

2011–12

Annual report

Department of Local Government



Queensland
Government

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Director-General's letter of compliance

Honourable David Crisafulli MP
Minister for Local Government
Level 18, Mineral House
41 George Street
Brisbane Qld 4000

24 October 2012

Dear Minister Crisafulli

I am pleased to present the *2011–12 Annual report* for the Department of Local Government.

This report is prepared on the basis of the current administrative arrangements for this department applying for the whole of the 2011–12 financial year. That is, it reflects the structure, operations and performance of the department as it existed as at 30 June 2012.

I certify that this annual report complies with the:

- prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*
- detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

A checklist outlining the annual reporting requirements can be accessed at www.dlg.qld.gov.au.

Yours sincerely

Stephen Johnston
Acting Director-General
Department of Local Government
Queensland Government



Director-General's message

The past year has seen a renewed emphasis on the important role of Queensland's 73 local governments, leading to the establishment of the Department of Local Government (DLG), focusing primarily on empowering and supporting the local government sector.

I firmly believe local governments are best placed to make the decisions that impact on their communities and our role in state government is to provide councillors with the necessary authority and autonomy to undertake their roles and responsibilities effectively and professionally.

Effective, well governed local governments, where mayors and councillors have the capacity to solve problems and to provide appropriate services at the local level, are vital to the state's growth and economic success.

Over the past year we have delivered significant achievements including:

- signing the Partners in Government Agreement with the Local Government Association of Queensland (LGAQ)
- appointing a Boundaries Commissioner to review and analyse submissions from Queensland communities wishing to pursue de-amalgamation
- commencing the revitalisation of the *Local Government Act 2009* and *City of Brisbane Act 2010* to give local governments greater authority in making decisions in the best interests of their communities
- supporting and partnering with the LGAQ Indigenous Councils Leadership Group to initiate fundamental change to the delivery of government services to Aboriginal and Torres Strait Islander communities
- administering the \$45 million Local Government Grants and Subsidies Program to fund 38 infrastructure projects to 27 councils and 21 projects to 15 councils under the Cyclone and Flood Warning Subsidy component of the program
- completing financial sustainability assessments of 61 local governments and approved loan applications to local governments in excess of \$1.15 billion
- developing and delivering the Intending Candidates Program so potential candidates understood the roles and responsibilities of mayors and councillors before nominating for election
- developing and commencing delivery of the 2012 Councillor Induction Program to ensure councillors elected in the 2012 quadrennial elections have a sound understanding of their roles and responsibilities
- providing administrative support to the Local Government Grants Commission, which allocated \$426.7 million of the Australian Government's Financial Assistance Grant on the basis of fiscal equalisation
- restructuring the department to better reflect local government needs.



Undeniably we are working in a tight fiscal environment. However by fostering innovation, building capability and increasing autonomy, removing duplication and unnecessary prescription and strengthening financial sustainability, we will build a thriving Queensland local government sector that will work for the betterment of local communities.

The department is reviewing legislation and regulations to reduce red tape, build the capacity of local governments to improve front line services and give communities the opportunity to have a real say on their future direction. We are doing this through two significant projects:

- review of local government legislation—to better enable local governments to be accountable to and responsible for their communities, giving rise to more efficient and effective local government decision-making
- appointment of a Boundaries Commissioner—to assess submissions and analyse the potential for de-amalgamations. The department supports the Boundaries Commissioner by developing a framework for progressing potential de-amalgamations.

The department will continue to work collaboratively with councils and peak bodies to enhance and guide a local government system that brings long-term social and economic benefits to communities across Queensland.

Regards

Stephen Johnston
Acting Director-General
Department of Local Government
Queensland Government



About the Department of Local Government

The Department of Local Government (DLG) is responsible for overseeing the legislative and regulatory framework in which local governments operate. DLG's purpose is to support the autonomy, authority and accountability of local governments through four key program areas—legislative reform, financial sustainability, capacity building and governance and decision-making.

This agency has five branches—three located in the Brisbane CBD and two in the regions—Northern and Southern—with a network of regional offices across the state.

The department contributes to the state economy and the government's community objectives by supporting a strong, efficient and effective local government system with greater capacity to deliver services and infrastructure to Queensland communities. The regional office network underpins the work of DLG by building robust and effective relationships with local governments.

Through the department, the Minister for Local Government supports and promotes a capable and modern system of local government in which councils are equipped to deliver quality frontline services and to meet the current and future needs of Queensland's 73 local government areas.

The Minister for Local Government—through the department—is also responsible for administering the *Local Government Act 2009*, *City of Brisbane Act 2010* and *Local Government Electoral Act 2011* and their respective regulations. The first two Acts:

- provide a legal framework for an effective, efficient, sustainable and accountable system of local government
- recognise the local government jurisdiction sufficiently to support each local government to take responsibility for the good rule and government of its area
- reflect the constitutional and legislative responsibility the Minister has for the system of local government in Queensland.

The *Local Government Electoral Act 2011* provides for the management and conduct of local government elections and all related matters.



Operating environment

Queensland communities expect their local governments to deliver a high standard of services. At the same time councils are dealing with significant financial and economic pressures.

In 2011–12, the department delivered a range of initiatives to address issues presented by the operating environment and to meet DLG's business objectives including:

- provided expert advice and support with a particular focus on remote, rural and Indigenous councils
- drafted and implemented the *Local Government Electoral Act 2011*
- supported improvements in local government infrastructure and assisted in cyclone and flood preparedness through local government funding programs.

Additionally, local governments and indeed most Queensland communities are faced with managing the environmental, social and economic impacts of recent years. In particular they continue to deal with the effects of housing shortages in resource boom localities, population fluctuations in high-growth areas and inadequate infrastructure particularly impacting on fast growth areas, remote and Indigenous local governments.

Looking ahead to the strategies and objectives for the next reporting period, other factors that pose a challenge to the department and may have an impact on the operating environment are:

- the recent high turnover of elected officials at Queensland local

government elections

- the ability of local governments to access an appropriately skilled workforce particularly where similar skill sets are in demand with mining and development companies
- greater responsibility and increased accountability for councils that will result from pending amendments to local government legislation
- targeting services to meet the most urgent and important needs of local governments in a tight fiscal environment.

In addressing these issues both the department and local governments will need to be resilient and innovative. DLG plans to do this by:

- developing and implementing a range of capacity building tools and programs that will introduce the amendments to local government legislation effectively and consistently
- providing targeted support and resources for Indigenous councils
- ensuring that all staff maintain a good understanding of emerging local government issues and a determination to look for opportunities for collaboration and innovation.

Whatever the challenges that lie ahead, the department is determined to work productively with all councils, to provide appropriate levels of support and to promote greater cooperation between state and local government.



Machinery-of-government changes

The Department of Local Government (DLG) was established in April 2012 from the former Department of Local Government and Planning (DLGP) following the state election and subsequent machinery-of-government changes.

The planning areas of the former DLGP, including responsibility for the Urban Land Development Authority (ULDA), were transferred to the Department of State Development, Infrastructure and Planning (DSDIP). Performance reporting relating to planning and the ULDA—including relevant Service Delivery Statement performance measures and strategic plan performance indicators—is published in the 2011–12 DSDIP annual report.

Building Codes Queensland, also previously a part of DLGP, was transferred to the Department of Housing and Public Works (DHPW) and related performance information is reported in the 2011–12 DHPW annual report.



Future direction

The Department of Local Government (DLG) will continue to work closely with councils and peak bodies to enhance and guide a local government system that brings long-term social and economic benefits to communities across Queensland.

The department's strategic plan outlines DLG's vision, purpose and objectives; identifies significant challenges and opportunities for the agency; and sets out the strategies and performance indicators for the achievement and measurement of DLG's objectives.

In developing the *Strategic Plan 2012–16*, all aspects of previous corporate plans were reviewed to better align the vision and purpose with the department's revised priorities as a stand alone agency, the state government's objectives for the community and election commitments concerning local government. The department's planning also recognises the vital role of local government in Queensland's future growth and prosperity.

DLG's purpose is to support the autonomy, authority and accountability of councils. The department's vision for empowered councils with capacity to build resilient local communities will be realised through strategies and programs that achieve DLG's objectives. This will include councils that:

- have the authority and capacity to manage their interests
- are financially sustainable and accountable

- have access to targeted capacity building programs
- are supported by a department that is effective and efficient with a good understanding of the local government environment and future priorities.

The department's priorities align with the government's five community objectives, which will be promoted by supporting and encouraging councils to:

1. contribute directly to Queensland's economic growth from the local to the regional level
2. operate efficiently with less red tape
3. deliver better infrastructure and long-term planning for their communities
4. revitalise council frontline services
5. be more accountable to their communities for decisions, policies and for corporate and financial management.

Looking ahead to 2012–13, DLG will face a number of challenges including:

- improving the autonomy, authority and accountability of councils through legislation review and sound implementation processes
- supporting remote, rural and Indigenous councils by providing tools and resources to improve frontline services
- re-empowering councils to enhance economic growth, social cohesion, planning and prosperity for all of Queensland



- working with councils to realise the government's objectives for the community.

DLG will meet these challenges and achieve its strategic objectives through delivery of programs in four key service areas—legislative review, financial sustainability, capacity building and governance and decision-making.



Performance

Key achievements

The Department of Local Government as a stand alone agency is well placed to promote the government's objectives for the community and to support all 73 local governments across the state.

The Finance and Funding Branch provides expertise, advice and advocacy to assist local governments to be effective, efficient, sustainable and resilient. It delivers services to support local government financial performance and development of financial planning capabilities. It also implements and monitors the local government funding programs.

The Policy, Legal and Corporate Support Branch provides analysis and advice to the Minister and Director-General on complex strategic and emerging whole-of-government legal, policy and legislative issues relevant to local government. It undertakes the department's corporate planning and reporting responsibilities.

The Program Implementation and Review Branch provides programs, advice and resources on legislative compliance and governance and is responsible for local government capacity building strategies that focus on the needs of small rural, remote and Indigenous local governments. It assesses and investigates complaints against councillors and supports the work of the Local Government Remuneration and Discipline Tribunal, Regional Conduct Review Panels and the Crime and Misconduct Commission.

Southern Region provides expertise, advice and support for 38 councils—from the South East Queensland corner to the New South Wales and South Australian borders, west to Boulia and north to Rockhampton.

Northern Region provides expertise, advice and support for 35 councils—from the Northern Territory border, across to the Cape taking in the Torres Strait and south to Mackay.

Through various initiatives and projects, these branches continued to work towards the achievement of the department's strategic objectives. In 2011–12 DLG:

- established the Partners in Government Agreement with the Local Government Association of Queensland (LGAQ) (signed on 4 July 2012), which formalises the set of principles that underpin the relationship between the state and local governments
- established a process to determine the feasibility of de-amalgamation for Queensland communities wishing to pursue this option and appointed Col Meng to the position of Queensland Boundaries Commissioner
- implemented the Flexible Funding Program—Community Recovery Package used for projects that assist with community recovery following the disaster events of the summer of 2010–11
- liaised with and supported Local Disaster Management groups and



District Disaster Management groups during and post the 2012 flood events in western Queensland

- supported and partnered with the LGAQ Indigenous Councils Leadership Group to initiate fundamental change to the delivery of government services to Aboriginal and Torres Strait Islander communities
- administered capital works programs including the Indigenous State Infrastructure Program that delivers priority environmental health infrastructure projects to mainland Indigenous councils
- approved \$45 million for the Local Government Grants and Subsidies Program providing vital funding for infrastructure and cyclone warning initiatives across the state
- completed financial sustainability assessments of 61 local governments and approved loan applications to local governments in excess of \$1.15 billion
- developed and delivered a number of capacity building programs including the Intending Candidates Program and the 2012 Councillor Induction Program.

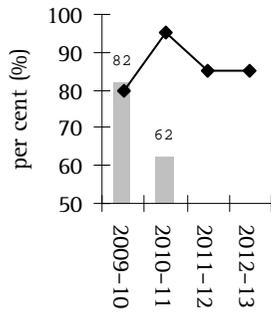


Performance against service standards

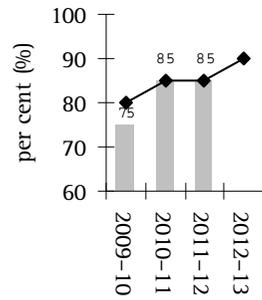
| Note | 2011–12 target / estimate | 2011–12 estimated actual | 2011–12 actual | Graph |
|------|---------------------------|--------------------------|----------------|-------|
|------|---------------------------|--------------------------|----------------|-------|

| Local government | | | | | |
|--|---|-----|-----|-----|---|
| Service standards | | | | | |
| Percentage of local governments satisfied with advice and services provided by the department | 1 | 85% | .. | .. | 1 |
| Other measures | | | | | |
| Percentage of community infrastructure projects funded by the department completed by local governments within approved timeframes | | 85% | 85% | 85% | 2 |
| Number of local government financial sustainability evaluations conducted by the Office of Local Government per annum | 2 | 73 | 61 | 61 | 3 |

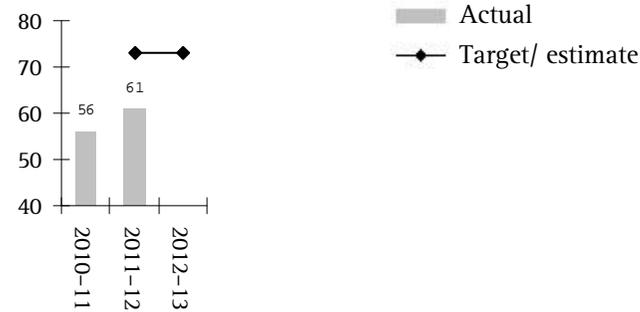
Graph 1



Graph 2



Graph 3



Notes:

1. The local government satisfaction survey was not conducted in this reporting period due to the coincidence of both state and local government elections in early 2012. The department considered it inappropriate to impose a detailed survey on local governments at this time.
2. Financial sustainability evaluations are conducted based on information provided by local governments through either the voluntary Financial Management Sustainability (FMS) return issued annually, or where a local government has submitted a loan borrowing application to the department. In the 2011–12 year, 61 local governments participated in the FMS return or requested loan borrowings.



Performance against strategic plan objectives

Performance against the Department of Local Government and Planning's *Strategic Plan 2011–2015*

Objective: Supporting, rebuilding and reconnecting communities across the state.

Performance indicator

Reconstruction is facilitated and delivered to meet government objectives.

To support rebuilding and reconnecting communities across Queensland DLG:

- partnered with the Department of Communities, Child Safety and Disability Services to implement the \$9.37 million Flexible Funding Program (FFP) aimed at supporting human and social recovery of communities from the disaster events of the 2010–11 summer
- paid \$5.495 million in 2011–12 FFP grant allocations across all 73 disaster declared local governments
- administered delivery of the FFP including setting up reporting mechanisms across the two-year funding period
- liaised with councils to assist them in identifying FFP eligible activities through consultation with their communities
- approved and reported on more than 300 council FFP funded activities for delivery in 2011–12 and in 2012–13, to reconnect communities and help them to recover from the impacts of disaster events and to build future preparedness and resilience.

The FFP is jointly funded by the Queensland and Australian Governments under Category C (Community Recovery) of the Natural Disaster Relief and Recovery Arrangements.

Objective: Effective, efficient, sustainable and resilient local governments.

Performance indicator

Local governments meet statutory obligations under the local government principles.

The department supported local governments to meet their statutory obligations through:

- development and delivery of:
 - the Intending Candidates Program
 - Councillor Induction training
 - capacity building programs for small rural, remote and Indigenous councils including accredited training and grants to improve councils' business systems



- advice and resources provided on legislative compliance, governance and financial management
- responding to issue trends relating to the conduct of councillors and local government employees and local government sectoral issues in cooperation with the Queensland Audit Office (QAO), Crime and Misconduct Commission and other relevant agencies
- assessing and investigating complaints in respect to councillors and local government employees and where appropriate referring these to the relevant body for determination or assessment including the:
 - Local Government Remuneration and Discipline Tribunal
 - Regional Conduct Review Panels
 - Crime and Misconduct Commission.

Performance indicator

Local government financial sustainability evaluations conducted.

The department undertook financial sustainability evaluations for 61 of the 73 local governments.

Objective: A vibrant, innovative and focused organisation.

Performance indicator

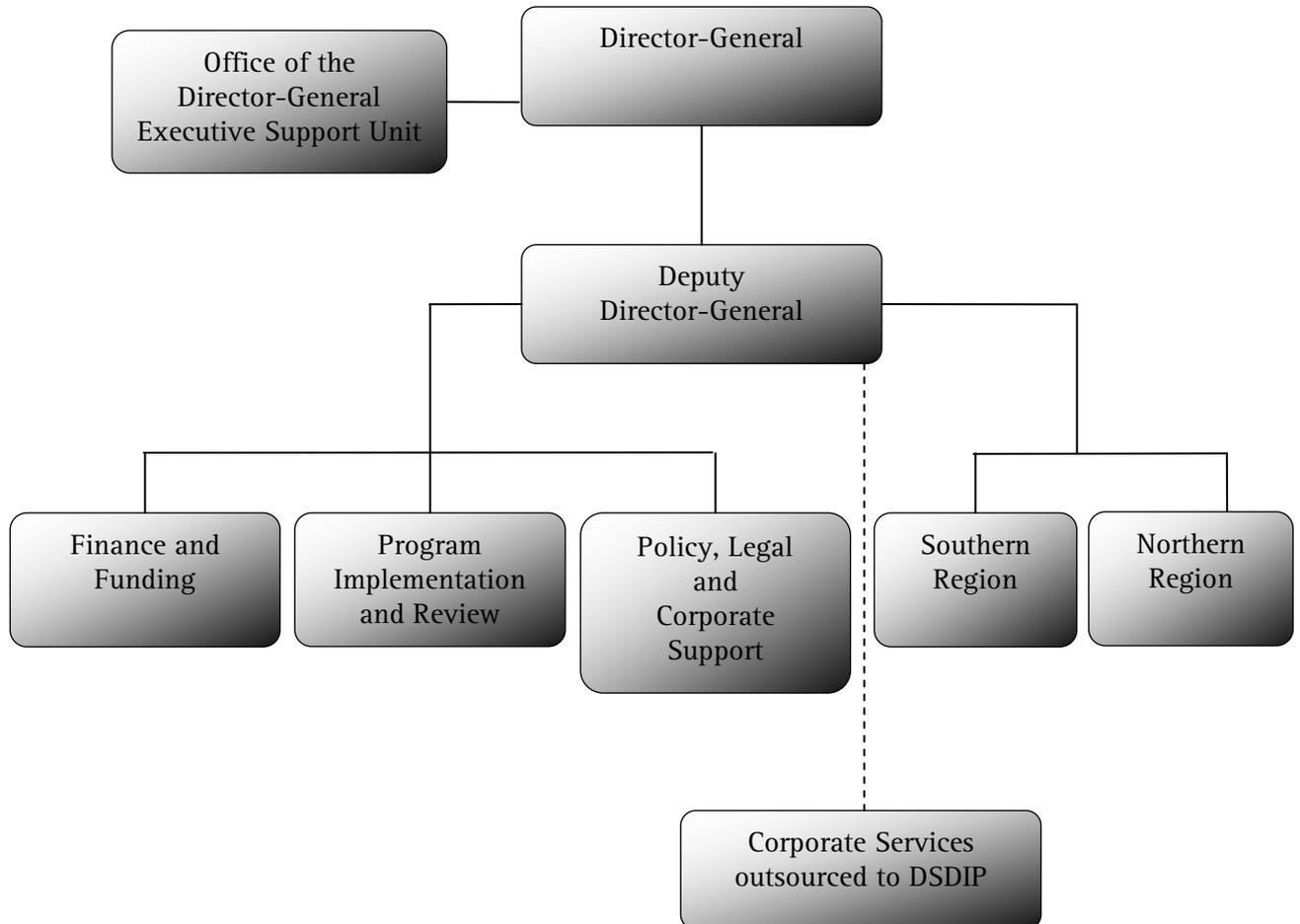
Organisational governance and business practices that promote accountability and strong performance.

During 2011–12, the department had a corporate governance framework, which ensured strategic objectives were achieved and resources were allocated appropriately to maximise the cost-effective delivery of services.



Structure and organisational chart

As at 30 June 2012





Financial summary

Chief Finance Officer statement

In overseeing the financial activities of the Department of Local Government as part of a range of corporate services provided under a Service Level Agreement with the Department of State Development, Infrastructure and Planning, I assert that I have fulfilled the responsibilities of the *Financial Accountability Act 2009* including:

- financial resource management including the establishment, maintenance and review of financial internal controls
- budget management
- preparation of financial information including annual financial statements to facilitate the discharge of the department's statutory reporting obligations
- provision of advice on the effectiveness of accounting and financial management information systems and financial controls in meeting the department's requirements
- provision of advice concerning the financial implications of, and financial risks to, the department's current and projected services
- development of strategic options for the department's future financial management and capability.

I have provided a statement to the accountable officer confirming that the financial internal controls of the department are operating efficiently, effectively and economically as required by section 77 of the *Financial Accountability Act 2009*.

Michael McKee

Chief Finance Officer

Department of State Development, Infrastructure and Planning and Department of Local Government



Summary of financial performance

This section provides an overview of the financial statements of the Department of Local Government for the 2011–12 financial year, which are provided in detail at the ‘Financial statements’ section of this report.

Understanding the financial statements

As a result of *Administrative Arrangements Order (No. 4) 2012*, dated 3 April 2012 and effective 1 May 2012, the Department of Local Government and Planning (DLGP) was renamed the Department of Local Government (DLG). Planning (excluding Building Codes Queensland) and strategy and governance functions were transferred to the Department of State Development, Infrastructure and Planning (DSDIP). Building Codes Queensland was transferred to the Department of Housing and Public Works (DHPW). Responsibility for the *Animal Management (Cats and Dogs) Act 2008* was transferred to the Department of Agriculture, Fisheries and Forestry (DAFF).

