



ANNUAL REPORT

2003 / 2004

October 2004



29 October 2004

The Hon. Bob Carr MP
Premier of NSW
Level 40
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Premier

**NATURAL RESOURCES COMMISSION
ANNUAL REPORT 2003/2004**

As required by the Annual Reports (Statutory Bodies Act) 1984, I am pleased to submit the annual report of the Natural resources Commission for the year ended 30 June 2004.

Yours sincerely,

A handwritten signature in black ink, which appears to read "Thomas G Parry". The signature is written in a cursive style with a large initial 'T'.

Thomas G Parry
Commissioner

Inquiries

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List of acronyms

CAP	Catchment Action Plan
CMA	Catchment Management Authority
NRC	Natural Resources Commission

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1 The Commissioner's Report

The Natural Resources Commission (NRC) is an important element in the new approach to natural resource management (NRM) in New South Wales. Moving away from the previous "command and control" model to one with far greater local, on-ground responsibility requires more than faith and goodwill – though these are essential. The new Catchment Management Authorities (CMAs) and the communities and interest groups with which they will work must operate within a clear framework that guides delivery and defines responsibilities. Government's role is clear (or at least it should be). It is to define the overarching policy objectives to be achieved through natural resource management activities, lay down and enforce the rules which guides delivery and defines responsibilities, and provide specific resources and support in its areas of competence.

Within the new model for NRM, the Natural Resources Commission's core role is to act as an independent adviser to government and an independent regulator of the CMAs. Our first task has been to lay down a framework for developing State-wide standards and targets for consideration and adoption by the Government that will guide the CMAs in their NRM activities.

There are many "standards" and "targets" in the key areas of NRM. What has become very clear in the first few months of the NRC's operations, is that one size does not fit all. NRM standards rarely apply in any meaningful way across catchments let alone within catchments. Furthermore, while there is a broad, high level understanding of what "standards and targets" mean, there is considerable confusion when it comes to specific implementation. Too much of the NRM debate has been caught up in the semantics of what is meant by "standards", "targets", "outcomes", "measures", "indicators" and the like.

The first months of the NRC have focused on establishing a framework for clarifying the language and developing an approach to State-wide NRM standards and targets that will work with the new institutional arrangements – particularly the pivotal delivery role of the CMAs. The NRC staff have spent considerable time meeting key stakeholder groups and working with the CMAs on a pilot process to develop State-wide standards and targets that will be relevant not only at a State-wide scale but also will be relevant at the catchment and sub-catchment level. This has been slower than many would like and has been limited by the time taken to recruit staff. However, it is essential to lay a solid foundation for the future. I am confident that the process of engagement with the CMAs will lay such a foundation.

I would like to acknowledge the tremendous support of the initial, core NRC team. Alex McMillan, Executive Director, and Liz Livingstone, Policy Manager have laid the groundwork for all the work of the NRC, and our first Assistant Commissioner, Di Bentley, has played a key role in developing and road-testing our work on standards and targets. David Goodrich has not only kept the ship afloat but helped launch it as Acting General Manager. And as is always the case with a body such as the NRC, I acknowledge the support and assistance of all the Government and interest-group stakeholders. It is essential not only to our success, but to the success of what promises to be an exciting approach to natural resource management in New South Wales.

2 Purpose and Objectives

The Natural Resources Commission was established by the *Natural Resources Commission Act 2003*. Under that Act, the NRC has the broad function of providing the Government with independent advice on natural resource management issues. It also has a number of specific functions which it is required to undertake in accordance with the Act or at the request of the Minister. These include:

- Recommend State-wide standards and targets
- Recommend the approval of Catchment Action Plans (CAPs)
- Undertake audits of those CAPs
- Gather and disseminate information
- Advise the Minister on priorities for research
- Undertake assessments/enquiries requested by the Minister.

The Government established the Natural Resources Commission as a key organisation in its natural resource management reforms. These reforms also include the establishment of a stakeholder group – the Natural Resources Advisory Council – and Catchment Management Authorities (CMAs). Under the new structure, the roles of these new bodies are complementary, but remain separate and distinct.

The Government provides policies and directives, the Advisory Council clearly articulates to Government key stakeholder positions, the NRC independently sets and audits standards and targets and acts as an independent “arbitrator”, and the regional CMAs deliver programs and outcomes on the ground. In this way, issues will be addressed through agreed and pre-determined mechanisms, making natural resource management fairer, more open and providing stakeholders and landholders with certainty and transparency.

The new Department of Infrastructure, Planning and Natural Resources, along with the newly created Department of Environment and Conservation and Department of Primary Industries, will provide integrated policy and technical expertise in natural resources management. They will work closely with other land management and natural resource management agencies to be a primary source of data and information as well as initiating and implementing the policies of Government in natural resource management.

