a timely basis.

Three high risk issues related to councils where multiple fixed asset registers were not reconciled and incomplete. This resulted in numerous errors identified during the audits.

Multiple and decentralised asset registers limit council's ability to manage and maintain the asset base and report on finances accurately. Manual spreadsheets increase the risk of errors in more complex asset data.

Unrecorded land and infrastructure assets

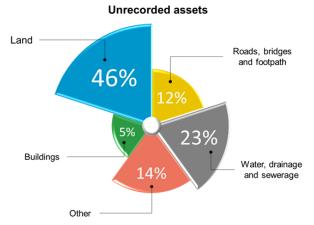
Councils had \$145 million in unrecorded land and infrastructure assets

Our 2016–17 audits identified \$145 million of unrecorded land and infrastructure assets at 24 councils. This is in addition to rural fire-fighting equipment not recorded by councils as discussed below.

The assets were mostly identified:

- during asset revaluations
- when reconciling asset registers and operational asset management systems
- during asset count processes to support the amalgamation of certain councils.

These assets are now recorded in the councils' 2016–17 financial statements. In eight councils, this also meant correcting the previous year's audited financial statements.



Source: Audited financial statements for 2016-17.

Rural fire-fighting equipment

A significant portion of rural fire-fighting equipment is not reported in either State government or local government financial statements

Recommendation

The Office of Local Government should address the different practices across the local government sector in accounting for rural fire-fighting equipment before 30 June 2018.

In doing so, the Office of Local Government should work with NSW Treasury to ensure there is a whole-of-government approach.

The 2016–17 Local Government Code of Accounting Practice and Financial Reporting required that council financial statements are prepared in accordance with Australian Accounting Standards. Forty-six councils did record vested rural fire-fighting equipment in their 2016–17 financial statements. However, sixty-two councils did not record these assets and, consequently, they are not reported in the financial statements of the State government or the local government.

Rural fire-fighting equipment is vested in councils under the *Rural Fires Act 1997*. This includes buildings, vehicles and other equipment used in connection with the prevention or suppression of fire. Service agreements govern the way the NSW Rural Fire Service can use these assets for fire mitigation and safety works in a council area.

NSW Treasury and the NSW Rural Fire Service are of the view that the NSW Rural Fire Service does not control rural fight-fighting equipment vested in councils. The financial statements of the NSW Total State Sector and the NSW Rural Fire Service do not include these assets.

The following factors suggest that councils control rural fire-fighting equipment:

- councils have responsibilities for fire mitigation and safety works in their area
- assets are vested in councils giving them legal ownership and title
- a council allows the NSW Rural Fire Service the use and occupancy of these assets within its council area through a service agreement
- councils are responsible for maintenance and insurance of the assets, although insurance of the vested vehicles is managed by the NSW Rural Fire Service.

4.3 Asset valuation

Seven high risk matters related to asset valuations, including two that resulted in qualified audit opinions

While having accurate asset registers is important, councils must also review the carrying value of their assets regularly so they reflect fair value.

Valuing large infrastructure assets is a complex process that needs to be well planned, managed and documented. The process should commence early in the financial year and, where used, instructions to external valuers need to clearly define the scope of work.

We found that councils need to improve their processes and controls over asset revaluations. Where experts are engaged, council management need to critically review the results to ensure they are robust.

The Office of Local Government (OLG) requires that councils comprehensively revalue each asset class on a five-year cycle. For those asset classes not subject to a comprehensive revaluation in a given year, councils must still satisfy themselves that asset values materially reflect fair value at the reporting date.

Restricted assets

Valuation methods need to consider restrictions that may affect asset values

At 30 June 2017, councils owned and managed \$33.5 billion worth of land, including \$17.8 billion (53 per cent) of community land and \$4.1 billion (12 per cent) of land under roads.

OLG's Local Government Code of Accounting Practice and Financial Reporting (Code) sets the financial reporting requirements for councils. The Code requires councils to report assets, such as land under roads and community land, at 'fair value'.

The Hills Shire Council

The method used by the Hills Shire Council to value land under roads did not appropriately reflect restrictions on the use of this land as required by Australian Accounting Standards.

This resulted in a modified (qualified) audit opinion on its 2016–17 financial statements.

Australian Accounting Standards define 'fair value' as the current exit price to sell or transfer an asset. They require that 'fair value' measurement considers an asset's characteristics, including its condition, location and any restrictions on its sale or use. Such restrictions may be imposed by legislation, regulation or planning instrument.

Most council community land is subject to legislative zoning restrictions though a Local Environment Plan. Land under public roadways is subject to physical restrictions and legislative restrictions under the *Roads Act 1993*. Councils cannot lift these restrictions without the approval of external bodies.

Our 2016–17 audits found ten councils where the 2015–16 audited financial statements had overstated the value of land assets because the valuation of community land and land under roads did not reflect the physical and legislative restrictions on these assets. Of these, nine corrected the land values in their 2016–17 financial statements.

As a result, the reported value of community land and land under roads at these nine councils reduced by \$12.1 billion from the previous years' audited financial statements. Over 90 per cent of

the reduction occurred in metropolitan councils, where the value of community land decreased by \$7.8 billion and land under roads decreased by \$3.5 billion.

Asset revaluations

Asset valuation processes can improve

Councils should have effective controls and procedures to support their asset valuations. Our 2016–17 audits found:

- twelve instances where council management did not sufficiently review valuation results, requiring adjustments in the financial statements
- seven cases where councils did not
 comprehensively revalue assets in line with
 the five-year cycle set by the Local
 Government Code of Accounting Practice and Financial Reporting

Junee Shire Council

Junee Shire Council could not demonstrate that roads, bridges, footpaths and bulk earthworks were reported at fair value, as it did not value these asset classes during the year. The last valuation was conducted in 2012.

This led to a modified audit opinion on its 2016–17 financial statements.

- five examples where council management did not agree on the scope and method of the required valuation with the external valuer before work was completed
- four instances where councils gave the valuer incomplete asset records, resulting in some assets being excluded
- four cases where there were no policies and procedures to support asset valuation processes
- four instances where the revaluation process did not start early enough to update the asset register and general ledger in time for year-end financial reporting
- four examples where supporting papers did not give enough detail of management's
 accounting treatments, judgements and assumptions underlying asset valuation.

4.4 Asset useful life estimates

The useful lives of road assets vary across councils

The useful life of an asset is the length of time it should be available for use. The remaining useful life is the period remaining that a council intends to use an asset, largely influenced by its physical condition. The useful life estimates determine the amount of depreciation expense reported in councils' financial statements.

Our audits reviewed the range of useful lives that councils reported for roads. We found considerable variability in the way councils reported the useful lives of similar road assets.



Sealed roads: Surface

Metropolitan Councils - from 19 to 41 years Regional Councils - from 16 to 40 years Rural Councils - from 19 to 28 years



Sealed roads: Structure

Metropolitan Councils - from 97 to 116 years Regional Councils - from 45 to 192 years Rural Councils - from 104 to 141 years



Unsealed roads

Metropolitan Councils - approximately 12 years Regional Councils - from 19 to 88 years Rural Councils - from 25 to 63 years

Source: Audited financial statements for 2016-17.

Some variability in the useful lives of roads can be expected due to different soil types, methods of construction, geography and the environment. However, these differences do not fully explain the large variation in the useful lives of similar assets across councils. This variability impacts the depreciation expense calculated by councils for similar assets and reported in the financial statements. This in turn may affect the key sustainability indicators that councils report.

Useful lives of assets need to be reviewed annually considering condition assessments

Australian Accounting Standards require that councils reassess the useful lives of all assets annually. Our 2016–17 audits identified six instances where there was no annual review of assets' remaining useful lives or regular condition assessment of assets. In three instances, the useful lives of assets were not adjusted to align with the physical condition assessments.

4.5 Asset policy and planning

Effective asset management should be tied together by an effective policy and planning processes. This helps to mitigate risk, support decision-making and ensure that councils manage assets efficiently and effectively over their life cycle. It also helps councils to determine future funding needs in maintaining, renewing and extending their asset base.

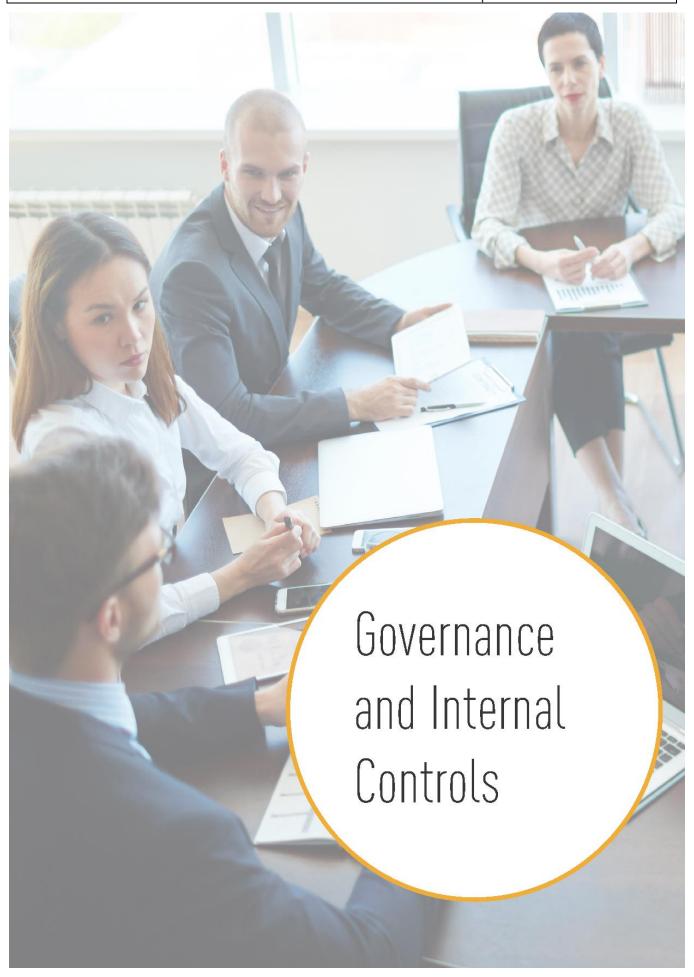
Asset management strategy

Thirteen councils do not have an asset management strategy, policy and plan

In 2013, OLG released an Integrated Planning and Reporting Framework (IP&R framework). This helps councils to integrate its plans and policies and align them with its strategic goals.

A key element of the IP&R framework is that all councils have an integrated asset management strategy, policy and plan. Newly amalgamated councils have until 30 June 2018 to finalise these.

Thirteen councils do not have the required asset management strategy, policy and plan. Eleven of these are regional and rural councils.





Governance and internal controls

Good governance systems help councils to operate effectively and comply with relevant laws and standards. Internal controls assist councils to operate reliably and produce effective financial statements.

This chapter highlights the high risk issues we found and reports on a range of governance and control areas. Governance and control issues relating to asset management and information technology are covered in separate chapters.

Observation

Conclusion or recommendation

5.1 High risk issues

Significant matters reported to those charged with council governance

Our 2016–17 audits identified 36 high risk governance and internal control deficiencies across 17 councils.

We reported:

- seventeen high risk issues relating to governance, purchase-to-pay, financial accounting and payroll processes
- ten high risk issues relating to asset practices
- nine high risk issues related to information technology management.

Asset practices accounted for the highest number of high risk issues and information technology accounted for the largest overall number of control deficiencies. These matters are covered in chapters four and six respectively.

High risk issues affect council's ability to achieve their objectives and increase the risk of fraud and error.

5.2 Governance

Audit committees

Councils are currently not required to have an audit, risk and improvement committee.

Consequently, 53 councils do not have an audit committee.

Proposed legislative changes will require councils to establish an audit, risk and improvement committee by March 2021.

Recommendation

Councils should early adopt the proposed requirement to establish an audit, risk and improvement committee.

Internal audit

Councils are currently not required to have an internal audit function. Consequently, 52 councils do not have this function.

Council entities

The Office of Local Government's register of entities approved under section 358 of the *Local Government Act 1993* is incomplete.

The Local Government Act 1993 does not stipulate a financial reporting framework for council entities.

Recommendation

The Office of Local Government should introduce the requirement for councils to establish internal audit functions and update its 2010 Internal Audit Guidelines.

Recommendation

The Office of Local Government should maintain an accurate register of council entities approved under section 358 of the *Local Government Act 1993*.

Recommendation

The Office of Local Government should establish a financial reporting framework for council entities.

Observation

Conclusion or recommendation

Policies and procedures

We identified 50 high and moderate risk issues across 33 councils where policies and procedures over critical business processes did not exist or had not been updated.

It is important there are current policies, standards and guidelines available to staff and contractors across all critical business processes.

Legislative compliance frameworks

Our audits found that 45 councils do not have sufficient processes to show they are complying with legislative requirements.

Councils can improve practices in monitoring compliance with key laws and regulations. This includes implementing a legislative compliance framework, register and policy.

Risk management

We identified 15 high and moderate risk issues across 15 councils where risk management practices could be strengthened.

Council risk management practices are enhanced when there is a fit-for-purpose risk management framework, register and policy to outline how risks are identified, managed and monitored.

5.3 Internal controls

Financial accounting

We identified 45 high and moderate risk control deficiencies across 41 councils concerning the use of manual journals to adjust council financial records. This can increase the risk of fraud and error.

We identified 51 high and moderate risk issues across 39 councils where reconciliation processes need to improve to support the preparation of accurate financial statements.

Sound financial accounting processes include controls to

- a person other than the preparer authorises manual journals
- key account reconciliations are prepared and reviewed.

Purchasing and payables

We found 102 high and moderate risk deficiencies in purchasing and payable controls across 64 councils. Sound purchasing controls are important to minimise error, unauthorised purchases, fraud and waste.

As councils spend a substantial amount each year to procure goods and services, strong controls over purchasing and payment practices are critical. These include:

- a review of changes to vendor master file data by an appropriate independent officer
- an independent review and approval of purchases, including credit card transactions
- compliance with Tendering Guidelines for NSW Local Government.

Payroll

We identified 71 high and moderate risk deficiencies in payroll controls across 48 councils. Weaknesses in payroll controls could result in incorrect payments being made to employees, due to error or fraud.

Managing excess annual leave balances was a challenge for 32 councils.

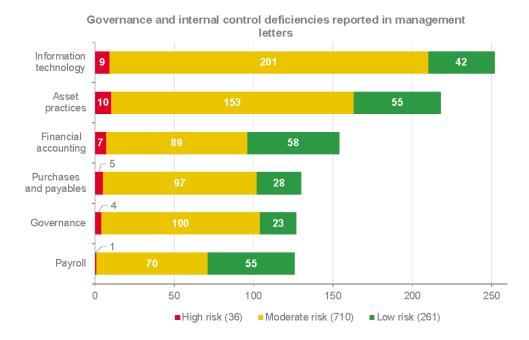
Effective payroll controls are important because employee expenses represent a large portion of council expenditure. These controls include segregation of duties in the review of payroll master file data, timesheets, leave forms, payroll exception reports and termination payments.

Excessive annual leave balances can have implications on employee costs, disrupts service delivery and affect work, health and safety. Excess annual leave balances should be continuously monitored and managed.

5.1 High risk issues

Significant matters reported to those charged with council governance

During our 2016-17 audits, we identified 36 high risk governance and internal control deficiencies.



The high risk issues fell across six areas. We discuss four of these in this chapter and the remaining two in other chapters:

- information technology (see chapter 6)
- asset management (see chapter 4)
- governance
- purchasing and payables
- financial accounting
- payroll.

Councils should address high risk issues as a priority as these can increase the risk of fraud and error.

5.2 Governance

Governance refers to the frameworks, processes and behaviours that help a council achieve its objectives, comply with legislative and other requirements, and meet standards of probity, accountability and transparency.

Effective governance builds community confidence and enables the effective and efficient use of public resources. Governance models need to be fit for purpose and tailored to the needs of each council.

In 2015, the Audit Office released its Governance Lighthouse to provide a best practice model of public sector governance for entities to follow. This covers eight principles and 17 key elements of good governance. Councils may find it useful to assess existing governance practices against the key principles in the lighthouse and address any gaps they find.

While this year's financial audit did not assess every aspect of governance in councils, this report highlights our findings and observations related to:

- · audit committees and internal audit
- council entities
- policies and procedures
- legislative compliance frameworks
- risk-management.

Audit committees and internal audit

The combined benefit of an audit committee and internal audit function is that councillors can obtain general assurance that internal controls and risk management are working effectively. The 36 councils that do not have an audit committee and internal audit function are operating without important safeguards and generally accepted checks and balances.

Fifty-three councils have not established an audit, risk and improvement committee

Recommendation

Councils should early adopt the proposed requirement to establish an audit, risk and improvement committee.

An effective audit, risk and improvement committee is an important part of good governance.

Councils are not currently required to have an audit, risk and improvement committee. At present, 53 councils do not have a functioning audit committee.

Changes outlined in section 428A of the *Local Government Amendment (Governance and Planning) Act 2016* will require councils to establish an audit, risk and improvement committee. This is expected to be a requirement by March 2021.

Council type	Number of councils with an audit, risk and improvement committee	Number of councils without an audit, risk and improvement committee	% without
Metropolitan	32	2	5.9
Regional	29	8	21.6
Rural	23	34	59.6
County	1	9	90.0
Total	85	53	38.4

Note: Mid-Coast and Southern Slopes county councils were dissolved on 1 July 2017. They have been excluded from the table

Section 428B of the *Local Government Amendment (Governance and Planning) Act 2016* specifies that councils may jointly appoint an audit, risk and improvement committee to exercise functions for more than one council.

Fifty-two councils do not have an internal audit function

Recommendation

The Office of Local Government should introduce the requirement for councils to establish internal audit functions and update its 2010 Internal Audit Guidelines.

Internal audit is another important element of an effective governance framework as it supports a risk and compliance culture. Internal audit provides assurance that a council's governance practices and internal control environment are effective, and identifies where performance can improve.

Councils are not currently required to have an internal audit function. As the following table shows, 33 rural councils, eight county councils, eight regional councils and three metropolitan councils do not have an internal audit function. Of these councils, nine are newly amalgamated.

Council type	Number of councils with an internal audit function	Number of councils without an internal audit function	% without
Metropolitan	31	3	8.8
Regional	29	8	21.6
Rural	24	33	57.9
County	2	8	80.0
Total	86	52	37.7

Note: Mid-Coast and Southern Slopes county councils were dissolved on 1 July 2017 and have therefore been excluded from the table.

There are 13 councils with an internal audit function but without an audit, risk and improvement committee. An effective audit committee would complement the internal audit function and provide it with a separate reporting line independent of management.

The Office of Local Government (OLG) has not updated the Internal Audit Guidelines it released in 2010. The OLG should, at a minimum, introduce the requirement for councils to establish internal audit functions and update its 2010 Internal Audit Guidelines.

An internal audit function is mandatory for all State government agencies. A useful reference point for councils is available in TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector, issued by NSW Treasury.

Council entities

The Office of Local Government does not have complete information on council entities

Recommendation

The Office of Local Government should maintain an accurate register of entities approved under section 358 of the *Local Government Act 1993.*

Section 358 of the *Local Government Act 1993* (Act) specifies that councils must not form or participate in forming a corporation or other entity, or acquire a controlling interest in a corporation or other entity, except with the consent of the Minister for Local Government. These entities are referred to as 'council entities'.

Section 415 of the Act deals with auditing of the financial statements of council entities. The definition of a council entity in section 415 includes a wide and diverse range of bodies and is consistent with the definition of entities under section 358 of the Act. Our initial audit work identified 261 entities that met the definition of a council entity.

OLG maintains a register of entities where a council has sought approval from the Minister under section 358 of the Act. The register maintained by OLG was not complete and accurate. It also did not identify what entities had been approved by the Minister.

The legislation does not clarify the financial reporting obligations of council entities

Recommendation

The Office of Local Government should consider establishing a financial reporting framework for council entities.

We found uncertainty in the legislative framework governing the oversight of council entities⁵ and their financial reporting and auditing requirements. This can result in a lack of transparency and accountability over the activities of council entities.

The Local Government Act 1993 does not require council entities to keep records or prepare financial statements. Some council entities prepare financial statements, while others do not. The financial statements of some entities are audited, where others remain unaudited.

Given this uncertainty, we sought advice from the NSW Crown Solicitor about the Auditor-General's obligations under the Act. This confirmed that arrangements for council entities under the Act need clarification. Appendix 11 attaches this advice.

Policies and procedures

Formal policies and procedures support effective governance and internal control as they:

- provide direction for the day-to-day operations of a council
- promote consistency
- clarify accountability and other issues to staff and management
- support compliance with laws, regulations and codes.

Policies and procedures are not always in place or kept up to date

Councils need to ensure that policies, standards and guidelines are available to staff and contractors across all critical business processes, and that they are reviewed and updated regularly, including when significant changes occur.

Our financial audits did not review all council policies and procedures, but looked at whether policies and procedures for critical business processes exist and are updated. We found 73 cases across 47 councils where policies and procedures did not exist or had not been updated for:

- financial management
- information technology
- procurement
- contract management.

⁵ Section 358(4) of the *Local Government Act 1993* defines entity as 'any partnership, trust, joint venture, syndicate or other body (whether or not incorporated), but does not include any such entity that is of a class prescribed by the regulations as not being within this definition'.

Of the 73 issues, two were high risk, 48 were moderate risk and 23 were rated low risk.



The two high risk issues were:

- one council without any policies for numerous critical business processes, including payroll, purchases, property, plant and equipment and revenue
- one council with no IT strategic plan, disaster recovery plan, business continuity plan and only limited IT operating procedures.

Legislative compliance frameworks

Councils need to improve practices to comply with key laws and regulations

Our audits found 45 councils do not have a legislative compliance framework, which would include a compliance policy and compliance register. Without these, there is an increased risk that councils may breach legislative requirements. This can attract penalties, affect service delivery and cause significant reputational damage.

A compliance framework needs to be suited to the size of a council, but sufficient to help it comply with key legislative obligations. We reported this as a moderate risk at 43 councils and a low risk at two councils.



Risk management

While our financial audits are not designed to assess every aspect of risk management, we did identify 20 instances in 17 councils where risk management practices could be strengthened. Two of these were high risk, 13 were moderate risk and five were low risk.



Councils should address the high risk issues as a priority because they may affect their ability to achieve their objectives or comply with relevant legislation.

55

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The high risk issues related to:

- one council where high-rated risks were identified on the risk register but there was no
 indication of how the risks were being managed. In addition, roles and responsibilities for risk
 management were not clearly defined
- one council where fraud-related risks identified by management were not being addressed.

The remaining moderate and low risk issues related to the lack of, or out-dated, risk management frameworks, risk registers and/or policies and procedures. Of the 20 issues identified in risk management practices, 14 related to rural councils.

Councils may find it useful to assess their risk management practices using the Audit Office's Risk Maturity Toolkit. The toolkit is based on the principles and guidance of International Standards on Risk Management AS/NZS ISO 31000:2009 Risk Management and NSW Treasury Policy Guidelines TPP 12-03 and TPP 15-03. The risk management toolkit needs to be applied in a way that is fit for purpose, considering the size and complexity of each council.