As a result of these machinery-of-government changes, the following net assets were transferred from DLG:

- \$0.756 million net assets transferred to DHPW
- \$28.191 million net assets transferred to DSDIP.

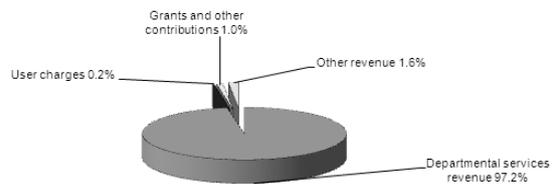
The financial statements represent DLG established as a Queensland Government department under the *Public Service Act 2008*.

Operating result

| | 2012 | 2011 |
|---|----------|----------|
| | \$'000 | \$'000 |
| Total income | 446,824 | 804,983 |
| Total expenses | 470,043 | 823,732 |
| Operating result from continuing operations (after tax) | (23,219) | (18,749) |

Income

Income by category for year ended 30 June 2012



The department’s main income source is departmental services revenue from the state government. In 2011–12, \$434.5 million was appropriated from the state government representing a decrease of \$294.4 million on 2010–11. The appropriation decrease of approximately 40 per cent is predominantly due to the following:

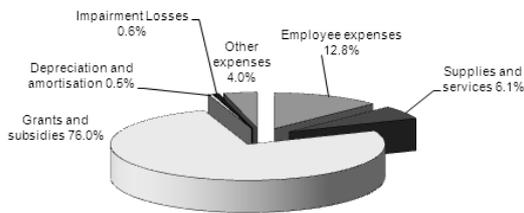
- transfer of the Natural Disaster Relief and Recovery Arrangements function to the Queensland Reconstruction Authority



- transfer of the Coordinator-General functions during the 2010–11 financial year, on 1 March 2011, to the former Department of Employment, Economic Development and Innovation (DEEDI) from the former DLGP
- transfer of planning functions to DSDIP and Building Codes Queensland to DHPW on 1 May 2012
- carry-over of funding for the Local Government Grants and Subsidies Program (LGGSP) to 2012–13.

Expenses

Expense by category for year ended 30 June 2012



The department's main categories of expenses are grant expenses, employee expenses and supplies and services.

In 2011–12, grants and subsidies expenses totalled \$357.4 million (2010–11: \$641.6 million). The 44 per cent decrease in grants and subsidies expense is primarily due to the transfer of the Natural Disaster Relief and Recovery Arrangements function to the Queensland Reconstruction Authority and the carryover of funding for the LGGSP to 2012–13.

Employee expenses decreased by \$18.5 million to \$60.0 million (2010–11: \$78.5 million). This decrease is primarily due to machinery-of-government changes.

Supplies and services expenses decreased by 56 per cent to \$28.6 million (2010–11: \$65.5 million). The variance is primarily due to machinery-of-government changes and the completion of the Torres Strait Major Infrastructure program—Stage 4 in 2010–11.

Operating result from continuing operations (after tax)

The deficit for 2011–12 (\$23.2 million) mainly relates to:

- the transfer of infrastructure assets for no consideration to Indigenous local councils under the Indigenous Environmental Health Infrastructure Program (\$18.3 million)
- the write down of assets to fair value (\$3.1 million)
- depreciation charged on infrastructure assets situated in the Northern Peninsula Area region (\$1 million)
- amortisation charge on internally generated software (\$0.6 million).

Statement of financial position—assets and liabilities

| | 2012 | 2011 |
|-------------------|--------|---------|
| | \$'000 | \$'000 |
| Total assets | 97,958 | 165,859 |
| Total liabilities | 11,415 | 57,803 |



The decrease in assets and liabilities is mainly due to the payment of grants outstanding as at 30 June 2011 and the

transfer of the planning functions to DSDIP on 1 May 2012.

Comparison of financial result with budget

Statement of comprehensive income for the year ended 30 June 2012

| Controlled items | Notes | 2011-12 Actual \$'000 | 2011-12 Budget \$'000 | Variance \$'000 |
|--|-------|-----------------------------|-----------------------------|--------------------|
| Income | | | | |
| Departmental services revenue | 1 | 434,544 | 663,312 | (228,768) |
| User charges | 2 | 702 | 5,430 | (4,728) |
| Grants and other contributions | | 4,385 | 1,354 | 3,031 |
| Other revenue | 3 | 7,193 | 2,356 | 4,837 |
| Total income | | 446,824 | 672,452 | (225,628) |
| Expenses | | | | |
| Employee expenses | 2 | 59,968 | 68,366 | 8,398 |
| Supplies and services | 4 | 28,579 | 109,845 | 81,266 |
| Grants and subsidies | 5 | 357,351 | 493,067 | 135,716 |
| Depreciation and amortisation | | 2,395 | 750 | (1,645) |
| Impairment losses | | 3,053 | 0 | (3,053) |
| Other expenses | 6 | 18,697 | 913 | (17,784) |
| Borrowing costs | | 0 | 615 | 615 |
| Total expenses | | 470,043 | 673,556 | 203,513 |
| Operating result from continuing operations | | (23,219) | (1,104) | (22,115) |

Notes:

The variances for these controlled items can be explained as follows:

1. The variance is mainly due to a decrease in grants payable to local governments, for which funding has been received, the realignment of funding for the construction of infrastructure assets to equity injection, and the transfer of planning functions to DSDIP.
2. The decrease is mainly due to the transfer of the planning functions to DSDIP.
3. The increase is mainly due to refunds of grants from local governments.
4. The variance is mainly due to a realignment of funding for the construction of infrastructure assets, and the transfer of the planning functions to DSDIP.
5. The decrease is mainly due to the transfer of funding for Natural Disaster Relief and Recovery Arrangements for natural disaster recovery prior to November 2010 to the Queensland Reconstruction Authority, and the deferral of funding for local governments to 2012-13.
6. The increase is mainly due to the transfer of infrastructure assets to local governments.



Achieving outcomes for the community

Working across government—a collaborative approach

The Department of Local Government (DLG) participates in whole-of-government agreements designed to address particular issues for Queensland.

Partners in Government Agreement

The Partners in Government Agreement, signed by the Local Government Association of Queensland (LGAQ) and the Queensland Government, details the key principles underlying the relationship between the state and local governments and will establish an ongoing process of negotiation and engagement based on:

- mutual respect and cooperation
- open and timely communication and consultation
- acknowledgement of each other's roles and responsibilities.

This agreement will inform the way the state works with local governments into the future.

Absolutely everybody—enabling Queenslanders with a disability

In September 2011, the Queensland Government launched *Absolutely everybody—enabling Queenslanders with a disability* to assist all Queensland Government agencies in supporting Queenslanders with a disability. This was accompanied by a three-year whole-of-government action plan—the

Absolutely everybody whole-of-government action plan 2011–14.

Following the release of the whole-of-government action plan, the former DLGP developed an agency specific plan—the *Disability service plan 2011–14*.

The department is committed to continuing to implement the actions relevant to our local government service and is continuing to take action to support Queenslanders with a disability to be welcomed and invited into their communities by:

- demonstrating commitment to promoting access and equity
- benefiting customers, clients and/or employees with a disability
- complying with the *Disability Services Act 2006*
- providing the tools to monitor and measure performance
- providing a means for coordination with other departments on disability service issues.



Council of Australian Governments responsibilities

In 2011–12 DLG was responsible for three Council of Australian Government (COAG) initiatives.

1. Advancing Asset Management in Local Government–Queensland
2. Water and Wastewater Services in Remote (including Indigenous) Communities–Queensland
3. Improving Asset Management in Indigenous Local Governments–Queensland

Advancing Asset Management in Local Government

The Advancing Asset Management in Local Government–Queensland project, under the National Partnership Agreement to Support Local Government and Regional Development, was successfully completed having received \$2.69 million in Australian Government funding through the Local Government Reform Fund. It aimed to:

- support adoption of nationally consistent asset management frameworks
- maximise Queensland local governments' financial sustainability to support the continued provision of services to communities over the long-term.

Activities included:

- measuring the asset management competence of participating councils

- developing action plans and asset management plans for councils incorporating whole-of-life costing and asset management planning into budgeting processes
- developing asset management skills of councillors and council officers
- providing specific activities including developing 10 year financial plans for Queensland Indigenous councils.

The project was completed in accordance with the implementation plan with:

- all milestones achieved
- all progress reports submitted and approved by the Australian Government
- project finalisation and evaluation report submitted and approved by the Australian Government.

Strategy on Water and Wastewater Services in Remote (including Indigenous) Communities

The COAG Strategy on Water and Wastewater Services in Remote (including Indigenous) Communities–Queensland continued to be implemented under the National Partnership Agreement on Water for the Future.

This program was allocated \$8.496 million (\$5.146 million for capital and \$3.35 million for capacity building projects) in funding from the Australian Government for 2011–14. It aims to improve water delivery and wastewater treatment in remote Queensland Indigenous councils. Funds are provided to the state through the achievement of



milestones identified in a ministerially approved implementation plan.

Project achievements to date include:

- improved asset management of water and wastewater infrastructure by asset mapping (GPS) and customised operational manuals
- capacity building workshops for Indigenous and remote local governments on water delivery and wastewater treatment
- drinking water demand management projects aimed at reducing drinking water losses in water infrastructure and also educating communities on the economic and environmental importance of water conservation.

- a community-based education pilot program
- publication of a statewide strategy to contribute to long-term asset management through good practice in the use and preservation of local government assets.

Initial funding of \$80 000 was provided in the 2011–12 financial year with the remainder of funding to be delivered in 2012–13 as per the project plan agreed to by both the Queensland and Commonwealth Governments.

Improving Asset Management in Indigenous Local Governments

The Improving Asset Management in Indigenous Local Governments—Queensland project commenced with Australian Government funding of \$320 000 over two years.

The agreement provides for delivery of pilot projects at Northern Peninsula Area Regional Council and Yarrabah Aboriginal Shire Council directed at conserving and improving sustainability of assets through community education.

These pilot projects will be delivered by the LGAQ.

Expected project outputs include:

- a community-based asset management strategy and engagement plan



The workplace and people

Workforce profile

As at 30 June 2012, the department had 122.04 full-time equivalent staff with a headcount of 129. The average age of male employees is 47.12 years and the female average age is 42.77 years. The department's permanent staff percentage was 85.27 per cent, comprising both full-time and part-time staff.

Due to complex machinery-of-government changes effective 1 May 2012, annual separation and retention rates for the 2011-12 financial year are unable to be calculated and may misrepresent actual long-term agency trends.

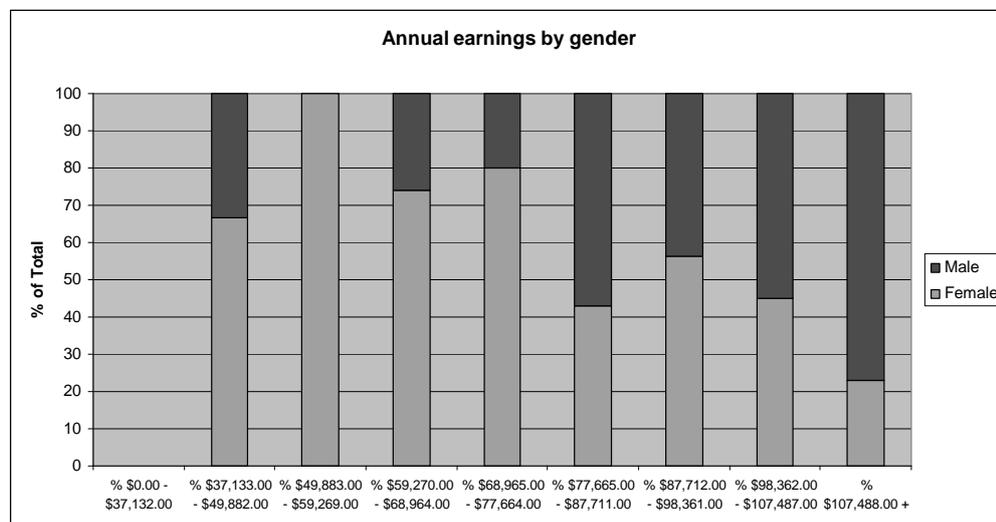
Representation of workforce target groups as at 30 June 2012

| Key groups | Head count | Percentage of workforce 2011-12 |
|--|------------|---------------------------------|
| Men | 57 | 44.19% |
| Women | 72 | 55.81% |
| Non-English speaking background | 11 | 8.53% |
| Aboriginal and Torres Strait Islander people | 2 | 1.55% |
| People with a disability | 9 | 6.98% |

Representation of female workforce by classification level as at 30 June 2012

| Key groups | Head count | Percentage of workforce 2011-12 |
|---|------------|---------------------------------|
| Women in SO classification or above | 3 | 2.33% |
| Women in A08/P06 classification (or equivalent) | 9 | 6.98% |
| Women in A07/P05 classification (or equivalent) | 13 | 10.08% |
| Women in A06/P04 classification (or equivalent) | 12 | 9.30% |

Figure 1 Staff annual earnings, showing the proportion of male and female staff in earning ranges





Managing the workforce

Workforce planning

The department continued to implement the *Strategic Workforce Plan 2010–14*, which links human resource management strategy to business priorities and aims to address the availability, engagement and development of our most significant resource—our people. Specific areas of focus under the plan in 2011–12 are outlined below.

Attraction, recruitment and retention

From May 2012, the department collaborated with Queensland Shared Services to implement the Optimising Recruitment Administration project. This resulted in a more efficient and streamlined process for appointments across the agency. To implement the project activities and ensure outcomes, training and support were provided to key managers and employees.

The department developed key human resources policies including a secondment and interchange policy to support a targeted secondment and interchange program.

The Capability and Leadership Framework (CLF), which describes the behaviour and capabilities expected of public service staff, was integrated into recruitment policy, processes and practices, with statewide coaching and training provided to managers and employees. This support and development was supplemented with a range of communication tools on policy

and practice delivered via monthly e-news broadcasts and intranet announcements.

The department implemented the second employee engagement survey, which explored how staff perceive key measures of organisational effectiveness. The survey was supported by a debriefing and action planning process where employees were given an opportunity to validate the survey results and prioritise key areas for improvement. Staff commenced implementing improvements in identified priority areas.

Employee performance management framework, including induction and development

The department continued to implement its performance management model that integrates business planning, the CLF and career development, and includes performance management training for managers.

The local induction processes conducted by managers and new employees continued to be improved, with the local induction kit updated quarterly to reflect emerging departmental goals and priorities. This process was supplemented by monthly induction workshops outlining the roles and responsibilities of new employees and the resources available to them.

The department acted as lead agency in the development and release of an Ethics and Integrity/Code of Conduct online training module, which met legislative requirements for annual education and training. The module was



communicated to all managers and employees, with managers receiving intensive training to enable them to optimise online and collaborative learning within their teams.

Industrial and employee relations framework

The department's key human resources policies support:

- a targeted secondment and interchange program
- an employee complaints procedure
- a harassment, discrimination and workplace bullying prevention policy and guideline.

Developing the workforce

DLG continued to focus on corporate, specialist, management and leadership capability development with participation in a suite of learning and development activities aligned to the CLF.

The performance and learning planning (PLP) process was ongoing and improvements were made to the manager and employee guidelines and templates to streamline the process. The PLP process is strongly linked to recruitment, selection and induction activities to ensure timely and quality orientation of new staff, outlining their responsibilities and entitlements and supporting improved performance aligned to business strategy.

Staff participated in a range of professional development activities and programs delivered by providers including the Queensland University of

Technology, Australian and New Zealand School of Government, the Public Service Commission and the Queensland Ombudsman. Activities undertaken by staff included the Emerging Leaders Program and the Public Sector Management Program.

Study and research assistance was accessed by a number of staff to gain or improve qualifications in business and specialist skills in administration and leadership.

The development of tools and coaching, in line with best practice and effective recruitment/selection methods and performance planning, continued to be a high priority. Intensive CLF workshops were conducted for managers and staff in a number of regional centres.

This focused and consistent approach to training and development has improved the overall capability of managers and teams and has led to greater understanding of roles and responsibilities across the department.

Supporting women's career development

During 2011–12, the department's commitment to leadership and management development resulted in a variety of opportunities for women at all levels across the organisation. Women participated in professional development and networking opportunities aimed at building public sector, technical, leadership and management capability. This included the Emerging Leaders Program and senior executive service seminars on ethical decision-making.



Ethics and integrity

The new Queensland Government Code of Conduct for the Queensland Public Service, which was introduced on 1 January 2011 remained applicable throughout 2011–12. The code continued to be available to employees in print, on the department's intranet and to the public on the department's website. Online and face-to-face training in the code and ethical decision-making were available to staff.

In line with the requirements from the government's *State of the Service Report*, face-to-face tailored ethics training for Senior Executive Service (SES) officers, including training from the Queensland Ombudsman's Office, was provided. Managers and staff also participated in workshops about supporting ethical behaviour in the workplace.

Supporting policies and procedures were available to staff to provide guidance on how the code applies. Online tools and resources, as well as support networks, helped managers meet their ethical responsibilities and built staff awareness. Departmental policies developed or revised during this period were assessed for compliance with the code.

The department supplemented existing policies for making public interest disclosures, contact with lobbyists, secondary employment and employee complaints with policies on fraud, corruption and misconduct control and complaints management.

Good governance, accountability and integrity measures were also incorporated into business planning

templates. Performance and capability plan templates were enhanced to incorporate adherence to the requirements of the code. Managers were encouraged to raise ethics and integrity matters in the workplace for regular staff discussion highlighting employees' individual responsibilities.

Health and wellbeing

DLG takes the health and wellbeing of all staff seriously and supports initiatives that provide for increased health and wellbeing in the workforce. Staff are encouraged to make positive lifestyle choices for better personal health outcomes that in turn contribute to an engaged and healthy workforce.

To identify initiatives to strengthen health leadership and maintain commitment to health and wellbeing initiatives across the public service, DLG was represented on the whole-of-government Workplace Health Initiative Network that aims to increase awareness of—and access to—best practice information, tools and resources.

A range of programs to assist employee health and wellbeing were offered including:

- health focused initiatives—such as annual influenza vaccinations, subsidised participation in active events i.e. corporate games and Bridge to Brisbane, gym membership at corporate rates, health assessments, workstation assessments, quit smoking and weight loss programs
- finance focused programs—such as QSuper, QInvest and salary packaging information sessions.



This year, as in previous years, the health and wellbeing program was informed by the results and recommendations of the third annual health risk assessment program offered to all staff—conducted in October 2011.

The Safety Adviser tracks incidents and provides advice. DLG also engages in early intervention to deal with conflict and interpersonal issues. During 2011–12, a total of two WorkCover claims were accepted.

Work-life balance

Work and life balance opportunities are available to employees and promoted at corporate induction workshops, through local induction processes, information kits, on the intranet and during the employee engagement survey process.

Employees can communicate any specific work-life balance and reasonable adjustment requirements they may have to their manager during the local induction process. During 2011–12 six employees participated in purchased leave arrangements and a further six employees telecommuted.

DLG's intranet includes information about flexible work practices including job share, part-time employment, telecommuting, purchased leave, career break or extended leave, phased retirement and a compressed work week. Employees also have access to rooms that can be used for carers and breastfeeding.

The 2011 Employee Engagement Survey again focused on equity and diversity and work-life balance. Survey data showed an increase in employee

satisfaction with access to work-life balance opportunities compared to the 2009 survey. Following the survey action plans were devised incorporating work-life balance, workloads and business planning.



Governance

DLG's corporate governance structures and processes support high-quality, open and accountable service delivery. These include performance management processes, governance arrangements and financial, human resource and legislative delegations.

The *Public Sector Ethics Act 1994* and *Financial and Performance Management Standard 2009* provide the basis for the department's Corporate Governance Framework (CGF). This framework is under review following the April 2012 machinery-of-government changes.

Corporate governance framework and principles

The department's CGF is being reviewed to better align with our structure, functions and strategic plan. While this occurs DLG continues to operate with a focus on effective and efficient service delivery. This approach is supported by principles of good governance, particularly those that were part of DLGP's governance framework:

- productive stakeholder engagement
- responsible leadership and management
- ethical decision making
- effective risk and opportunity management
- integrated planning, investment and delivery
- efficient and effective resource management.

Governance committees

Executive Leadership Team

The Executive Leadership Team (ELT) is DLG's key leadership and decision-making platform. All departmental areas are represented, ensuring whole-of-department collaboration and shared purpose. The following governance committees provide support to ELT:

1. Audit and Risk Management Committee
2. Finance and Asset Management Committee
3. Information Steering Committee (provided under a Service Level Agreement with DSDIP).

ELT membership:

- Stephen Johnston, Acting Director-General—responsible for the efficient, effective and economic administration of the agency
- Bill Gilmore, Acting Deputy Director-General—responsible for driving the relationship between local governments and the state
- Paul Carlson, Director Finance and Funding—responsible for monitoring and enhancing the financial capability of local governments
- Max Barrie, Director Program Implementation and Review—responsible for ensuring local government capability development is delivered in-line with the needs of councils throughout Queensland
- Bronwyn Blagoev, Director Policy, Legal and Corporate Support—responsible for ensuring our policy



and corporate environment meets departmental needs and legislative review improves local government decision-making

- Jo Stephenson, Director, Northern Region—responsible for ensuring northern regional service delivery aligns with the needs of local governments
- Gary Kleidon, Acting Director, Southern Region— responsible for ensuring southern regional service delivery aligns with the needs of local governments.