3 Our Corporate Plan

As the Natural Resources Commission operated for the last five weeks of the reporting period only, its main focus was on establishment issues. In relation to the drafting of the NRC’s Corporate Plan, Mission and Vision Statements, no substantial progress was made in the period. This work is underway and will be completed in the 2004/2005 reporting period.

4 Our principal achievements in 2003/2004

The principal achievements for the NRC during the 2003/2004 period relate to the establishment of the NRC. The Executive Director, Alex McMillan commenced full time employment with the NRC in late May at which time he commenced recruiting to fill the required analyst positions. A program manager, team support officer and several contract staff were brought on board to commence the process of implementing the functions of the NRC whilst the recruitment process was undertaken.

In addition to the set up and recruitment focus, the NRC has also successfully secured office space utilising the services of the Department of Commerce to negotiate the lease. Furthermore, designers were appointed to complete the layout of the office space. The fit-out commenced late in the period with a completion due toward the end of September 2004, in time to accommodate the full complement of staff being recruited.

Obviously the short timeframe of the NRC's existence during the reporting period impacted upon the extent to which the operational objectives could be met.

5 Key performance indicators

Due to the short timeframe that the NRC has been operational, KPIs are under development and will be completed in the 2004-05 reporting period.

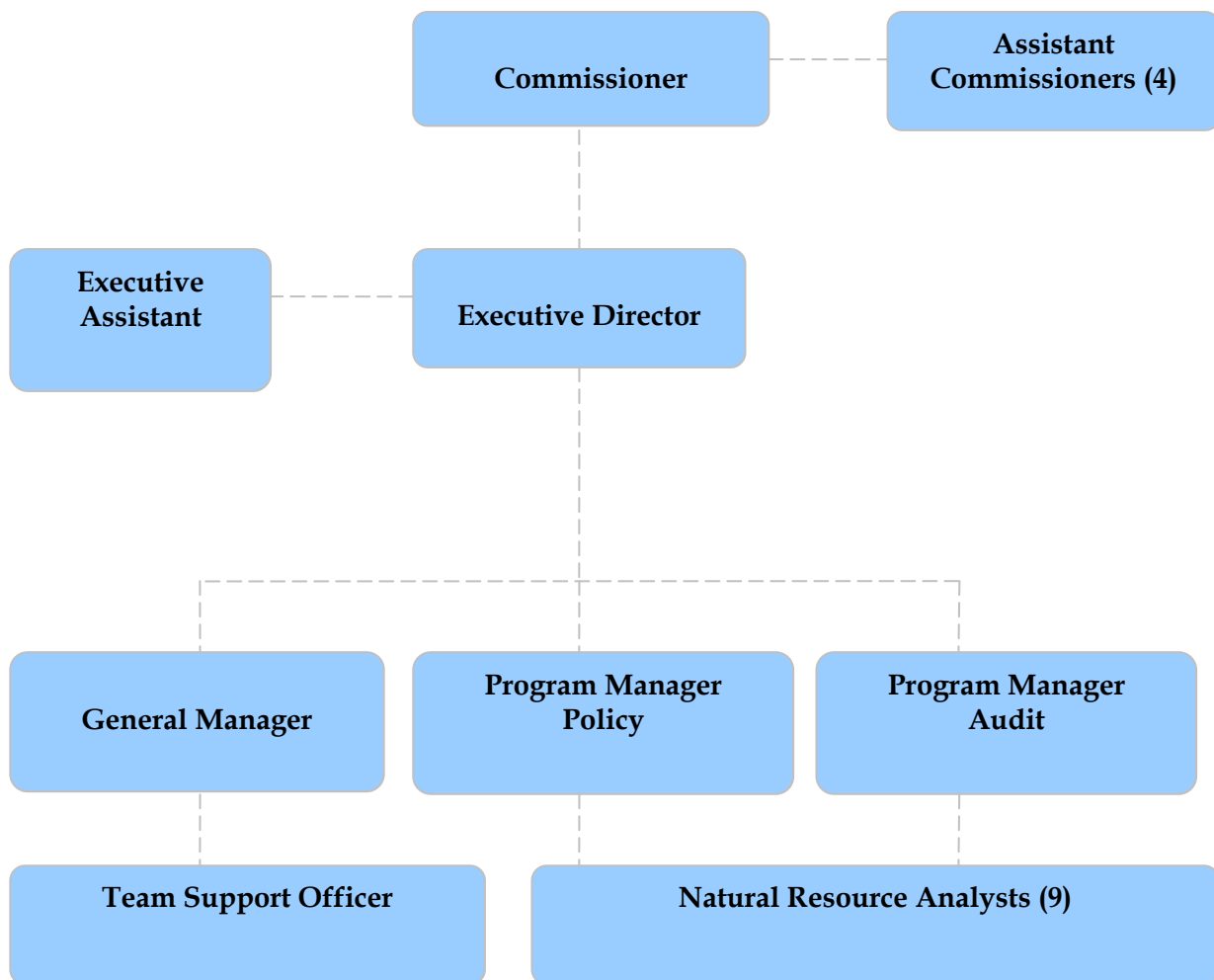
6 Management and structure

Senior officers

The NRC is headed by the Executive Director, who reports to the Commissioner.

