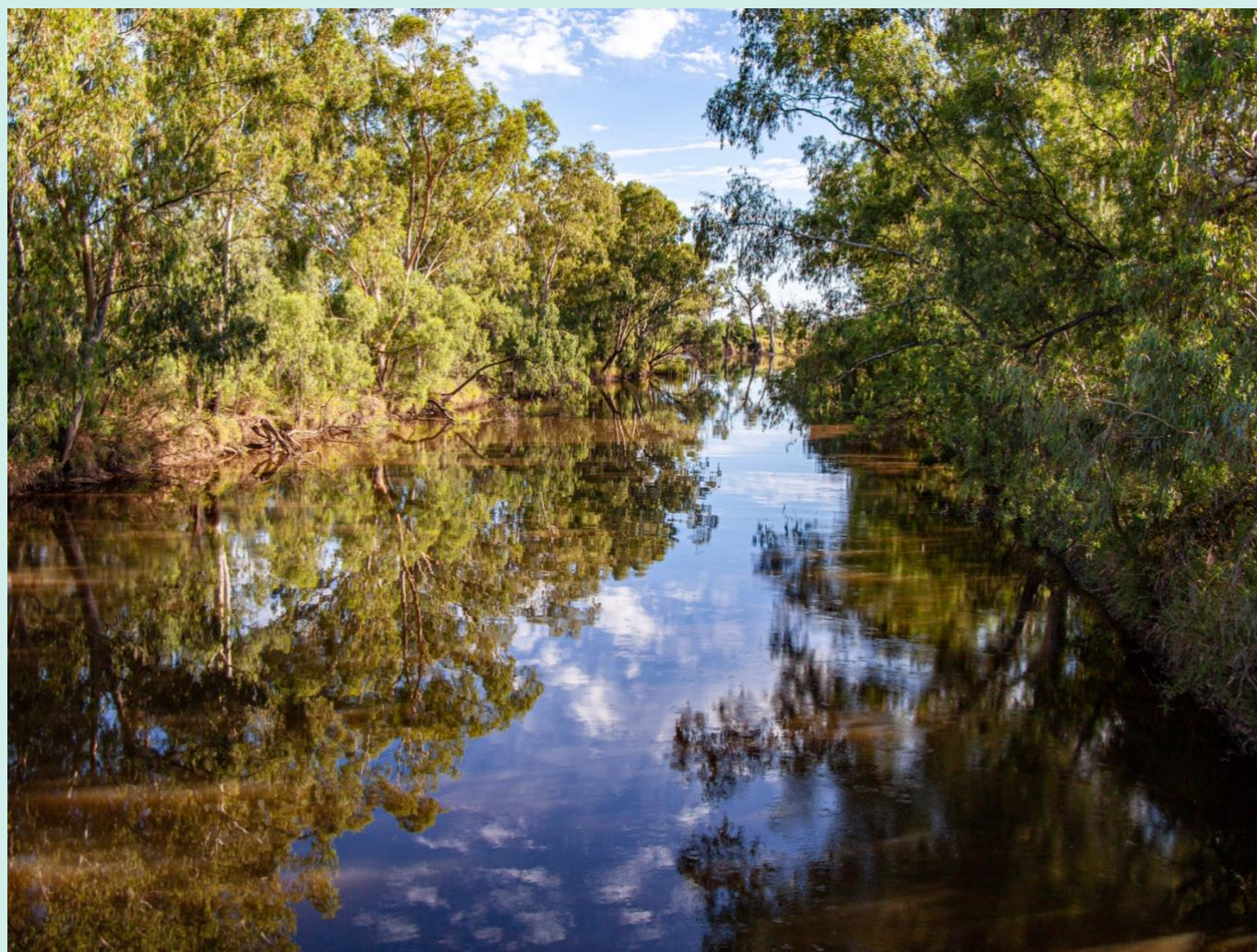


Annual Report 2022-23



Acknowledgement of Country

The Natural Resources Access Regulator (NRAR) acknowledges that we stand on Aboriginal Land. We acknowledge the Traditional Custodians of the land and we show our respect for Elders of the past, those of the present, and those who are emerging. We do this through thoughtful and collaborative approaches to our work and by demonstrating our commitment to providing places in which Aboriginal people are included socially, culturally and economically.