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC) provides independent assurance and objective advice to the Director-General in relation to risk management, control and compliance frameworks and external accountability responsibilities. It enhances corporate governance by:

- reviewing the internal audit function—particularly in the areas of planning, monitoring and reporting—so that the function provides:
 - a reasonable assurance that key risks of DLG are covered by the internal audit plan
 - internal audit findings and recommendations—promptly addressed by management
- evaluating adequacy of key risk management roles and responsibilities
- ensuring corporate and group risk registers are developed
- ensuring identified key risks are monitored and reported to senior management

- monitoring the effectiveness of DLG’s performance information
- providing an independent review of the financial statements to ensure the integrity and transparency of the financial reporting process
- promoting a culture of lawful and ethical behaviour.

2011–12 ARMC activities:

- reviewed and endorsed the department’s financial statements 2010–11
- tabled and reviewed the *Strategic Audit Plan 2011–14* and *Annual Audit Plan 2011–12*
- received regular reports on Internal audit activities including audits completed as part of the *Annual Audit Plan 2011–12*
- reviewed and assessed the *Queensland Audit Office(QAO) Audit Plan* and QAO Client Strategy for the department
- oversaw the scheduling, status and findings of financial and assurance audits and performance management systems audits
- endorsed the department’s *Fraud and Corruption Control Plan 2011*
- endorsed the committee’s charter and the Internal Audit charter
- reviewed external audit findings and recommendation implementation.

The ARMC met three times providing advice and support to the Director-General in the discharge of his responsibilities pursuant to the *Financial Accountability Act 2009* and observed the terms of its charter with due regard



to Queensland Treasury Corporation's (QTC) *Audit Committee Guidelines*.

Current members:

- Mr Eric Muir (external member, chair)
- Deputy Director-General, DLG
- Executive Director, Corporate Services, DSDIP.

Invited guests include the Director of Internal Audit, Chief Finance Officer, Risk Management Coordinator and an external auditor from the QAO.

Finance and Asset Management Committee

The Finance and Asset Management Committee (FAMC) was established on similar terms to the former DLGP's FAMC.

The committee provides analysis and advice on departmental budget priorities, financial issues and asset management and reporting. It is a key element of the department's corporate governance program, and reflects ELT's commitment to best practice.

FAMC's role is to:

- identify budget and financial issues, including overseeing departmental budget processes
- develop strategies and methodologies, including asset management, to improve resource usage and align with department objectives
- monitor business performance and resource usage through the monthly financial report
- examine procurement issues.

Information Steering Committee

The role of the Information Steering Committee (ISC) is to ensure information, communications and technology (ICT) applications across the department support DLG's business objectives. ISC services are provided through the DSDIP-administered ISC. ICT projects are assessed and approved by the department and subsequently submitted to the ISC for prioritisation. ISC responsibilities include:

- implementing departmentally-approved ICT projects
- monitoring the value for money provided by significant ICT initiatives
- assessing and providing mitigation strategies for significant ICT-related risks
- ensuring ICT services are delivered in compliance with the DSDIP ICT Governance Framework.

Consultative Committee

The Consultative Committee is the principal consultative forum for dialogue between management of the department and the relevant union. The committee is responsible for the implementation and monitoring of relevant provisions of the State Government Departments Certified Agreement 2009 and consultation on other industrial issues as they arise.

The committee met once in 2011–12 and discussed:

- machinery-of-government changes, related restructuring and the establishment of a new departmental consultative committee



- public sector initiatives such as the establishment management program and the management of temporary employees.

Corporate support systems and services

Risk management

The goal of risk management within the department is to enable the achievement of objectives by minimising opportunity for unintended outcomes to restrict service delivery. The department's risk management approach is in line with Australian Standards and Queensland Treasury and Trade guidelines.

At the strategic level, the Executive Leadership Team reviews the department's risk profile, considers the effectiveness of treatment options, and explores how risk management can be further used within the department to enhance service delivery.

Organisational performance management

DLG's strategic plan articulates the department's objectives, service areas and priorities for performance. Organisational performance management is conducted through a cyclic process including stages for planning, delivery, reporting and evaluation. Operational activities are planned in-line with the strategic plan and include strategies for risk management.

The delivery framework directs the services of the department and aligns branches, services, programs, projects and resources and provides program and

project oversight. The *Service Delivery Statement 2012–13*, which forms part of the budget documents, provides an overview of achievements during 2011–12 and expected standards of service during 2012–13.

Delivery performance is monitored and reported throughout the year. External reporting includes election commitments, Cabinet decisions and the annual report. Internally, DLG highlights key issues and projects to the Executive Leadership Team.

Performance evaluation is undertaken internally. Services are evaluated in terms of their effectiveness, efficiency and responsiveness. Opportunities are provided to identify potential improvements in service delivery. This further enhances DLG's contribution to achieving the Queensland Government's objectives for the community.

Accountability

Internal Accountability

Internal audit

DLG receives internal audit services as part of a Service Level Agreement with DSDIP. Independent and objective advice is provided directly to the Director-General and ARMC.

Internal audit assists the Director-General as the accountable officer to effectively discharge his statutory functions.

Contributions include:

- promoting an ethical and values-led workplace
- assisting management to evaluate their processes for identifying, assessing and



managing key operational, financial and compliance risks

- assisting management to evaluate and improve the efficiency and effectiveness of internal control systems, including compliance with internal policies
- integrating the approach to risk management by coordinating internal audit compliance and risk assessment activities with reviews of other assurance providers such as the QAO.

During 2011–12 Internal audit:

- operated under an ARMC-endorsed and Director-General approved charter consistent with accepted auditing and ethical standards, including the International Professional Practices Framework approved by the Institute of Internal Auditors and the Auditing and Assurance Standards Board
- had due regard for the Department of Treasury and Trade's Audit Committee Guidelines
- provided advisory services regarding Queensland Government legislative and policy reform, procedures and compliance
- completed audits as per the approved annual audit plan resulting in appropriate recommendations for improving the governance processes
- conducted investigations and special reviews as requested by the Director-General.

During 2011–12 the head of Internal audit was Mr Ken Wong, Bachelor of Business. The current head of Internal audit is Ms Jo Buckley, Chartered Accountant and Bachelor of Commerce.

External accountability mechanisms

The Auditor-General's *Report 5: 2012, Results of audits: Internal control systems*, which was tabled in Parliament on 28 June 2012 made recommendations regarding the effectiveness of financial and fraud controls as well as information technology governance of all Queensland Government departments.

These recommendations are being reviewed and progressed by DLG through initiatives such as the development and implementation of a fraud and corruption prevention plan; comprehensive risk assessments to minimise opportunities for and impacts of fraud and corruption; and a fraud and corruption prevention training and awareness program. DLG has also increased internal controls to certify expenditure vouchers.

The Auditor-General's *Report to Parliament No. 2 for 2012 – Local Governments Financial Statements for 2010–11* focused on the 2010–11 financial statements of 73 Queensland local government entities. Audit opinions on 69 of these entities have been issued (14 modified and 55 unmodified) and four remain outstanding (Burke Shire Council, Central Highlands Regional Council, Cherbourg Aboriginal Shire Council and Kowanyama Aboriginal Shire Council).

Of the 14 modified opinions issued, eight were qualified and 10 of the 55 unmodified opinions are of particular significance. These opinions relate to impacts of the 2011 natural disasters on unresolvable reported asset values,



systemic issues with underlying records and internal controls.

There are three recommendations related to the department's role:

1. improve the contents of the *Financial Management (Sustainability) Guidelines 2011*
2. requests should be initiated for certification by chief executive officers (CEOs) that councils have complied with legislative requirements
3. monitor the accuracy of annual disclosures and sustainability measures.

These are being addressed by:

- reviewing and nationally aligning sustainability measures to assist councils in making accurate disclosures
- continuing to build capacity and capability within local governments to achieve compliance with the *Local Government Act 2009*
- continuing to conduct financial management and sustainability workshops for mayors, councillors and CEOs to help councils manage their financial and infrastructure capital in the long-term.

Other external accountability mechanisms on occasion review the department. These include:

- Right to Information and the Information Commissioner
- Judicial Review of administrative decisions
- Queensland Ombudsman's Office
- Crime and Misconduct Commission

- Estimates Committees, Public Accounts and Public Works Committee and other committees of the Queensland Parliament
- Queensland Integrity Commissioner
- the Coroner.

Fraud and corruption control

The department has zero tolerance for any fraudulent or corrupt behaviour, as well as any systemic attitudes or views that might support such activity. The rationale, approach and integration of fraud and corruption prevention and control are detailed in the fraud and corruption prevention plan.

DLG seeks and receives information about possible fraud and corruption through various control measures and reporting mechanisms. Concerns can be raised by staff or community members and directed to Ethics and Integrity. Contact details are provided in the 'Contact us' section on the back page. Suspected fraud or corruption can also be reported to the Crime and Misconduct Commission, email: mailbox@cmc.qld.gov.au

State procurement policy

Procurement advice is provided in accordance with the *State Procurement Policy 2008* and DLG's Financial Management Practice Manual. A key focus has been reducing complexity and providing expertise and advice to business areas.

Procurement is conducted in a way that:

- advances government priorities
- achieves value for money
- enables probity and accountability for outcomes.



Financial Statements

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General information

These financial statements cover the Department of Local Government (the department).

The Department of Local Government is a Queensland Government department established under the *Public Service Act 2008*.

The head office and principal place of business of the department is:

Executive Building
100 George Street
Brisbane Queensland 4000

A description of the nature of the department's operations and its principal activities is included in the notes to the financial statements.

For information in relation to the department's financial statements please call +61 7 3224 4914, email info@dlg.qld.gov.au or visit the department's website www.dlg.qld.gov.au.

Department of Local Government
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2012

| | Notes | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|---|-------|--------------------------|--------------------------------|--------------------------|
| Income from continuing operations | | | | |
| Revenue | | | | |
| Departmental services revenue | 2 | 434,544 | 728,929 | 728,929 |
| Sales revenue | 3 | - | 33,805 | 33,805 |
| User charges | 5 | 702 | 19,367 | 20,620 |
| Grants and other contributions | 6 | 4,385 | 8,066 | 8,066 |
| Other revenues | 7 | 7,193 | 14,442 | 13,541 |
| Revenue | | 446,824 | 804,609 | 804,961 |
| Total gains | 8 | - | 47,516 | 22 |
| Total income from continuing operations | | 446,824 | 852,125 | 804,983 |
| Expenses from continuing operations | | | | |
| Employee expenses | 9 | 59,968 | 77,605 | 78,506 |
| Supplies and services | 10 | 28,621 | 65,868 | 65,530 |
| Grants and subsidies | 11 | 357,351 | 641,625 | 641,625 |
| Depreciation and amortisation | 12 | 2,353 | 4,911 | 4,911 |
| Impairment losses | 13 | 3,053 | 803 | 803 |
| Cost of sales | 4 | - | 10,559 | 10,559 |
| Revaluation decrement | 14 | - | 45 | 45 |
| Other expenses | 15 | 18,697 | 24,211 | 24,157 |
| Borrowing costs | 16 | - | 26,110 | - |
| Total expenses from continuing operations | | 470,043 | 851,737 | 826,136 |
| Operating result from continuing operations before income tax equivalent expense | | (23,219) | 388 | (21,153) |
| Income tax equivalent expense (benefit) | 17 | - | (2,404) | (2,404) |
| Operating result from continuing operations | | (23,219) | 2,792 | (18,749) |
| Other comprehensive income | | | | |
| Increase/(decrease) in asset revaluation surplus | 28 | - | (1,854) | (1,855) |
| Tax equivalent effect of revaluation | 28 | - | 556 | 556 |
| Total comprehensive income | | (23,219) | 1,494 | (20,048) |

The accompanying notes form part of these statements.

Department of Local Government
STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

| | | Parent | Consolidated | Parent |
|----------------------------------|-------|---------------|----------------|----------------|
| | | 2012 | 2011 | 2011 |
| | Notes | \$'000 | \$'000 | \$'000 |
| Current assets | | | | |
| Cash and cash equivalents | 18 | 2,973 | 44,893 | 44,893 |
| Receivables | 19 | 20,110 | 21,694 | 21,694 |
| Inventories | 20 | - | 19,115 | 19,115 |
| Other assets | 21 | 4 | 584 | 584 |
| Total current assets | | 23,087 | 86,286 | 86,286 |
| Non-current assets | | | | |
| Receivables | 19 | 12,800 | 13,903 | 13,903 |
| Intangible assets | 22 | - | 5,434 | 5,434 |
| Property, plant and equipment | 23 | 62,071 | 60,236 | 60,236 |
| Total non-current assets | | 74,871 | 79,573 | 79,573 |
| Total assets | | 97,958 | 165,859 | 165,859 |
| Current liabilities | | | | |
| Payables | 24 | 9,732 | 52,913 | 52,913 |
| Accrued employee benefits | 25 | 1,683 | 3,602 | 3,602 |
| Other liabilities | 27 | - | 1,288 | 1,288 |
| Total current liabilities | | 11,415 | 57,803 | 57,803 |
| Net assets | | 86,543 | 108,056 | 108,056 |
| Equity | | | | |
| Asset revaluation surplus | 28 | 18,303 | 18,303 | 18,303 |
| Contributed equity | | (338,361) | (340,062) | (340,062) |
| Accumulated surplus | | 406,601 | 429,815 | 429,815 |
| Total equity | | 86,543 | 108,056 | 108,056 |

The accompanying notes form part of these statements.

Department of Local Government
STATEMENT OF EQUITY
for the year ended 30 June 2012

| | Asset revaluation surplus (note 28) | | | Contributed equity | | |
|--|-------------------------------------|----------------|----------------|--------------------|------------------|------------------|
| | Parent | Consolidated | Parent | Parent | Consolidated | Parent |
| | 2012 | 2011 | 2011 | 2012 | 2011 | 2011 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance 1 July | 18,303 | 235,131 | 235,131 | (340,062) | 959,197 | 959,197 |
| - Effect of retrospective correction of error | | - | - | | - | - |
| Restated balance 1 July | 18,303 | 235,131 | 235,131 | (340,062) | 959,197 | 959,197 |
| Operating result from continuing operations | | - | - | | - | - |
| Other comprehensive Income | | | | | | |
| - Increase/(decrease) in asset revaluation surplus net of tax | | (1,297) | (1,297) | | - | - |
| - Transfer asset revaluation surplus for assets sold | | (9,564) | (9,564) | | - | - |
| - Transfer asset revaluation surplus for assets transferred | | (205,967) | (205,967) | | - | - |
| Transactions with owners as owners: | | | | | | |
| - Net equity injection from consolidated fund (note 2) | | - | - | 30,649 | 18,133 | 18,133 |
| - Assets received/(transferred) (machinery-of-government change - note 1(aa), and other transfers) | | - | - | (28,948) | (1,335,333) | (1,335,333) |
| Non-reciprocal transfers: | | | | | | |
| - Equity withdrawal non-appropriated | | - | - | | (2,155) | (2,155) |
| - Non-appropriated equity injection for tax equivalents retained | | - | - | | 20,096 | 20,096 |
| Total equity at 30 June | 18,303 | 18,303 | 18,303 | (338,361) | (340,062) | (340,062) |
| | Accumulated surplus | | | Total | | |
| | Parent | Consolidated | Parent | Parent | Consolidated | Parent |
| | 2012 | 2011 | 2011 | 2012 | 2011 | 2011 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance 1 July | 429,815 | 211,492 | 233,033 | 108,056 | 1,405,820 | 1,427,360 |
| - Effect of retrospective correction of error | 5 | - | - | 5 | - | - |
| Restated balance 1 July | 429,820 | 211,492 | 233,033 | 108,061 | 1,405,820 | 1,427,360 |
| Operating result from continuing operations | (23,219) | 2,792 | (18,749) | (23,219) | 2,792 | (18,749) |
| Other comprehensive Income | | | | | | |
| - Increase/(decrease) in asset revaluation surplus net of tax | | - | - | - | (1,297) | (1,297) |
| - Transfer asset revaluation surplus for assets sold | | 9,564 | 9,564 | - | - | - |
| - Transfer asset revaluation surplus for assets transferred | | 205,967 | 205,967 | - | - | - |
| Transactions with owners as owners: | | | | | | |
| - Net equity injection from consolidated fund (note 2) | | - | - | 30,649 | 18,133 | 18,133 |
| - Assets received/(transferred) (machinery-of-government change - note 1(aa), and other transfers) | | - | - | (28,948) | (1,335,333) | (1,335,333) |
| Non-reciprocal transfers: | | | | | | |
| - Equity withdrawal non-appropriated | | - | - | - | (2,155) | (2,155) |
| - Non-appropriated equity injection for tax equivalents retained | | - | - | - | 20,096 | 20,096 |
| Total equity at 30 June | 406,601 | 429,815 | 429,815 | 86,543 | 108,056 | 108,056 |

The accompanying notes form part of these statements.

Department of Local Government
STATEMENT OF CASH FLOWS
for the year ended 30 June 2012

| | Notes | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|--|-------|--------------------------|--------------------------------|--------------------------|
| Cash flows from operating activities | | | | |
| <i>Inflows:</i> | | | | |
| Departmental services receipts | | 435,945 | 728,736 | 728,736 |
| User charges | | 702 | 37,500 | 39,664 |
| Grants and other contributions | | 4,385 | 22,260 | 22,260 |
| GST input tax credits from Australian Tax Office | | 44,279 | 84,561 | 57,574 |
| GST collected from customers | | 2,803 | 9,270 | 8,676 |
| Interest receipts | | 144 | 9,854 | 9,139 |
| Other inflows | | 7,077 | 5,160 | 4,973 |
| <i>Outflows:</i> | | | | |
| Employee expenses | | (61,979) | (78,266) | (78,780) |
| Supplies and services | | (22,167) | (94,555) | (98,063) |
| Grants and subsidies | | (402,887) | (598,019) | (598,019) |
| Insurance premiums | | (2) | (180) | (142) |
| GST paid to suppliers | | (52,338) | (87,381) | (62,389) |
| GST remitted to ATO | | (1,086) | (9,325) | (7,262) |
| Income tax paid | | - | 28 | - |
| Other outflows | | (242) | (783) | (744) |
| Net cash provided by (used in) operating activities | 29 | (45,365) | 28,860 | 25,623 |
| Cash flows from investing activities | | | | |
| <i>Inflows:</i> | | | | |
| Sales of property, plant and equipment | | - | 13,722 | 12,841 |
| Loans and advances redeemed | | 189 | 8,344 | 719 |
| <i>Outflows:</i> | | | | |
| Payments for intangibles | | (746) | (1,512) | (1,512) |
| Payments for property, plant and equipment | | (26,647) | (264,979) | (17,276) |
| Loans and advances made | | - | - | - |
| Net cash provided by (used in) investing activities | | (27,204) | (244,425) | (5,228) |
| Cash flows from financing activities | | | | |
| <i>Inflows:</i> | | | | |
| Equity injection | | 30,838 | 20,658 | 20,658 |
| Proceeds from borrowings | | - | 201,000 | - |
| <i>Outflows:</i> | | | | |
| Equity withdrawals | | (189) | (4,680) | (4,680) |
| Repayments of borrowings | | - | (2,170) | - |
| Net cash provided by (used in) financing activities | | 30,649 | 214,808 | 15,978 |
| Net increase (decrease) in cash held | | (41,920) | (757) | 36,373 |
| Net cash transferred under government restructure | | - | (255,612) | (238,875) |
| Cash at beginning of financial year | | 44,893 | 301,262 | 247,395 |
| Cash at end of financial year | 18 | 2,973 | 44,893 | 44,893 |

The accompanying notes form part of these statements.

Department of Local Government
STATEMENT OF COMPREHENSIVE INCOME BY MAJOR SERVICES AND CBUS
for the year ended 30 June 2012

| | Local Government | | Planning | | Infrastructure and Economic Development | | Infrastructure Delivery | |
|---|------------------|-----------------|----------------|----------------|---|-----------------|-------------------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| Income from continuing operations* | | | | | | | | |
| Revenue | | | | | | | | |
| Departmental services revenue | 378,067 | 634,282 | 56,477 | 75,760 | - | 8,255 | - | 10,632 |
| Sales revenue | - | - | - | - | - | - | - | - |
| User charges | 423 | 311 | 279 | 897 | - | 2,660 | - | 6,949 |
| Grants and other contributions | 3,794 | 9,309 | 590 | 6,524 | - | 2,332 | - | 3,164 |
| Other revenues | 5,032 | 2,978 | 2,161 | 2,066 | - | 15 | - | 1 |
| Revenue | 387,316 | 646,880 | 59,507 | 85,247 | - | 13,262 | - | 20,746 |
| Total gains | - | - | - | - | - | - | - | - |
| Total income from continuing operations | 387,316 | 646,880 | 59,507 | 85,247 | - | 13,262 | - | 20,746 |
| Expenses from continuing operations* | | | | | | | | |
| Employee expenses | 21,192 | 18,236 | 38,777 | 39,497 | - | 8,383 | - | 11,269 |
| Supplies and services | 11,610 | 15,523 | 17,011 | 19,678 | - | 16,128 | - | 12,221 |
| Grants and subsidies | 354,293 | 615,643 | 3,058 | 2,553 | - | 767 | - | 570 |
| Depreciation and amortisation | 1,199 | 1,296 | 1,154 | 1,179 | - | 312 | - | 1,945 |
| Impairment losses | - | 1 | 3,053 | 802 | - | - | - | - |
| Cost of sales | - | - | - | - | - | - | - | - |
| Revaluation decrement | - | - | - | 45 | - | - | - | - |
| Other expenses | 18,403 | 12,470 | 294 | 566 | - | 48 | - | 143 |
| Borrowing costs | - | - | - | - | - | - | - | - |
| Total expenses from continuing operations | 406,697 | 663,169 | 63,347 | 64,320 | - | 25,638 | - | 26,148 |
| Income tax equivalent expense | - | - | - | - | - | - | - | - |
| Operating result from continuing operations | (19,381) | (16,289) | (3,840) | 20,927 | - | (12,376) | - | (5,402) |
| Other comprehensive income | | | | | | | | |
| Increase in asset revaluation surplus | - | - | - | - | - | - | - | - |
| Tax equivalent effect of revaluation | - | - | - | - | - | - | - | - |
| Total comprehensive income | (19,381) | (16,289) | (3,840) | 20,927 | - | (12,376) | - | (5,402) |
| * Allocation of income and expenses to corporate services (disclosure only): | | | | | | | | |
| Income | 12,575 | 27,529 | 26,348 | 43,232 | - | 4,248 | - | 6,265 |
| Expenses | 9,497 | 15,526 | 22,696 | 28,058 | - | 3,773 | - | 5,565 |

The accompanying notes form part of these statements.