Commissioner Thomas G. Parry BEc(Hons), MEc, PhD
Executive Director Alex McMillan BEc(Hons), LLB
Assistant Commissioners Dianne Bentley BSc Agr, David Leece BSc Agr, MSc Agr, PhD, jssc Jane McAloon BEc(Hons), LLB Ronnie Harding BA, BSc(Hons), PhD

Organisational structure



Regular Meeting Attendances

Due to the short timeframe of the NRC's existence in the reporting period, there were no meetings held and thus no records of meeting attendances.

Significant Committees

The NRC did not participate in any external committees during the reporting period.

7 Budgets

The 2003/04 financial report has been audited and approved by the NSW Audit Office.

NATURAL RESOURCES COMMISSION

FINANCIAL STATEMENTS FOR THE PERIOD 23 JANUARY TO 30 JUNE 2004

Natural Resources Commission
Statement of Financial Performance for the Period 23 January to 30 June 2004

Expenses		Actual	Budget
		2004	2004
	Notes	\$'000	\$'000
Operating expenses:			
Employee related	2(a)	92	320
Other operating expenses	2(b)	224	680
Total Expenses		316	1,000
Net Cost of Services	17	316	1,000
Government Contributions:			
Recurrent appropriation	3	191	1,000
Capital appropriation	3	162	450
Acceptance by the Crown Entity of employee benefits and other liabilities	4	2	0
Total Government Contributions		355	1,450
SURPLUS / (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES		39	450
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	13	39	450

[The accompanying notes form part of these statements]

Natural Resources Commission
Statement of Financial Position as at 30 June 2004

	Notes	Actual 2004 \$'000	Budget 2004 \$'000
ASSETS			
Current Assets			
Cash	6	1,066	0
Receivables	7	110	0
Other	8	2	0
Total Current Assets		1,178	0
Non Current Assets			
Plant and Equipment	9	162	450
Total Assets		1,340	450
LIABILITIES			
Current Liabilities			
Payables	10	158	0
Provisions	11	43	0
Other	12	1,097	0
Total Current Liabilities		1,298	0
Non Current Liabilities	11	3	0
Total Non Current Liabilities		3	0
Total Liabilities		1,301	0
Net Assets		39	450
EQUITY			
Accumulated Funds	13	39	450
Total Equity		39	450

[The accompanying notes form part of these statements]

Natural Resources Commission
Statement of Cash Flows for the Period 23 January to 30 June 2004

Expenses		Actual	Budget
		2004	2004
	Notes	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee related		(80)	(320)
Other		(142)	(680)
Total Payments		(222)	(1,000)
Cash Flows from Government			
Recurrent appropriation		1,000	1,000
Capital appropriation		450	450
Net Cash Flow Provided by Government		1,450	1,450
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	17	1,228	450
CASH FLOW USED IN INVESTING ACTIVITIES			
Purchases of Land and Buildings, Plant and Equipment		(162)	(450)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(162)	(450)
NET INCREASE / (DECREASE) IN CASH		1,066	0
Opening cash and cash equivalents			
CLOSING CASH AND CASH EQUIVALENTS	6	1,066	0

[The accompanying notes form part of these statements]

Natural Resources Commission
Summary of Compliance with Financial Directives for Period 23 Jan 2003 to 30 June 2004

	2004			2003			Capital Approp'n \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000
	Recurrent Approp'n \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Capital Approp'n \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Recurrent Approp'n \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000		
ORIGINAL BUDGET APPROP'N / EXPENDITURE								
Approp'n Act	1,000	191	450	162	0	0	0	0
	1,000	191	450	162	0	0	0	0
OTHER APPROP'N / EXPENDITURE								
Sec 22 expenditure for certain works and services	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
Total Approp'ns / Expenditure / Net Claim on Con. Fund (includes transfer payments)	1,000	191	450	162	0	0	0	0
Amount drawn down against Approp'n		1,000		450		0		0
Liability to Consolidated Fund		809		288		0		0

- The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).
- The Liability to Consolidated Fund is calculated as the difference between "Amount drawn down against Approp'n" and "Total Expenditure/Net Claim on Con. Fund"

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Natural Resources Commission (the NRC), was established as an independent body with broad investigating and reporting functions for the purpose of establishing a sound scientific basis for the properly informed management of natural resources in the social, economic and environmental interests of the State, and enabling the adoption of State-wide standards and targets for natural resource management issues.

As the NRC is a single program entity, the financial operations disclosed in the Statement of Financial Performance and the Statement of Financial Position are those of the NRC program. Accordingly, a separate supplementary program statement has not been prepared.