5.3 Internal controls

Our financial audits focus on key internal controls that underpin the financial statements that councils prepare each year. Our audits assess whether key internal controls are designed, implemented and operating effectively to manage the risk of material error in the financial statements.

We report any control deficiencies we find to management and those charged with governance of a council through our audit management letters.

Financial accounting

The two main financial control weaknesses we found related to manual journals and reconciliations. A high proportion of these weaknesses were of moderate risk.

Councils can improve internal controls for manual journals

Staff use manual journals to make changes directly to the general ledger, which supports the preparation of council financial statements. Unlike IT controls, which are typically automated, most manual journals rely on human intervention and oversight. Using manual journal entries without appropriate controls and oversight can increase the risk of error and fraud.

Our audits found 51 cases in 43 councils where there were control weaknesses around manual journals. These included:

- manual journals not reviewed by an independent officer
- the finance system not preventing the same officer from posting and approving manual journals
- inadequate supporting documentation for manual journals posted
- staff with access to process manual journals beyond their job requirements.

Of the 51 cases, two were considered high risk, 43 of moderate risk and six low risk.



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The high risk issues related to:

- one case where journals were posted to incorrect accounts and this had a significant impact
 on the financial statements. It could have been prevented if there was an appropriate review
 of the journals
- one case where journals could be posted without review by another officer. This was
 classified high risk, as fraud had been committed at this council in the past.

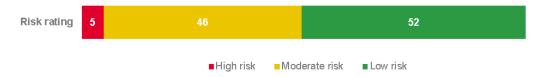
Councils should reconcile their accounts timely and review them independently

Councils need to improve processes in preparing and reviewing account reconciliations.

Council financial statements are based on information in the general ledger. Balances are often supported by information in subsidiary ledgers, such as for:

- · accounts payable
- accounts receivable
- fixed assets
- payroll.

It is important that councils periodically reconcile the general ledger with these subsidiary ledgers to confirm that data is accurate and complete. Our audits found 103 deficiencies across 61 councils relating to key account reconciliations. Five were high-risk, 46 of moderate risk and 52 low risk.



The issues included:

- · reconciliations not prepared for key account balances
- · reconciliations not reviewed in a timely manner by an appropriate officer
- long-outstanding reconciling items remaining unresolved for long periods.

The deficiencies were assessed as high risk if they could significantly affect the councils' financial statements.

If key account reconciliations are not prepared and reviewed promptly, management's ability to identify and resolve issues is affected. That could result in misstatements in financial reporting.

Purchasing and payables

Councils purchase significant amounts of goods and services each year. In 2016–17, for example, councils collectively spent:

- \$3.5 billion to acquire property, plant and equipment
- \$3.9 billion on supplies, services and other general expenditure.

Seventy-six councils need to improve purchasing and payables controls

Sound controls for purchasing and payment functions are important to minimise the risk of unauthorised purchases, fraudulent activity and waste. For example, the report from the recent Independent Commission Against Corruption (ICAC) investigation into the conduct of employees at the former City of Botany Bay Council highlighted serious, systemic failures in procurement practices and internal controls. This led to financial loss and reputational damage.

Our audits identified 130 internal control weaknesses related to the purchasing and payables process across 76 councils. Five were high risk, 97 of moderate-risk, and 28 rated low risk.



The high risk issues related to:

- unauthorised expenditure, or expenditure approved by an officer without the necessary delegation
- non-compliance with Tendering Guidelines for NSW Local Government.

The moderate and low risk matters span these same issues but also included:

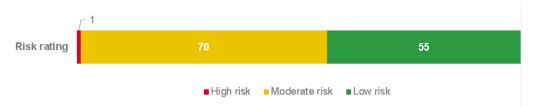
- purchase orders raised only after the goods or services were received and paid for
- · reports designed to detect irregular or unusual changes that were not reviewed
- inadequate segregation of duties in the purchases and payables function
- · inadequate review of credit card transactions and retention of supporting documents
- · lack of review of changes to vendor master file data
- purchase orders not raised at all.

Payroll

Councils need to have effective payroll controls because employee expenses represent a large portion of their total expenditure. Weaknesses in payroll controls could result in incorrect payments to employees due to either error or fraud.

Seventy-two councils need to improve payroll controls

Our audits identified 126 internal control weaknesses related to payroll processes at 72 councils. One was assessed as high risk, 70 moderate risk and 55 rated low risk.



The high risk issue involved a council where payroll staff had unrestricted access to amend sensitive payroll data in the system. There were no mitigating controls as:

- system logs detailing changes to employee details were not generated
- exception reports which can be used to identify unusual changes in pay details were not reviewed by an officer independent of the payroll team.

Common issues from the remaining moderate and low risk deficiencies included:

- no review of changes to details in the payroll master file
- · unapproved staff timesheets
- unapproved staff leave forms
- payroll exception reports not reviewed
- termination payments not reviewed.

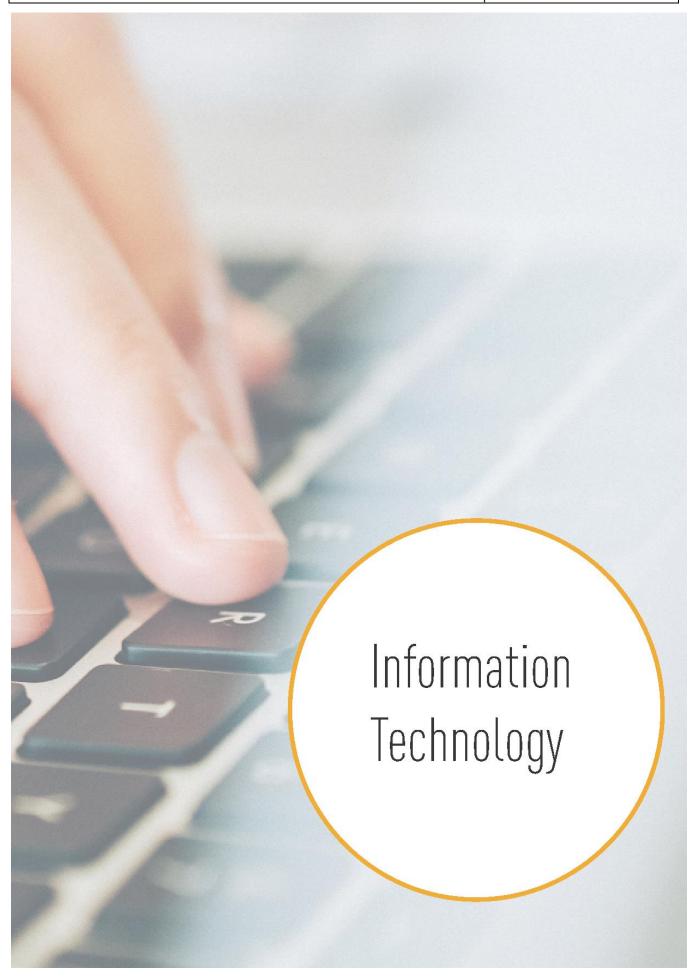
Managing excess annual leave is a challenge for some councils

Under the Local Government Award, council employees should have less than eight weeks of annual leave accrued at any time.

We identified staff with annual leave balances greater than eight weeks at 32 councils.

There are several implications of excessive leave balances, including:

- higher employee costs in the future due to salary increases
- work, health and safety implications
- · disruptions to service delivery when employees eventually take lengthy periods of leave
- employee fraud remaining undetected.



6. Information technology

Like most public sector agencies, councils increasingly rely on information technology (IT) to deliver services and manage sensitive information. While IT delivers considerable benefits, it also presents risks that councils need to address.

Our review of council IT systems focused on understanding the processes and controls that support the integrity, availability and security of the data used to prepare financial statements. This chapter outlines issues in three broad areas:

- high risk issues
- access to IT systems
- IT governance.

Observation

Conclusion

6.1 High risk issues

Significant matters reported to those charged with council governance

Our 2016–17 audits identified nine high risk IT control deficiencies across seven councils. The issues related to user access controls, privileged access controls and user developed applications.

High risk issues affect council's ability to achieve their objectives and increase the risk of fraud and error.

6.2 Access to IT systems

User access controls

We identified 107 issues across 56 councils where user access controls could be strengthened.

Inadequate IT policies and controls around user access, including privileged access, increases the risk of individuals having excessive or unauthorised access to critical financial systems and data.

Privileged access

We identified 86 examples across 64 councils of inappropriate privileged access, inadequate review of access and insufficient retention and review of access logs.

User developed applications

User developed applications (UDAs) are computing applications, tools and processes developed or managed outside IT administration. UDAs may allow users to bypass formal user access controls.

Our audits found 22 councils using spreadsheets for business operations, decision making and financial reporting that were not adequately secured, with changes that were not tracked, tested or reviewed.

We also identified five councils where finance staff and senior management use database query tools to directly modify financial data, circumventing system-based business process controls. It is important councils are aware of all circumstances they are relying on UDAs to limit the risk of errors and potential misuse. This allows councils to:

- transition UDA functions to internal systems where possible
- ensure UDAs are adequately controlled where they continue to use them
- regularly review access rights to UDAs and back-up business-critical information.

Observation

Conclusion

6.3 IT governance

Strategy, policies and procedures

Around one in four councils do not have an IT strategy or operational plan. Some councils also need to develop or improve IT policies and procedures.

Sixty-six councils do not have an adequate information security policy.

Disaster recovery and business continuity

Our audits identified that 17 councils do not have a documented plan to recover critical business functions in the event of a disaster.

The ability to restore data from backups is critical to ensure business continuity in the face of a system disaster.

We also found that 15 councils do not periodically test their ability to restore backups of data relevant to financial reporting.

IT governance is enhanced where there is:

- a fit-for-purpose IT strategy and operational plan
- appropriate policies, standards and guidelines across all critical IT processes
- a formally defined process to support security and access to all systems.

Sound management of disaster recovery and business continuity includes:

- a documented plan for how critical business functions will be recovered in the event of a disaster, which is periodically reviewed and tested
- the ability to restore backed-up data, which is periodically tested.

We expect to focus on these areas in our future audits.

6.1 High risk issues

Our audits reported nine high risk information technology control issues in our audit management letters to councils.

Internal control deficiencies reported in management letters



Councils should address high risk issues as a priority as these can increase the risk of fraud and error. The high risk issues fell into three areas:

- user access controls
- privileged access controls
- user developed applications.

The chapter rounds out with some findings on IT governance.

6.2 Access to IT systems

User access controls

Access controls are informally documented and inconsistently applied

Our audit found that controls over user access at 38 councils were insufficient, or the councils could not provide evidence that their controls were operating effectively.

User access controls should ensure that individuals only have access to financial systems and data necessary to undertake their job responsibilities.

Councils need to have effective policies and procedures to create, modify and deactivate user access to minimise the risk of individuals having excessive or unauthorised access.

Our audits sought to confirm the effectiveness of user access administration over key financial systems against these principles. Where we found issues, these were mostly moderate rather than high risk because councils had mitigating controls in place.

Effective user access control involves the following good practice:



Clear policies and procedures



Formal approval to establish and modify user accounts



Removal of access when no longer required



Regular review of user access



Password parameters in line with good practice



Clear records of user access.

We identified staff at 35 councils with access to systems beyond what their job requires.

In three councils, the risks were high because there were only limited mitigating controls. In each case, we were required to perform extra audit procedures. These three councils have remediation plans in place, which we will review during our next audit.

We also found that 30 councils need to strengthen their password parameters for financial reporting systems.

Privileged access

Privileged access occurs when a person can change key system configurations and has wide access to system data, files and accounts. Our audits found examples of inappropriate privileged access, inadequate review and insufficient retention of access logs to monitor the activities of privileged system users.

To minimise the risk of individuals having inappropriate access to IT systems, councils need to strengthen their policies and procedures over privileged user access.

Staff and third-party contractors had unmonitored access to some council systems

Privileged access controls should follow the same good practice principles as general access controls discussed above. However, the impact of poor administration of privileged access controls can be greater than general access controls, because privileged access enables greater control over key IT systems.

Access to IT systems should be granted using the principle of 'least privilege'. This means that system users should only have the system access privileges needed to perform their job, and no-one should have ongoing access to highly privileged functions unless their job demands it.

Where individuals have privileged access, independent oversight should detect and rectify any inappropriate activity. Activity logs of users with privileged access should be reported to someone in a position of authority who is independent of the IT team.

Our audits found:

- IT staff, finance staff and senior management at 22 councils with inappropriate access to privileged finance applications and council data. They could bypass system-based controls or make direct changes to financial data
- fifty-six councils where there is no review of access and usage for users with highly privileged system access
- eleven councils where highly privileged generic user accounts were shared between staff and third-party contractors, limiting the effectiveness of any audit logs
- nine councils with no audit logs detailing the activity of privileged users
- · two councils where audit logs were not reviewed or secured
- one council where IT staff could develop and implement changes to financial systems without any authorisation and oversight.

At five councils, these observations were high risk due to a combination of weaknesses. As a result, we were required to perform extra audit procedures to address the risk. These councils also have remediation plans in place, which we will review during our next audit.

Access controls over third-party service providers needs to be strengthened

Most councils rely on third-party service providers for IT administration support. This can be from the vendor of key council systems or an independent IT contractor. Councils need to ensure their existing risk management framework provides assurance for controls over IT outsourcing.

Our audits identified:

- nine councils where there were third parties with unrestricted and unmonitored access to council systems and data
- three councils that had cloud-based financial reporting systems where the council has no assurance that key controls at the service provider are operating effectively
- one council where there was significant reliance on the systems, knowledge and expertise of third parties with no plan should these services be withdrawn.

These examples presented a moderate risk given mitigating controls in place.

User developed applications

User developed applications (UDAs) are computing applications, tools and processes that are developed or managed outside IT administration. These pose extra risks because controls used by internal IT systems may be absent.

User developed applications allow users to bypass user access controls

Councils commonly use UDAs such as spreadsheets, databases and reporting tools in day-to-day operations. There may be internally developed workarounds when a vendor-supplied solution is absent or too expensive to implement.

Reasons why councils might use UDA tools include that they can:

- · allow users to interact with council data directly and independently
- be developed cheaply and quickly compared to system enhancements that use a more traditional system development lifecycle.

At the same time, UDAs can pose significant risks. They can lack the traditional controls of a formally deployed business application, and often sit outside the defined control environment. Over time, their original purpose can be lost and their use and complexity can expand. This increases the risk of errors or intentional misuse.

Because of these risks, councils should consider migrating from UDAs to internal IT systems wherever possible. Where this is not feasible, they should implement mitigating controls such as:

- ensuring that UDAs are subject to the council's software development lifecycle requirements for specification, design, building, testing and maintenance
- reviewing and updating policies for user access controls and ensuring assigned access rights to UDAs are appropriate and periodically reviewed
- ensuring all business-critical UDAs are backed up regularly and their recoverability tested.

Our audits found:

- twenty-two councils where spreadsheets were used for business operations, decision
 making and financial reporting that were not adequately secured, with changes that were not
 tracked, tested or reviewed. Examples included the calculation of development application
 fees and depreciation
- five councils where finance staff and senior management had inappropriate access, using database query tools to directly modify financial data in database tables, circumventing system-based business process controls.

These observations were mostly classed as moderate risk as there were mitigating controls in place. However, it was a high risk issue at one council because of the importance of the data maintained in spreadsheets and the lack of access and version controls.

6.3 Information technology governance

IT governance refers to the strategies and frameworks, polices and processes that councils use to oversee and manage IT risks.

Strategy, policies and procedures

One in three councils do not have an IT strategy or operational plan

An IT strategy and an operational plan are important for achieving the best use of IT resources

An IT strategy links technology use to the wider objectives of a council. It needs to be fit for purpose and take into account the size and complexity of a particular council.

An IT operational plan sets out the day-to-day tasks, time frames, responsibilities and resources needed to realise the goals of an IT strategy.

Thirty-one councils did not have an IT strategy or operational plan.

Effective IT governance is strengthened when:



There is an IT strategy and operational plan in place that is fit for purpose and suits the size and complexity of the council



Appropriate policies (such as an information security policy), standards and guidelines are available to staff and contractors across all critical IT processes. These are reviewed and updated periodically, including when significant system or process changes occur



There are processes to consider, capture and monitor IT risks that would affect operations.

We also found that 16 councils had an IT operational plan but not an IT strategy. Without an IT strategy, there is a risk that IT investment is not aligned with council priorities. Some councils need to develop or improve IT policies and procedures.

Clear and well-defined IT policies and procedures help organisations to implement their strategies and plans. Our audits found the following issues across 33 councils:

- twenty-four councils without formal IT policies and procedures over IT security, change management, disaster recovery and/or business continuity
- seventeen councils without a formal and defined process to appropriately support access management for financial reporting systems
- seventeen councils that need to strengthen existing policies and procedures for IT security, change management or disaster recovery
- two councils that had not reviewed or updated IT policies and procedures in several years.

Over half of councils do not have an information security policy

We identified that 66 councils do not have a formal information security policy. Without this, councils are likely to rely on the knowledge, risk appetite and diligence of individual staff to maintain the security of key IT systems. All councils should have a formally defined process to support the security of and access to all systems.

On 2 March 2018, the Audit Office tabled a performance audit report on 'Detecting and responding to cyber security incidents'. Cyber security incidents can harm government service delivery and may include theft of personal information, denial of access to critical technology, or even the hijacking of systems for profit or malicious intent. Recent global and national security incidents highlight the importance for councils to have systems and processes for detecting and responding effectively to security incidents.

Disaster recovery and business continuity

Councils can improve backup, disaster recovery and business continuity controls

The ability to restore data from valid backups is critical to ensure business continuity. Without it, councils may be unable to continue providing essential public services in the face of a system disaster.

Councils need to thoroughly assess their business systems and documented plan outlining how critical business functions will be recovered in the event of a disaster. Once plans are in place, they then need to be reviewed and tested regularly. The ability to restore backed-up data should also be periodically tested.

We found that 17 councils do not have a documented plan to recover from a disaster. We also found that 15 councils do not periodically test their ability to restore backups of data relevant to financial reporting.

Without these measures, there may not be a clear process to minimise the impact of a significant incident interrupting critical business functions to ensure the continued delivery of services.

We expect to focus on these areas in our future audits.



Strengthening local government

Appendix one – Response from the Office of Local Government



5 O'Keefe Avenue NOWRA NSW 2541 Locked Bag 3015 NOWRA NSW 2541 Our Reference: Your Reference: Contact: Phone: A586791

Performance Team 02 4428 4100

Ms Margaret Crawford Auditor-General of New South Wales Audit Office of New South Wales GPO Box 12 SYDNEY NSW 2001

Dear Ms Crawford

Thank you for your letter dated 23 March 2018 and for the opportunity to respond to your proposed Local Government 2017 report to Parliament.

The Office of Local Government welcomes the contribution from the Audit Office towards strengthening governance, financial management and reporting in the local government sector and notes your findings and recommendations.

We look forward to continuing work with the Audit Office in the future.

Yours sincerely

Tim Hurst Acting Chief Executive Office of Local Government

19/4/18

T 02 4428 4100 F 02 4428 4199 TTY 02 4428 4209 E olg@olg.nsw.gov.au W www.olg.nsw.gov.au ABN 44 913 630 046





Appendix two – List of recommendations

The table below lists the recommendations made in this report.



Financial reporting

Quality of financial reporting

Councils can improve the quality of financial reporting by reviewing their financial statements close processes to identify areas for improvements.

Councils can improve the quality of financial reporting by involving an audit, risk and improvement committee in the review of financial statements

The Office of Local Government should release the Local Government Code of Accounting Practice and Financial Reporting and the End of Year Financial Reporting Circular earlier in the audit cycle, ideally by 30 April each year.

The Local Government Code of Accounting Practice and Financial Reporting should align with Australian Accounting Standards.

Timeliness of financial reporting

The Office of Local Government should introduce early close procedures with an emphasis on asset valuations.



Asset management

Recognition and asset useful life estimates

The Office of Local Government should address the different practices across the local government sector in accounting for rural fire-fighting equipment before 30 June 2018. In doing so, the Office of Local Government should work with NSW Treasury to ensure there is a whole-of-government approach.



Governance and internal controls

Governance

Councils should early adopt the proposed requirement to establish an audit, risk and improvement committee.

The Office of Local Government should introduce the requirement for councils to establish internal audit functions and update its 2010 Internal Audit Guidelines.

The Office of Local Government should maintain an accurate register of entities approved under section 358 of the *Local Government Act 1993*.

The Office of Local Government should consider establishing a financial reporting framework for council entities.



Appendix three – Sources of information and council classifications

Sources of information

This report comments on the results of audits completed on the 2016–17 financial statements of 139 councils and two water authorities and the completed audits of eight councils and three water authorities' 2015–16 financial statements. The audit of one council's 2016–17 financial statements is ongoing as the council received a lodgement extension from the Office of Local Government.

In addition to the audited financial statements, the comments and analysis in this report has been drawn from:

- · data collected from councils
- audit findings reported to councils
- data from external sources, including population, kilometres of roads, and council area data from the Australian Bureau of Statistics and the Office of Local Government.

Council classifications

We adopted the following methodology when classifying councils in our report.

OLG classification	Audit Office grouping
Metropolitan	Metropolitan
Regional Town/City	Regional
Metropolitan Fringe	Metropolitan
Rural	Rural
Large Rural	Rural

Source: OLG classifications and Audit Office of New South Wales

Below is a list of councils and county councils by classification.