Department of Local Government
STATEMENT OF COMPREHENSIVE INCOME BY MAJOR SERVICES AND CBUS
for the year ended 30 June 2012

| | Commercialised Business Unit—Property Services Group | | Inter-Departmental service eliminations | | Total | |
|---|---|----------------|--|-----------------|-----------------|-----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| Income from continuing operations* | | | | | | |
| Revenue | | | | | | |
| Departmental services revenue | | - | - | - | 434,544 | 728,929 |
| Sales revenue | - | 33,805 | - | - | - | 33,805 |
| User charges | - | 10,510 | - | (707) | 702 | 20,620 |
| Grants and other contributions | - | 132 | - | (13,395) | 4,385 | 8,066 |
| Other revenues | - | 8,481 | - | - | 7,193 | 13,541 |
| Revenue | - | 52,928 | - | (14,102) | 446,824 | 804,961 |
| Total gains | - | 22 | - | - | - | 22 |
| Total income from continuing operations | - | 52,950 | - | (14,102) | 446,824 | 804,983 |
| Expenses from continuing operations* | | | | | | |
| Employee expenses | - | 1,121 | - | - | 59,968 | 78,506 |
| Supplies and services | - | 2,737 | - | (757) | 28,621 | 65,530 |
| Grants and subsidies | - | 35,437 | - | (13,345) | 357,351 | 641,625 |
| Depreciation and amortisation | - | 179 | - | - | 2,353 | 4,911 |
| Impairment losses | - | - | - | - | 3,053 | 803 |
| Cost of sales | - | 10,559 | - | - | - | 10,559 |
| Revaluation decrement | - | - | - | - | - | 45 |
| Other expenses | - | 10,930 | - | - | 18,697 | 24,157 |
| Borrowing costs | - | - | - | - | - | - |
| Total expenses from continuing operations | - | 60,963 | - | (14,102) | 470,043 | 826,136 |
| Income tax equivalent expense | - | (2,404) | - | - | - | (2,404) |
| Operating result from continuing operations | - | (5,609) | - | - | (23,219) | (18,749) |
| Other comprehensive income | | | | | | |
| Increase in asset revaluation surplus | - | (1,855) | - | - | - | (1,855) |
| Tax equivalent effect of revaluation | - | 556 | - | - | - | 556 |
| Total comprehensive income | - | (6,908) | - | - | (23,219) | (20,048) |
| * Allocation of income and expenses to corporate services (disclosure only): | | | | | | |
| Income | - | - | - | - | 38,923 | 81,274 |
| Expenses | - | - | - | - | 32,193 | 52,922 |

The accompanying notes form part of these statements.

STATEMENT OF ASSETS AND LIABILITIES BY MAJOR DEPARTMENTAL SERVICES AND CBU's
as at 30 June 2012

| | Local Government | | Planning | | General—Not attributed | | Total | |
|--|------------------|----------------|----------------|----------------|------------------------|----------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| Current assets | | | | | | | | |
| Cash and cash equivalents | 2,973 | 3,546 | - | - | - | 41,347 | 2,973 | 44,893 |
| Receivables | 4,668 | 3,494 | - | 1,171 | 15,442 | 17,029 | 20,110 | 21,694 |
| Inventories | - | - | - | 19,115 | - | - | - | 19,115 |
| Other assets | 4 | 13 | - | 31 | - | 540 | 4 | 584 |
| Non-current assets classified as held for sale | - | - | - | - | - | - | - | - |
| Total current assets | 7,645 | 7,053 | - | 20,317 | 15,442 | 58,916 | 23,087 | 86,286 |
| Non-current assets | | | | | | | | |
| Receivables | 12,800 | 13,903 | - | - | - | - | 12,800 | 13,903 |
| Other financial assets | - | - | - | - | - | - | - | - |
| Intangible assets | - | - | - | 5,205 | - | 229 | - | 5,434 |
| Property, plant and equipment | 62,071 | 51,412 | - | 3,100 | - | 5,724 | 62,071 | 60,236 |
| Deferred tax equivalent asset | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - |
| Total non-current assets | 74,871 | 65,315 | - | 8,305 | - | 5,953 | 74,871 | 79,573 |
| Total assets | 82,516 | 72,368 | - | 28,622 | 15,442 | 64,869 | 97,958 | 165,859 |
| Current liabilities | | | | | | | | |
| Payables | 8,241 | 46,620 | - | 3,039 | 1,491 | 5,012 | 9,732 | 54,671 |
| Accrued employee benefits | 1,683 | 544 | - | 1,300 | - | - | 1,683 | 1,844 |
| Income tax equivalent payable | - | - | - | - | - | - | - | - |
| Provisions | - | - | - | - | - | - | - | - |
| Other liabilities | - | 9 | - | 1,279 | - | - | - | 1,288 |
| Total current liabilities | 9,924 | 47,173 | - | 5,618 | 1,491 | 5,012 | 11,415 | 57,803 |
| Non-current liabilities | | | | | | | | |
| Income tax equivalent payable | - | - | - | - | - | - | - | - |
| Provisions | - | - | - | - | - | - | - | - |
| Total non-current liabilities | - | - | - | - | - | - | - | - |
| Total liabilities | 9,924 | 47,173 | - | 5,618 | 1,491 | 5,012 | 11,415 | 57,803 |

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

| | |
|----------|---|
| | Objectives and principal activities of the Department of Local Government and Planning |
| Note 1: | Summary of significant accounting policies |
| Note 2: | Reconciliation of payments from consolidated fund to Departmental services revenue recognised in statement of comprehensive income Reconciliation of payments from consolidated fund to equity adjustment recognised in contributed equity |
| Note 3: | Sales revenue |
| Note 4: | Cost of Sales |
| Note 5: | User charges |
| Note 6: | Grants and other contributions |
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| Note 8: | Gains |
| Note 9: | Employee expenses |
| Note 10: | Supplies and services |
| Note 11: | Grants and subsidies |
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| Note 28: | Asset revaluation surplus by class |
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| Note 31: | Commitments for expenditure |
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| Note 33: | Financial instruments |
| Note 34: | Key executive management personnel and remuneration |
| Note 35: | Reconciliation of payments from consolidated fund to administered revenue Reconciliation of payments from consolidated fund to administered equity adjustments |
| Note 36: | Schedule of administered items |
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Department of Local Government

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Objectives of the Department of Local Government.

The Department of Local Government is responsible for oversight of the legislative and regulatory framework in which local governments operate. The Department supports and promotes a capable and modern system of local government in which councils are equipped to deliver quality front line services.

1. Summary of significant accounting policies

(a) Statement of compliance

The Department has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the Treasurer's Minimum Reporting Requirements for the year ending 30 June 2012, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the Department has applied those requirements applicable to not-for-profit entities, as the Department is a not-for-profit department. Except where stated the historical cost convention is used.

(b) The reporting entity

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of the Department.

2011–12 Changes

On 3 April 2012, as a result of the Public Service Departmental *Administrative Arrangements Order (No.4) 2012* the Planning (excluding Building Codes Queensland) function of the Department were transferred to the Department of State Development, Infrastructure and Planning, as a result the decision was made to also transfer the Strategy and Governance function. In addition Building Codes Queensland was transferred to the Department of Housing and Public Works and the Animal Management (Cats and Dogs) function was transferred to the Department of Agriculture, Fisheries and Forestry.

However, pursuant to section 80 of the *Financial Accountability Act 2009*, for financial statement purposes, the transfer is deemed to have occurred from the first day of the month following the gazettal date, that is, from 1 May 2012. Therefore, transactions related to the above functions occurring prior to 1 May 2012 are reflected in these financial statements (refer to notes 1(z) and 1(aa)).

This approach applies to both the primary statements and note disclosures, including the disclosures for key executive management personnel and remuneration.

2010–11 Comparative year

Effective 1 March 2011, the Department's economic entity changed significantly as a result of machinery-of-government changes disclosed in note 1(aa). Prior to this change, the Department's economic entity included the Department's commercialised business unit, the Property Services Group, together with Queensland Water Infrastructure Pty Ltd and Southern Regional Water Pipeline Company Pty Ltd as controlled entities.

Following the machinery-of-government changes, the Property Services Group and the Department's controlling interest in Queensland Water Infrastructure Pty Ltd and Southern Regional Water Pipeline Company Pty Ltd, transferred to the then named Department of Employment, Economic Development and Innovation.

In the process of reporting on the then named Department of Local Government Planning as a single economic entity, all income and expenses arising from transactions and balances internal to the Department of Local Government and Planning have been eliminated in full.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

(c) Administered transactions and balances

The Department administers, but does not control, certain resources on behalf of the Queensland Government. In doing so, it has responsibility and is accountable for administering related transactions and items, but does not have the discretion to deploy the resources for the achievement of the Department's objectives.

Administered transactions and balances are disclosed in note 35. A significant proportion of the reported balances relate to the distribution of Financial Assistance Grants received from the Commonwealth Government, and as such, these distributions do not impact on the Department's overall financial performance and position.

(d) Departmental services revenue/administered revenue

Appropriations provided under the *Annual Appropriation Act* are recognised as revenue in the year in which the Department obtains control over them. The appropriation receivable reflected in the financial statements as at 30 June 2012 has been approved by Queensland Treasury and Trade and recognised as revenue.

Amounts appropriated to the Department for transfer to other entities in accordance with legislative or other requirements are reported as 'administered' item appropriations. Refer to note 35.

(e) Sales revenue

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue arising from the sale of goods and services is recognised as revenue when the significant risks and rewards of ownership transfer to the purchaser, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(f) User charges, taxes, penalties and fines

User charges, fees and penalties controlled by the Department are recognised as revenues when the revenue has been earned and can be measured reliably with a sufficient degree of certainty. This involves either invoicing for related goods/services and /or the recognition of accrued revenue. User charges, fees and penalties are controlled by the Department where they can be deployed for the achievement of Departmental objectives.

Taxes, fees and fines collected, but not controlled, by the Department are reported as administered revenue, refer to note 35.

(g) Grants and other contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the Department obtains control over them. Where grants are received that are reciprocal in nature, revenue is accrued over the term of the funding arrangements.

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

(h) Cash and cash equivalents

For the purposes of the statement of financial position and the statement of cash flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions.

(i) Receivables

Trade debtors are recognised at the amounts due at the time of sale or service delivery, i.e. the agreed purchase/contract price. Settlement of these amounts is required within 14–30 days from the invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June. Increases in the allowance for impairment are based on loss events as disclosed in note 19.

Loans and advances are recognised at the face value of principal outstanding and finance leases are recognised at the value of the net investment of the lease agreement outstanding (note 1(r)). Terms are as recorded in individual loan and lease agreements. On full repayment of finance leases, title for the relevant property is transferred to the purchaser.

Other debtors generally arise from transactions outside the usual operating activities of the Department and are recognised at their assessed values. Terms are set based on the operations of the particular entities, no interest is charged and no security is obtained.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

(j) Inventories

Land purchased for the purpose of resale is recognised at the lower of cost and net realisable value. Cost includes the cost of acquisition and development of the land to its existing condition, ready for sale. These costs are assigned to subdivided land lots on a weighted average basis when the lots are sold.

Net realisable value is determined on the basis of the Department's normal selling pattern.

Expenses associated with marketing, selling and distribution are deducted to determine net realisable value.

(k) Non-current assets classified as held for sale

Non-current assets held for sale consist of those assets that management has determined are available for immediate sale in their present condition and their sale is highly probable within the next twelve months. These assets are measured at the lower of the assets' carrying amounts and their fair values less costs to sell. The assets are not depreciated.

(l) Acquisitions of assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any user training costs are expensed as incurred.

Where assets are received free of charge from a Queensland Government department (whether as a result of a machinery-of-government or other involuntary transfer), the assets are recognised at the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from a Queensland Government department, are recognised at their fair value at the date of acquisition in accordance with AASB 116 - *Property, Plant and Equipment*.

(m) Property, plant and equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

| | |
|-----------------------|----------|
| Buildings | \$10,000 |
| Heritage and cultural | \$ 5,000 |
| Infrastructure | \$10,000 |
| Land | \$ 1 |
| Plant and equipment | \$ 5,000 |

Items with a lesser value are expensed in the year of acquisition.

Land improvements undertaken are included with buildings or capital work in progress.

(m) Property, plant and equipment

Capital works in progress are measured at cost. All direct and, where reliably attributable, indirect costs relating to constructed infrastructure are recorded as work in progress.

(n) Revaluations of non-current physical and intangible assets

Land, buildings, infrastructure and heritage and cultural assets are measured at fair value in accordance with AASB 116—*Property, Plant and Equipment* and Queensland Treasury and Trade's *Non-Current Asset Policies* for the Queensland Public Sector. In respect of these asset classes, the cost of items acquired during the financial year has been judged by management of the Department to materially represent their fair value at the end of the reporting period.

Where intangible assets have an active market, they are measured at fair value, otherwise they are measured at cost.

Plant and equipment is measured at cost in accordance with Queensland Treasury and Trade's *Non-Current Asset Policies*.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

(n) Revaluations of non-current physical and intangible assets (continued)

Non-current physical assets measured at fair value are revalued on an annual basis by appraisals undertaken by an independent professional valuer or internal expert, or by the use of appropriate and relevant indices. Revaluations based on independent professional valuer or internal expert appraisals are undertaken at least once every five years. However, if a class of asset experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class of asset may have changed by 20 per cent or more from one reporting period to the next), it is subject to such revaluation in the reporting period, where practicable, regardless of the timing of previous such method of revaluation.

Where indices are used in the revaluation process the Department ensures that the application of such indices would result in a valid estimation of the asset's fair value at reporting date. At year end, management assess the relevance and suitability of indices used.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Materiality concepts under AASB 1031- *Materiality* are considered in determining whether the difference between the carrying amount and the fair value of an asset is material.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

(o) Intangibles

Intangible assets with a cost or other value of greater than \$100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life to the Department, less any anticipated residual value. The residual value is zero for all the Department's intangible assets.

It has been determined that there is not an active market for any of the Department's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

Purchased software

The purchase cost of software has been capitalised and is being amortised on a straight-line basis over the period of the expected benefit to the Department.

Internally generated software

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred. Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit to the department.

Easements

Easements acquired over land are recognised at cost and are considered to have an indefinite useful life. Easements are not amortised but are instead assessed annually for impairment.

Goodwill

Goodwill on acquisition is initially recognised at cost being the excess of costs of acquisition over fair value of the Department's share of net identifiable assets over the acquired subsidiary at the date of acquisition. Goodwill is not amortised but is instead assessed annually for impairment. Refer note 1(q).

(p) Depreciation and amortisation of property, plant, equipment and intangibles

Land, easements and goodwill are not depreciated or amortised as they have an unlimited useful life.

All intangible assets of the Department have finite useful lives and are amortised on a straight-line basis.

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the Department.

**Department of Local Government
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2012**

(p) Depreciation and amortisation of property, plant, equipment and intangibles (continued)

Assets under construction (work in progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes with property, plant and equipment.

The depreciable amount of leasehold improvements is allocated progressively over the estimated useful lives of the improvements or the unexpired period of the lease, whichever is the shorter. The unexpired period of a lease includes any option period where exercise of the option is probable.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the Department.

Items comprising the Department's technical library are expensed on acquisition.

For each class of depreciable and amortisable asset the following rates were used:

| Class | Rates % |
|-------------------------------|----------------|
| Infrastructure | 1-10% |
| Plant and equipment | |
| Computer equipment | 9-33% |
| Leasehold improvements | 3-10% |
| Office equipment | 14-20% |
| Intangible assets: | |
| Software internally generated | 20% |

(q) Impairment of non-current assets

All non-current physical assets and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Department determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase to the extent that it reverses write downs of previously impaired revaluation increments. Refer also note 1(n).

(r) Leases

A distinction is made in the financial statement between finance leases that effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all risks and benefits.

The Department has not entered into any finance leases as a lessee.

Where a non-current physical asset is acquired by means of a finance lease, the asset is recognised as the lower of the fair value of the leased property and the present value of the minimum lease payments. The lease liability is recognised at the same amounts.

Lease payments are allocated between the principal component of the lease liability and the interest expense.

Operating lease payments made are representative of the pattern of benefits derived from the leased assets and are recognised in the period in which they are incurred.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

(s) Other financial assets

Where applicable investments in subsidiaries are accounted for at cost in the separate financial statements of the parent entity.

(t) Payables

Trade creditors are recognised upon receipt of the goods and services ordered and are measured at the nominal amount i.e. agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

(u) Financial instruments

Recognition

Financial assets and financial liabilities are recognised in the statement of financial position when the Department becomes party to the contractual provisions of the financial instrument.

Classification

Financial instruments are classified and measured as follows:

- Cash and cash equivalents—held at fair value through profit or loss
- Receivables—held at amortised cost
- Held to maturity investment—held at amortised cost
- Payables—held at amortised cost
- Borrowings—are held at amortised cost.

Loans and borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, then subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument, or, when appropriate, a shorter period, to the net carrying amount of that instrument.

Any borrowing costs are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise. Borrowings are classified as non-current liabilities to the extent that the Department has an unconditional right to defer settlement until at least 12 months after reporting date.

The Department does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents, the Department holds no financial assets classified at fair value through profit or loss.

All disclosures relating to the measurement basis and financial risk management of other financial instruments held by the Department are included in note 33.

(v) Employee benefits

Employer superannuation contributions, annual leave levies and long service leave levies are regarded as employee benefits.

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

Wages, salaries and sick leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of financial position at the current salary rates.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. For those entitlements not expected to be paid within 12 months, the liabilities are classified as non-current liabilities and recognised at their present value, calculated using yields on fixed rate Commonwealth Government bonds of similar maturity, after projecting the remuneration rates expected to apply at the time of likely settlement.

Prior history indicates that on average, sick leave taken in the reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

(v) Employee benefits (continued)

Annual leave

The Queensland Government's Annual Leave Central Scheme (ALCS) became operational on 30 June 2008 for departments, commercialised business units and shared service providers. Under the scheme, a levy is made on the department to cover the cost of employees' annual leave (including leave loading and on-costs). The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears. For the 2011 comparative year the controlled entities did not participate in the ALCS but recognise annual leave due but unpaid in the statement of financial position at the remuneration rates expected to apply at the time of settlement.

From 1 July 2008, no provision for annual leave has been recognised for the parent entity in the consolidated financial statements as the liability is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049—*Whole of Government and General Government Sector Financial Reporting*.

Long service leave

Under the Queensland Government's long service leave scheme, a levy is imposed on the Department to cover this cost. Levies are expensed in the period in which they are paid or payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

No provision for long service leave is recognised in the financial statements as the liability is being held on a whole-of-government basis and reported in the financial report prepared pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the Treasurer on advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable. The Department's obligation is limited to its contribution to QSuper.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049—*Whole of Government and General Government Sector Financial Reporting*.

Therefore no liability is recognised for accruing superannuation benefits in these financial statements, the liability being held on a whole-of-government basis and reported in the financial report prepared pursuant to AASB 1049—*Whole of Government and General Government Sector Financial Reporting*.

For the 2011 comparative year for controlled entities, contributions to superannuation funds were recorded as they become payable and the departments legal or constructive obligation is limited to these contributions.

Key executive management personnel and remuneration

Key executive management personnel and remuneration disclosures are made in accordance with section 5 of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury and Trade. Refer to note 34 for the disclosures on key executive management personnel and remuneration.

(w) Borrowing costs

Finance income comprises interest income on funds invested. Finance costs are recognised as an expense in the period in which they are incurred.

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings
- ancillary administration charges.

(x) Provisions

Provisions are recorded when the Department has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date at which the obligation will be settled in a future period. Where the settlement of the obligation is expected after 12 or more months, the obligation is discounted to the present value using the appropriate discount rate.

(y) Allocation of revenues and expenses from ordinary activities to corporate services

The department discloses revenues and expenses attributable to corporate services in the Statement of comprehensive income by major Departmental services.

Department of Local Government

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

(z) Major Departmental services of the Department

Major Departmental services undertaken during the period 1 July 2011– 30 April 2012

Planning

Providing leadership by collaborating with state agencies, local government and other stakeholders to effectively plan for growth and infrastructure provision in Queensland, to maintain a high quality of life and facilitate sustainable development.

Planning (excluding Building Codes Queensland) and Strategy and Governance (Corporate) transferred to the Department of State Development, Infrastructure and Planning. Building Codes Queensland transferred to the Department of Housing and Public Works and Animal Management (Cats and Dogs) transferred to the Department of Agriculture, Fisheries and Forestry as a consequence of a machinery-of-government change with effect from 1 May 2012.