(b) Basis of Accounting

The NRC's financial statements are a general purpose financial report which has been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- the requirements of the Public Finance and Audit Act 1983 and Regulations; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

The financial statements are prepared in accordance with historical cost convention.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. The accounting policies adopted are consistent with those of the previous year.

(c) Administered Activities

The NRC does not administer any activities on behalf of the Crown Entity.

(d) Revenue Recognition

Revenue is recognised when the NRC has control of the good or right to receive, it is probable that the economic benefits will flow to the NRC, and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

(i) Parliamentary Appropriations and Contributions from Other Bodies

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenues when the NRC obtains control over the assets comprising the appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, any unspent appropriations are accounted for as liabilities rather than revenue. The liability is disclosed in note 12 as part of "current liabilities - other". The amount will be repaid and the liability will be extinguished next financial year.

(ii) Sale of Goods and Services

Revenue arising from the sale of goods and services comprises revenue from the provision of products or services i.e. user charges. User charges are recognised as revenue when the NRC obtains control of the assets that result from them.

(iii) Rendering of Services

Revenue from the rendering of services is recognised as and when services have been rendered and there is a valid claim against external parties, whether or not cash has been received.

(iv) Investment Income

Interest revenue is recognised as it accrues.

(v) Grants and Contributions

Revenues arising from the contribution of assets to the NRC are recognised when the NRC gains control of an asset or the right to receive the asset.

(vi) Acceptance of liability by the Crown Entity

Refer to Note 1 (e) for Acceptance by the Crown Entity of Employee Entitlements and Other Liabilities.

(e) Employee Benefits and other provisions

(i) Salaries and Wages, Annual Leave, Sick Leave and On-Costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and vesting sick leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

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

The outstanding amounts for payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

(ii) Long Service Leave and Superannuation

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

(f) Insurance

The NRC's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

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

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

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

(h) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the NRC. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

(i) Plant and Equipment

Plant and equipment costing \$5,000 and above individually are capitalised.

(j) Revaluation of Physical Non-Current Assets

Physical non-current assets are valued in accordance with the "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value" (TPP 03-02). This policy adopts fair value in accordance with AASB 1041 from financial years beginning on or after 1 July 2002. There is no substantive difference between the fair value valuation methodology and the previous valuation methodology adopted in the NSW public sector.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured as its market buying price i.e. the replacement cost of the asset's remaining future economic benefits. The Agency is a not for profit entity with no cash generating operations.

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

(k) Depreciation of Non-Current Physical Assets

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

Depreciation Rates	% Rate
Office furniture and fittings	10.000%
Computer equipment and software	25.000%
General plant and equipment	14.280%
Leasehold improvements	Over the initial period of the lease

(l) Leased Assets

Any leasing transactions for operating leases of buildings and motor vehicles are recognised as expenses in the period in which they are incurred.

(m) Trust Funds

The NRC does not receive any money in a trustee capacity.

(n) Receivables

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(o) Payables

These amounts represent liabilities for goods and services provided to the NRC.

(p) Budgeted Amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effect of additional appropriations, s 21A, s 24 and / or s 26 of the Public Finance and Audit Act 1983.

The budgeted amounts in the Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Statement of Financial Position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts i.e. per the audited financial statements (rather than carried forward estimates).

(q) Adopting AASB 1047 Disclosure

(i) Explanation of how the transition to AIFRS is being managed

The NRC will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

The NRC is managing the transition to the new standards by allocating internal resources and engaging Central Corporate Services Unit (CCSU) to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, the NRC has taken the following steps to manage the transition to the new standards:

The CCSU's Internal Audit Committee is overseeing the transition. The Agency Representative is responsible for the project in their respective agencies and reports regularly to the Committee on progress against the plan.

The following phases that need to be undertaken have been identified:

May / July 2004	Reviewing the AIFRS.
August 2004	Identifying the changes applicable for each agency and disclose likely impacts of moving to AIFRS in 2004 financial statements.
September 2004	Major implementation decisions at high level, determine system requirements, review procedures, develop communication plans and assess training requirements.
October 2004	Analyse NSW Treasury reporting policy, review position of individual agency, identify and convert to requirements and liaise with Audit Office.
November 2004	Prepare draft opening Balance Sheet for the NSW Treasury, identify target changes/ analysis, develop check lists, review process, liaise with clients and external consultants to review the approach.
December 2004	Submit draft opening Balance Sheet as at 1 July 2004 prepared under AIFRS (in parallel with existing AGAAP financial information and financial statements) to the NSW Treasury and Audit Office.
January / February 2005	Finalise status for reporting to NSW Treasury and complete client requirements.
March 2005	Finalise audit by the Audit Office, record correct balances in Agencies ledgers, run parallel data, reconcile both sets of figures and develop processes for on going recording and updating training program. Submit final opening Balance Sheet as at 1 July 2004 prepared under AIFRS (in parallel with existing AGAAP financial information and financial statements) to the NSW Treasury and Audit Office.
April / June 2005	Modify the systems used to produce year end financial statements.
July / August 2005	Prepare initial set of financial statements for 2004-05 financial year under AIFRS with 2003-04 comparative information and review.