Letter of submission

The Hon. Rose Jackson
Minister for Water, Housing, Homelessness, Mental Health, Youth, and the North Coast
52 Martin Place
Sydney NSW 2000

Submission of Annual Report – Natural Resources Access Regulator

Dear Minister,

I am delighted to submit the Natural Resources Access Regulator’s Annual Report for the fiscal year ended June 30, 2023, to be presented to the Parliament of New South Wales.

The report has been prepared as required and in accordance with the Government Sector Finance Act 2018.

Yours sincerely,



*The Hon. Craig Knowles AM
Chair, Natural Resources Access Regulator*

First published: October 2023

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Overview

Charter

The Natural Resources Access Regulator (NRAR) was established in 2017 after an independent review into allegations of mismanagement of water resources and misconduct. Those allegations resulted in loss of public confidence in the enforcement of NSW water law and widespread scepticism about the effectiveness of water metering at that time.

The review was conducted by a former senior Commonwealth public servant and experienced water manager, Ken Matthews, who delivered a series of recommendations to the NSW Government about how to respond - the Water Reform Action Plan¹.

A key step in that broad plan was setting up an independent authority to take on all the water law compliance and enforcement functions previously dispersed between several other government departments.

From its inception, NRAR's purpose was to make the NSW water compliance and enforcement system more transparent, independent and effective.

NRAR's operations are governed by the *Natural Resources Access Regulator Act 2017*² Our activities seek to enforce the provisions of the *Water Management Act 2000*³.

Role in water management

The management of water in NSW is complex, involving three bodies or agencies, each with a different role. NRAR is the water law compliance arm of the NSW Government and is in the Department of Planning and Environment.

Its compliance and enforcement functions are separate and distinct from the department itself, which is responsible for making water management policy. Another agency - WaterNSW - manages NSW's rivers and water supply systems.

NRAR is run by an independent four-member board, which is responsible for strategic decision-making and oversight of the organisation. NRAR's day-to-day operations are managed by the Chief Regulatory Officer and the Executive Team.

Vision

NRAR has a clear and simple vision for the people of NSW when it comes to the fair regulation of water in our state: that together, we can create thriving environments, communities and economies. Our efforts and activities remain focused on seeing that vision realised.

¹ <https://water.dpie.nsw.gov.au/about-us/how-water-is-managed/independent-review-of-water-management-and-compliance>

² <https://legislation.nsw.gov.au/view/html/inforce/current/act-2017-064>

³ <https://legislation.nsw.gov.au/view/html/inforce/current/act-2000-092>

Purpose

NRAR's purpose is to make the NSW water compliance and enforcement system more transparent, more independent, and more effective and those broad principles are at the centre of NRAR's approach.

NRAR's 2023 Strategic Plan outlines its purpose, focusing further on how to build public trust in NSW water regulation. NRAR's purpose is to:

- Educate, enable and encourage people to actively comply with natural resources laws.
 - Deter rule breaking by enforcing the law, while also ensuring a fair go for people who do the right thing.
 - Champion improvements in the way natural resources are managed in NSW.
-

Aims and objectives

Before NRAR was set up, the likelihood of being caught and facing the consequences of breaking water rules in NSW was low. Rule breaking happened regularly, to the detriment of communities and the environment, neither of which got their fair share. Public confidence in the government's willingness and capacity to ensure equity in water use was at a low point.