Council classifications

Local councils	OLG classification	Classification in this report
Albury City Council	Regional Town/City	Regional
Armidale Regional Council	Regional Town/City	Regional
Ballina Shire Council	Regional Town/City	Regional
Balranald Shire Council	Rural	Rural
Bathurst Regional Council	Regional Town/City	Regional
Bayside Council	Metropolitan	Metropolitan
Bega Valley Shire Council	Regional Town/City	Regional
Bellingen Shire Council	Large Rural	Rural
Berrigan Shire Council	Large Rural	Rural
Blacktown City Council	Metropolitan	Metropolitan
Bland Shire Council	Large Rural	Rural
Blayney Shire Council	Large Rural	Rural
Blue Mountains City Council	Metropolitan Fringe	Metropolitan

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Local councils	OLG classification	Classification in this report
Bogan Shire Council	Rural	Rural
Bourke Shire Council	Rural	Rural
Brewarrina Shire Council	Rural	Rural
Broken Hill City Council	Regional Town/City	Regional
Burwood Council	Metropolitan	Metropolitan
Byron Shire Council	Regional Town/City	Regional
Cabonne Council	Large Rural	Rural
Camden Council	Metropolitan Fringe	Metropolitan
Campbelltown City Council	Metropolitan Fringe	Metropolitan
City of Canada Bay Council	Metropolitan	Metropolitan
Canterbury Bankstown Council	Metropolitan	Metropolitan
Carrathool Shire Council	Rural	Rural
Central Coast Council	Metropolitan Fringe	Metropolitan
Central Darling Shire Council	Rural	Rural
Cessnock City Council	Regional Town/City	Regional
Clarence Valley Council	Regional Town/City	Regional
Cobar Shire Council	Large Rural	Rural
Coffs Harbour City Council	Regional Town/City	Regional
Coolamon Shire Council	Rural	Rural
Coonamble Shire Council	Rural	Rural
Cootamundra-Gundagai Regional Council	Large Rural	Rural
Cowra Shire Council	Large Rural	Rural
Cumberland Council	Metropolitan	Metropolitan
Dubbo Regional Council	Regional Town/City	Regional
Dungog Shire Council	Large Rural	Rural
Edward River Council	Large Rural	Rural
Eurobodalla Shire Council	Regional Town/City	Regional
Fairfield City Council	Metropolitan	Metropolitan
Federation Council	Large Rural	Rural
Forbes Shire Council	Large Rural	Rural
Georges River Council	Metropolitan	Metropolitan
Gilgandra Shire Council	Rural	Rural
Glen Innes Severn Council	Large Rural	Rural
Goulburn Mulwaree Council	Regional Town/City	Regional
Greater Hume Shire Council	Large Rural	Rural
Griffith City Council	Regional Town/City	Regional
Gunnedah Shire Council	Large Rural	Rural
Gwydir Shire Council	Large Rural	Rural
Hawkesbury City Council	Metropolitan Fringe	Metropolitan

Local councils	OLG classification	Classification in this report
Hay Shire Council	Rural	Rural
Hills Shire Council, The	Metropolitan Fringe	Metropolitan
Hilltops Council	Large Rural Rural	
Hornsby, The Council of the Shire of	Metropolitan Fringe Metropolitan	
Hunters Hill, The Council of the Municipality of	Metropolitan	Metropolitan
Inner West Council	Metropolitan	Metropolitan
Inverell Shire Council	Large Rural	Rural
Junee Shire Council	Large Rural	Rural
Kempsey Shire Council	Regional Town/City	Regional
Kiama, the Council of the Municipality of	Regional Town/City	Regional
Ku-ring-gai Council	Metropolitan	Metropolitan
Kyogle Council	Large Rural	Rural
Lachlan Shire Council	Large Rural	Rural
Lake Macquarie City Council	Regional Town/City	Regional
Lane Cove Municipal Council	Metropolitan	Metropolitan
Leeton Shire Council	Large Rural	Rural
Lismore City Council	Regional Town/City	Regional
Lithgow Council, City of	Regional Town/City	Regional
Liverpool City Council	Metropolitan	Metropolitan
Liverpool Plains Shire Council	Large Rural	Rural
Lockhart Shire Council	Rural	Rural
Maitland City Council	Regional Town/City	Regional
Mid-Coast Council	Regional Town/City	Regional
Mid-Western Regional Council	Regional Town/City	Regional
Moree Plains Shire Council	Large Rural	Rural
Mosman Municipal Council	Metropolitan	Metropolitan
Murray River Council	Large Rural	Rural
Murrumbidgee Council	Rural	Rural
Muswellbrook Shire Council	Large Rural	Rural
Nambucca Shire Council	Large Rural	Rural
Narrabri Shire Council	Large Rural	Rural
Narrandera Shire Council	Large Rural	Rural
Narromine Shire Council	Large Rural	Rural
Newcastle City Council	Regional Town/City	Regional
North Sydney Council	Metropolitan	Metropolitan
Northern Beaches Council	Metropolitan	Metropolitan
Oberon Council	Large Rural	Rural
Orange City Council	Regional Town/City	Regional

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Local councils	OLG classification	Classification in this report
Parkes Shire Council	Large Rural	Rural
Parramatta Council, City of	Metropolitan	Metropolitan
Penrith City Council	Metropolitan Fringe	Metropolitan
Port Macquarie-Hastings Council	Regional Town/City	Regional
Port Stephens Council	Regional Town/City	Regional
Queanbeyan-Palerang Regional Council	Regional Town/City	Regional
Randwick City Council	Metropolitan	Metropolitan
Richmond Valley Council	Regional Town/City	Regional
Ryde City Council	Metropolitan	Metropolitan
Shellharbour City Council	Regional Town/City	Regional
Shoalhaven City Council	Regional Town/City	Regional
Singleton Council	Regional Town/City	Regional
Snowy Monaro Regional Council	Regional Town/City	Regional
Snowy Valleys Council	Large Rural	Rural
Strathfield Municipal Council	Metropolitan	Metropolitan
Sutherland Shire Council	Metropolitan	Metropolitan
Sydney, Council of the City of	Metropolitan	Metropolitan
Tamworth Regional Council	Regional Town/City	Regional
Temora Shire Council	Large Rural	Rural
Tenterfield Shire Council	Large Rural	Rural
Tweed Shire Council	Regional Town/City	Regional
Upper Hunter Shire Council	Large Rural	Rural
Upper Lachlan Shire Council	Large Rural	Rural
Uralla Shire Council	Large Rural	Rural
Wagga Wagga City Council	Regional Town/City	Regional
Walcha Council	Rural	Rural
Walgett Shire Council	Large Rural	Rural
Warren Shire Council	Rural	Rural
Warrumbungle Shire Council	Large Rural	Rural
Waverley Council	Metropolitan	Metropolitan
Weddin Shire Council	Rural	Rural
Wentworth Shire Council	Large Rural	Rural
Willoughby City Council	Metropolitan	Metropolitan
Wingecarribee Shire Council	Regional Town/City	Regional
Wollondilly Shire Council	Metropolitan Fringe	Metropolitan
Wollongong City Council	Regional Town/City	Regional
Woollahra Municipal Council	Metropolitan	Metropolitan
Yass Valley Council	Large Rural	Rural

Source: OLG classifications and Audit Office of New South Wales.

County councils

County council	Geographical region	Classification in this report
Castlereagh-Macquarie County Council	Far West	County
Central Murray County Council	Riverina Murray	County
Central Tablelands County Council	Central West and Orana	County
Goldenfields Water County Council	Riverina Murray	County
Hawkesbury River County Council	Metropolitan Sydney	County
Mid-Coast County Council*	Hunter	County
New England Tablelands County Council	New England North West	County
Riverina Water County Council	Riverina Murray	County
Rous County Council	North Coast	County
Southern Slopes County Council*	South East and Tablelands	County
Upper Hunter County Council	Hunter	County
Upper Macquarie County Council	Central West and Orana	County

 $^{^* \}qquad \text{Mid-Coast and Southern Slopes county councils were dissolved on 1 July 2017.} \\ \text{Source: OLG classifications and Audit Office of New South Wales.}$



Appendix four – Councils amalgamated in 2016

Newly amalgamated council	Former councils	Date of amalgamation
Armidale Regional Council		12 May 2016 ¹
	Armidale Dumaresq Council	
	Guyra Shire Council	
Bayside Council		9 September 2016 ³
	City of Botany Bay Council	
	Rockdale City Council	
Canterbury-Bankstown Council		12 May 2016 ¹
	Bankstown City Council	
	Canterbury City Council	
Central Coast Council		12 May 2016 ¹
	Gosford City Council	
	Wyong Shire Council	
City of Parramatta Council		12 May 2016 ²
	Parramatta City Council	
	The Hills Shire Council	
	Auburn City Council	
	Holroyd City Council	
	Hornsby Shire Council	
Cootamundra-Gundagai Council		12 May 2016 ¹
-	Cootamundra Shire Council	
	Gundagai Shire Council	
Cumberland Council	•	12 May 2016 ²
	Parramatta City Council	
	Auburn City Council	
	Holroyd City Council	
Dubbo Regional Council		12 May 2016 ¹
•	Dubbo City Council	•
	Wellington Council	
Edward River Council	-	12 May 2016 ¹
	Conargo Shire Council	
	Deniliquin Council	
Federation Council		12 May 2016 ¹
	Corowa Shire Council	-
	Urana Shire Council	

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Newly amalgamated council	Former councils	Date of amalgamation
Georges River Council		12 May 2016 ¹
	Hurstville City Council	
	Kogarah City Council	
Hilltops Council		12 May 2016 ¹
	Boorowa Council	
	Harden Shire Council	
	Young Shire Council	
Inner West Council		12 May 2016 ¹
	Ashfield Council	
	Leichhardt Municipal Council	
	Marrickville Council	
Mid-Coast Council		12 May 2016 ¹
	Gloucester Shire Council	
	Great Lakes Council	
	Greater Taree City Council	
Murray River Council		12 May 2016 ¹
	Murray Shire Council	
	Wakool Shire Council	
Murrumbidgee Council		12 May 2016 ¹
	Jerilderie Shire Council	
	Murrumbidgee Shire Council	
Northern Beaches Council		12 May 2016 ¹
	Manly Council	
	Pittwater Council	
	Warringah Council	
Queanbeyan-Palerang Regional C	Council	12 May 2016 ¹
	Palerang Council	
	Queanbeyan City Council	
Snowy Monaro Regional Council		12 May 2016 ¹
	Bombala Council	
	Cooma-Monaro Shire Council	
	Snowy River Shire Council	
Snowy Valleys Council		12 May 2016 ¹
	Tumbarumba Shire Council	
	Tumut Shire Council	

¹ Local Government (Council Amalgamations) Proclamation 2016 dated 12 May 2016.

² Local Government (City of Parramatta and Cumberland) Proclamation 2016 dated 12 May 2016.

³ Local Government (Bayside) Proclamation 2016 dated 9 September 2016.



Appendix five – Status of audits

Below is a summary of the status of the 2016–17 and 2015–16 financial statement audits, including the type of audit opinion and the date it was issued.

2016-17 audits

Key

Type of audit opinion		Date of audit opinion	
Unmodified opinion.		Financial statements were lodged by the statutory deadline of 31 October 2017.	\checkmark
Unmodified opinion with emphasis of matter.		Extensions to the statutory deadline (and met).	$\overline{\mathbf{Y}}$
Modified opinion: Qualified opinion, an adverse opinion, or a disclaimer of opinion. Audit report not yet issued.	0	Financial statements not submitted as at tabling date.	8

Local council	Type of audit opinion		Date of audit opinion	
Albury City Council	Unmodified	②	23 October 2017	\checkmark
Armidale Regional Council	Unmodified	②	7 December 2017	$\overline{\mathbf{Y}}$
Ballina Shire Council	Unmodified	②	26 October 2017	✓
Balranald Shire Council	Unmodified		31 October 2017	\checkmark
Bathurst Regional Council	Unmodified		23 October 2017	
Bayside Council ⁶	Not yet issued	0	Not yet issued	×
Bega Valley Shire Council	Unmodified		31 October 2017	$\overline{\mathbf{Y}}$
Bellingen Shire Council	Unmodified		25 October 2017	$\overline{\mathbf{Y}}$
Berrigan Shire Council	Unmodified		18 October 2017	$\overline{\mathbf{Y}}$
Blacktown City Council	Unmodified		26 October 2017	$\overline{\mathbf{Y}}$
Bland Shire Council	Unmodified		28 February 2018	$\overline{\mathbf{Y}}$
Blayney Shire Council	Unmodified		24 October 2017	$\overline{\mathbf{Y}}$
Blue Mountains City Council	Unmodified		31 October 2017	$\overline{\mathbf{Y}}$
Bogan Shire Council	Unmodified		25 October 2017	$\overline{\mathbf{Y}}$
Bourke Shire Council	Unmodified		27 October 2017	$\overline{\mathbf{Y}}$
Brewarrina Shire Council	Unmodified		28 February 2018	$\overline{\mathbf{Y}}$
Broken Hill City Council	Unmodified		19 October 2017	$\overline{\mathbf{Y}}$
Burwood Council	Unmodified		18 October 2017	
Byron Shire Council	Unmodified		26 October 2017	
Cabonne Council	Unmodified		23 October 2017	$\overline{\mathbf{Y}}$

⁶ The Office of Local Government granted Bayside City Council with an extension until 31 May 2018. The council has not yet presented their 2016–17 financial statements for audit as the financial records were not ready. The outcome of this incomplete audit will be reported in next year's report.

Camden Council Unmodific Campbelltown City Council Unmodific City of Canada Bay Council Unmodific	ed 💸	27 October		\checkmark
City of Canada Bay Council Unmodific	ed	15 Septem	bor 2017	
•	¥		Del 2017	\mathbf{Y}
0 1 1 10 11 11 15		12 October	2017	
Canterbury Bankstown Council Unmodific	ed 🤡	30 Novemb	per 2017	\checkmark
Carrathool Shire Council Unmodifie	ed 🤡	30 October	r 2017	\checkmark
Central Coast Council Unmodific	ed 📀	9 March 20)18	$\overline{\mathbf{Y}}$
Central Darling Shire Council Unmodific	ed ohasis of Matter)	28 Februar	y 2018	\checkmark
Cessnock City Council Unmodifie	ed 📀	11 October	r 2017	$\overline{\mathbf{Y}}$
Clarence Valley Council Unmodific	ed 📀	6 Novembe	er 2017	$\overline{\mathbf{Y}}$
Cobar Shire Council Unmodific	ed 📀	30 Novemb	per 2017	\mathbf{V}
Coffs Harbour City Council Unmodific	ed 📀	26 October	r 2017	YYYY
Coolamon Shire Council Unmodific	ed 🤡	23 October	r 2017	\checkmark
Coonamble Shire Council Unmodifie	ed 🤡	10 Novemb	per 2017	\checkmark
Cootamundra-Gundagai Regional Unmodific	ed 🤡	30 October	2017	\checkmark
Cowra Shire Council Unmodific	ed 📀	26 October	r 2017	\checkmark
Cumberland Council Unmodifie	ed 📀	21 Decemb	per 2017	Y Y Y Y
Dubbo Regional Council Unmodific	ed 📀	27 Februar	y 2018	\mathbf{Y}
Dungog Shire Council Unmodifie	ed 📀	28 Februar	y 2018	\checkmark
Edward River Council Unmodifie	ed 📀	15 Decemb	per 2017	\checkmark
Eurobodalla Shire Council Unmodific	ed 📀	27 October	r 2017	
Fairfield City Council Unmodifie	ed 📀	25 October	2017	\checkmark
Federation Council Unmodific	ed 🤡	30 October	2017	$\overline{\mathbf{Y}}$
Forbes Shire Council Unmodifie	ed 🤡	30 October	r 2017	\mathbf{Y}
Georges River Council Unmodifie	ed 📀	14 Novemb	per 2017	$\overline{\mathbf{Y}}$
Gilgandra Shire Council Unmodifi	ed 📀	22 Novemb	per 2017	\checkmark
Glen Innes Severn Council Unmodifie	ed 🤡	19 Decemb	per 2017	\mathbf{Y}
Goulburn Mulwaree Council Unmodifie	ed 📀	4 Decembe	er 2017	\mathbf{V}
Greater Hume Shire Council Unmodific	ed 📀	23 October	r 2017	\checkmark
Griffith City Council Unmodific	ed 📀	23 October	r 2017	\mathbf{Y}
Gunnedah Shire Council Unmodifi	ed 🗸	20 October	r 2017	\checkmark
Gwydir Shire Council Unmodific	ed 🗸	31 October	r 2017	\mathbf{V}
Hawkesbury City Council Unmodific	ed 🕜	27 October	r 2017	Y
Hay Shire Council Unmodific	ed 🕜	30 October	r 2017	
Hills Shire Council, The Qualified	opinion []	29 Septem	ber 2017	Y

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Local council	Type of audit opinion		Date of audit opinion	
Hilltops Council	Unmodified	0	29 November 2017	\checkmark
Hornsby, The Council of the Shire of	Unmodified	0	20 October 2017	∀ ∀
Hunters Hill, The Council of the Municipality of	Unmodified		31 October 2017	
Inner West Council	Unmodified		27 October 2017	
Inverell Shire Council	Unmodified		26 October 2017	
Junee Shire Council	Qualified opinion	0	30 October 2017	Y Y Y Y
Kempsey Shire Council	Unmodified	\bigcirc	9 November 2017	\checkmark
Kiama, The Council of the Municipality of	Unmodified	②	20 November 2017	$\overline{\mathbf{Y}}$
Ku-ring-gai Council	Unmodified		12 October 2017	
Kyogle Council	Unmodified		31 October 2017	
Lachlan Shire Council	Unmodified		30 November 2017	\checkmark
Lake Macquarie City Council	Unmodified	②	24 October 2017	\checkmark
Lane Cove Municipal Council	Unmodified	②	30 October 2017	$\overline{\mathbf{Y}}$
Leeton Shire Council	Unmodified		19 October 2017	
Lismore City Council	Unmodified		17 October 2017	
Lithgow Council, City of	Unmodified		21 November 2017	$\overline{\mathbf{Y}}$
Liverpool City Council	Unmodified		27 October 2017	
Liverpool Plains Shire Council	Unmodified		30 November 2017	\checkmark
Lockhart Shire Council	Unmodified		20 October 2017	
Maitland City Council	Unmodified		13 October 2017	
Mid-Coast Council	Unmodified	②	20 December 2017	\checkmark
Mid-Western Regional Council	Unmodified	②	3 October 2017	\checkmark
Moree Plains Shire Council	Unmodified	②	27 February 2018	$\overline{\mathbf{Y}}$
Mosman Municipal Council	Unmodified	②	25 October 2017	\mathbf{V}
Murray River Council	Unmodified	\bigcirc	23 February 2018	$\mathbf{\leq}$
Murrumbidgee Council	Unmodified		29 November 2017	\mathbf{V}
Muswellbrook Shire Council	Unmodified		30 October 2017	
Nambucca Shire Council	Unmodified	•	27 October 2017	
Narrabri Shire Council	Unmodified	•	31 October 2017	\mathbf{V}
Narrandera Shire Council	Unmodified		20 October 2017	
Narromine Shire Council	Unmodified		26 October 2017	S
Newcastle City Council	Unmodified	•	13 October 2017	
North Sydney Council	Unmodified	Ø	31 October 2017	
Northern Beaches Council	Unmodified	0	20 December 2017	

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Local council	Type of audit opinion		Date of audit opinion	
Oberon Council	Unmodified	②	18 October 2017	\checkmark
Orange City Council	Unmodified	0	30 October 2017	
Parkes Shire Council	Unmodified		5 October 2017	
Parramatta Council, City of	Unmodified	②	13 December 2017	$\overline{\mathbf{Y}}$
Penrith City Council	Unmodified	0	26 September 2017	$\overline{\mathbf{Y}}$
Port Macquarie-Hastings Council	Unmodified	②	31 October 2017	$\overline{\mathbf{Y}}$
Port Stephens Council	Unmodified	②	26 October 2017	$\overline{\mathbf{Y}}$
Queanbeyan-Palerang Regional Council	Unmodified	②	27 February 2018	
Randwick City Council	Unmodified		13 October 2017	$\overline{\mathbf{Y}}$
Richmond Valley Council	Unmodified		19 October 2017	$\overline{\mathbf{Y}}$
Ryde City Council	Unmodified		25 October 2017	$\overline{\mathbf{Y}}$
Shellharbour City Council	Unmodified		20 October 2017	\checkmark
Shoalhaven City Council	Unmodified		31 October 2017	
Singleton Council	Unmodified		27 October 2017	
Snowy Monaro Regional Council	Unmodified		22 November 2017	$\overline{\mathbf{Y}}$
Snowy Valleys Council	Unmodified		27 October 2017	$\overline{\mathbf{Y}}$
Strathfield Municipal Council	Unmodified	②	30 October 2017	
Sutherland Shire Council	Unmodified		24 October 2017	$\overline{\mathbf{Y}}$
Sydney, Council of the City of	Unmodified	\bigcirc	24 October 2017	\checkmark
Tamworth Regional Council	Unmodified	\bigcirc	26 October 2017	\checkmark
Temora Shire Council	Unmodified	②	23 October 2017	\checkmark
Tenterfield Shire Council	Unmodified	②	28 November 2017	$\overline{\mathbf{Y}}$
Tweed Shire Council	Unmodified	②	27 October 2017	
Upper Hunter Shire Council	Unmodified	②	31 October 2017	∀
Upper Lachlan Shire Council	Unmodified	0	10 October 2017	
Uralla Shire Council	Unmodified	②	31 October 2017	$\overline{\mathbf{Y}}$
Wagga Wagga City Council	Unmodified	②	23 October 2017	\checkmark
Walcha Council	Unmodified	②	25 October 2017	\checkmark
Walgett Shire Council	Unmodified	②	23 February 2018	$\overline{\mathbf{Y}}$
Warren Shire Council	Unmodified		17 October 2017	\checkmark
Warrumbungle Shire Council	Unmodified		16 November 2017	$\overline{\mathbf{Y}}$
Waverley Council	Unmodified		31 October 2017	\checkmark
Weddin Shire Council	Unmodified		31 October 2017	
Wentworth Shire Council	Unmodified		31 October 2017	

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Local council	Type of audit opinion		Date of audit opinion	
Willoughby City Council	Unmodified	②	30 October 2017	\checkmark
Wingecarribee Shire Council	Unmodified		16 October 2017	\checkmark
Wollondilly Shire Council	Unmodified		16 October 2017	Y Y Y
Wollongong City Council	Unmodified		10 October 2017	$\overline{\mathbf{Y}}$
Woollahra Municipal Council	Unmodified		31 October 2017	$\overline{\mathbf{Y}}$
Yass Valley Council	Qualified opinion	0	30 October 2017	$\overline{\mathbf{V}}$
County council	Type of audit opinion		Date of audit opinion	
Castlereagh Macquarie County Council	Unmodified	②	28 February 2018	∀
Central Murray County Council	Unmodified		31 October 2017	\checkmark
Central Tablelands County Council	Unmodified		20 November 2017	$\overline{\mathbf{Y}}$
Former MidCoast Water	Unmodified		22 February 2018	$\overline{\mathbf{Y}}$
Goldenfields Water County Council	Unmodified		11 October 2017	$\overline{\mathbf{Y}}$
Hawkesbury River County Council	Unmodified		30 November 2017	$\overline{\mathbf{V}}$
New England Tablelands County Council	Unmodified	②	10 October 2017	\checkmark
Riverina Water County Council	Unmodified		11 October 2017	\checkmark
Rous County Council	Unmodified		18 October 2017	\checkmark
Southern Slopes County Council	Unmodified		31 October 2017	\checkmark
Upper Hunter County Council	Unmodified		30 October 2017	Y Y
Upper Macquarie County Council	Unmodified		27 October 2017	\checkmark
Water authority	Type of audit opinion		Date of audit opinion	
Central Coast Council Water Supply Authority	Unmodified	0	9 March 2018	\checkmark
Cobar Water Board	Unmodified		22 September 2017	\checkmark

2015-16 audits

Key

7			
Type of audit opinion		Date of audit opinion	
Unmodified opinion.	②	Financial statements were lodged by the statutory deadline of 31 October 2017.	\checkmark
Unmodified opinion with emphasis of matter.	•	Extensions to the statutory deadline (and met).	\checkmark
Modified opinion: Qualified opinion, an adverse opinion, or a disclaimer of opinion.	0		
Audit report not vet issued.			