To date, the known changes have been reviewed and some common ones identified. The target dates shown above are only estimates because the AIFRS are still being issued and mandatory provisions have not been finalised by the NSW Treasury.

(ii) Key Differences in Accounting Policies

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.

- AASB 116 Property, Plant and Equipment requires the cost and fair value of property, plant and equipment to be increased to include restoration costs, where restoration provisions are recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Major inspection costs must be capitalised and this will require the fair value and depreciation of the related asset to be re-allocated.

- AASB 117 Leases requires operating lease contingent rentals to be recognised as an expense on a straight-line basis over the lease term rather than expensing in the financial year incurred.
- AASB 119 Employee Benefits requires the defined benefit obligation to be discounted using the government bond rate as at each reporting date rather than the long-term expected rate of return on plan assets. Where the unfunded superannuation liability is not assumed by the Crown, this will increase the amount and the future volatility of the unfunded superannuation liability and the volatility of the employee benefit expense.
- AASB 120 Accounting for Government Grants and Disclosure of Government Assistance applies to for-profit entities only. Entities will either apply the current AASB 120 or early adopt a revised AASB 120, based on the grant requirements in AASB 141 Agriculture. The current AASB 120 spreads income recognition over the period necessary to match related costs. A revised AASB 120 based on AASB 141 is likely to require revenue recognition when conditions are satisfied. Both of these alternatives may have the effect of delaying revenue recognition.
- AASB 1004 Contributions applies to not-for-profit entities only. Entities will either continue to apply the current requirements in AASB 1004 where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in ED 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied.

- AASB 132 Financial Instrument Disclosure and Presentation prohibits in-substance defeasance. Agencies can no longer offset financial assets and financial liabilities when financial assets are set aside in trust by a debtor for the purposes of discharging an obligation, without assets having been accepted by the creditor in settlement of the obligation. This will have the effect of increasing both assets and liabilities but will have no net impact on equity.
- AASB 136 Impairment of Assets requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the entity must estimate the recoverable amount. However, the effect of this Standard should be minimal because all the substantive principles in AASB 136 are already incorporated in Treasury's policy Valuation of Physical Non-Current Assets at Fair Value.

2. EXPENSES

		2004
		\$'000
(a)	Employee related expenses	
	Salaries and wages (including recreation leave)	73
	Superannuation	1
	Long service leave	2
	Workers' compensation insurance	1
	Payroll tax and fringe benefit tax	15
	Total employee related expenses	92
		2004
		\$'000
(b)	Other operating expenses	
	Auditor's remuneration	3
	Operating lease rental expense	33
	Insurance	6
	Administration expenses	65
	Corporate services	11
	Consultancies	58
	Printing and publication	1
	Travel expenses	7
	EDP expenses	40
	Total other operating expenses	224

3. APPROPRIATIONS

	2004
	\$'000
Recurrent appropriations	
Recurrent draw downs from Treasury (per Summary of Compliance)	1,000
Less: Liability to Consolidated Fund (per Summary of Compliance)	809
TOTAL	191
Comprising:	
Recurrent appropriations (per Statement of Financial Performance)	191
TOTAL	191
Capital appropriations	
Total capital draw down from Treasury (per Summary of Compliance)	450
Less: Liability to Consolidated Fund (per Summary of Compliance)	288
TOTAL	162
Comprising:	
Capital appropriations (per Statement of Financial Performance)	162
TOTAL	162

4. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES

The following liabilities and / or expenses have been assumed by the Crown Entity:	
	2004
	\$'000
Long service leave	2
TOTAL	2

5. PROGRAMS / ACTIVITIES of the NRC

Program - Natural Resources Commission

Program Objective(s): To provide independent advice on natural resource management issues; to recommend State-wide standards and targets; to recommend the approval of Catchment Action Plans; to undertake audits of those plans; to gather and disseminate information; to advise the Minister on priorities for research; to undertake assessments and inquiries requested by the Minister.

Program Description: Provision of research and advisory services to support natural resources management. Conduct of public inquiries, seminars, establishment of working groups and other consultative mechanisms and dissemination of information. Maintenance of systems and procedures to administer and monitor Catchment Action Plans. Provision of a compliance reporting framework to monitor compliance with standards and targets.