Since NRAR was established, we've increased the compliance presence, undertaken a significant number of enforcement actions and guided many water users into compliance. NRAR's primary function is to investigate alleged breaches of water law and take the necessary steps to achieve compliance. We use a range of tools to achieve this from court action to fines, stop work orders and warnings, and legally enforceable agreements. Our preferred method is education and guidance to achieve voluntary compliance because we know most people want to do the right thing.

NRAR staff manage water regulation over more than 800,000 square kilometres of NSW. We protect water for communities that need it to survive, for the environment and dependent ecosystems, and for many industries whose economic success depends on everyone following the rules.

NRAR ensures efficient, effective, transparent and accountable compliance and enforcement with the natural resources management legislation in NSW. NRAR administers the natural resources management legislation to protect lawful water users and the environment from harmful water activity.

Management structures

Independent board

NRAR's Board consists of four independent part-time members including a Chair.

The current board members are Chairman, The Hon. Craig Knowles AM, and members Ilona Millar, Bruce Brown and Phil Duncan.

Board members must have experience and expertise in law, natural resources management, compliance and regulation, or other areas related to NRAR's work.

The board is appointed by the relevant portfolio minister (the NSW Minister for Water) based on advice from NRAR staff. Once appointed, the board is not subject to any ministerial direction either directly or indirectly through the Department of Planning and Environment. The Minister has no input or influence into operational activities of NRAR.

This independence is critical to maintaining public confidence in how water law is enforced.

Board members are appointed for a three-year term but are eligible to be reappointed. They meet at least monthly.



Board Chair, Craig Knowles

NRAR Chair Craig Knowles' previous statutory appointments include a four-year spell as chair of the Murray Darling Basin Authority (MDBA) from 2011-2015. In that role, he represented Australia at the 2014 United Nations General Assembly Forum on Water and Energy as part of the UN mission to develop Sustainable Development Goals in the context of climate change.



Board member, Ilona Millar

Ilona has more than 20 years' experience advising on natural resources law, including innovative responses to climate change and sustainability problems. She has been involved in legislative and policy reviews and advises on the implementation of the *Water Management Act 2000 (NSW)* and the *Water Amendment Act 2008 (Commonwealth)*.



Board member, Bruce Brown

Bruce has served as both a director and member of a number of government committees at state and federal level, including the National Rural Advisory Council (1999-2005). He was also a university lecturer in agricultural economics and farm management prior to transitioning to the private sector via a lobbying role with a farmer organisation.



Board member, Phil Duncan

Phil joined the NRAR Board in 2020. He also serves as chair of the Basin Community Committee of the Murray Darling Basin Commission. Throughout his career and volunteer community work, Phil has worked extensively with Indigenous people and government to improve the lives of First Nations people. He also provides high-level policy, strategic advice, and leadership to key Indigenous representative organisations, universities, and state and federal government agencies.

Day-to-day operations

Day-to-day operations of NRAR are directed and shaped by the Chief Regulatory Officer and the Executive Team with guidance and input from the Board.

Executive officers

Chief Regulatory Officer, Grant Barnes



As NRAR's Chief Regulatory Officer, Grant is responsible for the day-to-day operations of NRAR. This includes building NRAR's regulatory capacity and capability to deliver on the NSW Government's commitment to best practice regulation, as well as building and sustaining effective relationships with key stakeholders, establishing good governance and high levels of ethical practice within NRAR, and working with the board to progress its agenda. Grant has more than 10 years of experience in senior leadership roles in freshwater science, strategic planning and science leadership in established organisations and start-ups.

Director Education and Engagement, Keeley Reynolds



Keeley leads the Engagement and Education branch, which works to expand NRAR's presence and reach by enabling, encouraging, and educating the regulated community, and by working closely with industry, key stakeholders, and the public. Keeley has more than 10 years of experience developing and executing campaigns. She has worked both nationally and internationally on successful programs.