Type of audit opinion	Type of audit opinion		
Unmodified	②	14 February 2017	~
Disclaimer of opinion	0	9 April 2018	\checkmark
Unmodified		21 December 2016	\checkmark
Unmodified 📀		3 February 2017	$\overline{\mathbf{Y}}$
Unmodified		20 December 2016	\mathbf{V}
Unmodified		26 October 2016	$\overline{\mathbf{Y}}$
Unmodified		27 October 2016	\checkmark
Type of audit opinion		Date of audit opinion	
Unmodified	Ø	5 September 2016	\checkmark
Type of audit opinion		Date of audit opinion	
Unmodified	②	4 October 2016	\checkmark
Disclaimer of opinion	0	25 May 2017	$\overline{\mathbf{Y}}$
Unmodified	②	14 December 2016	\checkmark
	Unmodified Disclaimer of opinion Unmodified Unmodified Unmodified Unmodified Unmodified Type of audit opinion Unmodified Type of audit opinion Unmodified Disclaimer of opinion	Unmodified Disclaimer of opinion Unmodified Unmodified Unmodified Unmodified Unmodified Unmodified Unmodified Type of audit opinion Unmodified Unmodified Unmodified	Unmodified I 4 February 2017 Disclaimer of opinion I 9 April 2018 Unmodified Unmodified I 12 December 2016 Unmodified I 20 December 2016 Unmodified I 26 October 2016 Unmodified I 27 October 2016 Type of audit opinion Unmodified Date of audit opinion Unmodified I 25 May 2017



Appendix six – Council spending by function – Definitions from the Local Government Code of Accounting Practice and Financial Reporting

Category	Council expenditure on:				
Governance	Costs relating to council's role as a component of democratic government, including elections, councillors' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure and legislative compliance.				
Administration	Corporate support and other support services, engineering works and council policy compliance.				
Public order and safety	Delivery of fire protection, emergency services, beach control, enforcement of regulations and animal control services.				
Health	Immunisation, food control and health centres.				
Environment	Noxious plants and insect/vermin control, other environmental protection, solid waste management including domestic and other waste, other sanitation, garbage, street cleaning, drainage and stormwater management.				
Community services and education	Administration and education, social protection (welfare), migrant, Aboriginal and other community services and administration, youth services, aged and disabled persons services, children's' services including family day care, child care and other family and child services.				
Housing and community amenities	Public cemeteries, public conveniences, street lighting, town planning, other community amenities including housing development, accommodation for families, children, aged persons, disabled persons, migrants and Indigenous persons.				
Water	Water services.				
Sewerage	Sewer services.				
Recreation and culture	Public libraries, museums, art galleries, community centres and halls including public halls and performing arts venues, sporting grounds and venues, swimming pools, parks, gardens, lakes and other sporting, recreational and cultural services.				
Agriculture	Administration of agricultural services, supervision and regulation of the agricultural industry, operation of flood control and irrigation systems, operation of support services to farmers including vet services, pest control services, crop inspection and crop grading services.				
Fuel and energy	Gas supplies.				
Mining, manufacturing and construction	Building control, quarries and pits, mineral resources and abattoirs.				
Transport and communication	Sealed and unsealed roads, bridges, footpaths, parking areas and aerodromes.				
Economic affairs	Camping areas and caravan parks, tourism and area promotion, industrial development promotion, sale yards and markets, real estate development, commercial nurseries and other business undertakings.				

Source: Local Government Code of Accounting Practice and Financial Reporting



Appendix seven – OLG's performance indicators from the audited financial statement - Descriptions

Audited performance indicator	Formula	Description			
Operating performance	Total continuing operating revenue# excluding capital grants and contributions less operating expenses	The 'operating performances ratio' measures how well local councils contained expenses within revenue. The benchmark set by the Office of Local			
	Total continuing operating revenue [#] excluding capital grants and contributions	Government (OLG) for the ratio is greater than zero per cent.			
Own source operating revenue	Total continuing operating revenue [#] excluding all grants and contributions	The 'own source operating revenue ratio' measures a council's fiscal flexibility and the degree to which it relies on external funding			
	Total continuing operating	sources such as operating grants and contributions.			
	revenue# inclusive of all grants and contributions	The benchmark set by OLG for the ratio is greater than 60 per cent.			
Unrestricted current ratio	Current assets less all external restrictions	The 'unrestricted current ratio' is specific to the local government sector and represents a			
	Current liabilities less specific- purpose liabilities	council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG for the ratio is greate than 1.5 times.			
Debt service cover ratio	Operating result# before capital excluding interest and impairment, depreciation and amortisation	The 'debt service cover ratio' measures the operating cash available to service debt including interest, principal and lease payments.			
	Principal repayments plus borrowing costs	The benchmark set by OLG for the ratio is greater than two times.			
Rates and annual charges	Rates and annual charges outstanding	The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and			
outstanding percentage	Rates and annual charges collectible	annual charges on a council's liquidity and the adequacy of debt recovery efforts.			
	Collectible	The benchmark set by OLG for the ratio is less than five per cent for metropolitan and less than ten per cent for rural councils.			
Cash expense cover ratio	Current year cash and cash equivalents, and term deposits *12	The 'cash expense cover ratio' indicates the number of months a council can continue paying its expenses without additional cash inflows.			
	Payments from cash flow of operating and financing activities	The benchmark set by OLG for the ratio is greater than three months.			

[#] Excludes fair value adjustments, reversal of revaluation decrements, net gain/loss on sale of assets, and net share/loss of interests in joint ventures.

Source: Local Government Code of Accounting Practice and Financial Reporting.



Appendix eight – OLG's performance indicators from the unaudited special schedule 7 - Descriptions

Unaudited performance indicator	Formula	Description			
Buildings and	Asset renewals	The 'building and infrastructure renewals ratio'			
infrastructure renewals ratio	Depreciation, amortisation and impairment	assesses the rate at which assets are being renewe against the rate at which they are depreciating. The benchmark set by OLG for the ratio is greater than 100 per cent.			
Infrastructure backlog ratio	Estimated cost to bring assets to a satisfactory condition	The 'infrastructure backlog ratio' represents the proportion of infrastructure backlog to the total net book value of a council's infrastructure assets.			
	Carrying value of infrastructure, building, other structures and depreciable land improvement assets	The benchmark set by OLG for the ratio is less than two per cent.			
Asset	Actual asset maintenance	The 'asset maintenance ratio' compares actual versus			
maintenance ratio	Required asset maintenance	required annual asset maintenance. The benchmark set by OLG for the ratio is greater than 100 per cent.			
Cost to bring assets to agreed service level	Estimated cost to bring assets to an agreed level of service set by council	The 'cost to bring assets to agreed service level' reflects the actual value of identified renewal works to be delivered in the future, compared to the total			
	Gross replacement cost	replacement cost of assets. OLG has not prescribed a benchmark for this performance indicator.			

Source: Local Government Code of Accounting Practice and Financial Reporting.



Appendix nine – Financial information

We have included a summary of key financial information from the 2016–17 audited financial statements of councils.

2016-17

			2010-17		
Local council	Total revenue	Total expenses	Operating result	Total assets	Total liabilities
	\$m	\$m	\$m	\$m	\$m
Albury City Council	139	104	35	1,395	74
Armidale Regional Council	93	77	16	909	48
Ballina Shire Council	115	85	30	1,257	104
Balranald Shire Council	15	13	2	123	5
Bathurst Regional Council	129	93	36	1,325	48
Bayside Council 🚺			-		
Bega Valley Shire Council	96	93	3	1,002	53
Bellingen Shire Council	31	29	2	466	15
Berrigan Shire Council	26	19	7	254	5
Blacktown City Council	583	314	269	4,016	162
Bland Shire Council	29	19	10	400	10
Blayney Shire Council	23	18	5	237	7
Blue Mountains City Council	119	110	9	800	61
Bogan Shire Council	21	17	4	224	5
Bourke Shire Council	29	21	8	256	8
Brewarrina Shire Council	16	13	3	138	5
Broken Hill City Council	37	43	(6)	242	18
Burwood Council	49	42	7	421	23
Byron Shire Council	99	78	21	854	82
Cabonne Council	50	37	13	621	11
Camden Council	189	92	97	1,400	79
Campbelltown City Council	254	143	111	2,639	51
City of Canada Bay Council	110	81	29	1,629	31
Canterbury Bankstown Council	355	314	41	3,707	101
Carrathool Shire Council	24	18	6	231	7
				-	

Bayside council received a lodgement extension for the 2016–17 financial statements to 31 May 2018 and has not yet presented them for audit.

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2016-17

			2016-17		
Local council	Total revenue	Total expenses	Operating result	Total assets	Total liabilities
	\$m	\$m	\$m	\$m	\$m
Central Coast Council	724	568	156	7,388	494
Central Darling Shire Council	25	19	6	174	4
Cessnock City Council	95	76	19	789	38
Clarence Valley Council	135	146	(11)	2,130	156
Cobar Shire Council	37	33	4	316	5
Coffs Harbour City Council	219	165	54	2,229	193
Coolamon Shire Council	17	13	4	187	10
Coonamble Shire Council	25	19	6	306	4
Cootamundra-Gundagai Regional Council	49	44	5	416	9
Cowra Shire Council	42	35	7	614	26
Cumberland Council	244	206	38	2,356	68
Dubbo Regional Council	202	141	61	2,549	98
Dungog Shire Council	22	20	2	319	7
Edward River Council	48	38	10	421	9
Eurobodalla Shire Council	129	106	23	1,382	82
Fairfield City Council	195	153	42	1,918	43
Federation Council	54	38	16	504	11
Forbes Shire Council	37	36	1	310	33
Georges River Council	180	140	40	1,412	36
Gilgandra Shire Council	36	28	8	309	20
Glen Innes Severn Council	32	27	5	268	25
Goulburn Mulwaree Council	82	63	19	1,012	55
Greater Hume Shire Council	38	31	7	504	14
Griffith City Council	64	50	14	757	32
Gunnedah Shire Council	47	36	11	463	30
Gwydir Shire Council	28	25	3	434	18
Hawkesbury City Council	94	76	18	1,032	27
Hay Shire Council	14	12	2	81	4

2016-17

Local council	Total revenue	Total expenses	Operating result	Total assets	Total liabilities
	\$m	\$m	\$m	\$m	\$m
The Hills Shire Council 🕕	257	130	127	5,026	67
Hilltops Council	85	83	2	605	36
The Council of the Shire of Hornsby	162	118	44	1,660	54
The Council of the Municipality of Hunters Hill	16	16		219	6
Inner West Council	316	258	58	2,391	78
Inverell Shire Council	41	33	8	688	13
Junee Shire Council 🕕	17	14	3	143	10
Kempsey Shire Council	73	73	J	1,065	59
The Council of the	/3	73	-	1,005	59
Municipality of Kiama	74	53	21	486	79
Ku-ring-gai Council	151	118	33	1,364	48
Kyogle Council	33	27	6	399	10
Lachlan Shire Council	39	36	3	383	14
Lake Macquarie City Council	288	218	70	2,689	183
Lane Cove Municipal Council	78	38	40	619	13
Leeton Shire Council	31	25	6	245	7
Lismore City Council	121	102	19	1,425	93
City of Lithgow Council	57	48	9	547	34
Liverpool City Council	284	179	105	2,540	86
Liverpool Plains Shire Council	30	26	4	571	10
Lockhart Shire Council	17	10	7	231	3
Maitland City Council	148	97	51	1,110	65
Mid-Coast Council	211	175	36	2,145	113
Mid-Western Regional Council	82	63	19	962	33
Moree Plains Shire Council	67	56	11	572	64
Mosman Municipal Council	52	44	8	507	25
Murray River Council	68	46	22	726	12
Murrumbidgee Council	37	23	14	288	5

The audit reports of these councils included an audit modification.

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2016-17

			2016–17		
Local council	Total revenue	Total expenses	Operating result	Total assets	Total liabilities
	\$m	\$m	\$m	\$m	\$m
Muswellbrook Shire Council	52	42	10	650	40
Nambucca Shire Council	47	36	11	482	52
Narrabri Shire Council	57	42	15	517	16
Narrandera Shire Council	23	18	5	246	4
Narromine Shire Council	25	19	6	326	6
Newcastle City Council	289	265	24	1,727	190
North Sydney Council	133	106	27	1,001	48
Northern Beaches Council	404	355	49	4,912	143
Oberon Council	19	15	4	295	7
Orange City Council	120	86	34	1,208	50
Parkes Shire Council	69	43	26	711	30
City of Parramatta Council	352	274	78	3,026	148
Penrith City Council	259	207	52	1,916	111
Port Macquarie-Hastings Council	248	149	99	2,204	114
Port Stephens Council	132	110	22	970	51
Queanbeyan-Palerang Regional Council	229	138	91	1,453	68
Randwick City Council	157	147	10	1,557	39
Richmond Valley Council	56	49	7	727	37
Ryde City Council	146	107	39	1,470	41
Shellharbour City Council	122	85	37	844	57
Shoalhaven City Council	258	222	36	2,817	169
Singleton Council	67	54	13	905	24
Snowy Monaro Regional Council	100	85	15	1,222	22
Snowy Valleys Council	72	63	9	626	20
Strathfield Municipal Council	43	34	9	361	15
Sutherland Shire Council	270	205	65	2,426	71
Council of the City of Sydney	722	578	144	12,087	184
Tamworth Regional Council	166	126	40	1,584	120
Temora Shire Council	23	18	5	212	6
Tenterfield Shire Council	26	18	8	366	10

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2016-17

Local council	Total revenue	Total expenses	Operating result	Total assets	Total liabilities
	\$m	\$m	\$m	\$m	\$m
Tweed Shire Council	230	187	43	3,283	220
Upper Hunter Shire Council	45	39	6	702	26
Upper Lachlan Shire Council	38	26	12	426	10
Uralla Shire Council	21	19	2	248	10
Wagga Wagga City Council	154	121	33	1,485	82
Walcha Council	17	12	5	439	4
Walgett Shire Council	37	29	8	304	9
Warren Shire Council	17	13	4	188	3
Warrumbungle Shire Council	47	42	5	511	15
Waverley Council	138	127	11	1,259	41
Weddin Shire Council	16	12	4	187	8
Wentworth Shire Council	32	25	7	433	9
Willoughby City Council	119	98	21	1,570	75
Wingecarribee Shire Council	144	103	41	1,481	54
Wollondilly Shire Council	65	56	9	504	39
Wollongong City Council	324	255	69	2,536	178
Woollahra Municipal Council	105	90	15	961	110
Yass Valley Council 🚺	36	30	6	374	27

Source: Audited financial statements 2016–17.

¹ The audit reports of these councils included an audit modification.

2016-17

County council	Total revenue	Total expenses	Operating result	Total assets	Total liabilities
	\$m	\$m	\$m	\$m	\$m
Castlereagh-Macquarie County Council	1	1		1	
Central Murray County Council	1	1		1	
Central Tablelands County Council	6	5	1	76	3
Goldenfields Water County Council	21	17	4	308	3
Hawkesbury River County Council	2	2		3	1
MidCoast Water (MidCoast County Council)	88	81	7	969	191
New England Tablelands County Council	1	1		2	
Riverina Water County Council	31	20	11	366	18
Rous County Council	27	23	4	506	33
Southern Slopes County Council	1	1		1	
Upper Hunter County Council	2	2		1	
Upper Macquarie County Council	2	2		1	

Source: Audited financial statements 2016–17.



Appendix ten – OLG's performance indicators

We have included a summary of how each council has performed against the performance measures prescribed by the Office of Local Government (OLG). The first six measures are audited and reported in councils' general purpose financial statements. The remaining four asset-related measures are not audited and reported in councils' special schedule 7 'Report on Infrastructure Assets'.

			Audite	ed				Unaud	lited	
	Operating performance (%)	Own source operating revenue (%)	ratio	Debt service cover ratio (times)	Rates and annual outstanding percentage (%)	Cash expense cover ratio (months)	Buildings and infrastructure renewals ratio (%)	Infrastructure backlog ratio (%)	Asset maintenance ratio (%)	Cost to bring assets to agreed service level (%)
OLG Benchm ark	Greater than zero per cent	Greater than 60 per cent	Greater than 1.5 tim es	Greater than two times	Less than five per cent for metro and 10 per cent for other councils	Greater than three months	Greater than 100 per cent	Less than two per cent	Greater than 100 per cent	OLG has not set a benchmark
Albury City Council	16.8	79.5	3.3	7.1	10.3	16.2	63.3	3.1	80.7	1.9
Armidale Regional Council	12.3	59.5	2.2	6.0	6.8	14.4	44.1	10.6	96.3	4.3
Ballina Shire Council	8.9	64.6	4.9	2.7	3.6	12.0	84.2	1.9	82.9	0.9
Balranald Shire Council	6.8	31.9	6.2	15.3	10.5	9.4	54.6	2.6	84.7	1.7
Bathurst Regional Council	(5.4)	62.4	2.3	4.1	5.7	10.0	60.2	8.0	158.8	0.7
Bayside Council ¹⁰	_		_							-
Bega Valley Shire Council	(2.9)	71.7	1.5	4.4	3.6	10.0	45.4	0.7	95.8	_
Bellingen Shire Council	0.7	68.1	2.5	6.3	5.8	17.7	88.0	11.6	89.3	_
Berrigan Shire Council	22.5	53.9	8.1	34.9	3.7	24.0	80.3		114.7	-
Blacktown City Council	3.5	47.5	2.6		4.1	19.0	82.9	2.4	99.3	1.6
Bland Shire Council	30.7	37.8	4.0	32.4	6.2	0.3	112.8	5.1	110.5	3.2

¹⁰ Bayside council received a lodgement extension for the 2016–17 financial statements to 31 May 2018 and has not yet presented them for audit.

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			Audite	ed				Unaud	lited	
	Operating performance (%)	Own source operating revenue (%)	Unrestricted current ratio (times)	Debt service cover ratio (times)	Rates and annual outstanding percentage (%)	Cash expense cover ratio (months)	Buildings and infrastructure renewals ratio (%)	Infrastructure backlog ratio (%)	Asset maintenance ratio (%)	Costto bring assets to agreed service level (%)
OLG Benchm ark	Greater than zero per cent	Greater than 60 per cent	Greater than 1.5 times	Greater than two times	Less than five per cent for metro and 10 per cent for other councils	Greater than three months	Greater than 100 per cent	Less than two per cent	Greater than 100 per cent	OLG has not set a benchmark
Blayney Shire Council Blue	11.0	60.9	3.9	21.1	2.2	15.7	199.9	10.7	145.9	2.5
Mountains City Council	5.4	80.1	2.3	2.6	3.4	4.4	35.1	2.0	99.1	1.2
Bogan Shire Council	14.0	46.2	6.4	52.2	6.8	8.5	67.7	1.9	93.5	2.2
Bourke Shire Council	21.3	40.8	4.3	8.6	14.9	12.9	114.3	3.2	99.9	1.6
Brewarrina Shire Council	19.2	43.5	3.9	24.0	6.8	9.7	87.3	1.9	47.7	-
Broken Hill City Council	(0.9)	62.6	1.8	3.8	11.7	9.9	112.8	25.5	121.6	13.1
Burwood Council	5.6	84.0	4.4	12.4	2.4	11.4	117.7	7.3	102.6	5.2
Byron Shire Council	6.0	69.7	3.2	3.3	3.4	14.3	108.0	7.9	90.7	4.8
Cabonne Council	15.4	56.5	7.8	46.0	5.6	18.4	136.0	3.6	117.8	2.0
Camden Council	0.0	43.0	2.7	3.2	3.4	14.9	38.2	1.2	100.0	1.0
Campbelltown City Council	10.6	64.0	4.8	8.2	3.3	18.0	94.8	1.6	104.9	1.3
Canterbury Bankstown Council	(1.2)	75.7	2.9	18.0	4.0	11.9	75.8	4.7	94.2	2.6
Carrathool Shire Council	19.3	40.7	6.8	30.9	6.1	17.0	79.9	1.3	104.9	_
Castlereagh- Macquarie County Council	9.1	16.5	3.6	2.3	0.0	5.6				_
Central Coast	10.7	76.4	2.7	4.5	5.9	9.0	142.2	2.6	104.9	1.7

			Audite	ed				and backlog maintenance assets to sture ratio ratio agreed wals (%) (%) service level ratio (%) (%) ter Less than Greater OLG has can two than 100 not set a 100 per cent per cent benchmark ent		
	Operating performance (%)	Own source operating revenue (%)	Unrestricted current ratio (times)	Debt service cover ratio (times)	Rates and annual outstanding percentage (%)	-	and infrastructure renewals ratio	backlog ratio	maintenance ratio	assets to agreed service level
OLG Benchm ark	Greater than zero per cent	Greater than 60 per cent	Greater than 1.5 times	Greater than two times	Less than five per cent for metro and 10 per cent for other councils	Greater than three months	than	two	than 100	not set a
Central Darling Shire Council	18.2	47.4	2.0	33.2	35.7	1.6	94.4	21.1	79.4	2.0
Central Murray County Council	(18.6)	81.2	3.3	_		4.4				-
Central Tablelands County Council	4.8	96.1	8.0	3.9	***	19.7	112.4	34.9	99.2	1.4
Cessnock City Council	4.0	63.4	2.4	8.1	2.0	6.3	158.5	3.4	102.2	9.6
City of Canada Bay Council	7.0	80.2	4.2	28.6	1.3	12.9	119.5	3.5	88.7	2.3
City of Lithgow Council	4.2	64.9	3.1	5.4	5.8	9.1	99.2	7.2	81.5	-
City of Parramatta Council	0.4	68.5	4.7	2.9	3.0	6.4	92.5	2.4	103.6	4.3
Clarence Valley Council	(3.8)	69.2	4.4	3.2	6.3	12.0	25.6	4.3	69.0	3.0
Cobar Shire Council	7.5	52.1	4.6	25.1	8.2	6.6	37.1	7.0	92.1	7.2
Coffs Harbour City Council	18.7	74.3	14.8	3.1	6.6	9.1	76.8		100.5	-
Coolamon Shire Council	18.9	43.4	8.4	81.6	4.9	19.7	107.4	1.8	139.2	0.9
Coonamble Shire Council	18.3	55.1	6.1	158.4	7.3	19.9	108.7	1.0	262.6	0.7
Cootamundra- Gundagai Regional Council	4.7	44.8	8.5	19.6	4.0	16.4	60.0	10.9		
Council of the City of Sydney	4.9	79.7	2.7		1.2	6.5	62.6	3.5	100.1	1.3