6. CURRENT ASSETS - CASH

	2004
	\$'000
Cash at bank and on hand	1,066
	1,066
For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash at bank.	
Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:	
	2004
	\$'000
Cash (per Statement of Financial Position)	1,066
Closing cash and cash equivalents (per Statement of Cash Flows)	1,066

7. CURRENT ASSETS - RECEIVABLES

	2004
	\$'000
GST receivable from Australian Taxation Office	39
Other debtors	71
Total current assets - receivables	110

8. CURRENT ASSETS - OTHER

	2004
	\$'000
Prepayments	2
Total current assets - other	2

9. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	2004
	\$'000
Plant and Equipment	
At Fair Value	162
Less: Accumulated Depreciation	0
Total Plant and Equipment at Book Value	162
Reconciliations	
Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year are set out below.	
	2004
	\$'000
Carrying amount at start of year	0
Additions	162
Disposals	0
Depreciation expense	0
Carrying amount at end of year	162

10. CURRENT LIABILITIES - PAYABLES

	2004
	\$'000
Accrued salaries, wages and on-cost	0
Creditors	158
Total current liabilities - payables	158

11. CURRENT / NON CURRENT LIABILITIES - PROVISIONS

	2004
	\$'000
Current	
Employee benefits and related on-costs	
Recreation leave	38
Payroll Tax on employee benefits	5
Total	43
	2004
Non Current	
Employee benefits and related on-costs	
Workers Compensation Insurance	1
Payroll Tax on employee benefits	2
Total	3
Aggregate employee benefits and on-costs	
Provision - current	43
Provision - non current	3
Total	46

12. CURRENT LIABILITIES - OTHER

	2004
	\$'000
Liability to Consolidated Fund	1,097
Total	1,097

13. CHANGES IN EQUITY

	Accumulated Funds
	2004
Balance at the beginning of the financial period	0
Surplus / (deficit) for the financial period	39
Balance at the end of the financial period	39

14. COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments	2004
	\$'000
Aggregate capital expenditure for the acquisition of goods contracted for at balance date and not provided for:	
-Not later than one year	22
Total (including GST)	22
(b) Other Expenditure Commitments	2004
	\$'000
Aggregate of other expenditure for the acquisition of goods and services contracted for at balance date and not provided for:	
Not later than one year	0
Total (including GST)	0
(c) Operating Lease Commitments	2004
	\$'000
Future non-cancellable operating lease rentals not provided for and payable:	
Not later than one year	269
Later than one year and not later than five years	1,076
Total (including GST)	1,345

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The NRC is not aware of any contingent liabilities and/or contingent assets associated with its operations.

16. BUDGET REVIEW

(a) Net cost of services

Net cost of services is below budget by \$684K primarily due to lower levels of expenditure than expected in employee related and other operating expenses.

(b) Assets and liabilities

Current assets were above budget by \$1.178 million due to a higher level of cash because of lower than the expected levels of expenditure. This is reflected in the liability to Consolidated Fund of \$1.097 Million.

Non current assets were below budget by \$ 288K due to timing differences in acquiring plant and equipment.

Total Liabilities were above budget by \$1.301 million was primarily due to the liability to Consolidated Fund of \$1.097 million in recurrent and capital expenditure.

(c) Cash flows

Cash flows from operating activities are above budget by \$778K due to lower than budgeted payments.

17. RECONCILIATION OF NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES TO NET COST OF SERVICES

	2004
	\$'000
Net cash flows provided by operating activities	1,228
Cash Flows from Government / Appropriations	(1,450)
Acceptance by the Crown Entity of employee benefits and other liabilities	(2)
Depreciation	0
Decrease / (increase) in provisions	(46)
Increase / (decrease) in prepayments and other assets	112
Decrease / (increase) in creditors	(158)
Net cost of services	(316)

18. FINANCIAL INSTRUMENTS

(a) Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation.

(TCorp) 11 am unofficial cash rate adjusted for a management fee to Treasury.

The average rate over the year was 4.06% (3.75% in 2003) and the rate at year end was 4.25% (3.75% in 2003).

(b) Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30 day terms.

(c) Bank Overdraft

The NRC does not have any bank overdraft facility.

(d) Trade Creditors and Accruals

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payments.

19. AFTER BALANCE DATE EVENTS

There are no events subsequent to balance date which affect the financial report.

(END OF AUDITED FINANCIAL STATEMENTS)

8 Our work program for 2004/2005

During the 2004/05 reporting year, the NRC's work will focus on:

- recommending State-wide standards and targets for the natural resource management issues in NSW
- recommending the approval of Catchment Management Authorities' (CMAs') Catchment Action Plans (CAPs) in terms of their consistency with State-wide standards and targets
- developing a framework for its audits of CMAs' implementation of their CAPs
- completing any specific reviews requested by Government.