Director Innovation, Systems and Intelligence, Margaret Sexton



Margaret ensures the intelligent use of analytics and systems to inform, guide and increase NRAR's reach and impact. She builds organisational capability in intelligence, spatial and data analytics, innovation and technology. Margaret is responsible for setting strategy by identifying and solving important compliance problems and directing the agency's operational efforts. She is skilled in leadership and development, leading high-performing teams to achieve continuous improvement and lasting value in water management in NSW.

Director Regulatory Excellence, Tim Gilbert



Tim champions improvements in the water resource management framework where it impacts compliance and enforcement. He provides assurance of and continuous improvement in NRAR's processes, staff capabilities and funding base to ensure NRAR remains efficient and effective. Tim brings a wealth of knowledge and pragmatism to this role, holding a Masters degree in Environmental Management focused on soil, water and irrigation.

Director Investigations and Enforcement, Lisa Stockley



Lisa was previously the Assistant Director (Industry Regulation) for the NSW Police Force Security Licensing & Enforcement Directorate (SLED) and is well-versed in overseeing complex investigations, regulatory programs, interpreting legislation and instructing solicitors. Prior to working for SLED, Lisa worked in investigative roles for the NSW Independent Commission Against Corruption for 14 years, leading numerous high-profile corruption investigations.



Director Regulatory Initiatives, Ian Bernard

Ian plays a pivotal role in leading NRAR to become a best practice regulator and continues to build on this work. Ian has been instrumental in setting NRAR’s priorities, building its regulatory expertise and developing a reputation as a problem solver across the organisation. He has designed approaches to action and address some of our most complex compliance issues, including non-urban metering, floodplain harvesting and irrigated agriculture.



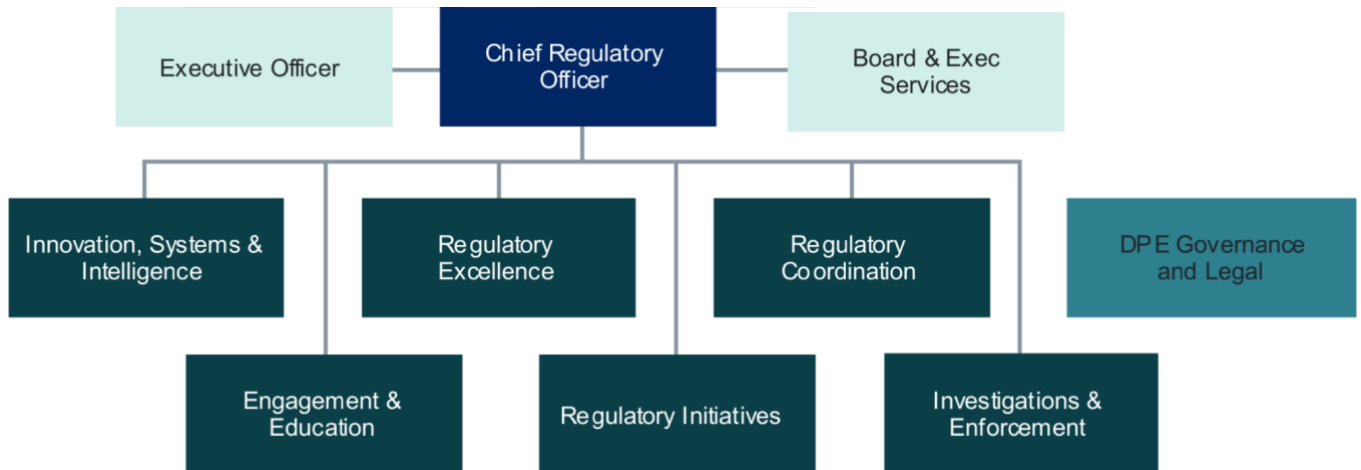
Director Regulatory Co-ordination, Ila Lessing

Ila joined NRAR in 2022. With an Executive MBA focused on business and financial management, Ila has managed teams responsible for governance, financial management, communications and portfolio management across the government and banking sectors. At NRAR, Ila leads the corporate services function for the agency including communications, front-of-house and call centre, financial management, business performance, PMO and project governance.