			Audite	ed				Unaud	ited	
	Operating performance (%)	Own source operating revenue (%)	Unrestricted current ratio (times)	Debt service cover ratio (times)	annual outstanding percentage	-	Buildings and infrastructure renewals ratio (%)	Infrastructure backlog ratio (%)	Asset maintenance ratio (%)	Costto bring assets to agreed service level (%)
OLG Benchm ark	Greater than zero per cent	Greater than 60 per cent	Greater than 1.5 times	Greater than two times	Less than five per cent for metro and 10 per cent for other councils	Greater than three months	Greater than 100 per cent	Less than two per cent	Greater than 100 per cent	OLG has not set a benchmark
Cowra Shire Council	11.2	71.3	4.0	4.8	9.0	8.9	78.4	1.9	105.4	0.8
Cumberland Council	(2.7)	66.1	3.5	11.4	2.8	7.9	106.1	9.8	125.9	7.2
Dubbo Regional Council	13.2	62.5	3.6	5.8	3.3	16.6	108.6	1.0	100.0	-
Dungog Shire Council	(17.5)	40.5	8.2	11.5	6.0	8.3	92.4	7.0	72.3	10.1
Edward River Council	16.7	39.1	8.6	25.6	5.5	21.9	117.8	1.5	88.6	0.8
Eurobodalla Shire Council	9.7	71.3	2.4	3.4	2.5	14.7	79.2	7.2	100.0	4.5
Fairfield City Council	11.4	77.0	3.1	146.3	3.1	4.9	170.5	1.9	100.8	1.4
Federation Council	6.3	40.0	2.7	27.9	5.5	18.7	108.5	5.8	95.8	3.7
Forbes Shire Council	(0.5)	68.3	7.4	3.4	10.3	15.4	36.2	3.7	94.0	1.7
Georges River Council	11.3	76.2	4.4	46.0	2.7	9.5	116.3	1.8	127.9	3.8
Gilgandra Shire Council	19.4	63.5	4.3	18.4	6.5	9.8	192.9	2.3	102.2	1.7
Glen Innes Severn Council	12.8	58.7	5.2	4.3	4.7	9.9	97.0	10.9	100.0	6.0
Goldenfields Water County Council	14.3	95.0	6.0		23.8	49.6	22.8	4.4	105.2	0.6
Goulburn Mulwaree Council	7.9	61.0	3.6	5.7	3.1	24.5	125.8	2.5	99.9	_
Greater Hume Shire Council	13.0	48.5	5.5	13.2	6.6	13.0	156.3	0.1	145.0	0.1

			Audite	ed			Unaudited				
	Operating performance (%)	Own source operating revenue (%)	Unrestricted current ratio (times)	Debt service cover ratio (times)	Rates and annual outstanding percentage (%)		Buildings and infrastructure renewals ratio (%)	Infrastructure backlog ratio (%)	Asset maintenance ratio (%)	Costto bring assets to agreed service level (%)	
OLG Benchm ark	Greater than zero per cent	Greater than 60 per cent	Greater than 1.5 times	Greater than two times	Less than five per cent for metro and 10 per cent for other councils	Greater than three months	Greater than 100 per cent	Less than two per cent	Greater than 100 per cent	OLG has not set a benchmark	
Griffith City Council	15.1	74.3	2.5	8.0	6.8	7.1	63.7			-	
Gunnedah Shire Council	19.9	65.1	6.1	18.7	4.3	28.2	120.7	2.4	120.2	1.6	
Gwydir Shire Council	16.5	52.0	2.0	6.8	4.4	4.8	113.5	3.1	100.0	-	
Hawkesbury City Council	(6.6)	68.4	3.3	11.5	5.5	8.9	131.9	3.1	95.2	-	
Hawkesbury River County Council	(11.6)	23.3	2.8			10.1	113.6			-	
Hay Shire Council	11.3	39.1	5.0	15.8	13.3	12.2	76.0	3.1	72.4	1.4	
The Hills Shire Council*	16.2	50.5	8.5		4.2	42.5	216.8		154.0	-	
Hilltops Council	(6.6)	44.6	5.5	2.3	6.8	12.1	78.6	6.5	97.8	1.1	
The Council of the Shire of Homsby	6.9	79.3	3.9	10.7	1.9	20.7	90.7	0.9	94.0	0.7	
The Council of the Municipality of Hunters Hill	(4.2)	90.7	7.3	23.0	3.0	16.5	76.6	1.6	105.8	1.7	
Inner West Council	4.4	74.6	3.3	5.2	3.1	8.6	145.5	9.6	100.0	3.6	
Inverell Shire Council	20.4	61.3	12.0	19.3	5.8	25.1	192.2	1.1	106.2	0.8	
Junee Shire Council*	9.9	53.8	1.0	4.2	8.8	3.0	158.5	4.7	81.2	2.4	
Kempsey Shire Council	1.9	72.6	2.6	3.8	6.7	9.3	38.9	10.6	107.3	5.4	

			Audite	ed				and backlog maintenance assets to ucture ratio ratio agreed lewals (%) (%) service level ratio (%) (%) eater Less than Greater OLG has than two than 100 not set a 100 per cent per cent benchmark cent		
	Operating performance (%)	Own source operating revenue (%)	Unrestricted current ratio (times)	Debt service cover ratio (times)	Rates and annual outstanding percentage (%)	Cash expense cover ratio (months)	and infrastructure renewals ratio	backlog ratio	maintenance ratio	assets to agreed service level
OLG Benchm ark	Greater than zero per cent	Greater than 60 per cent	Greater than 1.5 times	Greater than two times	Less than five per cent for metro and 10 per cent for other councils	Greater than three months	than	two	than 100	not set a
The Council of the Municipality of Kiama	4.4	60.4	3.9	8.7	1.5	10.7	199.2	0.3	95.9	-
Ku-ring-gai Council	9.0	82.4	3.2	13.5	3.3	13.9	76.5	4.5	103.6	-
Kyogle Council	17.2	49.6	6.3	27.9	7.2	17.2	281.8	10.7	100.5	-
Lachlan Shire Council	11.3	38.3	4.6	137.9	7.5	16.8	42.0	6.4	93.5	4.1
Lake Macquarie City Council	9.0	65.6	2.9	10.3	3.7	10.9	112.8	2.5	92.2	1.7
Lane Cove Municipal Council	11.0	68.6	6.7		1.9	19.2	294.2	0.7	325.1	0.6
Leeton Shire Council	16.2	69.0	4.5	28.3	3.1	20.7	54.0	3.0	100.8	1.8
Lismore City Council	6.5	74.4	1.5	4.0	10.5	9.1	144.9	19.9	93.0	9.8
Liverpool City Council	2.4	54.5	1.9	4.7	4.3	8.5	115.8	3.3	104.5	2.5
Liverpool Plains Shire Council	4.5	55.3	4.5	12.9	9.9	15.3	140.3	2.4		1.8
Lockhart Shire Council	40.6	23.3	4.8	100.6	4.5	11.3	106.9	1.3	106.5	-
Maitland City Council	0.3	54.1	3.2	4.6	2.1	14.5	87.0	10.1	133.8	3.7
Mid-Coast Council	(0.3)	55.2	4.5	3.4	4.1	10.6	65.6	8.5	75.5	4.4
MidCoast Water (MidCoast County										
Council)	(2.2)	87.1	2.3	1.9	6.0	8.8	5.4	13.5	73.7	

			Audite	ed				Unaud	ited	
	Operating performance (%)	Own source operating revenue (%)	Unrestricted current ratio (times)	Debt service cover ratio (times)	Rates and annual outstanding percentage (%)	ratio	Buildings and infrastructure renewals ratio (%)	infrastructure backlog ratio (%)	Asset maintenance ratio (%)	Costto bring assets to agreed service level (%)
OLG Benchm ark	Greater than zero per cent	Greater than 60 per cent	Greater than 1.5 times	Greater than two times	Less than five per cent for metro and 10 per cent for other councils	Greater than three months	Greater than 100 per cent	Less than two per cent	Greater than 100 per cent	OLG has not set a benchmark
Mid-Western Regional Council	9.6	55.2	3.7	8.7	3.4	16.7	137.3	6.6	108.5	2.9
Moree Plains Shire Council	13.5	68.1	2.4	5.4	6.3	8.3	114.9	1.9	95.0	1.4
Mosman Municipal Council	6.2	87.7	1.7	4.1	2.6	4.7	138.0	1.1	115.7	0.7
Murray River Council	17.7	39.4	5.1	17.8	7.2	20.1	95.1	3.4	100.0	1.1
Murrumbidgee Council	5.5	27.1	4.2	45.5	7.1	22.1	41.0	0.5	128.0	-
Muswellbrook Shire Council	8.1	70.3	5.3	4.9	14.9	10.3	93.5	6.1	83.1	3.5
Nambucca Shire Council	17.8	68.1	2.5	3.4	5.1	10.9	62.6	3.9	97.9	-
Narrabri Shire Council	18.1	58.8	5.2	13.1	7.6	19.5	136.9	12.1	110.6	-
Narrandera Shire Council	17.4	52.2	7.6	806.7	7.5	23.3	96.2	9.7	98.0	3.8
Narromine Shire Council New England	18.7	47.9	5.4	20.0	9.2	19.9	93.4	11.6	60.4	6.1
Tablelands County Council	2.7	22.3	5.7			14.9				-
Newcastle City Council	3.5	84.3	2.5	7.4	4.2	8.7	94.9	11.1	117.6	6.1
North Sydney Council	7.7	80.3	3.5	84.3	1.1	7.8	269.0		99.5	-
Northern Beaches Council	1.3	81.1	2.7	1.0	2.8	5.9	92.2	0.3	103.7	0.3
Oberon Council	20.9	63.8	4.6	12.1	7.7	11.8	224.8	4.2	93.8	0.6

			Audite	ed				Unaud	dited	
	Operating performance (%)	Own source operating revenue (%)	Unrestricted current ratio (times)	Debt service cover ratio (times)		Cash expense cover ratio (months)	Buildings and infrastructure renewals ratio (%)	Infrastructure backlog ratio (%)	Asset maintenance ratio (%)	Cost to bring assets to agreed service level (%)
OLG Benchm ark	Greater than zero per cent	Greater than 60 per cent	Greater than 1.5 times	Greater than two times	Less than five per cent for metro and 10 per cent for other councils	Greater than three months	Greater than 100 per cent	Less than two per cent	Greater than 100 per cent	OLG has not set a benchmark
Orange City Council	11.7	67.5	1.6	6.9	5.7	13.6	52.5	4.1	32.8	2.6
Parkes Shire Council	8.0	46.4	3.2	4.8	6.4	13.8	272.6	1.4	115.0	0.6
Penrith City Council	7.4	71.9	2.5	3.2	3.0	6.5	45.5	1.1	100.7	0.7
Port Macquarie- Hastings Council	7.3	56.2	2.0	4.3	4.9	25.3	82.2	5.3	87.8	_
Port Stephens Council	7.1	76.6	3.3	6.4	2.8	5.8	100.0	1.9	93.3	1.6
Queanbeyan- Palerang Regional Council	5.8	52.4	2.4	8.0	3.4	9.0	140.7	2.9	67.3	2.1
Randwick City Council	3.7	89.6	3.3		2.8	3.8	107.0	0.6	154.8	0.4
Richmond Valley Council	7.5	68.1	3.5	5.0	14.9	7.0	82.9	3.8	113.8	2.7
Riverina Water County Council	31.0	90.1	7.5	9.0	12.4	16.0	104.8	29.3	101.7	19.8
Rous County Council	4.8	81.3	6.1	2.5	0.0	21.0	62.2	1.3	89.4	1.0
Ryde City Council	11.5	75.8	3.4	27.7	3.6	15.9	193.6	2.7	92.9	2.0
Shellharbour City Council	9.0	70.4	2.5	19.6	4.6	11.1	232.7	2.0	112.6	2.8
Shoalhaven City Council	2.6	77.7	2.0	3.7	8.9	9.9	71.7	3.1	88.5	1.5
Singleton	(1.6)	64.0	2.9	6.3	3.2	13.4	107.1	2.1	62.7	1.3

			Audite	ed				and backlog maintenance assets to ucture ratio ratio agreed newals (%) (%) service level ratio (%) (%) eater Less than Greater OLG has than two than 100 not set a		
	Operating performance (%)	Own source operating revenue (%)	Unrestricted current ratio (times)	Debt service cover ratio (times)	annual outstanding percentage	-	and infrastructure renewals ratio	backlog ratio	maintenance ratio	assets to agreed service level
OLG Benchm ark	Greater than zero per cent	Greater than 60 per cent	Greater than 1.5 times	Greater than two times	Less than five per cent for metro and 10 per cent for other councils	Greater than three months	than	two	than 100	not set a
Snowy Monaro Regional Council	1.5	49.8	3.7	14.2	14.3	15.3	55.1	11.9	96.9	3.3
Snowy Valleys Council	3.4	56.4	6.0	7.4	4.2	12.0	82.7		101.4	3.3
Southern Slopes County Council	5.1	75.3	8.6			9.0				-
Strathfield Municipal Council	4.9	73.4	3.6		3.0	22.1	127.8	1.5	115.3	1.0
Sutherland Shire Council	9.3	76.4	2.4	21.2	3.6	6.1	57.6	1.9	101.0	3.4
Tamworth Regional Council	12.4	68.7	4.4	5.2	5.2	19.4	39.0	0.6	97.4	-
Temora Shire Council	14.3	51.9	2.1	22.2	3.8	6.6	64.7	3.5	116.3	-
Tenterfield Shire Council	15.7	45.3	4.4	11.8	6.8	12.6	135.4	8.9	101.3	1.7
Tweed Shire Council	11.3	74.4	3.5	3.7	4.4	20.7	44.2	1.7	92.9	-
Upper Hunter County Council	13.7	4.1	3.9			2.3				-
Upper Hunter Shire Council	9.9	66.6	3.0	7.2	8.5	10.1	139.9	0.9	96.4	0.5
Upper Lachlan Shire Council	16.5	52.1	5.1	25.5	3.4	19.3	136.5	1.7	118.4	1.0
Upper Macquarie County Council	3.6	43.5	10.0			5.5				_
Uralla Shire Council	11.6	71.3	2.1	16.7	4.3	10.5	86.6	0.9	131.8	0.3

	Audited				Unaudited					
	Operating performance (%)	Own source operating revenue (%)	Unrestricted current ratio (times)	Debt service cover ratio (times)	annual outstanding percentage	•	Buildings and infrastructure renewals ratio (%)	Infrastructure backlog ratio (%)	Asset maintenance ratio (%)	Cost to bring assets to agreed service level (%)
OLG Benchm ark	Greater than zero per cent	Greater than 60 per cent	Greater than 1.5 times	Greater than two times	Less than five per cent for metro and 10 per cent for other councils	Greater than three months	Greater than 100 per cent	Less than two per cent	Greater than 100 per cent	OLG has not set a benchmark
Wagga Wagga City Council	(6.4)	59.2	3.1	5.4	5.1	7.2	39.7	28.4	55.8	11.9
Walcha Council	16.7	50.3	4.5	38.3	3.4	10.6	309.2	7.3	105.5	2.9
Walgett Shire Council	20.2	52.0	5.7	17.8	10.4	16.3	142.1	8.9	73.0	4.6
Warren Shire Council	23.0	47.6	7.5	62.6	2.5	17.7	143.5	0.8	158.3	-
Warrumbungle Shire Council	2.0	46.5	4.3	9.9	7.9	6.5	64.4	0.1	117.6	1.8
Waverley Council	2.4	86.5	12.4	20.3	3.8	14.5	77.1	1.1	98.2	0.7
Weddin Shire Council	19.9	44.2	5.2	42.5	5.9	11.9	293.8	2.2	100.7	-
Wentworth Shire Council	13.4	48.0	6.9	42.3	10.2	18.0	100.7	12.7	119.3	4.3
Willoughby City Council	12.7	89.6	4.7	6.0	1.4	14.4	98.3	1.4	100.0	1.2
Wingecarribee Shire Council	9.0	67.0	4.9	6.0	2.2	18.8	60.9	2.1	105.7	1.2
Wollondilly Shire Council	0.9	69.7	3.0	4.2	5.2	10.4	99.4	15.3	123.9	8.4
Wollongong City Council	10.7	74.7	2.6	8.5	5.9	6.9	104.9	5.7	98.1	3.7
Woollahra Municipal Council	4.3	90.4	3.9	3.0	4.1	7.0	103.1	1.4	99.7	0.9
Yass Valley Council*	(2.3)	63.7	1.8	2.6	4.0	7.6	106.7	2.6	95.4	_

^{*} The audit report of this council was subject to an audit qualification.

The council met the benchmark prescribed by OLG for the relevant performance measure.

The council did not meet the benchmark prescribed by OLG for the relevant performance measure.

Source: First six measures are obtained from the audited financial statements 2016–17. Last four measures are obtained from the unaudited Special Schedule 7 'Report on Infrastructure Assets' 2016–17.

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Appendix 11 - NSW Crown Solicitor's advice



Advice

Audit of council entities

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Prepared for: AUD018 Auditor-General of NSW

Date: 31 August 2017

Client ref: Steven Martin
CSO ref: 201702268 T08 Sally Johnston/Lea Armstrong

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201702268 Advice 1 D2017/511343

1. Summary of advice

- 1.1 You seek my advice as to the Auditor-General's obligations with regard to auditing of "council entities" pursuant to the Local Government Act 1993 ("the Act"). Pursuant to s. 415(4), a council's auditor (who is the Auditor-General: s 422) must, in auditing the financial reports of a council, audit the financial reports of any council entity and report on same as part of the report on the council. You have proposed an interpretation of this provision for my comment.
- 1.2 In my view, it is clear that the obligation to audit a council entity in s. 415(4) forms a part of the audit of the council. As to what such "audit" involves, the preferable interpretation must take account of both the lack of any obligation in the Act for council entities to prepare financial reports, and the functions and powers of the Auditor-General in relation to the audit of such entities in the Act. Whilst the Auditor-General's audit functions in relation to councils in Div. 3 of Pt. 3 of Ch. 13 are extended to council entities, the accounting and financial reporting obligations of councils generally in Divs. 1 and 2 of that Part are not so extended. Given the diverse range of bodies which may constitute a "council entity", whether or not such an entity has prepared a financial report will depend on statutory obligations elsewhere arising and, in my view, where no financial report of a council entity exists, the obligation to audit that entity in s. 415(4) does not arise. Where the obligation does arise, it may necessarily be limited by the nature of the council entity in question and the financial reports which it does prepare.
- 1.3 For those reasons, to the extent that your proposed construction of the duty in s. 415(4) is that the Auditor-General (as the council auditor) is required to perform "those audit procedures on a council entity considered necessary to form an opinion on the council's consolidated general purpose financial report", I think that is a reasonable and open interpretation of the duty, where it arises.
- 1.4 Insofar as your proposed construction of the duty in s. 415(4) also suggests that "any matters as appropriate in respect of a council entity are included in the report on the conduct of the audit of the council's financial report required pursuant to s. 417(1) of the Act", I agree to the extent that the duty in s. 415(4) is discharged by the auditor reporting on the council entity audit in the auditor's report on the council, which is a reference to the two reports to be issued under s. 417(1).
- 1.5 Please note this is a summary of the central issues and conclusions in my advice. Other relevant or significant matters may be contained in the advice, which should be read in full.

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2. Background

- 2.1 By operation of the Local Government Amendment (Governance and Planning) Bill 2016, the Act was amended and ss. 415(4) and (5) were inserted. Section 415(4) relates to auditing of a "council entity" and s. 415(5) defines such entities. Your request for advice arises in the context where this provision has come into effect but no audits have yet been completed pursuant to it.
- 2.2 I note that conferences to discuss the background, issues and question for advice have been conducted between your officers and my officers on 21 July 2017 and 11 August 2017.

3. Advice sought

3.1 By letter dated 26 July 2017, you seek my advice as to whether:

"In acquitting my responsibility under the Act, is it reasonable to interpret that I will satisfy my obligations under the Act if, when auditing the financial report of a council, I perform those audit procedures on any Council Entity considered necessary to form an opinion on the council's consolidated general purpose financial report and include any matters I consider appropriate in respect of Council Entities in my report on the conduct of the audit of the council's financial report required under s. 417(1) of the Act?"

4. Advice

4.1 Chapter 13 of the Act is entitled "How are councils made accountable for their actions?", with Pt. 3 addressing "Financial management" and Div. 2 of that Part "Accounting records, financial reports and auditing". Section 415 provides:

"415 Auditing of financial reports

- A council's auditor must audit the council's financial reports as soon as practicable (having regard to the requirements of section 416 (1)) after they are referred for audit.
- (2) A council's financial reports must be audited in accordance with the requirements of:
 - (a) the publications issued by the Australian Accounting Research Foundation, on behalf of the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia, under the titles Statements of Auditing Standards and Statements of Auditing Practice, as in force for the time being, subject to the regulations, and
 - (b) such other standards as may be prescribed by the regulations.

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- (3) The regulations may prescribe matters that an auditor must consider and provide comment on in auditing a council's financial reports.
- (4) In auditing the financial reports of the council, a council's auditor must also audit the financial reports of any council entity and report on that audit as part of the report on the council by the auditor.
- (5) In this Part:

council entity means:

- a partnership, trust, corporation, joint venture, syndicate or other body (whether or not incorporated) that a council has formed or participated in forming or has acquired a controlling interest in, other than an entity of a class prescribed by the regulations, or
- (b) any other entity of a class prescribed by the regulations."

"Council entity"

- 4.2 In considering the scope of the duty in s. 415(4), it is first necessary to understand the nature of a "council entity", to which that duty relates. A "council entity" is defined for purposes of Pt. 3 of Ch. 13 of the Act in s. 415(5), as extracted above. There are currently no regulations made pursuant to s. 415(5)(a) or (b). In my view, the ordinary meaning and effect of the definition in s. 415(5)(a) is that a wide and diverse range of bodies may constitute a "council entity".
- 4.3 The definition operates by reference to factual matters. First, whether the entity in question is a "partnership, trust, corporation, joint venture, syndicate" or other type of body, and second, whether the council has "formed or participated in forming" or acquired a "controlling interest" in that body, both of which are questions of fact. To that end, I note that the phrase "controlling interest" is used in other relevant statutory regimes, particularly taxation contexts¹. Whether a council has a "controlling interest" in relation to some other entity will usually be a factual test adapted to the particular type and nature of the entity in question. In the context of audit of financial statements, the Auditor-General would typically refer to Australian Accounting Standards AASB 10 'Consolidated Financial Statements' for guidance on what constitutes a "control".
- 4.4 It is clear that a "council entity" is potentially a very broad concept. There are a diverse range of entities which may constitute council entities, from unincorporated bodies or associations to large corporations. In turn, these bodies may be subject to different legislative regimes which impact upon their financial management, record keeping and

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See, for example, the Payroll Tax Act 2007. In the companies context, the phrase has a generally settled meaning of control of a majority of voting power at meetings of the board of management/ meeting of directors, power to appoint more than 50% of the members of a board of management/ directors, or direct or indirect exercise of control of more than 50% of the voting power attached to voting shares or a class of voting shares issued by a company (as applicable).

auditing. For example, no relevant statutory provisions may exist in relation to a small unincorporated body and such a body may not keep or generate financial statements etc. By contrast, a corporation may be subject to the provisions in the *Corporations Act 2001 (Cth)* which include record keeping and accounting obligations consistent with the standards made by the Australian Accounting Standards Board. This diversity in the potential range of bodies constituting "council entities" has implications for the practical operation of s. 415(4), as discussed below.