8.1 State-wide standards and targets and Catchment Action Plans

Meet with CMAs and other key stakeholders	July - Sept 2004
Run pilot process with 5 CMAs to develop and trial State-wide standards and targets	Aug - Nov 2004
Release paper outlining framework for State-wide standards and targets	Sept 2004
Release draft State-wide standards and targets with case studies from pilot process with CMAs	Nov 2004
Further consultation and stakeholder workshops	Dec 2004 - March 2005
Recommend State-wide standards and targets to Government	April 2005
Work with CMAs to help them develop CAPs in line with Govt-endorsed State-wide standards and targets	June - Oct 2005
Recommend approval of CAPs to Minister	Nov 2005

8.2 Other work streams that will be undertaken

Develop framework and approach for auditing role	Oct 2004 - June 2005
Develop framework for reviews of Water Implementation Plans	Feb - June 2005
Monitor and report on environmental impact of Snowy Mountains cloud seeding trial	on-going
Advice to Minister on SEPP 71 (coastal master plans)	on-going
Implementation of NRC role under reforms to threatened species legislation	2005

9 Outline budget for 2004/05

Budgeted Operating Statement 2004/05	
	\$
Employee Related Expenses	1,566,000
Repairs and Maintenance	0
Other Operating Expenses	1,994,000
Depreciation	50,000
TOTAL EXPENSES	3,610,000
TOTAL REVENUE	0
GAIN/(LOSS) ON DISPOSALS	0
NET COST OF SERVICES	3,610,000
Government Funding	
Recurrent Allocation	3,514,000
Capital Allocation	950,000
Cash reimbursement from the Crown	11000
Trsy Accept. for Employee Related	
Total Government Funding	4,475,000
OPERATING RESULT	865,000

10 Future directions

The NRC is an independent statutory authority that provides quality advice to government in relation to a broad range of natural resource management issues. The main focus for the coming period is recommending State-wide standards and targets to Government which draw together the wide-ranging experience and expertise of all stakeholders and the best available science and analysis through a public and transparent process.

When the Government adopts a set of State-wide standards and targets, the NRC will work closely with CMAs to ensure these are reflected in CAPs, and that CMAs and State agencies are collecting the information necessary for the NRC to subsequently audit the success of the CAPs in meeting State-wide standards and targets.

APPENDIX 1: LEGISLATIVE PROVISIONS

There were no changes to the Natural Resources Commission Act 2003 in the reporting period.

APPENDIX 2: STAFFING AND CONSULTANTS

Equal Employment Opportunity Policies

Although the Natural Resources Commission was established in January 2004 it did not commence operating until May 2004 with very limited staff numbers. Policies in this area have been scheduled for development by the next reporting period.

Planned Outcomes for the Following Year

- Develop and adopt appropriate policies for implementation
- Seek assistance from Employment Equity and Diversity Division, Premier's Department to develop appropriate strategies in this area

NSW Government Action Plan for Women

For the same reason policies in this area have not yet been developed and are scheduled for development by the next reporting period.

Ethnic Affairs Priority Statement (EAPS)

Policies and strategies in this area have been scheduled for development by the next reporting period.

Disability Action Plan

Similarly, because of the short lead time in this financial year, strategies in this area have been scheduled for development by the next reporting period.

Human Resources

Number of employees by category as at 30 June 2004

(Comparison to prior three years does not apply)

	2004
Commissioner	1
Assistant Commissioners	1
Executive Director	1
Senior Policy Officer	1
Office Manager	1
Temporary Admin Assistant	1
Total number of staff includes full time, part time, temporaries and graduates	6

A. Trends in the Representation of EEO Groups		% of Total Staff			
EEO Group	Benchmark or Target	2001	2002	2003	2004
Women	50%				25%
Aboriginal people and Torres Strait Islanders	2%				0%
People whose first language was not English	20%				0%
People with a disability	12%				0%
People with a disability requiring work-related adjustment	7%				0%

B. Trends in the Distribution of EEO Groups		Distribution Index			
EEO Group	Benchmark or Target	2001	2002	2003	2004
Women	100				n/a
Aboriginal people and Torres Strait Islanders	100				0
People whose first language was not English	100				0
People with a disability	100				0
People with a disability requiring work-related adjustment	100				0

Notes:

1. Staff numbers are as at 30 June.
2. Excludes casual staff
3. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by ODEOPE.
4. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

Personnel and Industrial Relations Policies and Practices Flexible Work Practices

The Natural Resources Commission commenced operating in practical terms in May 2004 with very limited staff numbers. Policies or strategies in these areas have been scheduled for development by the next reporting period.

Code of Conduct

The Code of Conduct will be developed by the next reporting period.

Occupational health and safety

The Natural Resources Commission is committed to operating a safe and healthy work place and to document policies and procedures by the next reporting period.

There were no prosecutions under the Occupational Health and Safety Act for NRC during this year.

Contract Executive Profile

NRC executive staff are employed under contract as members of the NSW Senior Executive Service (SES).

Total number of executive positions equivalent to SES 1 (\$122,500 or higher) filled at the end of the financial year:

- 1 SES contract position.

Salaries of statutory appointees and contract executives

No performance-related payment (bonus) was made to Statutory Appointees and Contract Executive Staff.

Consultants

There was no expenditure on consultants in 2003/04.

APPENDIX 3: GENERAL INFORMATION

External presentations

No external presentations were given in the reporting period.