Director Legal, from the Department of Planning and Environment, Sarah-jane Morris

Sarah-jane supports NRAR’s work in enforcement of the state’s water laws, ensuring positive outcomes for people, the environment and economy. She is a highly experienced government lawyer and manager with a collaborative approach to solving the complex problems of water regulation. As a former Director and Special Counsel at the NSW Crown Solicitor’s Office she has expertise in administrative, criminal and environmental law.



2

Strategy

Strategic objectives and outcomes

Strategic Plan 2021-23

NRAR's operations are guided by its Strategic Plan⁴ spanning the years from 2021 to 2023. This document is a clear statement of the organisation's purpose, strategic goals and key targets. It helps ensure resources are applied in the most efficient and effective way to both short and longer-term goals. The document defines NRAR's five strategic goals, as well as more specific targets. The goals are:

- **Achieve** good outcomes and benefits for the people, environment and economy of NSW. This will flow from sound enforcement of water laws and from helping people to voluntarily comply with the rules.
- **Develop** the right regulatory systems, analytics, information, and technology to support and guide NRAR activities, and to continually improve our reach and our results.
- **Build** strong relationships with stakeholder communities, organisations, and individuals with an interest in effective enforcement of the state's water laws. These external relationships will grow from our commitment to transparency and accountability.
- **Lead** the way when it comes to being an effective regulator and a role model for others.
- **Learn**, innovate, achieve and continuously improve through a collaborative, kind and inclusive culture that values both daring and integrity.

Strategic Plan – priority actions 2023

In the final year of this strategic plan, we worked on focus areas aligned with NRAR's vision and purpose. We sought to:

- **Deliver** outcomes and benefits to the people, environment and economy of NSW through law enforcement, the continued roll out of non-urban water metering, monitoring floodplain harvesting, water reporting in mining and protection of Aboriginal cultural values around water.
- **Enhance** our people and culture by developing a safe, collaborative, inclusive and creative workplace and workforce.
- **Work smarter** through intelligent use of analytics, systems, technology and data that increase our reach, effectiveness and efficiency.
- **Influence** the discourse around regulation by role modelling and setting an example of best practice. We championed improvements in governance, policy and processes, which will lead to thriving environments, communities and economies.
- **Promote** effective interactions with the people, communities and industries of NSW who depend on water resources to survive and thrive.

Strategic Plan 2024-27

A new plan that will guide NRAR's actions and activities for the next three years is in development and is expected to be considered by the independent board in December 2023.

⁴ <https://www.nrar.nsw.gov.au/about-us/what-we-do/nrar-strategic-plan-2021-23>

Regulatory Priorities 2023-24

NRAR's annual regulatory priorities set its operational course for the coming year. Deciding exactly where to focus our attention involves careful analysis and lots of planning. The 2023-24 annual priorities underpin sustainable and responsible use of the state's natural resources by identifying and addressing key compliance issues.

The three main priorities for the fiscal year 2023-24 are:

- **Irrigated agriculture:** NRAR will prioritise monitoring and regulating water management practices in the irrigated agriculture industry. Spatial analysis suggests there are large numbers of potentially non-compliant water storages in the Murray and Murrumbidgee regions. NRAR will encourage water users to become compliant by obtaining approvals, purchasing water to account for any excess held in storages and/or modifying oversize storages.
- **Non-urban metering:** This is an ongoing priority area for NRAR as the rollout of the regulations across the state continues. It's one of the most significant reforms to water management in the past decade and NRAR will particularly focus on high-volume, high-risk water users.
- **Overdrawn accounts:** NRAR will concentrate its efforts on those who break the conditions of their Water Access Licence (WAL) by entering into a negative account balance and taking water they are not entitled to. The response to non-compliance will increase in severity for those who continue to break the rules.