4.5 I also note that a comparable concept, although not expressly defined as a "council entity", is referred to in s. 358 of the Act. That section provides:

"358 Restrictions on formation of corporations and other entities

- (1) A council must not form or participate in the formation of a corporation or other entity, or acquire a controlling interest in a corporation or other entity, except:
 - (a) With the consent of the Minister and subject to such conditions, if any, as the Minister may specify, or
 - (b) as provided by this Act.
- (4) In this section, entity means any partnership, trust, joint venture, syndicate or other body (whether or not incorporated), but does not include any such entity that is of a class prescribed by the regulations as not being within this definition."
- 4.6 In my view, s. 358 (particularly s. 358(1) and (4), adopt the same concepts as those in s. 415(5), namely "formation or participation in formation" and acquiring a "controlling interest" in relation to a corporation or "entity". In that way, the sections are equivalent in material elements and should be understood as encompassing the same entities. Indeed, in my view, one practical way of identifying which entities constitute "council entities" for purposes of s. 415(5) would be to consider those entities which have been subject to Ministerial review pursuant to s. 358. Having said that, it is not my view that an entity does not constitute a "council entity" for purposes of s. 415 merely because it has not been subject to review pursuant to s. 358 (for example, in the situation where there has been non-compliance with the requirement for Ministerial approval in s. 358).

Nature of obligation in s. 415(4)

4.7 I note that the Auditor-General is the auditor for a council: s. 422(1). In that capacity, the duty imposed on the Auditor-General pursuant to s. 415(4) is that:

"In auditing the financial reports of the council, a council's auditor must also audit the financial reports of any council entity and report on that audit as part of the report on the council by the auditor."

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- 4.8 The duty in s. 415(4) arises and falls upon the Auditor-General in her capacity as the council's auditor. The Act does not appoint the Auditor-General (or any other person) as the independent statutory auditor of a council entity. Indeed, a council entity may have its own auditor. Rather, a duty to "audit the financial reports" of the council entity arises in the Auditor-General in her capacity as the council's auditor.
- 4.9 That being said, a duty to "audit the financial reports" of a body, in this case a council entity, is ordinarily the duty of that body's auditor. So too I understand that an "audit of a financial report" usually entails an auditor issuing an opinion on that financial report, qua auditor of the body. There is a clear tension in s. 415(4) between the fact that the Auditor-General is not the auditor of the council entity and yet is required to "audit" its financial report.
- 4.10 As a result, the scope and nature of the duty to "audit" the financial reports of a council entity pursuant to s. 415(4) is open to doubt. Nonetheless, I think the following points can be made about the preferable interpretation of that duty.
- 4.11 I note that "audit" is not a defined term in the Act (although pursuant to s. 421A it "includes examination and inspection"), nor does it have a clearly settled meaning in law generally. Rather, legislation typically sets the framework for auditing in relation to particular bodies. For example, the Auditor-General's role in auditing councils is detailed in s. 417, which provides for matters such as inclusions in the auditor's financial report and matters on which the opinion or statement of the Auditor-General is required.
- 4.12 It is clear, from the introductory words of s. 415(4) "in auditing the financial reports of the council..." (emphasis added), that the "audit" of the financial reports of a council entity forms part of the process of, or is a corollary to, the audit of the council. However, it is presumably not equivalent to the audit of the council, which is addressed in ss. 415(1)-(3), or the terms of s. 415(4) would be rendered otiose. For example, it must presumably go beyond the audit of financial transactions between the council and council entity which would already be encompassed by the terms of the audit of the council pursuant to ss. 415(1)-(3).
- 4.13 The apparent purpose of s. 415(4) is to provide that council entities must be considered or examined in conducting the audit of a council. As noted in the second reading speech for the amending bill² which introduced the now s. 415(4) and (5):

"The bill... support(s) the financial transparency of councils... under the amendments introduced by the bill, councils will become subject to oversight by the Auditor-General for their general audits and those of their subsidiary entities..."³

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² Local Government Amendment (Governance and Planning) Bill 2016.

³ NSW Legislative Assembly, Hansard, 22 June 2016, Second Reading speech, Mr Paul Toole (Minister for Local Government).

("Subsidiary entities" apparently being used to refer to "council entities".)

- 4.14 In that way, the provision mirrors the requirement in s. 358 for Ministerial approval for council establishment of, or involvement in, such entities, by providing for ongoing oversight of the relationship between the council and the council entity, at least in a financial sense. However, as noted above, exactly what the additional obligation introduced by s. 415(4) is, and how it is to be fulfilled, is unclear and beset with practical difficulties.
- 4.15 Significantly, ss. 423 and 424 support the audit obligation in s. 415(4) by extending to "council entities" as well as councils: see s. 423(6) and 424(3). Pursuant to s. 423, the Auditor-General (or a person authorised by the Auditor-General) is entitled at all reasonable times to full and free access to a council's (or council entity's) accounting records and other records necessary in order to carry out her functions. She may direct persons to produce books, record or other documents in their custody or control, to appear personally and produce such documents, to answer any relevant question, to provide any necessary authorities to gain access to such documents, and to make copies or take extracts from such documents for the purposes of an audit or inspection carried out under the Act.
- 4.16 Pursuant to s. 424, the Auditor-General (or a person authorised by the Auditor-General) may direct an authorised deposit-taking institution or the person in charge of a council (or council entity) account in such an institution to give her a statement of the account or certificate as to the balance of the account and produce to her any relevant book, record or other document in its custody or control. The effect of these provisions is that the Auditor-General's functions and powers under Div. 3 ("Auditors") of Pt. 3 of Ch. 13 of the Act are extended to apply to council entities in the same way they apply to councils. This may suggest an equivalent "audit" function is intended in relation to council entities, as applies to councils.
- 4.17 However, the provisions of Div. 1 ("Funds") and Div. 2 ("Accounting records, financial reports and auditing) of Pt. 3 of Ch. 13 of the Act are not uniformly extended to encompass council entities in the same way as they apply to councils. Of particular significance, ss. 412 and 413, which provide that a council must keep accounting records and prepare financial reports respectively, do not extend to council entities.
- 4.18 For this reason, there is no obligation pursuant to the Act for council entities to prepare financial reports, equivalent to that which applies to councils. To some extent, financial information about council entities may be included in the council's financial reports, which must be prepared in accordance with s. 413. That includes a requirement in s. 413(3)(a) that the financial statement be prepared in accordance with the publications in force issued by the Australian Accounting Standards Board, and would pick up controlled entities pursuant to those standards. Such controlled entities would

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presumably also be "council entities" for purposes of s. 415(5) (although only a subset of the range of entities which may be council entities). However, it is for the council to determine appropriate compliance with s. 413 (although the Auditor-General may review this as part of her audit and report under s. 417). Even if, by that means, financial information about council entities is captured in the council's financial report, in my view, this has little application in terms of the s. 415(4) obligation. That is because the s. 415(4) "audit" obligation applies to "financial reports of the council entity" (emphasis added) and not the council's financial reports *per se*.

- 4.19 As noted in my discussion above about the diverse range of bodies potentially encompassed by the definition of "council entity", whether or not a council entity has prepared such a financial report will depend upon the nature of the entity and whether it is required to do so pursuant to other statutory regimes. In my view, that necessarily limits the operation of s. 415(4) to only those council entities which have such obligations elsewhere arising or which voluntarily prepare such reports, given the plain words of s. 415(4), that the audit is of "...the financial reports of any council entity..." (emphasis added).
- 4.20 In addition, it may limit the Auditor-General's ability to perform audit functions in relation to those financial reports, even where they do exist, depending upon the framework in which they have been prepared. As there is no means to compel a council entity to prepare a financial report in a particular manner pursuant to the Act, in my view the obligation in s. 415(4) upon the Auditor-General to audit the financial reports of a council entity can only extend to that which is reasonably possible having regard to the particular entity. It may be that, in practice, the Auditor-General can only comment on the limitations which apply to her audit.
- 4.21 In summary, it is clear that, whilst there is a diverse range of bodies which may constitute a "council entity", the obligation in s. 415(4) only arises in relation to "financial reports" and so only applies in relation to council entities which do prepare such financial reports. As to the nature of the duty to audit those financial reports, there are indications that s. 415(4) was intended to impose a duty of auditing of council entities which goes beyond that which would flow from proper auditing of the council in accordance with s. 415(2), and yet the scope of that duty is necessarily limited by the statutory context, functions and powers which are available to support it. The statutory language of s. 415(4) in my view reveals an intention to impose a duty on the council auditor in his or her capacity as council auditor (not as auditor of the council entity), and in the context of performing his or her audit of the council. That is, it is not an equivalent duty to that imposed in relation to the council, for which the Auditor-General is the auditor. Rather, the audit of the financial reports of the council entity must form, in some way, a component or part of the audit of the council.

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4.22 It is, in a practical sense, difficult to articulate precisely what that "audit" duty involves in the context of s. 415(4), beyond noting these features which point to it being less than equivalent to the role of an external auditor of the council entity (or equivalent to the audit of the council itself) and yet more than what would already be encompassed by the audit of the council pursuant to s. 415(1)-(3). What can be said is that the audit of the financial reports of a council entity should be conducted to the fullest extent necessary and possible to provide a report on that audit in the council report, in light of the audit functions and powers which the Auditor-General acquires in relation to both councils and council entities pursuant to Div. 3 of Pt. 3 of Ch. 13, especially ss. 423 and 424, as outlined above.

Conclusion re: proposed interpretation

- 4.23 Given the uncertainties about the scope of the duty in s. 415(4), outlined above, in my view your proposed construction of the duty is both reasonable and open. That is, your suggestion that the duty in s. 415(4) is that the Auditor-General (as the council auditor) is required to perform "those audit procedures on a council entity considered necessary to form an opinion on the council's consolidated general purpose financial report", is a clearly arguable interpretation of the duty, where it arises. I note that, strictly, I would prefer to phrase it as "those audit procedures necessary to form an opinion on the council's financial reports", but given that the report required pursuant to s. 417(1) of the Act is a report as to the council's general purpose financial report, I do not disagree with your phrasing. I also observe that, whilst an "audit of the financial reports" of a body may in other contexts generally be understood to require the issuing of an opinion by the auditor, in my view, the statutory context and fact that the Auditor-General performs the function in s. 415(4) in her capacity as auditor of the council, make it arguable that the duty can be discharged through performing "audit procedures" rather than necessarily requiring the issuance of an opinion by the auditor.
- 4.24 To the extent that your proposed construction of the duty in s. 415(4) also suggests that "any matters as appropriate in respect of a council entity are included in the report on the conduct of the audit of the council's financial report required pursuant to s. 417(1) of the Act", I agree that the duty in s. 415(4) is discharged by the auditor reporting on the council entity audit in the report on the council. The reference in section s. 415(4) to "the report on the council by the auditor" is, in my view, a reference to either of the two reports made under s. 417(1).

Comment: possible means to resolve uncertainty

4.25 The relevant provisions of the Act contain several powers for matters to be prescribed by regulation, which could assist to resolve the uncertainty and practical difficulties surrounding the operation of s. 415(4). The preparation and promulgation of regulations is a matter on which Parliamentary Counsel's advice should be sought, but I note the powers of regulation contained in s. 415(5)(a) and (b) as a potential means to clarify or limit the scope of the definition of "council entity", and the power in s. 415(3)

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CROWN SOLICITOR'S OFFICE NEW SOUTH WALES

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to regulate what matters an auditor must consider and provide comment on in auditing a council's financial reports, which could in turn assist to clarify the scope of the audit required pursuant to s. 415(4), given that such audit is performed as part of the audit of the council financial reports.

Signed:

Lea Armstrong
Crown Solicitor

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NSW Auditor-General's Report to Parliament | Report on Local Government 2017 | Appendix 11 - NSW Crown Solicitor's advice

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To help parliament hold government accountable for its use of public resources.

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Office of Local Government - 18-14

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STRENGTHENING LOCAL GOVERNMENT

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Council Circular

22 May 2018

18-14 Auditor General's report to Parliament on the 2016-17 financial audits of NSW Councils

Circular Details	Circular No 18-14 / 22 May 2018 / A588684				
Who should read this	General Managers / All Council finance staff				
Contact	Performance Team / 02 4428 4100				
Action required	Information				
PDF Version of Circular	☑ 18-14 Auditor General's report to Parliament on the 2016-17 financial audits of NSW Councils				

What's new or changing

 The Auditor-General for NSW has tabled a report to Parliament commenting on the audit of NSW councils' 2016-17 financial statements.

What this will mean for your council

- Councils are encouraged to review the report and continue working towards strengthening governance, financial management and reporting in the local government sector.
- Councils are also encouraged to engage early and work with their auditors to continue to improve the quality and timeliness of financial reporting.

Key points

http://olg.e-newsletter.com.au/pub/pubType/EO/pubID/zzzz5b03b04dc5a6b140/print/1/ 24/05/2018

Office of Local Government - 18-14

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- The report provides an independent assessment of the financial health of the Local Government sector. It identifies the common challenges that councils face and the opportunities to improve financial management and reporting.
- · Key findings and recommendations within the report include the need for the sector to:
 - improve the overall quality and timeliness of financial reporting;improve the accuracy of asset management and accounting practices and conduct asset valuations earlier; and
 - improve its governance and internal control mechanisms.
- The Office of Local Government has noted the Auditor-General's findings and recommendations and will continue to work with councils, the Auditor-General and the Audit Office of NSW.

Where to go for further information

- A copy of the Auditor-General's report on Local Government 2017 is available on the Audit
 Office of NSW website at: www.audit.nsw.gov.au/news/report-on-local-government-2017-
 and-data-visualisation.
- The Code of Accounting Practice and Financial Reporting (Code) (Update 26) was issued on 18 April 2018.
- The code is available at: www.olg.nsw.gov.au/strengthening-local-government/supporting-and-advising-councils/accounting-practice.

Tim Hurst Acting Chief Executive

STRENGTHENING LOCAL GOVERNMENT

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Information Only - 21 June 2018

ITEM 9.9 Meeting with Telstra

FILE REFERENCE 118/275

AUTHOR Acting General Manager

ISSUE

To provide information on a meeting held with Telstra concerning telecommunications within the Upper Lachlan Shire Council area.

RECOMMENDATION That -

1. Council receive the report and note the information.

BACKGROUND

On Thursday, 31 May 2018 the Mayor and Acting General Manager were able to meet, in Sydney, with the following Telstra officials to discuss local opportunities for the improvement of telecommunication facilities within the Upper Lachlan Shire Council area:

- Jenny West NSW State Director
- Rodney Cox General Manager for Premier Business
- Chris Taylor Area General Manager NSW Southern and ACT

REPORT

Telstra officers were made aware of a number of matters and in particular the proposed public community meeting being arranged by the Grabben Gullen Community Progress Association in relation to local mobile phone coverage and the community concerns. It was hoped that Telstra would be able to provide an officer to attend that public meeting to be held 4 July 2018 to hear the community's concerns.

Council were also able to provide further advice in regard to the poor mobile coverage at Bigga (Snowy Mount) and the current facilities such as the site that is owned by Council and the availability of power. It was also noted that the Snowy Mount area is our Federal Local Member the Hon. Angus Taylor's number one priority for improvement. Sadly in the latest round of funding the state authority responsible for telecommunication funding was not prepared to fund this improvement at this time. Council will also take this matter up with our local State Member, the Hon. Pru Goward MP.

Council was also able to express dismay that currently Gunning has no NBN facilities and only ADSL2 and a patchy 4G service. In this regard Telstra officers were able to advise that they are looking at how to improve the 4G service particularly in buildings in Gunning. Council was also given contact details of the NBN Stakeholder

Information Only MEETING WITH TELSTRA cont'd

Engagement Manager looking after the Upper Lachlan Shire Council area so the Council can follow up in regard to this technology and timing for Gunning. In regard to Taralga, Council was also able to impress upon the Telstra officers that a capacity increase may be warranted.

Telstra officers were also able to advise that the Tarlo/Chatsbury (approximately 12km south of Myrtleville) area had been funded under the round 2 Mobile Black Spot Program with works due to commence on tower construction at the end of June 2018.

Telstra Officers also expressed interest in relation to future wind farm developers who could be future contributors to mobile telephone facilities both in a monetary sense and for the use of the towers.

It was felt that it was a positive meeting and Council have been able to continue a quality relationship with senior Telstra Officers.

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Nil

OPTIONS

Nil

FINANCIAL IMPACT OF RECOMMENDATIONS

Nil

RECOMMENDATION That -

Council receive the report and note the information.

ATTACHMENTS

Nil

Information Only - 21 June 2018

ITEM 9.10 Federal Budget 2018-2019 Update

FILE REFERENCE | 118/252

AUTHOR Acting General Manager

ISSUE

Providing details of the Federal Budget 2018/2019.

RECOMMENDATION That -

1. Council receive and note the report as information.

BACKGROUND

The Federal Treasurer, the Hon. Scott Morrison MP handed down the 2018-2019 Budget on the 8 May 2018.

REPORT

Attached for Councillors information are the following documents:

- Media Release Local Government NSW;
- Budget 2018/19 the essentials;
- ABC News Budget 2018: Winners and Losers;
- ABC News Rural Health Care, Roads, Bio Security major rural winners in 2018 Federal Budget;
- Australian Institute of Company Directors 2018 Federal Budget Summary for Directors.

POLICY IMPACT

Nil

OPTIONS

Nil

FINANCIAL IMPACT OF RECOMMENDATIONS

Nil

RECOMMENDATION That -

Council receive and note the report as information.

ATTACHMENTS

1	1. <u>↓</u>	Budget 2018-19 Federal Budget - various items for business	Attachment
		paper	

Media release - Feds fund big projects but miss local opportunities | LGNSW

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Media release - Feds fund big projects but miss local opportunities

8 May 2018

The Federal Budget handed down by Treasurer Scott Morrison tonight offers some benefits for the local government sector, but focuses on individuals rather than communities, Local Government NSW (LGNSW) said today.

LGNSW President Linda Scott said the Turnbull-McCormack Government's last Budget before the next Federal election had a strong personal tax focus.

"The Financial Assistance Grants (FAGs) on which so many regional and rural councils rely have been maintained in real terms, but the Government has not sought to redress any of the shortfall resulting from the recent three-year indexation freeze," CIr Scott said

"That freeze is equal to a permanent reduction in the funding base of about 13% - which means communities going without library improvements, community pools, early childhood education centres to allow parents back into the workforce, and roads to deliver jobs and economic development to regions

"The Federal Government has missed an opportunity to deliver a Community Infrastructure Program of \$300 million per annum nationally, for four years, to stimulate growth and build community resilience.

Clr Scott said funding for the crucial Roads to Recovery Program was returning to pre-2015/16 levels, with NSW to receive \$85.4 million in 2018/19 and \$111.5 million in 2019/20

"ALGA research found councils across Australia would face an annual shortfall of \$1.2 billion if the Government chose to simply to maintain local

"Continued under investment in local roads acts as a brake on the economy, hindering not only local and regional social and economic development but the development and productivity of the nation as a whole.

The Budget was notably silent on the current recycling crisis, with no specific funding commitment to help mitigate the impacts of China's National

"To ensure recycling has a future in NSW, industry, community, local, state and federal governments need to work together," CIr Scott said. "NSW Councils are working to avoid waste in the first place, and we had hoped the Budget may have given some insight into the Federal Government's commitment to playing its part to resolve this critical issue.

Clr Scott welcomed confirmation that the Federal Government would commit \$971 million for the Coffs Harbour Bypass, \$400 million for the Port Botany Rail Line duplication and Cabramatta passing loop; and a urban congestion fund designed to address metropolitan bottlenecks.

Also welcome was the ongoing commitment to the Inland Rail Project, which the Government has said will add \$2.6 billion to the gross state domestic product for NSW.

"The Federal Government deserves commendation for investment in a small number of key infrastructure projects.

"However, it is disappointing that in this pre-election budget a sustained investment in community-based infrastructure with Councils is missing.

"Investment in community infrastructure is absolutely critical to local governments and the communities they represent."

Media Enquiries Media: Toni Allan 0412 774 441

https://www.lgnsw.org.au/news/media-release/media-release-feds-fund-big-projects-...



Guaranteeing the essential services Australians rely on

Investing in the essential services Australians rely on

The Government is guaranteeing the essential services that Australians rely on, now and into the future.

A stronger economy has enabled the Government to deliver record investment in Medicare, hospitals, schools and disability services.

This means Australians have guaranteed access to **high-quality hospitals** and schools, **a strong Medicare** system and vital services for those with permanent and significant disability.

The Government is providing **more choice for older Australians** to live healthier, more independent and safer lives, so they can take advantage of the opportunities that a longer life brings.

The Government's **record investment in schools** will give teachers the tools to lift the performance of our students and prepare them for the jobs of the future.

The Government supports the recommendations of the <u>Review to Achieve Educational Excellence in</u> <u>Australian Schools</u> and will work with states and territories to ensure student outcomes are lifted.

From 2 July 2018, the Government will ease cost of living pressures for nearly one million Australian families by implementing the **New Child Care Package**.

Commonwealth health funding will reach a record \$78.8 billion in 2018-19. Record levels of funding will be provided for public hospital services while funding for the Medicare Benefits Schedule and Pharmaceutical Benefits Scheme is guaranteed through the Medicare Guarantee Fund announced in last year's Budget.

The Government is committed to building sustainable **regional communities** with access to high quality healthcare, education and housing.

This includes delivering on the recommendations of the <u>Independent Review into Regional</u>, <u>Rural and Remote Education</u> by supporting more regional students to access tertiary education; improving the delivery of healthcare through the **Stronger Rural Health Strategy**; and alleviating overcrowding in remote Indigenous communities through a new agreement for **remote housing** with the Northern Territory Government.

Australians living with permanent and significant disability will have certainty that they can exercise choice and control over the services they need through the **fully-funded <u>National Disability</u>** <u>Insurance Scheme</u>.

The Government will continue to support those who selflessly serve our nation and protect our interests overseas, and their families, when they come home.

os://www.budget.gov.au/2018-19/content/essentials.html

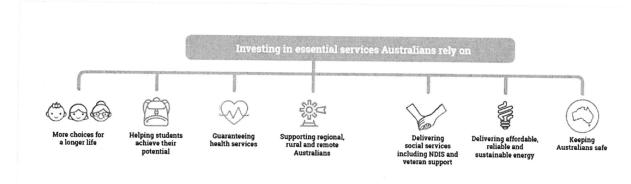
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Measures to unlock the **supply of affordable housing** remain on track, including the establishment of the \$1 billion National Housing Finance and Investment Corporation and the release of more land suitable for housing.

The Government is continuing to take action to address energy price pressures. The **National Energy Guarantee** will see \$400 off the average Australian household's annual power bill and places a focus on the affordability, reliability and sustainability of our energy supply.

The Government will maintain pressure on big energy companies to give Australians a better deal on their gas and electricity prices.