Asset Management Plan

An Asset Management Plan was targeted for completion in August 2004.

Complaints

NRC did not receive any complaints in the brief operating period in 2003/04.

Funds granted to non-government community organisations

No funds were granted to non-Government community organisations in 2003/04.

Privacy plan

The Natural Resources Commission commenced operating in May 2004 with very limited staff numbers. Policies or strategies in this area have been scheduled for development by the next reporting period.

Risk Management and Insurance

NRC has comprehensive coverage for workers' compensation, motor vehicle, property and public liability insurance, provided through the NSW Treasury Managed Fund. During 2003/04, it made no claims.

Access to NRC's premises is controlled by a building security system. This reduces NRC's exposure to property theft due to restricted access to work areas during the day and provides security outside office hours. Building security staff also patrol the office building after hours.

The IT support contract provides for a Rapid Recovery Service to replace critical equipment in the event of failure.

A Business Continuity Plan is scheduled for development by December 2004.

Internal and External Reviews

There were no internal audits carried out in the short operational period in 2003/04 but the financial accounts were audited by the Audit Office of NSW.

Report on Account Payment Performance

Aged analysis at the end of each quarter

Quarter	Current (i.e. within due date) \$	Less than 30 days overdue \$	Between 30 days and 60 days overdue \$	Between 60 days and 90 days overdue \$	More than 90 days overdue \$
September Quarter	N/A	N/A	N/A	N/A	N/A
December Quarter	N/A	N/A	N/A	N/A	N/A
March Quarter	N/A	N/A	N/A	N/A	N/A
June Quarter	278,252	0	0	0	0

Accounts paid on time within each quarter

Quarter	Total Accounts Paid on Time			Total Amount Paid (\$)
	Target	Actual	\$	
September Quarter	N/A	N/A	N/A	N/A
December Quarter	N/A	N/A	N/A	N/A
March Quarter	N/A	N/A	N/A	N/A
June Quarter	88%	100%		278,252

During 2003/04 there were no instances where penalty interest was paid in accordance with section 18 of the *Public Finance and Audit (General) Regulation 1995*

There were no significant events that affected payment performance during the reporting period

To improve future performance greater emphasis will be placed on enhancing electronic processing of accounts together with increased use of Purchase Orders for recurring purchases.

Accounting services are provided by the Central Corporate Services Unit under the Department of Commerce

Waste Avoidance and Resource Recovery

NRC management and staff have an ongoing commitment in the area of waste reduction and regularly review administrative processes to look for further opportunities.

NRC is a relatively small organisation and the opportunities to avoid waste and recover resources are generally limited to office-based activities. These include:

- **Reducing the generation of waste paper.** NRC promotes its website for access to reports published each year. Multi-function office machines which enable double-sided copying and printing are also provided and their use encouraged to reduce paper usage.
- **Recovering resources.** A paper and cardboard recycling system is followed by NRC staff and managed through an organised building system. Empty toner cartridges will be collected by outside organisations for recycling when the need arises.
- **Using recycled material.** The majority of paper NRC uses on a daily basis is Green Wrap. This paper contains 50 per cent recycled pulp, 10 per cent waste products from the cotton industry and 40 per cent from sustainable managed plantations. NRC purchases other recycled paper products such as note books and pads wherever possible.

Energy Management

New rules under the Australian Building Greenhouse rating (ABGR) scheme will see a further review of the greenhouse performance of the NRC tenancy before 31 December 2004.

Details of Annual Report Production

There were no external costs incurred in the production of the report which was prepared in-house because of its modest length and short reporting period. An electronic copy of this report is available at NRC's website.

This report has been printed on Green Wrap.

APPENDIX 4: FREEDOM OF INFORMATION ACT - STATEMENT OF AFFAIRS

Under the *Freedom of Information Act 1989*, every NSW government department or agency is required to publish an annual statement of affairs. The statement describes the structure and functions of the agency and lists categories of documents that are held by the agency. This information is provided in this annual report.

Availability of Information

Copies of all documents in NRC's public access library are available for public inspection at the NRC office, Level 10, 15 Castlereagh Street Sydney NSW 2000. Copies of all NRC publications are also available from our web site at www.nrc.nsw.gov.au

All appropriate services are delivered through the website www.nrc.nsw.gov.au

FOI Procedures

To obtain NRC documents other than those identified in the public access library, application must be made in writing under the Freedom of Information Act.

Since many documents are readily accessible through NRC's public access arrangements and website, it is advisable to check the general availability of the document before making an application under the Freedom of Information Act.

FOI applications must be accompanied by a \$30 application fee and directed to:

Natural Resources Commission
GPO Box 4206
Sydney NSW 2001

Arrangements to inspect or obtain copies of documents can be made by contacting the FOI Co-ordinator on (02) 8277 4300.

FOI Requests in 2003/04

NRC did not receive any request for documents under the Freedom of Information Act in 2003/04.

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