Systems and processes to measure the target outcomes

Qualitative and quantitative performance measures

NRAR has a Quality Management System accredited to ISO9001, which ensures the agency has robust processes and that these remain under regular audit and review to ensure continuous improvement in its operations.

The performance of NRAR is regularly evaluated against agreed objectives and targets, both externally and internally. Internal reviews are conducted on a regular basis to assess progress towards goals, while external assessments are overseen and ratified by NRAR's independent board and by external auditors. This data helps NRAR make informed decisions about strategies for improvement. Many performance measures developed by NRAR ensure we regularly review our processes. This helps identify areas of efficiency as well as areas where improvement is required.

NRAR also continues to work with the Inspector General of Water Compliance to deliver reporting on key performance measures relevant to all basin states.

Internal/external performance reviews

To ensure continuous improvement, NRAR regularly implements various strategies and management plans. NRAR assesses the effectiveness of these measures by engaging in regular internal reviews. Through this process, NRAR can identify any issues or problems that have arisen related to its functioning and operations. This helps NRAR to develop sound strategies and plans for addressing these issues, leading to improved performance and more positive results overall. Furthermore, NRAR can use the data from its reviews to inform future initiatives and activities that will help it build on existing achievements or reach new heights in terms of effectiveness and efficiency.

Benefits from management and strategy reviews

NRAR conducts monthly performance meetings to ensure there are realised benefits from strategies and plans. At these meetings, the NRAR executive discusses progress, identifies any areas for improvement, and sets new goals and objectives for future performance. This helps to ensure that NRAR's efforts are focused on achieving its desired outcomes.

Major works in progress

NRAR has undertaken and continues to undertake significant compliance activities, including key work on annual regulatory priorities, and our enduring regulatory priorities.

A major part of NRAR's work portfolio for the 2022-23 financial year includes \$3.6m on regulatory priorities, which seek to drive voluntary compliance in areas subject to non-urban metering reform, water used for irrigated agriculture and water reporting in mining operations and extractive industries.

Table: Regulatory priority expenditure

Regulatory Priority (RP)	Project Expenditure FY 23 \$	ISI Contribution Amount FY 23 \$	Total RPs Expenditure FY 23 \$
Metering Policy	2,279,774	680,431	2,960,205
Irrigated Agriculture Project Management	180,338	272,410	452,748
Water Reporting in Mining Discovery	60,747	83,335	144,082
Total	2,520,859	1,036,176	3,557,036

3

Operations and performance

Key products and services

NRAR was created and is afforded its powers by the *NRAR Act 2017*. NRAR's role is to ensure efficient and effective management of NSW water resources, which have been valued at \$41 billion. It seeks compliance with the provisions of the *NSW Water Management Act 2000*.

The agency achieves this through a combination of field-based operations and use of technology.

NRAR has staff on the ground all over NSW who conduct inspections to help the agency fully understand the level of compliance, to meet directly with water users to help them achieve compliance and where appropriate, take enforcement action against those who wilfully break the law, in accordance with NRAR's Regulatory Policy⁵.

NRAR has led the development of new compliance techniques and technologies that make our operations more effective than ever before – such as using satellite and spatial mapping technology to monitor compliance across a large geographical area. This allows us to focus our resources on the highest-risk matters.

NRAR's work covers 38,000 licence holders and more than 160,000 licenced water works.

Major problems and issues that arose

Identifying problems and issues

NRAR's organisational risk register helps to identify, manage and mitigate risk across the agency.

The agency also regularly reviews its performance and evaluates the effectiveness of its management improvement plans. NRAR sets annual targets for each division and provides a framework for tracking their progress.

Widespread flooding

Widespread flooding during 2022-23 reduced access to properties and prevented field-based staff from carrying out their planned activities in some areas of NSW.

The agency changed its activities during the extended period of flooding to focus on emerging issues such as potential unlawful flood works. Although NRAR is not an emergency response agency, we worked in conjunction with first responder agencies, such as the State Emergency Service (SES) and councils, to provide advice on status of banks and levees.