There is no more important essential service than **keeping Australia safe**. The Australian Government continues to place a high priority on protecting Australians from the threat of terrorism and is giving our defence forces what they need to do their job. This Budget includes significant funding to: enhance Australia's aviation, air cargo and international mail security; continue Operation Sovereign Borders; and strengthen national police and security agencies.



More choices for a longer life

Australians are now expected to live 10 years longer than they were 50 years ago, with our life expectancy now the fifth highest in the OECD. A longer life presents different opportunities for different people. The Government is acting to support Australians to be prepared to live a healthy, independent, connected and safe life.

Getting ready Early planning can boost workforce participation, reduce chronic health problems and increase income in retirement, so Australians can get the most out of their longer lives. 45 and 65 Year Checks Assisting Australians to make informed choices on how to live life to the full

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Finances for a longer life

The 2018-19 Budget delivers measures to boost living standards and expand retirement income options to give retirees confidence in their financial security.

The Government is increasing the Pension Work Bonus to allow age pensioners to earn an extra \$50 per fortnight without reducing their pension.

The Pension Loan Scheme will be expanded giving greater flexibility to use home equity to boost retirement incomes, e.g. up to \$17,787 a year for a full rate age pensioner (couple).

Jobs and skills

The Government is helping Australians to work for as long as they want, laying the foundations for a secure retirement.

The Government will provide up to \$10,000 in Restart wage subsidies for employing Australians aged 50 and over.

The Skills and Training incentive will provide up to \$2,000 to fund up-skilling opportunities for mature aged workers identified as being at risk.

Supporting choice and a healthy long life

The Government is supporting Australians to live healthier and longer lives, and to choose how they receive care.

The Government is increasing funding for home care, to support Australians to better access their choice of care, with 14,000 additional high level home care packages by 2021-22.

The Government is investing in the physical health of older Australians through new funding to boost their physical activity and help them stay connected.

Safeguarding quality and rights

The Government will strengthen the regulation of aged care services to respect and protect older Australians.

The Government will establish a new independent Aged Care Quality and Safety Commission and regulatory settings will be strengthened and made more transparent.

os://www.budget.gov.au/2018-19/content/essentials.html

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Funding is being provided to protect older Australians from abuse, including funding trials of specialist elder support services, and the Government will work with the states and territories to develop an online national register for enduring powers of attorney.



Preparing for a longer and more secure

life

Backing the choices of Australians to increase financial flexibility

Australians will be able to prepare for a longer life through new online skills, health and finance checks at ages 45 and 65.

The Pension Work Bonus will be increased to allow age pensioners to earn an extra \$50 a fortnight without reducing their pension.

For the first time the bonus will also be extended to the self-employed, who can now earn up to \$7,800 a year without reducing their pension.

The Pension Loans Scheme will be expanded to give all Age Pension-aged Australians the option to boost their standard of living. Full rate pensioners will be able to boost their income by up to \$11,799 (singles) or \$17,787 (couples) per year.

To encourage the development of innovative retirement income stream products, the Government is clarifying the Age Pension means test treatment. The Government will also require superannuation fund trustees to develop a retirement strategy for members and offer a wider variety of products.

Superannuation funds will be required to provide more information to help consumers compare and choose products.

The Skills Checkpoint for Older Workers will provide advice on relevant skills and training to help workers build their careers or transition to jobs in new industries. For Australians updating their skills, the Government will contribute up to \$2,000 through the Skills and Training Incentive.

Access to the **Restart wage subsidy** for Australians aged 50 and over will be expanded, providing up to \$10,000 to employers to support workers as they start a new career.

The Government will also provide \$17.7 million in additional funding to support entrepreneurs, with a focus on those aged over 45 years. The **Entrepreneurship Facilitators** program will be expanded to new locations, including in regional Australia, helping older workers to turn their years of valued experience into a thriving business.

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Choice and a healthy long life

Supporting Australians to live healthier and longer lives

More choice

More Australians are choosing to access aged care in their homes. To **support Australians who wish to stay at home**, the Government is providing \$1.6 billion to support 14,000 additional high-level home care packages by 2021-22. This adds to the 6,000 places the Government has provided since the last Budget.

The Government is making it easier for people to navigate the aged care system and access the care that suits them. This includes \$61.7 million to improve the <u>My Aged Care website</u> and \$14.8 million to streamline the assessment process for aged care services.

Healthier ageing

To enable Australians to **make the most of a longer life**, the Government is investing in the health of older Australians by providing: \$82.5 million for mental health services for people in residential aged care facilities; \$20 million to pilot services for older Australians to help them remain connected to their communities; and \$22.9 million to boost the physical activity of older Australians.

Better care

The Government is reforming the aged care system to ensure that aged care facilities are providing the care the community expects.

Our aged care system must **guarantee and respect the dignity of older Australians**. The Government will establish a new Aged Care Quality and Safety Commission from 1 January 2019. Regulations will be strengthened and made more transparent.

The Government is providing \$22 million to protect older Australians from abuse, including by funding trials of specialist elder abuse support services.

In addition to developing a National Plan on Elder Abuse, the Government will work with the states and territories to develop a national online register for enduring powers of attorney.

Investing in our teachers and schools

Equipping students to grow and succeed

Legislated, fairer funding for schools

The Government's legislated needs-based funding for schools delivers an additional \$24.5 billion for Australian schools over the next 10 years - that is a **50 per cent increase in per-student funding**, on average, over a decade.

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By supporting the recommendations of the <u>Review to Achieve Educational Excellence in Australian Schools</u> led by David Gonski AC, the Government is ensuring that this **genuine needs-based schools funding** is delivering the best outcomes for Australian students.

The Government has given in-principle support to the 23 recommendations of this landmark review, setting out a clear plan for the future. The Government will work with the states and territories to deliver reforms in the Review's key areas:

- · reforming the curriculum to deliver at least one year's growth in learning in every student every year;
- · online progression and learning tools for teachers; and
- · better supporting teachers and parents to help students achieve their individual best.

For the first time, a national blueprint will be available for every government, every teacher and every family to help **tackle declining school performance in Australia**. This will ensure the Australian Government's record levels of schools funding under the *Quality Schools Package* will be invested in maximising outcomes for Australian students.

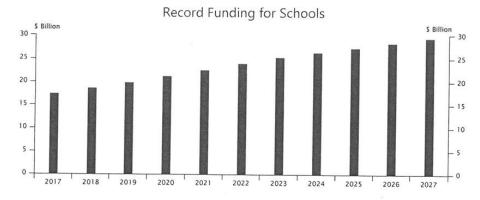
Those students with the greatest need will continue to receive the highest level of funding from the Government.

National Schools Chaplaincy Programme

The Government is providing permanent funding for the <u>National Schools Chaplaincy Programme</u>, providing an additional \$247 million over four years from 2018-19.

The Programme supports the wellbeing of students through the provision of pastoral care services and strategies that support the wellbeing of the broader school community. The renewed Programme will have an enhanced focus on addressing bullying in schools.

The Programme assists more than 3,000 schools to engage the services of a school chaplain.



Investing in preschools and child care

Supporting working families and giving children the right start Universal access to preschool

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The Government will support access to preschool education through a \$440 million investment to extend the National Partnership Agreement on <u>Universal Access to Early Childhood Education</u> until the end of 2019.

More than 348,000 young Australians will have access to 15 hours a week of quality early learning in the year before school.

Together with the funding extension provided in the 2017-18 Budget, this takes total Australian Government preschool funding to around \$870 million for the 2018 and 2019 school years.

Delivering affordable, accessible child care

From 2 July 2018, the Government's **New Child Care Package** will come into effect, providing more support for families who need it the most.

The Government is delivering on its commitment to ease household budget pressures for nearly one million Australian families by providing more affordable access to child care.

Families on incomes of around \$187,000 or less a year will not have an annual limit on the amount of Child Care Subsidy they receive - that is more than 85 per cent of families with children in child care.

The <u>Child Care Safety Net</u> supports children from rural and regional areas and those from disadvantaged backgrounds or with additional needs to access early childhood education and care services, ensuring these families receive the support they need.

The Government is also ensuring that families face lower out-of-pocket expenses by reducing the **Child Care Subsidy** withholding rate to 5 per cent for all families.

Guaranteeing essential health services

Guaranteeing Medicare and providing record health funding

The Government's strong budget management and plan for a stronger economy is ensuring continued record investment in health care for Australians.

Health funding is expected to increase from \$78.8 billion in 2018-19 to \$85 billion in 2021-22, ensuring the delivery of the essential medical, pharmaceutical and hospital services Australians rely on.

Investing in public hospital services

This Budget fully funds a **new five-year public hospital agreement** with the states and territories that will deliver more than \$30 billion in additional funding between 2020-21 and 2024-25 — a 30 per cent increase over the previous five years.

Commonwealth funding to Australia's public hospitals is on track to more than double from \$13.3 billion in 2012-13 to \$28.7 billion in 2024-25.

Guaranteeing Medicare

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The Government has guaranteed funding for the <u>Medicare Benefits Schedule</u> (MBS) and the Pharmaceutical Benefits Scheme (PBS) through the **Medicare Guarantee Fund**, as announced in last year's Budget.

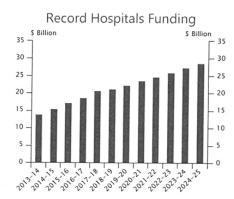
For 2017-18, \$34.4 billion has been credited to the Fund. A further credit of \$35.3 billion will be made to meet estimated MBS and PBS expenditure for 2018-19.

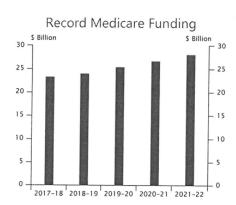
This Budget includes new and amended items on the MBS, including cystic fibrosis testing, 3D breast screening and MRI tests for prostate cancer.

Bulk billing for GP visits in Australia remains at record levels with 84.3 per cent of GP visits in 2016-17 being bulk billed, or 3 million more visits than the previous year.

Greater access to medicines

This Budget includes \$1.4 billion for new and amended listings on the PBS, including medicines to treat spinal muscular atrophy, breast cancer, relapsing-remitting multiple sclerosis and a new medicine to prevent HIV.





■ Investing in a healthier Australia

Boosting support for new families and children, and promoting active lifestyles

Boosting essential infant health services

The Government is supporting new families and children in their early years of life.

This includes a \$6.2 million investment in the <u>Insulin Pump Program</u> to increase availability of insulin pumps to children with type 1 diabetes.

The Government will further boost **child vaccinations** by providing \$2 million in 2018–19 to extend the <u>Get the Facts about Immunisation</u> program.

A national **digital baby book** will be developed at a cost of \$5 million to ensure all newborn Australians have access to a lifelong electronic health record and a further \$3 million will provide better information on healthy eating and physical activity for women during pregnancy.

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To ensure that debilitating conditions are picked up at the earliest opportunity, \$1 million and \$600,000 will be provided to increase awareness of endometriosis and the risks of type 2 diabetes respectively.

Promoting a healthy and active Australia

The Government will provide \$154.3 million over five years to support Australians to live healthier and more active lifestyles.

\$11.8 million will be invested to expand the <u>Local Sporting Champions</u> program to support youth participation in sporting competitions. A \$28.9 million grants program will be established for National Sporting Organisations to deliver new programs to promote active living.

A further \$41.7 million will be invested in the **Sporting Schools program**, extending its reach to 500 secondary schools, while continuing to provide funding for 5,200 primary schools. \$29.7 million will be provided to upgrade local community sporting facilities. Funding of \$10.1 million will go towards better protecting the integrity of Australian sport, including anti-doping.

This commitment is the foundation for a national sports plan, which will be released later this year.

Services for regional, rural and remote

Australians

Ensuring access to essential services for all Australians, regardless of where they live

Supporting regional and Indigenous students

The Government is delivering on the recommendations of the recent <u>Independent Review into Regional, Rural and Remote Education</u> by creating an additional 500 Commonwealth supported sub-bachelor places and 500 places for bachelor students at <u>Regional Study Hubs</u>.

In addition, the Government is supporting more regional students to be considered independent through work to access higher **Youth Allowance rates.**

From 1 January 2019, the family income cut-off will increase from \$150,000 to \$160,000 per annum, with a further increase of \$10,000 for each additional child in the family. This will make it easier for more regional students to undertake post-secondary studies and will ease the financial pressure on families.

To support Indigenous students, the Government will provide \$38.1 million over five years to implement more efficient payment arrangements for schools; safer, fairer and more flexible travel arrangements; and ensure consistent assistance rates for Indigenous students studying away from home.

More local doctors

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The **Stronger Rural Health Strategy** will improve the delivery of health care for all Australians, particularly those in rural and remote areas, and extend support for Indigenous health organisations. Indigenous Australians will also benefit from a \$1.7 billion new primary health care model.

A **Murray Darling Medical Schools network** will be established to train more local doctors and support students to complete the majority of their medical or allied health training in the regions.

The Government will provide \$84 million in additional funding to the **Royal Flying Doctor Service** to improve the availability of dental, mental health and emergency aeromedical services in rural and remote areas.

Supplying remote housing

The Government will provide \$550 million over five years from 2018–19 for a new agreement with the Northern Territory Government on remote housing, to help alleviate overcrowding and improve employment and business opportunities in remote communities.

This commitment will be matched by funding from the Northern Territory Government.

△ Delivering social services

Guaranteeing the essential social services that Australians rely on

Better services for Australia's veterans

The Government is continuing its substantial investment from past budgets in service delivery, mental health and employment for veterans — reflecting ongoing appreciation for their service to our nation.

The Government will provide \$111.9 million over four years from 2018-19 for the continuation of **Veteran Centric Reform**. This will enable the Government to better know, engage with and support veterans and their families — as well as deliver drastically reduced claim processing times.

Supporting Australians living with disability

Funding for the **National Disability Insurance Scheme** (NDIS) is in place and always will be, ensuring that Australians living with disability can access the lifetime care and support they need.

The implementation of the NDIS remains on track to be fully rolled out from 2020. There are currently more than 140,000 participants benefiting from the NDIS. For those who are not eligible for the NDIS but are in programs that are transitioning to the NDIS, the Government will provide \$92.1 million to ensure their support continues.

An **NDIS Jobs and Market Fund** will be established at a cost of \$64.3 million to grow the NDIS workforce and service providers.

Improving housing affordability

The Government is delivering on its commitment to establish the National Housing Finance and Investment Corporation (NHFIC) by 1 July 2018. The NHFIC will comprise the **Affordable Housing Bond Aggregator** and the \$1 billion National Housing Infrastructure Facility.

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The new National **Housing and Homelessness Agreement** will commence from 1 July 2018. This agreement will provide \$7 billion in housing funding and an additional \$620 million for homelessness services over the next five years, ensuring that funding for homelessness services will be ongoing and indexed.

♠ Affordable, reliable and sustainable energy

Reducing electricity bills for households and businesses

The Government is taking action to reduce energy costs for Australian families and businesses. The National Energy Guarantee will see a \$400 reduction to the average Australian household's annual power bill, placing a focus on affordability and reliability, while meeting our emissions targets.

The Guarantee will also provide much needed **certainty in energy markets**, ensuring the lights stay on and businesses have the certainty to invest. The Guarantee will deliver affordable and reliable energy for households and businesses, without relying on subsidies, taxes, emissions trading schemes or carbon prices. Greater certainty and a technology-neutral framework will lead to lower energy bills. The estimated savings generated by the Guarantee have been modelled by the independent **Energy Security Board**.

Helping consumers

Over the past year, the Government has also progressed a range of other initiatives to lower prices and help consumers access better deals. In August 2017 the Government secured agreement from major electricity retailers to make sure Australians get the best deal on their electricity bills.

Retailers have since contacted approximately 1.6 million customers to inform them of better deals. Already, 180,000 customers have moved to a better deal, saving potentially hundreds of dollars each year. The Limited Merits Review regime, which allowed electricity network businesses to appeal regulatory pricing decisions and charge more for electricity, has been abolished, limiting future network price increases on consumers' bills.

The Government is also helping customers find the best deal and better manage their energy use through the creation of a Consumer Data Right for energy. Being able to share their data safely with comparison services or alternative energy suppliers will make it easier for consumers to get the best deal, including by switching providers. This builds on \$8.1 million previously provided to enhance the Government's **Energy Made Easy price comparison website**. Since 1 July 2017, there have been more than one million visits to Energy Made Easy.

The Government has also directed the ACCC to **investigate the electricity and gas market**, to identify any further steps that can be taken to promote competition and lower prices.

Government action

National Energy Guarantee to deliver reliable and sustainable energy and lower prices
 Electricity retailers have committed to help customers get a better deal

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- Consumer Data Right to enable new services that find the best deal for the consumer
- $\ensuremath{\square}$ ACCC investigating competition in the electricity market
- ☑ Snowy Hydro 2.0 could power 500,000 homes for a week
- $\ensuremath{\square}$ Gas exporters have agreed to make more gas available to domestic users
- ACCC is monitoring the gas market
- Promoting gas supply and improving the functioning of gas markets

Securing our energy future

Delivering affordable and reliable energy for consumers and businesses

Building Snowy Hydro 2.0

The Government has reached agreement with New South Wales and Victoria to take full ownership of Snowy Hydro to support the building of Snowy Hydro 2.0.

<u>Snowy Hydro 2.0</u> will improve the stability of the grid and provide an additional 2,000 MW of capacity and enough storage to **power 500,000 homes for a week** when complete. The funding received by New South Wales and Victoria for their shares of Snowy Hydro — \$4.2 billion and \$2.1 billion respectively — will be invested into productive infrastructure in those states.

Boosting domestic gas supply and lowering prices

Government action has secured more gas for Australian families and businesses through an agreement with major east coast gas exporters. The exporters now need to offer sufficient gas to domestic users before choosing to export gas. The Government has also directed the ACCC to monitor the gas market.

The Government has **secured domestic supply and lowered prices**, with wholesale price offers falling by around 50 per cent from their peak levels last year.

The Government is promoting gas supply by funding geological and feasibility studies and acceleration grants, and by acting to improve the functioning of domestic gas markets. The Government is also calling on state governments to allow development of new gas supplies to boost supply and lower prices.

Keeping Australians safe

At home and on our border

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Australia is facing complex and rapidly-evolving security challenges. The Government is committed to making the necessary investments that will guarantee the safety of all Australians, while supporting the free movement of people and goods.

Maintaining strong borders

Under <u>Operation Sovereign Borders</u>, the Government has halted the people smugglers, ended the deaths at sea and removed all children from detention. The Government is investing \$62.2 million to maintain <u>Australian Border Force Cutter Ocean Shield</u> at surge capacity, and provide ongoing investment in international engagement activities to prevent and disrupt people smuggling.

Strengthening aviation security

The Government is investing \$294 million to strengthen aviation, air cargo and international mail security, including:

- \$50.1 million to enhance security arrangements at 64 regional airports with new and upgraded screening technologies and associated infrastructure;
- \$122 million to enhance screening capability for inbound air cargo and international mail with new and upgraded equipment and advanced technology; and
- \$122 million to increase the presence and specialty capabilities of the Australian Federal Police and Australian Border Force at nine major domestic and international airports.

Investing in national security agencies

The Government is committed to ensuring that our national security agencies have the resources to keep Australia secure. This Budget will provide:

- · more than \$37 million to support our federal police and security agencies fight crime and terrorism;
- \$68.6 million to establish the Australian Centre to Counter Child Exploitation,
- \$59.1 million to create the National Criminal Intelligence System, which will provide a national repository of criminal intelligence and information; and
- · \$130 million to upgrade Visa systems to improve screening of arrivals.

Protecting Australia

Backing our defence forces

The Government continues to give our defence forces what they need to defend our values and keep the Australian community safe.

Increasingly complex threats to Australia's regional security mean that growing demands are placed on the Australian Defence Force. The Government is meeting these challenges by implementing strategies in the <u>Defence White Paper 2016</u>.

Investing in Defence

The Government remains committed to providing a stable and sustainable funding growth path for Defence by delivering on its commitment to **restore Defence funding to 2 per cent of GDP by 2020-21**.

This Budget will provide Defence with \$36.4 billion in 2018-19 and \$161 billion over the next four years.

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The Defence Integrated Investment Program allocates \$200 billion over the next decade, which will bolster Defence force capability through programs such as the:

- Land 400 Project, which invests \$5.2 billion in 211 Boxer Combat Reconnaissance Vehicles (CRV). The Boxer CRV offers superior combat power, contributing to successful missions and the safety of our Defence force personnel.
- Future Submarine Program and continuous shipbuilding plan that is contributing to an Australian Naval shipbuilding workforce that is expected to peak at over 5,000 by the late 2020s.

Growing the defence industry

The Government is growing a defence industry that creates jobs and drives economic growth. We have released Australia's first **Defence Industrial Capability Plan**, investing \$17 million annually to support Australian small and medium enterprises engaging with the Plan.

The **Defence Export Strategy** will build a stronger, more sustainable and globally competitive defence industry by investing \$20 million annually to support Australia's defence exports.

Ensuring regional security

This Budget will provide \$766 million in 2018-19 for Defence to **continue to fight terrorist networks** and protect Australia's borders and offshore maritime interests. Over 2,300 personnel are deployed to major operations, including in Afghanistan and Iraq, fulfilling the Government's commitment to global security and stability.

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Budget 2018: Winners and losers - Politics - ABC News (Australian Broadcasting Cor... Page 1 of 2

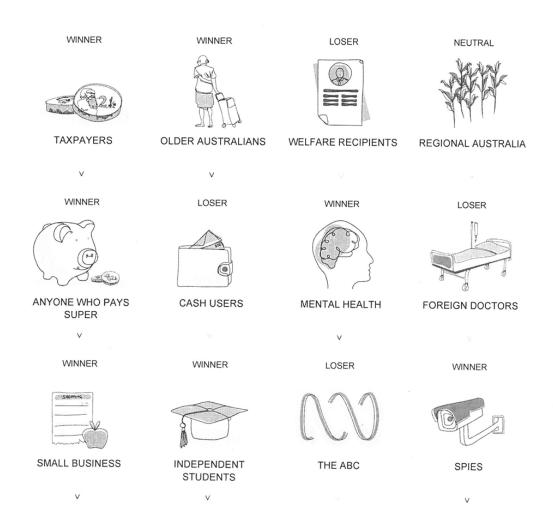
Politics

Budget 2018: Winners and losers

Explore who wins and who loses as a result of Scott Morrison's 2018 budget.

By Jackson Gothe-Snape , Lucy Sweeney and Georgina Piper

Updated Wed 9 May 2018, 6:36pm



http://www.abc.net.au/news/2018-05-08/federal-budget-2018-winners-losers/9738982

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Credits:

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Topics: federal-government, government-and-politics, budget,

people, australia

First posted Tue 8 May 2018, 7:40pm

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http://www.abc.net.au/news/2018-05-08/federal-budget-2018-winners-losers/9738982 30/05/2018

Healthcare, roads and biosecurity major regional winners in 2018 federal budget - AB... Page 1 of 4



Rural

Healthcare, roads and biosecurity major regional winners in 2018 federal budget

ABC Rural By the national regional reporting team's <u>Brett Worthington</u> and <u>Clint Jasper</u> Updated 9 May 2018 at 8:27 am

First posted 8 May 2018 at 8:53 pm

A focus on improving road and rail transport, better access to health services and strengthening agricultural exports are key budget measures targeted at regional Australians.