Infrastructure and Economic Development

Planning, identification and coordination of infrastructure projects, and industrial and community infrastructure land development which underpins the economic and social growth and sustainability of the State.

Infrastructure Delivery

Coordinating and delivering key strategic infrastructure including the South East Queensland Water Grid, Airport Link and acquisition and coordination and development of infrastructure corridors to support infrastructure and economic development

Infrastructure and Economic Development and the Infrastructure Delivery functions were transferred to the Department of Employment, Economic Development and Innovation as a consequence of machinery-of-government change with effect from 1 March 2011.

Local Government

Partnering with local governments to deliver sustainable and accountable local government services and infrastructure, providing services and advice in the areas of governance, monitoring and performance analysis, interventions and investigations, and targeted initiatives in support of Indigenous local governments, capacity building and funding.

Major Departmental services undertaken during the period 1 May 2012– 30 June 2012

The department's aim is to ensure that all local governments are able to make effective decisions that bring increased economic prosperity and social cohesion to their local government areas. The department wants all local governments to have the necessary autonomy, authority, capacity and resilience to deliver the best outcomes for their community. The department's objectives are that:

- councils have the authority and capacity to manage their local areas;
- councils are financially sustainable;
- councils have access to capacity building programs;
- councils are accountable; and
- the department operates efficiently and effectively with a good understanding of local government

(aa) Machinery-of-government changes

As a result of *Administrative Arrangements Order (No. 4) 2012*, dated 3 April 2012 and effective 1 May 2012, the Department of Local Government and Planning (DLGP) was renamed the Department of Local Government (DLG). The Planning (excluding Building Codes Queensland) and Strategy and Governance functions were transferred to the Department of State Development, Infrastructure and Planning (DSDIP). Building Codes Queensland transferred to the Department of Housing and Public Works (DHPW) and Animal Management (Cats and Dogs) transferred to the Department of Agriculture, Fisheries and Forestry DAFF.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

(aa) Machinery-of-government changes (continued)

As agreed between the Directors-General for the Department of Local Government, Department of State Development, Infrastructure and Planning, Department of Housing and Public Works and Department of Agriculture, Fisheries and Forestry, effective 1 May 2012 as a result of this machinery-of-government (MoG) change the following assets and liabilities have transferred out of the Department of Local Government:

| | DAFF | DHPW | DSDIP | Total |
|-------------------------------|---------------|---------------|---------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | |
| Cash and cash equivalents | - | 1,218 | - | 1,218 |
| Inventories | - | - | 21,595 | 21,595 |
| Other financial assets | - | 86 | 168 | 254 |
| Intangible assets | - | 701 | 1,824 | 2,525 |
| Property, plant and equipment | - | 35 | 7,551 | 7,586 |
| Total assets | | 2,040 | 31,138 | 33,178 |
| Liabilities | | | | |
| Bank overdraft | | | 1,888 | 1,888 |
| Payables | - | - | 1,059 | 1,059 |
| Other liabilities | - | 1,284 | - | 1,284 |
| Total liabilities | | 1,284 | 2,947 | 4,231 |
| Net assets | | - | 28,191 | 28,947 |

Decreases in assets and liabilities have been accounted for in contributed equity as disclosed in the Statement of changes in equity.

Expenses and revenues reliably attributed to Planning and Strategy and Governance, reported in the statement of comprehensive income by major Departmental service relate to the period 1 July 2011 to 30 April 2012.

Budgeted departmental service revenue (controlled) of \$22,511,000, was reallocated to the Department of State Development, Infrastructure and Planning, \$1,830,000 to the Department of Housing and Public Works and \$9,000 to the Department of Agriculture, Fisheries and Forestry.

(ab) Insurance

The Department's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, the Department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

(ac) Services received free of charge or for nominal value

Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and an expense.

(ad) Contributed equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes are adjusted to contributed equity in accordance with Interpretation 1038 *Contributions by Owners made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

(ae) Taxation

The Department is a state body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth Government taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the Department. GST credits receivable from, and GST payable to the ATO, are recognised (refer to note 19).

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

(ae) Taxation (continued)

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a receivable (refer to note 19).

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

In accordance with the requirements of the National Tax Equivalents Regime (NTER) for the 2011 comparative year, those entities controlled by the Department who are listed on the NTER entity register pay an income tax equivalent to Queensland Treasury and Trade. Southern Regional Water Pipeline Company Pty Ltd is the only consolidated entity currently registered for the NTER.

Prior Year Comparative

A commercialised business unit, Property Services Group is required to recognise all expenses to which it would be subject if it operated within the private sector. Accordingly, expense equivalents of land tax, stamp duty and local authority rates and charges are recognised and accrued.

An arrangement exists between the Property Services Group and Queensland Treasury and Trade whereby an amount equal to the current and previous year's tax equivalent expense can be used by the Property Services Group for approved projects.

Tax equivalent expense comprises current and deferred tax. Tax equivalent expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax equivalent is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax equivalents are accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax equivalent will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax equivalents are calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax equivalents are credited in the statement of comprehensive income except where they relate to items that may be credited directly to equity, in which case the deferred tax equivalents are adjusted directly against equity.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the business unit will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(af) Issuance of financial statements

The financial statements are authorised for issue by the Director-General and Chief Finance Officer at the date of signing the Management Certificate.

(ag) Accounting estimates and judgements

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Further estimates and assumptions that have a potential significant effect are outlined in the valuation of property, plant and equipment (refer note 23) and in provisions (refer note 26).

The Commonwealth Government passed its Clean Energy Act in November 2011 with a start date of 1 July 2012. The legislation will result in the introduction of a price on carbon emissions made by Australian businesses from 1 July 2012.

The flexible market-based price phase of the carbon pricing mechanism will commence on 1 July 2015. It will be preceded by a three-year period during which the price of permits will be fixed at \$23 per tonne or carbon dioxide equivalent in year one, \$24.15 in year two and \$25.40 in year three.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

(ag) Accounting estimates and judgements (continued)

Section 4.3.4 of Queensland Treasury and Trade's report on 'Carbon Price Impacts for Queensland' dated August 2011 indicates that, for non-residential construction activities, costs may increase by between 0.7 per cent and 0.8 per cent over the period 2012–13 to 2015–16.

On this basis and other information available, the introduction of the carbon pricing mechanism is not expected to have a significant impact on the Department's critical accounting estimates, assumptions and management judgements.

(ah) Rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or where the amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

The balance movements between the comparative year within the parent and consolidated entity are largely as a result of the machinery-of-government change effective 1 March 2011 which transferred the Coordinator-General function to the then named Department of Employment, Economic Development and Innovation.

The balance of movements between the current year and comparative year are largely as a result of the machinery-of-government change effective 1 May 2012 which transferred the Planning (excluding Building Codes Queensland) and Strategy and Governance function to the Department of State Development, Infrastructure and Planning and Building Codes Queensland to the Department of Housing and Public Works, refer note 1(aa).

(ai) New and revised accounting standards

The Department did not voluntarily change any of its accounting policies during 2011–12. No Australian accounting standard or interpretation issued or amended and effective for the first time in the 2011–12 financial year had a significant impact on the Department's financial statements.

AASB 2010-4—*Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 and AASB 134 and Interpretation 13]* became effective from reporting periods beginning on or after 1 January 2011. Given the Department's existing financial instruments, there was only a minor impact on the Department's financial instruments (note 33), in relation to disclosures about credit risk. That note no longer needs to disclose amounts that best represent the maximum exposure to credit risk where the carrying amount of the instruments already reflects this. As this was the case with all the Department's receivables as at 30 June 2012 (and as at 30 June 2011), receivables are not included in the credit risk disclosure in this year's financial statements.

As the Department held no collateral or other credit enhancements in respect of its financial instruments, and did not renegotiate the terms of any financial assets during the reporting periods presented in these financial statements, there were no other changes required to the Department's financial instruments note arising from the amendments to AASB 7 *Financial Instruments, Disclosures*.

AASB 1054—*Australian Additional Disclosures* became effective from reporting periods beginning on or after 1 July 2011. Given the Department's previous disclosure practices, AASB 1054 had minimal impact on the Department. One of the footnotes to note 15 Other expenses, regarding audit fees, has been slightly amended to identify the Department's auditor and clarify the nature of the work performed by the auditor.

AASB 2011-1—*Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 and AASB 134 and Interpretations 2, 112 and 113]* also became effective from reporting periods beginning on or after 1 July 2011. The only potential implication for the Department from this amended standard was the deletion from AASB101 *Presentation of Financial Statements* of the requirement for disclosure of commitments. However, Queensland Treasury and Trade's Financial Reporting Requirements require continuation of commitments disclosures, so this deletion from AASB101 has no impact on the Department's commitments note (note 31).

Department's Financial Reporting Requirements require continuation of commitments disclosures, so this deletion from AASB 101 has no impact on the Department's commitments (note 31).

The Department is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury and Trade. Consequently, the Department has not applied any Australian accounting standards or Interpretations that have been issued but are not yet effective. The Department will apply these standards and interpretations in accordance with their respective commencement dates.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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(ai) New and revised accounting standards (continued)

At the date of authorisation of the financial report, the only significant impacts of new or amended Australian accounting standards with future commencement dates are set out below.

AASB 2011-9—*Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 and 1049] applies as from reporting periods beginning on or after 1 July 2012. The only impact for the Department will be that, in the Statement of comprehensive income, items within the “Other comprehensive income” section will need to be presented in different sub-sections, according to whether or not they are subsequently re-classifiable to the operating result. Whether subsequent re-classification is possible depends on the requirements or criteria in the accounting standard/interpretation that relates to the item concerned.

AASB 13—*Fair Value Measurement* applies from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of “fair value”, as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Department's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used, and financial statement disclosures made in respect of, such assets and liabilities.

The Department has commenced reviewing its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to determine whether those methodologies comply with AASB 13. To the extent that the methodologies don't comply, changes will be necessary. While the Department is yet to complete this review, no significant changes are anticipated, based on the fair value methodologies presently used. Therefore, at this stage, no consequential material impacts are expected for the Department's property, plant and equipment as from 2013–14.

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurement for an asset or liability uses data that is not “observable” outside the Department, the amount of information to be disclosed will be greater again.

AASB 9—*Financial Instruments* (December 2010) and AASB 2010-7—*Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 and 1038 and *Interpretations* 2, 5, 10, 12, 19 and 127] become effective from reporting periods beginning on or after 1 January 2013. The main impacts of these standards on the Department are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model with the objective to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Department has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the Department's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the Department enters into, it is not expected that any of the Department's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2013–14 financial statements, all of the Department's financial assets are expected to be required to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in notes 1(u) and 33. The same classification will be used for net gains/losses recognised in the statement of comprehensive income in respect of those financial assets. In the case of the Department's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

In respect of this change, the 2013–14 financial statements will need to disclose a comparison between the previous measurement classification and carrying amount as at 30 June 2013 and the new classification and fair value amount as at 1 July 2013. AASB 9 allows an entity to make an irrevocable election, at the date of initial recognition, to present in “other comprehensive income” subsequent changes in the fair value of such an asset. Queensland Treasury and Trade is currently considering mandating this accounting treatment when AASB 9 becomes effective.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

(ai) New and Revised Accounting Standards (continued)

Changed disclosure requirements will apply once AASB 9 becomes effective. A number of one-off disclosures will be required in the 2013–14 financial statements to explain the impact of adopting AASB 9.

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2013:

- AASB 10—*Consolidated Financial Statements*
- AASB 11—*Joint Arrangements*
- AASB 12—*Disclosure of Interests in Other Entities*
- AASB 127—(revised) *Separate Financial Statements*
- AASB 128—(revised) *Investments in Associates and Joint Ventures*
- AASB 2011 -7—*Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 and 1038 and Interpretations 5, 9, 16 and 17].*

These standards cannot be applied by not-for-profit entities prior to their effective date, as the AASB is presently considering modifying them for application by not-for-profit entities in an Australian context. Any such modifications are likely to clarify how the AASB's principles should be applied by not-for-profit entities. Hence, the Department is not yet in a position to reliably determine the future implications of these new and revised standards for the Department's financial statements.

AASB 10 redefines and clarifies the concept of control of another entity, which is the basis for determining which entities should be consolidated into an entity's financial statements. Therefore, subject to any not-for-profit modifications yet to be made to AASB 10, the Department will need to re-assess the nature of its relationships with other entities, including entities that aren't currently consolidated.

AASB 11 deals with the concept of joint control, and sets out new principles for determining the type of joint arrangement that exists—which, in turn, dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Subject to any not-for-profit modifications yet to be made to AASB 11, the Department will need to assess the nature of any arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11.

AASB 12 contains a wide range of new disclosure requirements in respect of interests in other entities, whether those entities are controlled entities, associates, joint arrangements, or structured entities that aren't consolidated. The volume and nature of disclosures that the Department will be required to make as from its 2013–14 financial statements will depend on the Department's eventual assessment of the implications of the new and revised standards listed above, particularly AASB 10, AASB 11 and AASB 128.

A revised version of AASB 119—*Employee Benefits* applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively. Given the Department's circumstances, the only implications for the Department are that the revised standard clarifies the concept of "termination benefits", and the recognition criteria for liabilities for termination benefits will be different. If termination benefits meet the timeframe criterion for "short-term employee benefits", they will be measured according to the AASB 119 requirements for "short-term employee benefits". Otherwise, termination benefits will need to be measured according to the AASB 119 requirements for "other long-term employee benefits". Under the revised standard, the recognition and measurement of employer obligations for "other long-term employee benefits" will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 includes changed criteria for accounting for employee benefits as "short-term employee benefits". However, as the Department is a member of the Queensland Government central schemes for annual leave and long service leave, this change in criterion has no impact on the Department's financial statements, as the employer liability is held by the central scheme. The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. The Department only contributes to the QSuper defined benefit plan, and the corresponding QSuper employer benefit obligation is held by the Queensland Government. Therefore, those changes to AASB 119 will have no impact on the Department.

AASB 1053—*Application of Tiers of Australian Accounting Standards* applies as from reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements - Australian Accounting Standards (commonly referred to as "tier one") and Australian Accounting Standards-Reduced Disclosure Requirements (commonly referred to as "tier two"). Tier one requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the tier one and tier two requirements is that tier two requires fewer disclosures than tier one.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

(ai) New and revised accounting standards (continued)

Details of which disclosures in standards and interpretations are not required under tier two reporting are set out in amending standards AASB 2010-2, AASB 2011-6, AASB 2011-11 (which also apply for reporting periods beginning on or after 1 July 2013). However, Queensland Treasury and Trade's Financial Reporting Requirements effectively do not allow application of AASB 2011-6 in respect of controlled entities, associates or interest in jointly controlled entities.

Pursuant to AASB 1053, public sector entities like the Department of Local Government may adopt tier two requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the tier 1 requirements. In the case of the Department of Local Government, Queensland Treasury and Trade is the regulator. Queensland Treasury and Trade has advised that its policy decision is to require adoption of tier one reporting by all Queensland Government departments (including the Department of Local Government) and statutory bodies that are consolidated into the whole-of-government financial statements. Queensland Treasury and Trade's policy also prohibits the early adoption of the arrangements outlined in AASB 1053 and its accompanying amending standards. Therefore, the release of AASB 1053 and associated amending standards will have no impact on the Department of Local Government.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to the Department, or have no material impact on the Department.

(aj) Loss of control

Upon the loss of control of a controlled entity, the Department derecognises the assets and liabilities of the controlled entity. Any surplus or deficit arising from the loss of control is recognised in profit or loss.

Department of Local Government
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| | Parent 2012 \$'000 | Parent 2011 \$'000 |
|--|--------------------------|--------------------------|
| 2. Reconciliation of payments from consolidated fund to Departmental services revenue recognised in statement of comprehensive income | | |
| Budgeted Departmental services appropriation | 663,312 | 649,788 |
| Transfers to Department of Employment, Economic Development and Innovation | - | (22,335) |
| Transfers to Department of State Development, Infrastructure and Planning | (34,356) | - |
| Transfers to Department of Housing and Public Works | (1,505) | - |
| Transfers to Department of Agriculture, Fisheries and Forestry | (9) | - |
| Treasurer's transfers | (153,911) | 15,090 |
| Lapsed Departmental services appropriation | (37,586) | - |
| Unforeseen expenditure | - | 86,193 |
| Total Departmental services receipts | 435,945 | 728,736 |
| Less: Opening balance of Departmental services revenue receivable | (1,495) | (1,302) |
| Plus: Closing balance of output revenue receivable | 94 | 1,495 |
| Departmental services revenue recognised in statement of comprehensive income | 434,544 | 728,929 |
| Reconciliation of payments from consolidated fund to equity adjustment recognised in contributed equity | | |
| Budgeted equity adjustment appropriation | 2,880 | 116,412 |
| Transfers to Department of Employment, Economic Development and Innovation | - | (115,132) |
| Treasurer's transfers | 27,769 | 16,853 |
| Equity adjustment receipts (payments) | 30,649 | 18,133 |

| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|-------------------------|--------------------------|--------------------------------|--------------------------|
| 3. Sales revenue | | | |
| Land | - | 33,805 | 33,805 |
| Total | - | 33,805 | 33,805 |

The decrease in sales revenue is a result of the March 2011 machinery of government changes as outlined in note 1(b).

| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|-------------------------|--------------------------|--------------------------------|--------------------------|
| 4. Cost of sales | | | |
| Land | - | 10,559 | 10,559 |
| Total | - | 10,559 | 10,559 |

The decrease in cost of sales is a result of the March 2011 machinery of government changes as outlined in note 1(b).

| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|------------------------|--------------------------|--------------------------------|--------------------------|
| 5. User charges | | | |
| Event revenue | - | 661 | 661 |
| Professional services | 690 | 6,245 | 7,498 |
| Rent revenue | - | 12,438 | 12,438 |
| Other | 12 | 23 | 23 |
| Total | 702 | 19,367 | 20,620 |

The decrease in user charges is a result of the March 2011 machinery of government changes as outlined in note 1(b).

| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|--|--------------------------|--------------------------------|--------------------------|
| 6. Grants and other contributions | | | |
| Grants—Commonwealth | 775 | 3,655 | 3,655 |
| Grants—Queensland Government departments | 2,896 | 3,453 | 3,453 |
| Grants—other | 714 | 249 | 249 |
| Contributed assets | - | 572 | 572 |
| Sponsorships | - | 74 | 74 |
| Goods and services received below fair value | - | 63 | 63 |
| Total | 4,385 | 8,066 | 8,066 |

The decrease in grants and other contributions is a result of the reduction in funding due to the March 2011 machinery of government changes as outlined in note 1(b). In addition, flood mitigation funding for \$1.7M was received in advance in the 2011 financial year this, resulted in an increase to Commonwealth grants for the comparative year.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|--------------------------------------|--------------------------|--------------------------------|--------------------------|
| 7. Other revenues | | | |
| Grant refunds from prior year | 4,836 | 2,712 | 2,712 |
| Interest | 116 | 7,541 | 6,827 |
| Penalty and interest on sale of land | - | 1,743 | 1,743 |
| Statutory licences | 2,090 | 2,045 | 2,045 |
| Sundry | 151 | 401 | 214 |
| Total | 7,193 | 14,442 | 13,541 |

The decrease in other revenues is mainly attributed to the decrease in Interest and penalty and interest on sale of land due to the March 2011 machinery of government changes as outlined in note 1(b).

8. Gains

| | | | |
|-------------------------------------|----------|---------------|-----------|
| Gain on sale of buildings | - | 6 | 6 |
| Gain on sale of plant and equipment | - | 16 | 16 |
| Gain on transfer of other assets | - | 47,494 | - |
| Total | - | 47,516 | 22 |

For the 2011 comparative year the gain on transfer of other assets is due to differences between the value of assets recognised by the controlled entities transferred, via transfer of shares under machinery-of-government transfer to the former Department of Employment, Economic Development and Innovation, and the carrying value of such assets on consolidation. This difference was attributable to interest on borrowings that was capitalised to the assets by the controlled entities and expensed on consolidation. There were no gains on sale or transfer of assets for the Department in the 2012 year.

9. Employee expenses

Employee benefits

| | | | |
|---|--------|--------|--------|
| Annual leave levy * | 5,049 | 7,741 | 7,801 |
| Employer superannuation contributions * | 5,570 | 7,812 | 7,893 |
| Long service leave levy * | 954 | 1,339 | 1,353 |
| Other employee benefits | 5,000 | 144 | 144 |
| Wages and salaries | 39,616 | 55,899 | 56,614 |

Employee related expenses

| | | | |
|---------------------------------|---------------|---------------|---------------|
| Fringe benefits tax * | 309 | 302 | 302 |
| Payroll tax * | 2,760 | 3,390 | 3,418 |
| Workers compensation premium * | 54 | 108 | 108 |
| Other employee related expenses | 656 | 870 | 873 |
| Total | 59,968 | 77,605 | 78,506 |

* Refer to note 1(v)

| | Parent 2012 | Consolidated 2011 | Parent 2011 |
|---|----------------|----------------------|----------------|
| The number of employees including both full-time and part-time employees measured on a full-time equivalent basis is: | | | |
| Number of employees: | 120 | 590 | 590 |

The overall decrease in employee expenses is due to the reduction in employee numbers as a result of the 2011 and 2012 machinery of government changes as outlined in note 1(b)

Department of Local Government
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| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|----------------------------------|--------------------------|--------------------------------|--------------------------|
| 10. Supplies and services | | | |
| Building services | 5,200 | 7,350 | 7,504 |
| Computer operating costs | 4,695 | 4,992 | 4,995 |
| Consultants and contractors | 10,611 | 24,627 | 24,390 |
| Corporate services | 2,933 | 3,651 | 3,550 |
| Marketing and public relations | 1,204 | 2,424 | 2,426 |
| Minor plant and equipment | 235 | 523 | 523 |
| Minor works | 63 | 503 | 503 |
| Motor vehicles expense | 662 | 966 | 974 |
| Project development costs | - | 14,627 | 14,627 |
| Repairs and maintenance | 45 | 921 | 921 |
| Supplies and consumables | 637 | 1,170 | 993 |
| Telecommunications | 657 | 1,399 | 1,409 |
| Travel | 995 | 1,631 | 1,637 |
| Other | 684 | 1,084 | 1,078 |
| Total | 28,621 | 65,868 | 65,530 |

The overall decrease in supplies and services is due to the 2011 and 2012 machinery of government changes as outlined in note 1(b).

11. Grants and subsidies

| | | | |
|------------------------------------|----------------|----------------|----------------|
| Charities and community groups | 5,388 | 18,641 | 18,641 |
| Commonwealth Government recipients | 561 | 433 | 433 |
| Contributions | 1,023 | 445 | 445 |
| Local authorities | 347,627 | 596,678 | 596,678 |
| Other State Governments | - | 208 | 208 |
| Private enterprise and industry | 980 | 440 | 440 |
| Queensland Government departments | 72 | 22,774 | 22,774 |
| Statutory bodies | 1,700 | 2,006 | 2,006 |
| Total | 357,351 | 641,625 | 641,625 |

The overall decrease in grants and subsidies is primarily due to the transfer of the Natural Disaster Relief and Recovery Arrangements function to the Queensland Reconstruction Authority and the carry-over of funding for the Local Grants and Subsidies Program to 2012-13.

12. Depreciation and amortisation

| | | | |
|--|--------------|--------------|--------------|
| Depreciation and amortisation were incurred in respect of: | | | |
| Buildings | - | 2,096 | 2,096 |
| Infrastructure | 1,025 | 1,025 | 1,025 |
| Plant and equipment | 769 | 1,109 | 1,109 |
| Software internally generated | 559 | 661 | 661 |
| Software purchased | - | 20 | 20 |
| Total | 2,353 | 4,911 | 4,911 |

The decrease in depreciation and amortisation is due to asset transfers associated with the 2011 and 2012 machinery of government changes as outlined in note 1(b) and 1(p).

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|--|--------------------------|--------------------------------|--------------------------|
| 13. Impairment losses | | | |
| Plant and equipment | - | 800 | 800 |
| Software internally generated | 3,053 | - | - |
| Impairment losses on trade receivables | - | 3 | 3 |
| Total | 3,053 | 803 | 803 |

The increase in impairment loss is directly attributed to the impairment of the development application and Interface modules as part of the Smart Electronic Data Application asset. *AASB 136 Impairment of Assets* requires the assessment and impairment of an asset when its carrying amount exceeds the higher of fair value less costs to sell (i.e. net selling price) and depreciated replacement cost. The asset was assessed by management and considered impaired due to both technical obsolescence and a change in business focus resulting in the foreseeable diminished use of the asset.

14. Revaluation decrement

| | | | |
|-----------------------|----------|-----------|-----------|
| Heritage and cultural | - | 45 | 45 |
| Total | - | 45 | 45 |

15. Other expenses

| | | | |
|---|---------------|---------------|---------------|
| Bad debts written off | - | 1 | 1 |
| Transfer of non-current physical assets to local councils | 18,272 | 11,892 | 11,892 |
| External audit fees * | 201 | 227 | 211 |
| Insurance premiums ** | 47 | 121 | 83 |
| Losses from disposal of property, plant and equipment | 177 | 137 | 137 |
| Losses from disposal of intangibles | - | 545 | 545 |
| Taxes -land, rates and stamp duty | - | 10,900 | 10,900 |
| Special payments: | | | |
| Ex-gratia payments | - | 388 | 388 |
| Total | 18,697 | 24,211 | 24,157 |

* Total audit fees paid to the Queensland Audit Office relating to the 2011-12 financial year are estimated to be \$260,500. There are no non-audit services included in this amount.

** Certain losses of public property are insured by the Queensland Government Insurance Fund (QGIF). No claims were made upon QGIF during 2011-12.

The decrease in other expenses is mainly due to the decrease in taxes - land, rates and stamp duty paid in 2011 by the Property Services Group which was transferred out of the Department in March 2011 to the Department of Employment, Economic Development and Innovation.

16. Borrowing costs

| | | | |
|--------------|----------|---------------|----------|
| Interest | - | 26,110 | - |
| Total | - | 26,110 | - |

The decrease of borrowing costs from 2011 relates to the borrowing costs associated with controlled entities Southern Region Water Pipeline and Queensland Water Infrastructure Pty Ltd which were transferred in February 2011 to the Department of Employment, Economic Development and Innovation. There were no borrowing costs recorded for the Department in 2012.

Department of Local Government
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for the year ended 30 June 2012

| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|---|--------------------------|--------------------------------|--------------------------|
| 17. Income tax equivalent | | | |
| Income tax equivalent expense (benefit) | | | |
| Operating result before income tax equivalents subject to NTER | - | (7,851) | (8,013) |
| Prima facie tax at 30% | - | (2,404) | (2,404) |
| Income tax equivalent expense (benefit) | - | (2,404) | (2,404) |
| Income tax equivalent expense comprises | | | |
| Current income tax equivalent expense | - | 1,685 | 1,685 |
| (Increase)/decrease in deferred tax asset | - | 195 | 195 |
| Increase/(decrease) in deferred tax liability | - | (4,284) | (4,284) |
| Income tax equivalent expense (benefit) | - | (2,404) | (2,404) |
| Current income tax equivalent liability | | | |
| Balance at the beginning of the year | - | 4,466 | 4,494 |
| Income tax equivalent paid | - | (4,124) | (4,152) |
| Current year's income tax equivalent expense/(revenue) on operating result from continuing operations | - | 1,685 | 1,685 |
| Transfer through restructure | - | (1,685) | (1,685) |
| Adjustment for prior period | - | (342) | (342) |
| Balance at the end of the year | - | - | - |
| Deferred tax equivalent liability | | | |
| Balance at the beginning of the year | - | 93,672 | 93,561 |
| Current year's income tax equivalent expense/(revenue) on operating result from continuing operations | - | (4,284) | (4,284) |
| Items charged or credited direct to equity | - | (556) | (556) |
| Transfer through restructure | - | (88,832) | (88,721) |
| Balance at the end of the year | - | - | - |
| Deferred tax liability comprises | | | |
| Interest receivable | - | - | - |
| Accrued income | - | - | - |
| Deferred income tax related to items charged or credited directly to equity: | | | |
| Land revaluations | - | - | - |
| Balance at the end of the year | - | - | - |

Department of Local Government
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for the year ended 30 June 2012

| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|---|--------------------------|--------------------------------|--------------------------|
| 17. Income tax equivalent (continued) | | | |
| Deferred tax equivalent asset | | | |
| Balance at the beginning of the year | - | 5,029 | 4,867 |
| Current year's income tax equivalent expense/(revenue) on profit from ordinary activities | - | (195) | (195) |
| Transfer through restructure | - | (4,492) | (4,330) |
| Adjustment for prior period | - | (342) | (342) |
| Balance at the end of the year | - | - | - |
| Deferred tax equivalent asset comprises | | | |
| Allowance for impairment of receivables | - | - | - |
| Superannuation | - | - | - |
| Accrued expenses | - | - | - |
| Accrued audit fees | - | - | - |
| Accounting depreciation | - | - | - |
| Building accumulated impairment/devaluation | - | - | - |
| Carried forward tax losses | - | - | - |
| Balance at the end of the year | - | - | - |

As a result of March 2011 machinery-of-government changes the Department transferred control of the Property Services Group and Southern Regional Water Pipeline Company Pty Ltd registered for National Tax Equivalents Regime (NTER). There were no entities controlled by the Department in 2011–12 financial year.

18. Cash and cash equivalents

| | | | |
|--------------------------|--------------|---------------|---------------|
| Cash at bank and on hand | 2,969 | 44,888 | 44,888 |
| Imprest accounts | 4 | 5 | 5 |
| Total | 2,973 | 44,893 | 44,893 |

The decrease in cash and cash equivalents is due to the decrease in funding as a result of the 2011 and 2012 machinery-of-government changes outlined in note 1(aa) relating to the transfer out of significant divisions.

Cash at bank earned interest at rates between 3.26% and 3.98% (2010-11: 3.84% and 3.96%)

19. Receivables

| | | | |
|-----------------------------------|---------------|---------------|---------------|
| Current | | | |
| Trade debtors | 16,354 | 9,541 | 9,541 |
| Less: allowance for impairment | (4) | (4) | (4) |
| | 16,350 | 9,537 | 9,537 |
| GST receivable | 1,247 | 11,077 | 11,077 |
| GST payable | - | (1,772) | (1,772) |
| | 1,247 | 9,305 | 9,305 |
| Annual leave reimbursements | 1,128 | 960 | 960 |
| Departmental services revenue | 94 | 1,495 | 1,495 |
| Interest receivable | 22 | 50 | 50 |
| Loans and advances | 1,103 | 189 | 189 |
| Long service leave reimbursements | 158 | 137 | 137 |
| Other | 8 | 21 | 21 |
| Total | 20,110 | 21,694 | 21,694 |

The overall decrease in Receivables is due to the decrease in GST receivable and payable in addition to the decrease in Departmental services revenue as a result of the March 2011 and 2012 machinery of government changes as outlined in note 1(b). This decrease was offset by an increase in trade debtors which was a result of recoveries for May and June 2012 incurred by the Planning and Strategy and Governance Divisions paid by the Department and subsequently recovered from the Department of State Development Infrastructure and Planning and the Department of Housing and Public Works.

Department of Local Government
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for the year ended 30 June 2012

| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|------------------------------------|--------------------------|--------------------------------|--------------------------|
| 19. Receivables (continued) | | | |
| Non-current | | | |
| Loans and advances | 12,800 | 13,903 | 13,903 |
| Total | 12,800 | 13,903 | 13,903 |

Movements in the allowance for impairment of debtors

| | | | |
|---|------------|------------|------------|
| Balance at the beginning of the year | (4) | (542) | (402) |
| Amounts written off during the year | - | 1 | 1 |
| (Increase)/decrease in allowance recognised in profit or loss | - | (3) | (3) |
| Transfer on restructure | - | 540 | 400 |
| Balance at the end of the year | (4) | (4) | (4) |

20. Inventories

Current

| | | | |
|----------------------|----------|---------------|---------------|
| Land held for resale | - | 19,115 | 19,115 |
| Total | - | 19,115 | 19,115 |

Aggregate carrying amount of inventories

| | | | |
|--|----------|---------------|---------------|
| - Cost of inventory expected to be sold within 12 months | - | 3,795 | 3,795 |
| - Cost of inventory expected to be sold later than 12 months | - | 15,320 | 15,320 |
| Total | - | 19,115 | 19,115 |

Land inventory was transferred to the Department of State Development Infrastructure and Planning as part of the May 2012 machinery of government changes as outlined on note 1(b) and 1(aa).

21. Other assets

Current

| | | | |
|--------------|----------|------------|------------|
| Prepayments | 4 | 584 | 584 |
| Total | 4 | 584 | 584 |

The decrease in other assets is due to the decrease in prepayments as a result of the 2011 and 2012 machinery of government changes as outlined in note 1(b) and 1 (aa).

Department of Local Government
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for the year ended 30 June 2012

| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|--------------------------------|--------------------------|--------------------------------|--------------------------|
| 22. Intangible assets | | | |
| Software internally generated | - | 6,815 | 6,815 |
| Less: Accumulated amortisation | - | (1,735) | (1,735) |
| | - | 5,080 | 5,080 |
| Software under development | - | 354 | 354 |
| Total | - | 5,434 | 5,434 |

Intangible assets were transferred to the Department of State Development Infrastructure and Planning and Department of Housing and Public Works as part of the May 2012 machinery of government changes as outlined on note 1(b) and 1(aa).

Department of Local Government
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22. Intangibles assets (continued)

2012 - Parent

| | Software internally generated \$'000 | Software under development \$'000 | Total \$'000 |
|--|--|---|-----------------|
| Carrying amount at 1 July 2011 | 5,080 | 354 | 5,434 |
| Acquisitions | - | 703 | 703 |
| Disposals | - | - | - |
| Impairment losses recognised in operating deficit | (3,053) | - | (3,053) |
| Disposals through restructure (note 1(aa)) | (1,786) | (739) | (2,525) |
| Transfers between classes | 318 | (318) | - |
| Amortisation | (559) | - | (559) |
| Carrying amount at 30 June 2012 | - | - | - |

2011 - Consolidated and Parent

| | Easements | | Goodwill | | Software internally generated | | Software purchased | | Software under development | | Total | |
|--|------------------|------------------|------------------|------------------|----------------------------------|------------------|--------------------|------------------|-------------------------------|------------------|------------------|------------------|
| | Consol \$'000 | Parent \$'000 | Consol \$'000 | Parent \$'000 | Consol \$'000 | Parent \$'000 | Consol \$'000 | Parent \$'000 | Consol \$'000 | Parent \$'000 | Consol \$'000 | Parent \$'000 |
| Carrying amount at 1 July 2010 | 415 | 415 | 1,172 | - | 4,917 | 4,917 | 107 | 107 | 176 | 176 | 6,787 | 5,615 |
| Acquisitions | 2,093 | 2,093 | - | - | - | - | - | - | 1,512 | 1,512 | 3,605 | 3,605 |
| Disposals | - | - | - | - | (545) | (545) | - | - | - | - | (545) | (545) |
| Disposals through restructure | (2,508) | (2,508) | (1,172) | - | (171) | (171) | (87) | (87) | - | - | (3,938) | (2,766) |
| Transfers between classes | - | - | - | - | 1,540 | 1,540 | - | - | (1,334) | (1,334) | 206 | 206 |
| Amortisation | - | - | - | - | (661) | (661) | (20) | (20) | - | - | (681) | (681) |
| Carrying amount at 30 June 2011 | - | - | - | - | 5,080 | 5,080 | - | - | 354 | 354 | 5,434 | 5,434 |

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|--|--------------------------|--------------------------------|--------------------------|
| 23. Property, plant and equipment | | | |
| Buildings | | | |
| At fair value | - | 16,244 | 16,244 |
| Less: Accumulated depreciation | - | (16,244) | (16,244) |
| | - | - | - |
| Infrastructure | | | |
| At fair value | 57,186 | 57,187 | 57,187 |
| Less: Accumulated depreciation | (15,483) | (14,458) | (14,458) |
| | 41,703 | 42,729 | 42,729 |
| Heritage and cultural | | | |
| At fair value | - | 3,302 | 3,302 |
| Less: Accumulated depreciation | - | (2,597) | (2,597) |
| | - | 705 | 705 |
| Plant and equipment | | | |
| At cost | 1,231 | 11,153 | 11,153 |
| Less: Accumulated depreciation | (306) | (2,358) | (2,358) |
| Less: Accumulated impairment losses | - | (800) | (800) |
| | 925 | 7,995 | 7,995 |
| Capital work in progress | | | |
| At cost | 19,443 | 8,807 | 8,807 |
| Total | 62,071 | 60,236 | 60,236 |

Infrastructure assets were independently valued in 2010–11 by SunWater. The valuation undertaken determined the fair value of the assets as represented by depreciated current replacement cost, taking into consideration the remote location in which these assets are situated. In determining replacement cost, reference was made to maps, drawings and other reports as available to substantiate units, size and quantities of components and a unit rate was applied. The unit rate was determined with reference to industry standards as applied to similar assets in similar locations.

As per Treasury non-current asset policy, management assessed infrastructure asset values to determine the fair value of the Infrastructure asset class for 2012. Management considered the Office of Economic and Statistical Research (OESR) Engineering construction, Queensland as the most appropriate index to represent the fair value of the infrastructure assets. The indices calculation resulted in less than 1% movement, therefore the asset value changes were considered immaterial, on this basis management did not proceed with the revaluation which is allowed under the Treasury non-current asset policy.

The Department has control over seven land assets located in four Far North Queensland indigenous reserves. The fair value of each land asset is estimated to be \$1 due to its location and circumstances around the Department's limited control of the assets. The land assets are used by the department to house infrastructure assets used by indigenous communities.

Buildings, heritage and cultural assets were transferred out to the Department of State Development, Infrastructure and Planning as part of the 2011 machinery-of-government changes outlined in note 1(b) and 1(aa).

Some plant and equipment assets were transferred out to the Department of State Development, Infrastructure and Planning and Department of Housing and Public Works as part of the 2011 machinery-of-government changes outlined in note 1(b) and 1(aa).

No assets have been pledged as security for any liabilities by the Department of Local Government.

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23. Property, plant and equipment (continued)

2012 - Parent

| | Infrastructure \$'000 | Heritage and cultural \$'000 | Plant and equipment \$'000 | Capital work in progress \$'000 | Total \$'000 |
|---|--------------------------|---------------------------------|-------------------------------|------------------------------------|-----------------|
| Carrying amount at 1 July 2011 | 42,729 | 705 | 7,995 | 8,807 | 60,236 |
| Acquisitions | - | - | 78 | 29,587 | 29,665 |
| Acquisitions through restructure | - | - | - | - | - |
| Acquisitions through donation/below fair value | - | - | - | - | - |
| Disposals | - | - | (177) | - | (177) |
| Disposal through restructure (note 1(aa)) | - | (705) | (6,375) | (506) | (7,586) |
| Disposal through donation/below fair value | (18,272) | - | - | - | (18,272) |
| Transfers (to)/from inventory | - | - | - | - | - |
| Transfers between classes | 18,272 | - | 173 | (18,445) | - |
| Revaluation increments/(decrements) (note 28) | - | - | - | - | - |
| Revaluation increments /(decrements) taken to statement of comprehensive income | - | - | - | - | - |
| Depreciation | (1,025) | - | (769) | - | (1,794) |
| Impairment losses recognised in operating surplus | - | - | - | - | - |
| Carrying amount at 30 June 2012 | 41,703 | - | 925 | 19,443 | 62,071 |

2011 - Consolidated and Parent

| | Land | | Buildings | | Infrastructure | | Heritage and cultural | | Plant and equipment | | Capital work in progress | | Total | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|-----------------------|------------------|---------------------|------------------|--------------------------|------------------|------------------|------------------|
| | Consol \$'000 | Parent \$'000 | Consol \$'000 | Parent \$'000 | Consol \$'000 | Parent \$'000 | Consol \$'000 | Parent \$'000 | Consol \$'000 | Parent \$'000 | Consol \$'000 | Parent \$'000 | Consol \$'000 | Parent \$'000 |
| Carrying amount at 1 July 2010 | 798,658 | 794,797 | 111,121 | 111,121 | 43,754 | 43,754 | - | - | 11,151 | 11,151 | 437,346 | 11,237 | 1,402,030 | 972,060 |
| Acquisitions | 15,938 | 13,462 | 612 | 612 | - | - | - | - | 201 | 201 | 225,130 | 11,402 | 241,881 | 25,677 |
| Acquisitions through restructure | - | - | 750 | 750 | - | - | - | - | - | - | - | - | 750 | 750 |
| Acquisitions through donation/below fair value | - | - | - | - | - | - | - | - | 572 | 572 | - | - | 572 | 572 |
| Disposals | (17,769) | (17,768) | (351) | (351) | - | - | - | - | (46) | (46) | - | - | (18,166) | (18,165) |
| Disposal through restructure | (790,488) | (784,151) | (109,286) | (109,286) | - | - | - | - | (2,613) | (2,613) | (640,932) | (1,095) | (1,543,319) | (897,145) |
| Disposal through donation/below fair value | - | - | - | - | (11,892) | (11,892) | - | - | - | - | - | - | (11,892) | (11,892) |
| Transfers from other Departments | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers (to)/from inventory | (4,485) | (4,485) | - | - | - | - | - | - | - | - | - | - | (4,485) | (4,485) |
| Transfers between classes | - | - | (750) | (750) | 11,892 | 11,892 | 750 | 750 | 639 | 639 | (12,737) | (12,737) | (206) | (206) |
| Transfers to assets held for sale | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Revaluation increments/(decrements) (note 28) | (1,854) | (1,855) | - | - | - | - | - | - | - | - | - | - | (1,854) | (1,855) |
| Revaluation decrements taken to statement of comprehensive income | - | - | - | - | - | - | (45) | (45) | - | - | - | - | (45) | (45) |
| Depreciation | - | - | (2,096) | (2,096) | (1,025) | (1,025) | - | - | (1,109) | (1,109) | - | - | (4,230) | (4,230) |
| surplus | - | - | - | - | - | - | - | - | (800) | (800) | - | - | (800) | (800) |
| Carrying amount at 30 June 2011 | - | - | - | - | 42,729 | 42,729 | 705 | 705 | 7,995 | 7,995 | 8,807 | 8,807 | 60,236 | 60,236 |

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|---------------------|--------------------------|--------------------------------|--------------------------|
| 24. Payables | | | |
| Grants payable | - | 45,536 | 45,536 |
| Trade creditors | 9,382 | 7,124 | 7,124 |
| Other | 350 | 253 | 253 |
| Total | 9,732 | 52,913 | 52,913 |

The decrease in payables is due to the reduction in grants payable which was the result of a grants accrual of \$45m at 30 June 2011 related to Natural Disaster Relief and Recovery Arrangement (NDRRA) grants, this funding has been transferred to Queensland Reconstruction Authority for the 2012 financial year. The Increase in trade creditors is the result of recoveries for May and June 2012 necessary to recover costs incurred by the Planning and Strategy and Governance Divisions paid by the Department and subsequently recovered from the Department of State Development, Infrastructure and Planning and the Department of Housing and Public Works.