But with <u>poor connectivity in so many rural</u> <u>places</u>, the number one item on many budget wish-lists, better telecommunications access, has gone unanswered.

"In addition to better weather and GPS services there will be additional new funding to protect against pests, disease and weeds," Treasurer Scott Morrison said on Tuesday night.



Future rounds of the Mobile Blackspot Program have not been funded in this year's budget. (ABC Rural: Daniel Fitzgerald)

"We will also be providing \$146 million to improve access to aged care services in rural, regional and remote Australia.

"In rural and regional areas, we have funded a plan to get more doctors to where they are needed through a new workforce incentive program."

Major shot in the arm for regional health

Making it easier for medical students to study in country areas and improving access to services are the major focus of the Government's \$83.3 million Stronger Rural Health Strategy.

There is \$95.4 million for the establishment of a Murray-Darling Medical Schools Network that will see new training facilities established to support medical student training.

http://www.abc.net.au/news/rural/2018-05-08/budget-2018-regional-australia/9737936 30/05/2018

Healthcare, roads and biosecurity major regional winners in 2018 federal budget - AB... Page 2 of 4

The University of NSW in Wagga Wagga, the University of Sydney in Dubbo, Charles Sturt University and Western Sydney University in Orange, Monash University in Bendigo and Mildura and the University of Melbourne and La Trobe University in Bendigo, Wodonga, and Shepparton will all work together to support medical teaching in the regions.

It would mean a student could graduate high school in Dubbo and complete their medical degree in their home town through the University of NSW.

There will not be any changes to the number of Commonwealth Supported Places for medical students.

For older Australians, a \$40 million investment in regional, rural and remote aged care will aim to improve access to services.



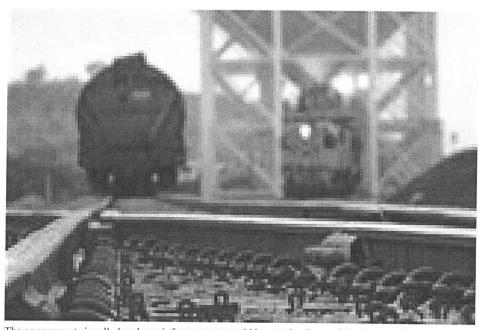
The budget will create more training places for medical students at certain regional university campuses. (Sanja Gjenero:

There is also \$105 million to help Aboriginal and Torres Strait Islander people access culturally appropriate services and remain close to family members and country.

The measures come as part of a broader parcel of health spending, which focusses on <u>improving access</u> to aged care services and facilities, boosting funding to mental health services, and boosting community sport infrastructure to help Australians get more active.

Earlier, the Government promised an extra \$84 million for the Royal Flying Doctor Service.

Transport spending spree



The government signalled early on infrastructure would be a major focus of the budget. (Skye Shannon)

http://www.abc.net.au/news/rural/2018-05-08/budget-2018-regional-australia/9737936 30/05/2018

Healthcare, roads and biosecurity major regional winners in 2018 federal budget - AB... Page 3 of 4

The Government signalled early on that infrastructure would be a major focus of this year's budget.

Over the next ten years it has added \$24.5 billion of new money to a \$75 billion fund that has already promised upgrades to regional roads, rail lines and bridges.

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Subscribe for the national headlines of the day.

There is also \$3.5 billion for the so-called Roads of Strategic Importance, just under half of which will be spent exclusively in northern Australia.

The money is aimed at improving the safety and quality of regional networks including the Great Northern Highway in Western Australia, connections into the Australian Capital Territory from NSW, and regional corridors in Northern Australia and Tasmania.

Over the next four years, \$24 million will be spent providing grants to improve safety and access at regional airstrips.

It comes after last year's commitment to funding inland rail between Melbourne and Brisbane.

Farmer focus

While a lack of further funding for mobile blackspots will disappoint many farmers, and no new funding for drought support will concern others, there are a number of measures in this budget aimed squarely at the farming economy.

There's a \$260 million investment in GPS technology, with \$161 million to deliver a Satellite-Based Augmentation Strategy that will improve the performance of positioning data from five metres to 10 centimetres.

After initially planning to end the scheme this June, the government has extended the popular instant asset write off of \$20,000 for businesses turning over less than \$10 million a year.

And there is \$20 million over the next four years to deliver on a promise to establish a National Forestry Industry Plan.

The commodity forecaster ABARES will be allocated \$4.7 million to develop a deeper understanding of Australia's seasonal labour needs.

It will collect data on labour expenditure, the number and type of people employed on farms what industries they are working in, and why it is so hard to recruit and retain workers.

Biosecurity boost

After being neglected in previous budgets, this year biosecurity is a key focus, with a \$101.6 million, four-year investment in detection technology, improved pest and disease incursion response plans and better screening of imported food.

Over the coming financial year, \$20 million will be allocated to help Tasmania <u>recover from an outbreak of fruit fly earlier this year</u>, with a focus on eradicating the pest.

http://www.abc.net.au/news/rural/2018-05-08/budget-2018-regional-australia/9737936 30/05/2018

Healthcare, roads and biosecurity major regional winners in 2018 federal budget - AB... Page 4 of 4

From July 2019, \$6.6 million will be available to spend on fighting Australia's worst animal pests and weeds.

A new \$10.02 biosecurity levy per 20-foot container and a \$1 per tonne levy on bulk imports coming via the sea will be imposed to help detect and screen for exotic pests and diseases.

More exports

Trade is the other major focus for farmers in this year's budget, with \$51.3 million to be spent on six new on-the-ground agricultural trade councillors in new markets, plus the extension of those positions in Vietnam, Malaysia, the Middle East, China and Thailand, bringing the total to 22.

They will work on the ground to eliminate trade barriers, keep markets open and alert farmers to new trade opportunities.

In turn, industries will be expected to pay back just under half of the investment under a cost recovery plan.



New specialist agricultural trade councillors will improve access to overseas markets for Australian farmers. (Clint Jasper)

Digital overhaul for chemicals regulator

While the Australian Pesticides and Veterinary Medicines Authority <u>continues its relocation from Canberra to Armidale, NSW</u>, it has been allocated \$10.1 million over the next three years to completely digitise its workforce.

With a focus on creating a more flexible and efficient workforce, the money will be spent on moving systems into cloud-based servers, digitising records, as well as more online application and registration processes.

There are 15 staff on the ground in Armidale, and approximately 450 applications for positions at the new site, located next to the University of New England, and the new funding will assist staff to work remotely where possible.

Topics

Budget Federal Government Federal Parliament Agricultural Policy Agricultural Prices Farm Labour

Road Transport Rail Transport Melbourne Sydney Bendigo Orange Dubbo Wagga Wagga Adelaide

Armidale Thailand China Malaysia Vietnam Shepparton Wodonga Mildura Perth Brisbane Darwin

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AUSTRALIAN INSTITUTE of COMPANY DIRECTORS

2018 Federal Budget: Summary for directors

What does the 2018 Federal Budget mean for your organisation and for the wider Australian economy? AICD Chief Economist Stephen Walters GAICD and Head of Policy Christian Gergis provide their analysis of all the major initiatives, including modest tax cuts, infrastructure spending and for directors moves on phoenixing, director identification numbers and additional funding for regulators.



Stephen Walters GAICD Chief Economist, Australian Institute of Company Directors



Christian Gergis Head of Policy, Australian Institute of Company Directors

08 May 2018

Main points

- An unexpected tax windfall means a promised return to surplus a year earlier, and the deficits in the near term are smaller
- Treasury's economic forecasts still look optimistic real GDP growth of 3% and healthy rises in wages
- For directors, there was movement on phoenixing, director identification numbers, and additional funding for ASIC and APRA for the Hayne Royal Commission, although no expansion of the BEAR ... yet

Page 2 of 11

- On revenue, the promised personal tax breaks are included, albeit spread over seven years ... and the remaining company tax cuts have been retained, although spread over 10 years
- There is increased spending on health, aged care, national security and innovation ... and another boost to infrastructure commitments
- The earlier return to surplus and debt reduction mean the coveted AAAcredit rating should be secure

Overview

Treasurer Scott Morrison tonight delivered his third Commonwealth Budget, the last before the next federal election, which must be held by May 2019. It was inevitable, then, that there would be goodies, including modest personal tax breaks and more infrastructure spending. But, a decent slice of the predicted revenue windfall – \$26 billion over four years - has been applied to an earlier return to surplus and debt reduction. This should keep the ratings agencies happy.

Mr Morrison can say that, not only is he cutting taxes, building infrastructure, and providing targeted assistance to the elderly and the less fortunate, he'll also start paying down debt, currently worth nearly 19% of GDP. Indeed, the Government will cease borrowing for recurrent purposes this year – no more "bad" debt. It all sounds too good to be true, but the circle is squared by Treasury's upbeat economic growth and revenue assumptions.

Already, the improving economy and the unexpected revenue windfall mean there is no more talk of "budget emergencies", or "debt and deficit disasters". Today's narrative is about sobriety and prudence, and "living within our means", even though we're not, at least not yet. Not until the Budget is back in surplus in two years' time will we start paying down our ballooning debt.

For directors, the anticipated extension of the Banking Executive Accountability Regime (BEAR) to other financial institutions did not materialise, although this Budget won't be the final word on governance in the sector. On heartland director issues, there were moves to strengthen the anti-phoenixing framework, develop a new director identification number system, and more funding for ASIC and APRA to weigh in on the Hayne Royal Commission.

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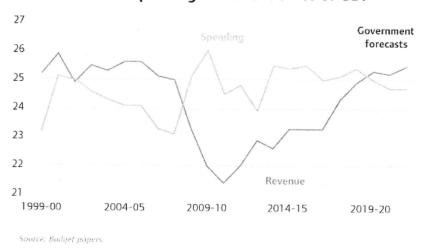
Plan C?

This Budget effectively is Plan C. Plan A was expenditure restraint from 2014, but most of the measures foundered in the Senate. Last year's Budget was Plan B – abandonment of the marooned spending measures and higher taxes, including the contentious bank levy and the planned rise in the Medicare levy. Now, it's about cutting taxes, building infrastructure and simultaneously paying down debt. If at first you don't succeed ...

What's missing? Yes, there are tax cuts, as AICD has been advocating, but we called for these as part of a broader tax reform agenda. Perhaps it is too much to ask a government to launch a bold reform agenda this close to an election, but so much more could be achieved if a higher rate and broader base of the GST were on the table, alongside changes to a host of destructive taxes. Instead, we are left with piecemeal changes, however meritorious.

A core problem is that, at 25%, government spending remains too high as a share of GDP. It seems, however, that the strategy now is to lift revenue to match the inflated expenditure share. The AICD has advocated that spending growth be restricted to an average of 1.5% in real terms, but that has proved too much of a stretch with the election looming.

C'wealth spending and revenue - % of GDP

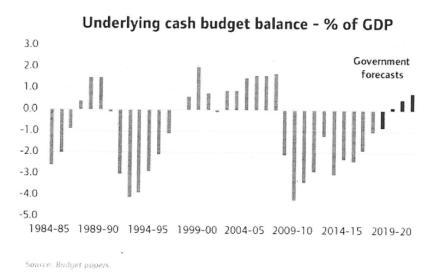


Main risks? It's the economy, stupid

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There are obvious risks with the government's re-booted fiscal strategy. The planned return to surplus will come unstuck if the economy fails to perform in the upbeat way expected by Treasury. A sluggish economy has been the jagged rock upon which the last decade's worth of Budgets have founded. The promised surplus in 2019-20 is wafer-thin, so there is little room for slippage.

Also, and more profoundly, structural expenditure commitments, like the very worthy NDIS, now will be funded from recurrent revenue, rather than hypothecated revenue measures like the now-jettisoned increase in the Medicare levy announced last year. A succession of Treasurers has learned that hoping that a cyclical boost to revenue will be sustained for long enough to fund multi-decade structural commitments is a strategy likely to fail.



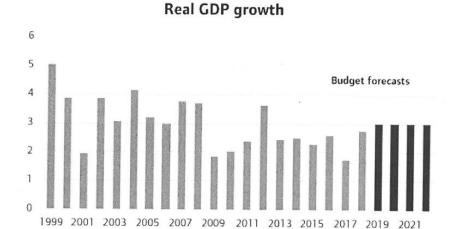
Economic assumptions still optimistic

As was the case last year, the Budget is predicated on what look like optimistic assumptions about growth in the economy and wages, in particular. Both have been trundling along at subdued rates for years now, but Treasury still is taking a glass-half-full approach to what happens from here.

In summary, the Budget projects the following economic outcomes:

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- Treasury expects Australia's economy to grow by 3% over the next few years, well ahead of the average 2.5% growth in recent years. Only once in the last decade has the economy grown at 3% or more!
- The expected jobs growth is 1.5% in the near term, but 1.25% thereafter.
 Treasury forecasts that this eventually will see wages growth accelerate from the 2% of recent years to 3.5% by 2020-21.
- The jobless rate should be 5.5% in the near term, the same rate expected by the RBA's economists, before dipping to 5.25% in subsequent years, and 5% in 2021-22.
- The Budget assumes that commodity prices are higher than previously assumed in MYEFO.



The headline Budget numbers – earlier return to surplus

The Treasurer now promises a return to surplus in 2019-20, one year earlier than was forecast in MYEFO last December. The previous estimate of a small deficit for that year was a rounding error, so it's not a stretch to now project a wafer-thin surplus. It's a step in the right direction, helped by the unexpected avalanche of revenue – more than \$5 billion worth in 2017-18 alone, particular company tax receipts.

http://aicd.companydirectors.com.au/advocacy/chief-economist/2018-federal-budget-a... 30/05/2018

Source, Budget papers.

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The deficits for the next two fiscal years are assumed to be materially smaller than was the case in MYEFO, and the surplus now is assumed to grow to nearly \$17 billion (0.8% of GDP) by 2021-22. National debt (the value of bonds on issue) now is assumed to peak a little earlier in 2019-20 at \$579 billion. In the meantime, the interest bill on this pile of debt is more than \$1 billion per month!

Main corporate governance issues

The Budget saw announcements in a number of governance areas where the AICD has taken a keen interest.

- \$10.6 million will be allocated over two years (from 2017-18) to ASIC, and \$2.7 million in 2018-19 to APRA to assist in their involvement in the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. \$5.9 million had already been allocated to ASIC in 2017-18.
- The Government has announced a package of reforms aimed at combatting illegal phoenixing, including: introducing new phoenix offences to target those who conduct or facilitate illegal phoenixing; preventing directors improperly backdating resignations to avoid liability of prosecution; limiting the ability of directors to resign when this would leave the company with no directors; and extending the Director Penalty Regime to GST, luxury car tax, and wine equalisation tax, making directors personally liable for the company's debts.
- There will be \$3.6 million allocated to the Department of Home Affairs to create
 a new unit that will manage the implementation of the Modern Slavery
 Reporting Requirement.
- The requirement is aimed at preventing modern slavery occurring in the supply chains and operations of businesses operating in Australia.
- As a response to the Black Economy Taskforce, the Government will consult
 on developing a "rigorous" new director identification system, as part of
 broader measures to reform the Australian Business Name (ABN) system. The
 Government will also ban cash payments of more than \$10,000 as part of its
 Black Economy response.

ASIC has been provided with \$2.2 million over four years (from 2018-19) to strengthen **listed entity financial reports**.

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- In one of the few measures targeted at NFPs, the ACNC will be provided with \$1m for anticipated litigation as it seeks to pursue its regulatory enforcement role.
- \$9.8 million has been allocated over two years for an independent review of the Australian Public Service (APS), to be led by a panel with public and private sector experience.

Main revenue measures – personal tax breaks as promised

On the revenue side of the accounts, the Budget has enshrined the Government's new "rule" that tax as a share of GDP will not exceed 23.9%. This is above the recent run-rate for the tax take of around 22%, but is the first time such a "speed limit" has been included in the Budget Papers.

The major revenue measures included:

- A round of personal income tax cuts in three main tranches.
 - First, low and middle income earners will benefit from 1 July 2018 via a lift in the low income tax offset (LITO), with the benefit limited to \$530 per year – about \$10 per week;
 - Second, from 1 July 2022 middle and higher income earners will benefit from rises in the income tax thresholds, as the government returns the proceeds of bracket creep; and
 - Third, the income tax thresholds will be reduced from five to four from 2024, with the current 37% tax bracket disappearing.
- The government is sticking with its 10-year Enterprise Tax Plan that includes lowering the corporate tax rate top 25% for all companies within a decade. The first part of the package already has lowered the tax rate for smaller businesses, but the government is pushing ahead with the relief for larger firms, despite ongoing resistance in the Parliament.
- As the Treasurer announced a few weeks ago, the planned rise in the Medicare levy from 1 July this year has been dumped. The NDIS now will be funded from recurrent revenue, although the Budget claims that it is "fully funded".

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- The Treasurer announced measures to tax illicit tobacco, which should raise \$3.6 billion over four years. There also will be increased efforts to capture revenue from the so-called "black economy".
- Instant asset write off provisions for small businesses were extended by one year, for individual purchases below \$20,000.
- There was an overhaul of research and development tax breaks to ensure they are better targeted (see below).
- There is a renewed push to collect more revenue from multinational companies.

Main spending measures – billions more for infrastructure

On the expenditure side of the Budget, the measures included:

- \$24.5 billion allocated for infrastructure spending, although it's not clear how much of this is new money, in addition to the \$75 billion already promised. The relevant announcements in the Budget included:
 - \$3.5 billion of funding for roads to help alleviate congestion, a known productivity killer;
 - Up to \$5 billion for the rail link from Melbourne Airport to the city;
 - \$1 billion to ease road congestion between Brisbane and the Gold Coast;
 - \$2.6 billion for projects in Western Australia, including Perth's Metronet rail project;
 - \$150 million for the upgrade of the Bruce Highway in Queensland;
 - Nearly \$400 million for the upgrade of the Sunshine Coast rail network, and
 - \$177 million for Adelaide's North-South corridor.
- There is a package for older Australians, including measures to help more
 people stay in their homes, rather than move into external care. There also are
 changes to the borrowing program that allows older people not receiving the
 pension to borrow against their estate, up to 150% of the value of the aged
 pension. There also is an expansion of the Pension Work Bonus to allow
 pension recipients to earn more income.
- · There is more funding for health, including:
 - Addition of new drugs to the pharmaceutical benefits scheme, at a cost of \$1.4 billion;
 - Funding for breast cancer screening; and

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- Funding of \$40 million for a whooping cough vaccine.
- The Budget also featured significant policy announcements in the area of science and innovation.
 - The Government has committed to investing an additional \$1.9 billion in Australia's National Research Infrastructure over the 12 years from 2017-18. This will include investing more than \$300 million into catalysing Australia's space industry and the creation of the nation's first Space Agency. \$260 million will also be invested in developing a world-leading core satellite infrastructure and technologies, including better GPS and satellite imagery for business and regional Australians.
 - Just under \$30 million allocated to strengthen Australia's capability in artificial intelligence and machine learning, including through dedicated PhD scholarships and additional funding to the Cooperative Research Centre Program work on AI and ML capabilities.
 - Investment in Australia's supercomputer infrastructure is also set to double to \$70 million, while \$4.5 million has been earmarked for encouraging women into STEM education and careers.
 - The single most significant innovation policy reform was in the area of R&D, where the Government announced major changes to the R&D tax incentive that are estimated to save \$2.4 billion over the forward estimates. In particular, companies with aggregated annual turnover of \$20 million or more will be subject to an R&D premium that ties the rates of the non-refundable tax offset to the incremental intensity of R&D as a proportion of annual total expenditure.
 - The marginal R&D premium will be the claimant's company tax rate plus: 4% for R&D expenditure between 0 and 2% R&D intensity; 6.5% for R&D expenditure above 2% to 5% R&D intensity; 9% for R&D expenditure above 5% to 10% R&D intensity; and 12.5% for R&D expenditure above 10% R&D intensity.
 - In a complementary move, the R&D expenditure threshold (the maximum amount eligible for concession) will be increased from \$100 million to \$150 million.
- In a big win for the start-up ecosystem, for companies with aggregated annual turnover below \$20 million, cash refunds from the refundable R&D tax offset will be capped at \$4 million annually, with a specific carve-out from the cap for clinical trials. This was a much better outcome than the \$2 million

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cap which had previously been touted in the Ferris-Fraser-Finkel review of the tax incentive.

- The Budget also features two key measures around data governance:
 - A new national consumer data right (CDR) will allow consumers and small and medium enterprises to access and transfer their data between service providers in designated sectors. Funding of \$44.6 million will be provided to the ACCC, Office of the Australian Information Commissioner and CSIRO to implement the measure.
 - The Government will provide \$20.5 million over four years for the implementation of new data governance arrangements in line with the recommendations of the Productivity Commission's 2017 report on Data Availability and Use. A data-sharing and release framework, backed by legislation, will be developed and administered by a newly established National Data Commissioner.
- The Government has also announced that it will be releasing a discussion paper that will explore options for taxing digital businesses in Australia in the coming weeks.
- There were few new announcements in the areas of skills, training and education:
 - An additional \$89 million over four years to the Transition to Work program.
 This is expected to deliver over 40,000 places to provide intensive and tailored pre-employment support to participants aged 15-21 who are at risk of long-term unemployment.
 - The Government will also provide \$96.1 million over four years to implement its response to the Independent Review into Regional, Rural and Remote Education. The funding will support young people from regional, rural and remote communities to transition to further education, training and employment. This will involve re-calibrating Youth Allowance thresholds to improve regional students' access, increasing access to sub-bachelor programs, and additional places for bachelor students studying at regional hubs.
 - ASIC will also be provided with \$10 million to grant funding to initiatives aimed at enhancing female financial capability.

Missed opportunities – where's the tax reform?

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This Budget includes some measures that will go a small way towards driving the next phase of growth in the economy, but doesn't go far enough. Where, for example, is the productivity-enhancing tax reform? Cutting taxes is not reform. All of the tax policy changes tonight – however worthy in their own right - are piecemeal.

AICD's key recommendations from the *Blueprint for Growth* included a broadbased suite of reforms that we believe would do much to lift productivity growth and reduce the impact of damaging taxes. In addition to corporate tax reform and more investment in infrastructure, the Blueprint recommendations included:

- all marginal personal income tax rates be lowered;
- the nexus between negative gearing and the CGT discount be addressed in regard to its impact on housing affordability;
- · Commonwealth spending growth be restricted to 1.5% in real terms; and
- the rate of the GST be raised to 15% and the tax base broadened.

There is still a window of opportunity, pre-election, for the Government to outline its vision for comprehensive tax reform – this chance is rapidly vanishing, but should not be lost.