25. Accrued employee benefits

| | | | |
|-------------------------------------|--------------|--------------|--------------|
| Wages and related costs outstanding | - | 1,844 | 1,844 |
| Annual leave levy payable | 1,425 | 1,497 | 1,497 |
| Long service leave levy payable | 258 | 261 | 261 |
| Total | 1,683 | 3,602 | 3,602 |

The overall decrease in accrued employee benefits is due to the reduction in employee numbers over the 2011 and 2012 year as a result of the 2011 machinery-of-government transfer out as outlined in note 1(b).

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|--|--------------------------|--------------------------------|--------------------------|
| 26. Provisions | | | |
| Current | | | |
| Land and easement acquisition claims | - | - | - |
| Taxes—land, rates and stamp duty | - | - | - |
| Other | - | - | - |
| Total | - | - | - |
| Non-current | | | |
| Land and easement acquisition claims | - | - | - |
| Total | - | - | - |
| Movement in provisions | | | |
| <i>Land and easement acquisition claims</i> | | | |
| Current | | | |
| Balance 1 July | - | 10,185 | 10,185 |
| Additional provision recognised | - | 8,791 | 8,791 |
| Restatement of provision | - | 7,243 | 7,243 |
| Reduction in provision as a result of payments | - | (2,557) | (2,557) |
| Reclassification from non-current provision | - | (1,655) | (1,655) |
| Transfer on restructure | - | (22,007) | (22,007) |
| Balance 30 June | - | - | - |
| Non-current | | | |
| Balance 1 July | - | 65 | 65 |
| Additional provision recognised | - | 8,583 | 8,583 |
| Restatement of provision | - | 1,819 | 1,819 |
| Reclassification to current provision | - | 1,655 | 1,655 |
| Transfer on restructure | - | (12,122) | (12,122) |
| Balance 30 June | - | - | - |

Provision for land and easement acquisition claims

The Department acquired land and easements through compulsory acquisition in accordance with the *Acquisition of Land Act 1967* using the Coordinator-General's powers as contained in the *State Development and Public Works Organisation Act 1971*. Compensation is payable for land and easements acquired in accordance with this legislation when agreement is reached between the land owner and the Coordinator-General through the execution of a section 15 Compensation Agreement. Prior to the execution of the section 15 Compensation Agreement the Department recognises a provision to account for compensation it expects to pay for all land resumptions and easement rights acquired.

The Coordinator-General function was transferred in March 2011 to the Department of Employment, Economic Development and Innovation as a result of machinery-of-government changes as outlined in note 1(b). There were no provisions recorded for the Department in the 2012 financial year.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|--|--------------------------|--------------------------------|--------------------------|
| 26. Provisions (continued) | | | |
| <i>Taxes—land, rates and stamp duty</i> | | | |
| Balance 1 July | - | 15,930 | 15,945 |
| Additional provision recognised | - | 10,860 | 10,900 |
| Reduction in provision as a result of payments | - | (15,930) | (15,945) |
| Transfer on restructure | - | (10,860) | (10,900) |
| Balance 30 June | - | - | - |

Provision for taxes

The Property Services Group is required under the Queensland Treasury's Commercialisation of Government Service Functions in the Queensland Policy Framework to recognise tax equivalents for stamp duty, land tax and local government rates. Calculation and recognition of tax equivalents ensures that the Property Services Group is not advantaged relative to its private sector counterparts. Payments are required to be made to the Queensland Government's consolidated fund and are determined on a self assessment basis giving proper regard to current rates and charges applicable.

This function was transferred in 2011 to the Department of Employment, Economic Development and Innovation as a result of machinery-of-government changes as outline in note 1 (b). There were no provisions recorded for the Department in the 2012 financial year.

27. Other liabilities

Current

| | | | |
|------------------|----------|--------------|--------------|
| Unearned revenue | - | 1,279 | 1,279 |
| Deposits held | - | 9 | 9 |
| Total | - | 1,288 | 1,288 |

The 2011 unearned revenue amount was for the payment of long-term licences (1 to 5 years) collected by Building Codes Queensland which was part of the Planning Division and transferred out under the May 2012 machinery-of-government changes to the Department of Housing and Public Works as outlined in note 1 (b).

28. Asset revaluation surplus—Land

| | | | |
|--|---------------|---------------|---------------|
| Opening balance | 18,303 | 235,132 | 235,133 |
| Revaluation increments/(decrements) | - | (1,854) | (1,855) |
| Tax equivalent effect of revaluation | - | 556 | 556 |
| Transfer revaluation surplus to accumulated surplus—assets sold | - | (9,564) | (9,564) |
| Transfer revaluation surplus to accumulated surplus—assets transferred | - | (205,967) | (205,967) |
| Closing balance | 18,303 | 18,303 | 18,303 |

The land revaluation reserve is attributable to land value increments in prior years. Notwithstanding the department does not currently hold land that has been revalued, the reserve will remain available for future land value decrements.

The Department did not own land relevant to revaluation assessment as at 30 June 2012.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

| | Parent 2012 \$'000 | Consolidated 2011 \$'000 | Parent 2011 \$'000 |
|---|--------------------------|--------------------------------|--------------------------|
| 29. Reconciliation of operating surplus to net cash provided from (used in) operating activities | | | |
| Operating surplus/(deficit) | (23,219) | 2,792 | (18,749) |
| Depreciation expense | 2,395 | 4,911 | 4,911 |
| Impairment losses | 3,053 | 804 | 804 |
| Contributed assets | - | (572) | (572) |
| Goods and services received below fair value | - | (63) | (63) |
| Transfer of non-current physical asset to local council | 18,272 | 11,892 | 11,892 |
| Net (gain)/loss on sale of property, plant and equipment | 177 | 114 | 114 |
| Net (gain)/loss on sale of intangibles | - | 545 | 545 |
| Net (gain)/loss on transfer of assets | - | (47,494) | - |
| Revaluation decrements | - | 45 | 45 |
| Borrowing costs | - | 26,110 | - |
| Capitalised interest income | - | (52) | (52) |
| Change in assets and liabilities | | | |
| (Increase)/decrease in Departmental services revenue receivable | 1,401 | (193) | (193) |
| (Increase)/decrease in receivables | (8,660) | (13,835) | (12,923) |
| (Increase)/decrease in GST input tax credits receivable | (8,058) | (2,819) | (4,814) |
| (Increase)/decrease in ALCS and LSL reimbursement receivables | (189) | (475) | (475) |
| (Increase)/decrease in inventories | 19,115 | (18,189) | (18,189) |
| (Increase)/decrease in prepayments | 581 | (3,838) | (3,864) |
| (Increase)/decrease in security deposits | - | 7,298 | 3,068 |
| (Increase)/decrease in deferred tax assets | - | 537 | 537 |
| Increase/(decrease) in provision for taxes | - | 10,876 | 10,900 |
| Increase/(decrease) in accounts payable | (48,745) | 52,406 | 52,899 |
| Increase/(decrease) in other liabilities | (9) | (691) | (687) |
| Increase/(decrease) in accrued employee benefits | (1,843) | (471) | (173) |
| Increase/(decrease) in income tax equivalent payable | - | 1,372 | 1,344 |
| Increase/(decrease) in deferred tax liability | - | (4,285) | (4,285) |
| Increase/(decrease) in unearned revenue | (1,278) | (271) | (271) |
| Increase/(decrease) in GST payable | 1,717 | (54) | 1,414 |
| Increase/(decrease) in land and easement acquisition claims | - | 2,051 | 2,051 |
| Increase/(decrease) in ALCS and LSL levy payable | (75) | 409 | 409 |
| Net cash provided from (used in) operating activities | (45,365) | 28,860 | 25,623 |

30. Non-cash financing and investing activities

Assets and liabilities received and/or paid by the Department as a result of machinery-of-government changes are set out in note 1(aa).

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

| | Parent | Consolidated | Parent |
|--|--------|--------------|--------|
| | 2012 | 2011 | 2011 |
| | \$'000 | \$'000 | \$'000 |

31. Commitments for expenditure

(a) Non-cancellable operating leases

Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

| | | | |
|---|--------------|--------------|--------------|
| Not later than one year | 1,016 | 1,082 | 1,082 |
| Later than one year and not later than five years | 1,059 | 4,310 | 4,310 |
| Later than five years | - | 2,064 | 2,064 |
| Total | 2,075 | 7,456 | 7,456 |

Operating leases are entered into as a means of acquiring access to office accommodation, motor vehicles and car park space. In relation to office accommodation, lease payments are generally fixed, but renewal options and escalation clauses exist. The lease commitment amounts do not include the value of the options. No operating leases contain restrictions on financing or other leasing activities.

During the 2012 year \$4,419,148 (2010-11: \$6,189,164) was recognised by the Department as an expense in the statement of comprehensive income in respect of operating leases.

(b) Capital expenditure commitments

Land acquisitions and improvements, and other capital commitments, inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

| | | | |
|---|---------------|--------------|--------------|
| Not later than one year | 21,596 | 6,539 | 6,539 |
| Later than one year and not later than five years | - | 1,103 | 1,103 |
| Total | 21,596 | 7,642 | 7,642 |

(c) Grants and subsidies commitments

As at 30 June 2012, approval has been given to various guarantees in accordance with formal agreements to pay the following grants and subsidies inclusive of anticipated GST provided certain criteria are met:

| | | | |
|---|----------------|----------------|----------------|
| Not later than one year | 118,655 | 905,154 | 905,154 |
| Later than one year and not later than five years | 17,087 | 29,671 | 29,671 |
| Total | 135,742 | 934,825 | 934,825 |

The above commitments for grants and subsidies expenditure are allocated to the following categories:

| | | | |
|----------------------------------|----------------|----------------|----------------|
| Charities and community groups | 7,780 | 7,065 | 7,065 |
| Local authorities | 127,962 | 923,347 | 923,347 |
| Private enterprise | - | 4,400 | 4,400 |
| Queensland Government recipients | - | 13 | 13 |
| Statutory bodies | - | - | - |
| Total | 135,742 | 934,825 | 934,825 |

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

| | Parent | Consolidated | Parent |
|--|--------|--------------|--------|
| | 2012 | 2011 | 2011 |
| | \$'000 | \$'000 | \$'000 |

31. Commitments for expenditure (continued)

(d) Other expenditure commitments

Other expenditure committed at the end of the period but not recognised in the accounts are as follows:

| | | | |
|---|------------|--------------|--------------|
| Not later than one year | 357 | 8,092 | 8,092 |
| Later than one year and not later than five years | - | 57 | 57 |
| Total | 357 | 8,149 | 8,149 |

32. Contingencies

(a) Litigation in progress

At 30 June 2012, no instances of litigation have been filed in the courts against the Department of Local Government.

(b) Native title claims

As at 30 June 2012, no determinations affecting the Department of Local Government in relation to native title claims have been made by the National Native Title Tribunal.

(c) Guarantees and undertakings

The Department holds five bank guarantees totalling \$0.389 million as security for the performance and satisfaction of construction contracts. Where the conditions of the contract agreements have not been satisfied the Department is entitled to draw on these guarantees. These guarantees are not recognised on the Statement of Financial Position.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

33. Financial instruments

(a) Categorisation of financial instruments

The Department has the following categories of financial assets and financial liabilities:

| Category | Notes | Parent | Consolidated | Parent |
|---|-------|---------------|---------------|---------------|
| | | 2012 | 2011 | 2011 |
| | | \$'000 | \$'000 | \$'000 |
| Financial assets | | | | |
| Cash and cash equivalents | 18 | 2,973 | 44,893 | 44,893 |
| Receivables | 19 | 32,910 | 35,597 | 35,597 |
| Total | | 35,883 | 80,490 | 80,490 |
| Financial liabilities | | | | |
| Financial liabilities measured at amortised cost: | | | | |
| Payables | 24 | 9,732 | 52,913 | 52,913 |
| Other liabilities—Deposits held | 27 | - | 9 | 9 |
| Total | | 9,732 | 52,922 | 52,922 |

(b) Financial risk management

The Department's activities expose it to a variety of financial risks—interest rate risk, credit risk, liquidity risk and market risk.

Financial risk management is implemented pursuant to State Government and Departmental policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Department.

All financial risk of the parent entity is managed by Finance and Business Services Division, under policies approved by the Department. The Department provides written principles for overall risk management, as well as policies covering specific areas.

The Department measures risk exposure using a variety of methods as follows:

| Risk exposure | Measurement method |
|----------------|------------------------------------|
| Credit risk | Ageing analysis, earnings at risk |
| Liquidity risk | Sensitivity analysis |
| Market risk | Interest rate sensitivity analysis |

(c) Credit risk exposure

Credit risk exposure refers to the situation where the Department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

Department of Local Government
Notes to and forming part of the financial statements
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33. Financial instruments (continued)

(c) Credit risk exposure (continued)

The following table represents the Department's maximum exposure to credit risk based on contractual amounts net of any allowances:

Maximum exposure to credit risk

| Category | Notes | Parent | Consolidated | Parent |
|---------------------------|-------|---------------|---------------|---------------|
| | | 2012 | 2011 | 2011 |
| | | \$'000 | \$'000 | \$'000 |
| Financial assets | | | | |
| Cash and cash equivalents | 18 | 2,973 | 44,893 | 44,893 |
| Loans and receivables | 19 | 32,910 | 35,597 | 35,597 |
| Total | | 35,883 | 80,490 | 80,490 |

Financial assets

The carrying amount of receivables represents the maximum exposure to credit risk.

No collateral is held as security and no credit enhancements relate to financial assets held by the Department.

The Department manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the Department invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

No financial assets and financial liabilities have been offset and presented net in the statement of financial position.

The method for calculating any allowance for impairment is based on past experience, current and expected changes in economic conditions and changes in client credit ratings. The main factors affecting the current calculation for provisions are disclosed below as loss events. These economic and geographic changes form part of the Department's documented risk analysis assessment in conjunction with historic experience and associated industry data.

Aging of past due but not impaired as well as impaired financial assets are disclosed in the following tables:

2012 Financial assets past due but not impaired—Parent

| Financial assets | Overdue | | | | Total |
|------------------|-------------------|------------|------------|-------------------|-----------|
| | Less than 30 days | 30–60 days | 61–90 days | More than 90 days | |
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| Receivables | 4 | - | 1 | 5 | 10 |
| Total | 4 | - | 1 | 5 | 10 |

2011 Financial assets past due but not impaired—Consolidated

| Financial assets | Overdue | | | | Total |
|------------------|-------------------|------------|------------|-------------------|--------------|
| | Less than 30 days | 30–60 days | 61–90 days | More than 90 days | |
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| Receivables | 3,421 | 1 | 11 | 17 | 3,450 |
| Total | 3,421 | 1 | 11 | 17 | 3,450 |

2011 Financial assets past due but not impaired—Parent

| Financial assets | Overdue | | | | Total |
|------------------|-------------------|------------|------------|-------------------|--------------|
| | Less than 30 days | 30–60 days | 61–90 days | More than 90 days | |
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| Receivables | 3,421 | 1 | 11 | 17 | 3,450 |
| Total | 3,421 | 1 | 11 | 17 | 3,450 |

2012 Individually impaired financial assets—Parent

| Financial assets | Overdue | | | | Total |
|--------------------------|-------------------|------------|------------|-------------------|----------|
| | Less than 30 days | 30–60 days | 61–90 days | More than 90 days | |
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| Receivables (gross) | 4 | - | 1 | 5 | 10 |
| Allowance for impairment | - | - | - | (4) | (4) |
| Total | 4 | - | 1 | 1 | 6 |

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for the year ended 30 June 2012

33. Financial instruments (continued)

(c) Credit risk exposure (continued)

2011 Individually impaired financial assets—Consolidated

| | Overdue | | | | Total \$'000 |
|--------------------------|----------------------|------------|------------|----------------------|-----------------|
| | Less than 30 days | 30–60 days | 61–90 days | More than 90 days | |
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial assets | | | | | |
| Receivables (gross) | - | - | - | 4 | 4 |
| Allowance for impairment | - | - | - | (4) | (4) |
| Total | - | - | - | - | - |

2011 Individually impaired financial assets—Parent

| | Overdue | | | | Total \$'000 |
|--------------------------|----------------------|------------|------------|----------------------|-----------------|
| | Less than 30 days | 30–60 days | 61–90 days | More than 90 days | |
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial assets | | | | | |
| Receivables (gross) | - | - | - | 4 | 4 |
| Allowance for impairment | - | - | - | (4) | (4) |
| Total | - | - | - | - | - |

(d) Liquidity risk

Liquidity risk refers to the situation where the Department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Department is exposed to liquidity risk in respect of its payables and previously thoughts borrowings from Queensland Treasury Corporation for capital works. The borrowings are based on the Queensland Government gazetted floating rate.

The Department manages liquidity risk through use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the Department has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

The following table sets out the liquidity risk of financial liabilities held by the Department. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date. The undiscounted cash flows in these tables differ from the amounts included in the statement of financial position that are based on discounted cash flows.

| Category | Notes | 2012 payable in | | | Total \$'000 |
|---------------------------------|-------|-----------------|-----------|-----------|-----------------|
| | | <1 year | 1–5 years | > 5 years | |
| | | \$'000 | \$'000 | \$'000 | |
| Financial liabilities | | | | | |
| Payables | 24 | 9,732 | - | - | 9,732 |
| Other liabilities—Deposits held | 27 | - | - | - | - |
| Total | | 9,732 | - | - | 9,732 |

| Category | Notes | 2011 Consolidated payable in | | | Total \$'000 |
|---------------------------------|-------|------------------------------|-----------|-----------|-----------------|
| | | <1 year | 1–5 years | > 5 years | |
| | | \$'000 | \$'000 | \$'000 | |
| Financial liabilities | | | | | |
| Payables | 24 | 52,913 | - | - | 52,913 |
| Other liabilities—deposits held | 27 | 9 | - | - | 9 |
| Total | | 52,922 | - | - | 52,922 |

| Category | Notes | 2011 Parent payable in | | | Total \$'000 |
|---------------------------------|-------|------------------------|-----------|-----------|-----------------|
| | | <1 year | 1–5 years | > 5 years | |
| | | \$'000 | \$'000 | \$'000 | |
| Financial liabilities | | | | | |
| Payables | 24 | 52,913 | - | - | 52,913 |
| Other liabilities—deposits held | 27 | 9 | - | - | 9 |
| Total | | 52,922 | - | - | 52,922 |

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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33. Financial instruments (continued)

(e) Market risk

The Department and its controlled entities do not trade in foreign currency and are not materially exposed to commodity price changes. The Department is exposed to interest rate risk through its borrowings from Queensland Treasury Corporation and cash deposited in interest bearing accounts. The Department does not undertake any hedging in relation to interest risk and manages its risk as per the Liquidity Risk Management Strategy.

(f) Interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome on net income if interest rates would change by +/- 1% from the year-end rates applicable to the Department's financial assets and liabilities. It assumes that the rate would be held constant over the financial year, with the change occurring at the beginning of the financial year. The impact on the surplus and equity is detailed below:

| Financial instruments | Carrying amount | 2012 interest rate risk | | | |
|--|-----------------|-------------------------|-------------|-----------|-----------|
| | | - 1% | | + 1% | |
| | | Profit | Equity | Profit | Equity |
| Cash | 2,682 | (44) | (44) | 19 | 19 |
| Overall effect on profit and equity | 2,682 | (44) | (44) | 19 | 19 |

| Financial instruments | Carrying amount | 2011 Consolidated interest rate risk | | | |
|--|-----------------|--------------------------------------|-------------|-----------|-----------|
| | | - 1% | | + 1% | |
| | | Profit | Equity | Profit | Equity |
| Cash | 3,546 | (57) | (57) | 74 | 74 |
| Overall effect on profit and equity | 3,546 | (57) | (57) | 74 | 74 |

| Financial instruments | Carrying amount | 2011 Parent interest rate risk | | | |
|--|-----------------|--------------------------------|-------------|-----------|-----------|
| | | - 1% | | + 1% | |
| | | Profit | Equity | Profit | Equity |
| Cash | 3,546 | (57) | (57) | 74 | 74 |
| Overall effect on profit and equity | 3,546 | (57) | (57) | 74 | 74 |

(g) Fair value

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making these measurements:

| Hierarchy level | Input measurement |
|-----------------|---|
| 1 | Fair values that reflect unadjusted quoted prices in active markets for identical assets/liabilities |
| 2 | Fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted prices) |
| 3 | Fair values that are derived from data not observable in a market. |

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

According to the above hierarchy, the fair values of each class of asset/liability recognised at fair value are as follows:

| Class | Classification according to fair value hierarchy | | | 2012 Total Carrying Amount \$'000 |
|------------------------------|--|-------------------|-------------------|--------------------------------------|
| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | |
| Financial Assets | | | | |
| Cash and cash equivalents | 2,973 | - | - | 2,973 |
| Receivables | - | 32,910 | - | 32,910 |
| Total | 2,973 | 32,910 | - | 35,883 |
| Financial Liabilities | | | | |
| Payables | - | 9,732 | - | 9,732 |
| Total | - | 9,732 | - | 9,732 |

Department of Local Government
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34. Key executive management personnel and remuneration

(a) Key executive management personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the agency during 2011-12. Further information on these positions can be found in the body of the annual report under the section relating to executive management.

Key executive management personnel 2011-12

| Position | Responsibility | Current Incumbents | |
|--|--|--|---|
| | | Contract classification and appointment authority | Date appointed to position (Date resigned from position) |
| Director-General | The Director-General is responsible for the efficient, effective and economic administration of the agency. | CEOPAY/ <i>Public Service Act 2008</i> (section 122) | Role established 31 January 2011. |
| Chief Executive Officer - Growth Management Queensland | The CEO is responsible for leading Growth Management Queensland's agenda and delivery of its key priorities. | CEOPAY/ <i>Public Service Act 2008</i> (section 122) | Current incumbent appointed 4 April 2011. Position transferred to the Department of State Development Infrastructure and Planning 1 May 2012. |
| Government Planner | The Government Planner is responsible for the coordination, leadership and provision of strategic advice to Government in relation to State, regional and local planning and building standards. | SES4/ <i>Public Service Act 2008</i> | Current incumbent appointed 7 July 2008. Position transferred to the Department of State Development Infrastructure and Planning 1 May 2012. |
| Associate Director General | The Associate Director-General leads the Office of Local Government and has responsibility for shaping the relationship between the state and local governments. | CEOPAY/ <i>Public Service Act 2008</i> (section 122) | Current incumbent appointed 12 June 2009. |
| Deputy Director-General | The Deputy Director-General leads the Strategy and Governance arm to support our workforce in delivering on our objectives. | SES4/ <i>Public Service Act 2008</i> | Current incumbent appointed 28 July 2008 position transferred to the Department of State Development Infrastructure and Planning 1 May 2012. |

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34. Key executive management personnel and remuneration (continued)

(a) Key executive management personnel 2010-11

| Position | Responsibility | Current Incumbents | |
|--|--|---|--|
| | | Contract classification and appointment authority | Date appointed to position (Date resigned from position) |
| Coordinator-General and Director-General | The Coordinator-General is responsible for encouraging development and job opportunities through the delivery of critical infrastructure throughout Queensland | CEOPAY/ <i>State Development and Public Works Organisation Act 1971</i> | Incumbent appointed 31 January 2011. Position transferred to DEEDI 1 March 2011. |
| Chief Executive Officer - Growth Management Queensland | The chief executive officer is responsible for leading Growth Management Queensland's agenda and delivery of its key priorities. | CEOPAY/ <i>Public Service Act 2008</i> (section 122) | Current incumbent appointed 4 April 2011. |
| Government Planner | The Government Planner is responsible for the coordination, leadership and provision of strategic advice to Government in relation to State, regional and local planning and building standards. | SES4/ <i>Public Service Act 2008</i> | Current incumbent appointed 7 July 2008. |
| Associate Director General | The Associate Director-General leads the Office of Local Government and has responsibility for shaping the relationship between the state and local governments. | CEOPAY/ <i>Public Service Act 2008</i> (section 122) | Current incumbent appointed 12 June 2009. |
| Deputy Director-General | The Deputy Director-General leads the Strategy and Governance arm to support our workforce in delivering on our objectives. | SES4/ <i>Public Service Act 2008</i> | Current incumbent appointed 28 July 2008. |
| Deputy Coordinator-General | The Deputy Coordinator-General lead the Infrastructure Delivery function, responsible for coordinating and delivering key strategic infrastructure supporting infrastructure and economic development. | SES4/ <i>State Development and Public Works Organisation Act 1971</i> | Incumbent appointed 24 July 2008. Position transferred to DEEDI 1 March 2011. |
| Deputy Coordinator-General | The Deputy Coordinator-General lead the Infrastructure and Economic Development function, responsible for planning, identification and coordination of infrastructure projects and industrial and community infrastructure and land development. | SES4/ <i>State Development and Public Works Organisation Act 1971</i> | Incumbent appointed 22 May 2008. Position transferred to DEEDI 1 March 2011. |

(b) Remuneration

The remuneration policy for the agency's key executive management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts. The contracts provide for the provision of performance-related cash bonuses and other benefits including motor vehicles.

For the 2011-12 year, remuneration of key executive management personnel increased by 2.5% in accordance with government policy.

Remuneration packages for key executive management personnel comprise the following components:

- Short-term employee benefits which include:
 - Base - consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the statement of comprehensive income.
 - Non-monetary benefits - consisting of provision of vehicle and car parking benefits together with fringe benefits tax applicable to the benefit.
- Long-term employee benefits include long service leave accrued
- Post employment benefits include superannuation contributions.
- Redundancy payments are not provided for within individual contracts of employment, however termination payments may be included (separation payment for early termination or non-renewal). Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

34. Key executive management personnel and remuneration (continued)

(b) Remuneration 1 July 2011 - 30 June 2012

| Position | Short-term employee benefits | | Long-term employee benefits | Post employment benefits | Termination benefits | Total |
|------------------------------------|------------------------------|-----------------------|-----------------------------|--------------------------|----------------------|--------------|
| | Base | Non-monetary benefits | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Director-General | 171 | 16 | 3 | 18 | - | 209 |
| Acting/Director-General | 127 | 4 | 3 | 14 | - | 147 |
| Chief Executive Officer GMQ | 72 | 1 | 1 | 8 | - | 83 |
| Acting/Chief Executive Officer GMQ | 56 | 1 | 1 | 6 | - | 63 |
| Government Planner | 146 | 5 | 3 | 19 | - | 173 |
| Acting/Government Planner | 9 | 0 | 0 | 1 | - | 10 |
| Associate Director General | 306 | 25 | 6 | 38 | - | 375 |
| Acting/Associate Director General | 43 | 1 | 1 | 6 | - | 50 |
| Deputy Director-General | 103 | 14 | 2 | 11 | - | 130 |
| Total | 1,032 | 68 | 20 | 120 | - | 1,241 |

Remuneration is disclosed for the substantive position and also a summary of payments made to those employees relieving in the substantive position. The sum of the substantive and the relieving amounts can differ to remuneration attributable to the role due to leave without pay and unplanned absences.

(b) Remuneration 1 July 2010 - 30 June 2011

| Position | Short-term employee benefits | | Long-term employee benefits | Post employment benefits | Termination benefits | Total |
|--|------------------------------|-----------------------|-----------------------------|--------------------------|----------------------|--------------|
| | Base | Non-monetary benefits | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Coordinator-General and Director-General | 162 | 11 | 3 | 21 | 68 | 265 |
| Director-General | 88 | 4 | 2 | 10 | - | 104 |
| Coordinator-General | 39 | - | 1 | 3 | - | 43 |
| Chief Executive Officer | 258 | 12 | 5 | 31 | 2 | 308 |
| Government Planner | 224 | - | 4 | 24 | - | 252 |
| Associate Director General | 322 | 16 | 6 | 40 | - | 384 |
| Deputy Director-General | 210 | 19 | 4 | 26 | - | 259 |
| Deputy Coordinator-General | 155 | 4 | 3 | 16 | 4 | 182 |
| Deputy Coordinator-General | 135 | 14 | 3 | 16 | - | 168 |
| Total | 1,593 | 80 | 31 | 187 | 74 | 1,965 |

Department of Local Government
Notes to and forming part of the financial statements
for the year ended 30 June 2012

| | Parent 2012 \$'000 | Parent 2011 \$'000 |
|--|--------------------------|--------------------------|
| 35. Reconciliation of payments from consolidated fund to administered revenue | | |
| Budgeted appropriation | 416,547 | 451,040 |
| Treasurer's transfers | 126,142 | (31,943) |
| Total administered Departmental services receipts | 542,689 | 419,097 |
| Less: Opening balance of administered Departmental services revenue receivable | - | (362) |
| Plus: Closing balance of administered Departmental services revenue receivable | - | - |
| Administered item appropriation recognised (refer Note 35) | 542,689 | 418,735 |
| 36. Schedule of administered items | | |
| <i>Administered grants and subsidies were made to the following entities:</i> | | |
| Local government authorities | 542,689 | 416,234 |
| Urban Land Development Authority | - | 2,500 |
| Total | 542,689 | 418,734 |

Department of Local Government
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

36. Schedule of administered items (continued)

| | Local Government | | Planning | | Infrastructure Delivery | | Total | |
|--|------------------|----------------|----------------|----------------|-------------------------|----------------|------------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| Administered income | | | | | | | | |
| <i>Revenue</i> | | | | | | | | |
| Administered item appropriation | 542,689 | 416,235 | - | - | - | 2,500 | 542,689 | 418,735 |
| Grants and other contributions | 541,997 | 415,589 | - | - | - | - | 541,997 | 415,589 |
| Taxes, fees and fines | 317 | 313 | 137 | 103 | - | 700 | 454 | 1,116 |
| Total administered income | 1,085,003 | 832,137 | 137 | 103 | - | 3,200 | 1,085,140 | 835,440 |
| Administered expenses | | | | | | | | |
| Grants and subsidies | 542,689 | 416,234 | - | - | - | 2,500 | 542,689 | 418,734 |
| Special payments | - | 2 | - | - | - | - | - | 2 |
| Total administered expenses | 542,689 | 416,236 | - | - | - | 2,500 | 542,689 | 418,736 |
| Administered assets | | | | | | | | |
| <i>Current</i> | | | | | | | | |
| Cash | - | 6 | 47 | 8 | - | - | 47 | 14 |
| Receivables | - | - | - | - | - | - | - | - |
| Total administered assets | - | 6 | 47 | 8 | - | - | 47 | 14 |
| Administered liabilities | | | | | | | | |
| <i>Current</i> | | | | | | | | |
| Bank overdraft | - | - | - | - | - | - | - | - |
| Payables | - | 6 | 30 | - | - | - | 30 | 6 |
| Transfers to Government payable | - | - | 3 | 8 | - | - | 3 | 8 |
| Total administered liabilities | - | 6 | 34 | 8 | - | - | 34 | 14 |
| Transfers to Government of taxes, fees, fines and Commonwealth grants | 542,314 | 415,900 | 151 | 87 | - | 700 | 542,465 | 416,687 |

37. Events occurring after balance date

There are no material events occurring after balance date to report.

Management Certificate

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009*, and other prescribed requirements. In accordance with Section 62(1)(b) of the Act we certify that in our opinion:

- (a) the prescribed requirements for the establishing and keeping the accounts have been complied with in all material respects; and
- (b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Local Government for the financial year ended 30 June 2012 and of the financial position of the Department of Local Government at the end of that year.



Michael McKee CPA
Chief Finance Officer

Date 27/9/2012



Stephen Johnston B Bus MBA MELGL
A/Director-General

Date 27/9/12

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Local Government

Report on the Financial Report

I have audited the accompanying financial report of the Department of Local Government, which comprises the statement of financial position and statement of assets and liabilities by major departmental services as at 30 June 2012, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental services for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certificates given by the Acting Director-General and the Chief Finance Officer.

The Accountable Officer's Responsibility for the Financial Report

The Accountable Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Accountable Officer's responsibility also includes such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Accountable Officer, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009*:

- (a) I have received all the information and explanations which I have required
- (b) in my opinion:
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department of Local Government for the financial year 1 July 2011 to 30 June 2012 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of the Department of Local Government for the year ended 30 June 2012. Where the financial report is included on the Department of Local Government's website the Accountable Officer is responsible for the integrity of the Department of Local Government's website and I have not been engaged to report on the integrity of the Department of Local Governments' website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.



A M GREAVES FCA FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane



Abbreviations

| | |
|-------|---|
| ARMC | Audit and Risk Management Committee |
| CALD | culturally and linguistically diverse |
| CBU | commercialised business unit |
| CEO | Chief Executive Officer |
| CLF | capability and leadership framework |
| COAG | Council of Australian Governments |
| DAFF | Department of Agriculture, Fisheries and Forestry |
| DEEDI | Department of Employment, Economic Development and Innovation |
| DERM | Department of Environment and Resource Management |
| DLG | Department of Local Government |
| DLGP | Department of Local Government and Planning |
| DOC | Department of Communities |
| ECQ | Electoral Commission of Queensland |
| ELT | Executive Leadership Team |
| EMG | Executive Management Group |
| FAMC | Finance and Asset Management Committee |
| FFP | Flexible Funding Program |
| ICT | Information and Communication Technology |
| IDAS | Integrated Development Assessment System |
| ISC | Information Steering Committee |
| LGAQ | Local Government Association of Queensland |
| LGCC | Local Government Change Commission |
| NDRRA | Natural Disaster Relief and Recovery Arrangements |
| OESR | Office of Economic and Statistical Research |
| PIA | Planning Institute of Australia |
| PMF | performance management framework |
| PSC | Public Service Commission |
| QAO | Queensland Audit Office |
| QRA | Queensland Reconstruction Authority |
| QTC | Queensland Treasury Corporation |
| RCRP | Regional Conduct Review Panels |
| SDS | Service Delivery Statements |
| SEQ | South East Queensland |
| ULDA | Urban Land Development Authority |



Glossary

administrative arrangements—
Administrative Arrangements Orders set out the principal responsibilities of government ministers and their portfolios.

machinery-of-government changes—
describes organisational or functional change affecting the Queensland Government. This can include decisions to abolish or create a department/agency or to move functions/ responsibilities between departments/agencies.

regional plans—operate in conjunction with other statutory planning tools, including state planning policies, local government planning schemes, state planning regulatory provisions and development assessment processes.

whole-of-government—a term used to refer to all Queensland Government departments and agencies.



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Appendices

Our legislative obligations

During the reporting year there was a change of government and, therefore, a change of ministerial responsibilities.

The Minister for Local Government, David Crisafulli, has been the minister for the Department of Local Government since 3 April 2012. The department is responsible to Parliament through the minister and is constituted under the *Administrative Arrangements Order 2012*.

The department's work is principally governed by the following legislation:

Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984 (Part 9, Div 2 and part 10).

City of Brisbane Act 2010—which is specific to Brisbane City Council and provides for its constitution and the unique nature and extent of its responsibilities and powers. The *City of Brisbane Act 2010* aligns to the requirements of the local government system provided in the *Local Government Act 2009*.

Local Government Act 2009—which provides for a system of local government in Queensland that is accountable, effective, efficient and sustainable as well as for the way in which a local government is constituted and the nature and extent of its responsibilities and powers.

Local Government Electoral Act 2011—introduced as a Bill to Parliament in June 2011 and passed as an Act in August 2011, it provides for the transparent conduct of elections of Queensland local government councillors.

Early retirement, redundancy, retrenchment and voluntary separation

Early retirement, redundancy and retrenchment

Former Department of Local Government and Planning—1 July 2011 to 28 April 2012

| Objective | Number of packages paid to employees in 2011–12 | Total value including incentive payments |
|------------------|---|--|
| Early retirement | Nil | Nil |
| Redundancy | Nil | Nil |
| Retrenchment | 1 | \$37,280.37 |

Department of Local Government—29 April 2012 to 30 June 2012

| Type | Number of packages paid to employees in 2011–12 | Total value including incentive payments |
|------------------|---|--|
| Early retirement | Nil | Nil |
| Redundancy | Nil | Nil |
| Retrenchment | Nil | Nil |



Voluntary Separation Program

Voluntary Separation Program (VSP) was introduced as part of the mid-year fiscal and economic review in January 2011. This program was one of a number of measures designed to deliver additional savings and reprioritise spending. The program was targeted primarily at non-frontline service areas, as a service reprioritisation strategy to ensure continued growth in frontline areas.

The department sought expressions of interest from permanent employees within in-scope non-frontline roles or functions and by invitation. Offers were made to eligible employees based on the criteria provided in the program

guidelines. Departmental consideration was particularly given to workload management impact, the resourcing requirements for a function and where necessary, the relative performance of employees expressing interest.

Former Department of Local Government and Planning—1 July 2011 to 28 April 2012

There were 34 employees who accepted an offer under the Voluntary Separation Program at a cost of \$6,096,467.

Department of Local Government—29 April 2012 to 30 June 2012

During this period there were no relevant programs.

Boards and committees

We administer or provide secretariat services to boards and committees with roles in providing services to, and reviewing the conduct of, local governments.

| Board / committee | Functions and responsibilities | 2011–12 achievements | Remuneration costs for 2011–12 |
|---|--|--|---|
| Queensland Local Government Grants Commission | <ul style="list-style-type: none"> • Make distribution recommendations regarding Australian Government financial assistance to local governing bodies and other matters relating to the finances of local governing bodies. • Undertake a data collection process to determine an average level of revenue and expenditure for each council, which informs annual Financial Assistance Grant recommendations. • Hold inquiries and investigate matters relating to council finances and financial assistance. | <p>Made recommendations for the allocation of \$418.2 million of the Financial Assistance Grant 2011–12 to the Minister for Local Government.</p> <p>Undertook consolidated data collection, with a 100 per cent response rate from the 59 councils required to submit a collection.</p> | <p>Total operating costs—\$48,175—of which \$11,025 was remuneration and ongoing costs.</p> |



| Board / committee | Functions and responsibilities | 2011–12 achievements | Remuneration costs for 2011–12 |
|---|---|---|---|
| <p>Local Government Remuneration and Discipline Tribunal (provided secretariat support)</p> | <p>The tribunal is an independent body responsible for deciding the remuneration that is payable to local government mayors, deputy mayors and councillors as outlined in section 183 of the <i>Local Government Act 2009</i> and in accordance with section 39 of the <i>Local Government (Operations) Regulation 2010</i>. The discipline function of the tribunal hears and determines the most serious complaints of councillor misconduct.</p> | <p>Remuneration</p> <p>As a result of the 2011 review of categories, the tribunal retained the ten categories originally established. Following the review of the categories, Somerset, Gympie and Tablelands Regional Councils, were reassigned to Category 4 from 1 January 2012. The tribunal discontinued the practice of setting remuneration ranges for each level of councillor and establish a single remuneration level for mayors, deputy mayors and councillors in each category of council, effective 1 January 2012.</p> <p>Discipline</p> <p>During 2011 the tribunal finalised eight complaints alleging serious misconduct that were referred to it. Six of these cases related to allegations of breaches of confidentiality. The remaining two related to unauthorised use of council funds. Five of these eight complaints were sustained by the tribunal.</p> | <p>\$12,694</p> <p>Remuneration</p> <p>\$9,382—costs not recoverable under the <i>Local Government Act 2009</i>.</p> <p>Discipline</p> <p>\$3,312—section 186 of the <i>Local Government Act 2009</i> allows for the recovery of costs associated with determination of discipline matters by the tribunal. Of the \$3,312 remuneration expended for the tribunal, 100 per cent was recovered from councils through the recovery process.</p> |



| Board / committee | Functions and responsibilities | 2011–12 achievements | Remuneration costs for 2011–12 |
|----------------------------------|--|---|--|
| Regional Conduct Review Panels | <p>Regional Conduct Review Panels (RCRPs) were established from 1 July 2010 as an independent mechanism responsible for hearing and deciding complaints of misconduct against councillors.</p> <p>There are 35 members appointed across five RCRPs for the state.</p> | <p>In 2011–12 the branch handled 89 complaints of misconduct lodged against councillors. Of the 89 matters lodged, 50 were referred to RCRPs for determination, with 28 of these finalised by the end of the financial year. Of the 28 matters finalised, 6 allegations of misconduct were sustained.</p> | <p>\$110,378</p> <p>Note: section 191 of the <i>Local Government Act 2009</i> allows for the recovery of costs associated with determination of discipline matters by the RCRP.</p> <p>Of the \$110,378 remuneration expended for the RCRP, 100 per cent was recovered from councils through the recovery process.</p> |
| Queensland Boundaries Commission | <p>The Commissioner will review local government de-amalgamation proposals referred by the Minister for Local Government in an open and logical way with adequate public consultation.</p> <p>De-amalgamation proposals will be assessed against a set of financial, social and economic criteria.</p> | <p>The creation of the Queensland Boundaries Commission was a key commitment of the Queensland Government's First 100 Day Action Plan.</p> <p>On 29 June 2012 Col Meng, former mayor of Mackay Regional Council, was appointed as Commissioner.</p> | <p>There are no remuneration costs for 2011–12. The Queensland Boundaries Commissioner was appointed at the end of the financial year.</p> |



Additional information disclosed on our website

- Information systems and recordkeeping
- Consultancies
- Overseas travel
- Waste management
- Recycling policy for buildings and civil infrastructure
- Carbon emissions
- Initiatives for women
- *Carers (Recognition) Act 2008*
- Aboriginal and Torres Strait Islander matters (*The Queensland Government Reconciliation Action Plan 2009–2012*)
- Queensland Multicultural Policy—*Queensland Multicultural Action Plan: 2011–14.*



Feedback

Have your say

This annual report is part of the Department of Local Government's commitment to keeping the community informed about the department's achievements, performance, outlook and financial position. Feedback on the report's content and presentation is

welcome, as well as any suggestions about improvements for future annual reports.

Please complete the feedback survey available online at www.dlg.qld.gov.au

Contact us

Department of Local Government
41 George Street, Brisbane
PO Box 15009
City East Qld 4002
tel 13 QGOV (13 7468)
info@dlg.qld.gov.au

Regional Offices

Northern Region
Townsville Office
Level 5, Central Plaza
370 Flinders Street, Townsville
PO Box 5666, Townsville Qld 4810
tel +61 7 4799 7379
fax +61 7 4760 7535

Cairns Office
Level 9, Citi Central
46-48 Sheridan Street, Cairns
PO Box 3038, Cairns Qld 4870
tel +61 7 4039 8549
fax +61 7 4039 8866

Southern Region
Bundaberg Office
Level 1, 7 Takalvan Street, Bundaberg
PO Box 979, Bundaberg Qld 4670
tel +61 7 4121 1496

Maryborough Office
319 - 325 Kent Street, Maryborough
PO Box 73, Maryborough Qld 4650
tel +61 7 4121 1496

Rockhampton Office
Level 3, 130 Victoria Parade, Rockhampton
PO Box 113, Rockhampton Qld 4700
tel +61 7 4938 6532
fax +61 7 4938 6529

Sunshine Coast Office
Level 8, Mike Ahern Government Office
Building 12 First Avenue, Maroochydore
PO Box 1129, Maroochydore Qld 4558
tel +61 7 5459 8292

Toowoomba Office
Canberra Place
123 Margaret Street, Toowoomba
PO Box 825, Toowoomba Qld 4350
tel +61 7 4616 1982