Following risk assessment and investigative enquiries, NRAR undertook a range of regulatory responses including issuing advisory letters, statutory directions, penalty notices and escalation of serious or complex matters, which are subject to ongoing investigation.

The rain and flooding also presented compliance difficulties for many water licence holders. NRAR responded to this through the use of smart data and remote sensing, which allowed staff to conduct desktop assessments to make risk-based resourcing decisions, as well as to change direction and focus on areas not as affected by high rainfall and floods.

⁵ <https://www.nrar.nsw.gov.au/about-us/who-we-are/our-policies-and-guidelines/regulatory-policy>

Employment market

Labour market shortages caused challenges and delays in recruitment for new positions created following the 2022 restructure and in general. Inability to fill positions meant that in some cases, targets could not be fully met, or projects were delayed.

The large number of new positions created also put additional pressure on existing resources devoted to recruitment, onboarding and training new starters.

Lingering COVID-19 issues

COVID-19 continued to directly impact on operations during the financial year due to significant sick leave, and indirectly through supply chain issues affecting metering reform implementation.

Research and development

NRAR engaged specialist natural resource economics and policy consultancy Marsden Jacob to develop valuations for water entitlements used in NSW and to provide guidance on the economic contribution of water to the NSW economy. This crucial research began in 2021 with production of the first Value of Water Report⁶, which valued NSW licenced water allocations at almost \$30 billion. This was extended in 2023 with an update that included:

1. valuing additional water access licences that were excluded from the 2021 project:
 - a. water used as stock and domestic water
 - b. water used for town and urban water utilities
2. estimates developed for the economic contribution water to local, regional and NSW economies
3. updating the 2021 project results with more recent data, to ensure the 2021 project and this extension are consistent.

The research highlights that water entitlements held and used by producers such as irrigators, mining operators, town water utilities and manufacturing underpin economic outcomes across the state as well as revenue outcomes for both the NSW and Australian Governments through taxes and charges. The monitoring, compliance and education work undertaken by NRAR supports the integrity of markets by helping ensure that water resources are shared fairly among all water users for the benefit of communities, the environment and industry.

Behaviour And Compliance Model for Water Regulation (BEACON)

NRAR is committed to effective and efficient operations in line with statutory objectives under the *NRAR Act 2017*.

To help the agency achieve this efficiency, NRAR has worked with a consortium of academics from UNSW, University of Canberra and University of Technology Sydney since 2021 to develop a water user behaviour model known by the acronym, BEACON.

The research addresses a question common to all regulators about how to best achieve compliance and enforcement within resource constraints. NRAR operates in a complex legislative and regulatory environment and the research has boosted understanding of how and when to intervene in the activities of regulated water users to gain compliance.

The model considers individual farmers' perceptions about severity, risk, ability to comply, willingness to comply, and motivation to comply with water allocation rules.

Among other things, the model can:

⁶ <https://www.nrar.nsw.gov.au/about-us/the-value-of-water>

- show the extent to which increasing or decreasing penalty amounts can induce water users to change their behaviour around water regulations
- help to identify the points at which further investment of money, time and people is unlikely to deliver greater levels of compliance
- boost understanding of the overall level of resourcing required to achieve NRAR's objectives in water regulation.

NRAR provided both cash and in-kind funding for the project over three years. The cash component was \$210,000, while the in-kind amount was \$237,000. The project is also being supported by the Australian Research Council via a linkage grant.

The project collaboration was essential because NRAR does not have the in-house capability to undertake a comprehensive review and development of the technology proposed in the project.

The project has established a long-term strategic partnership for evidence-based regulatory innovation, the results of which will be disseminated to other regulatory agencies across the Murray Darling Basin.

The project aligns with NRAR's strategic goals, including:

- ensuring lawful activity and encouraging widespread voluntary compliance
- intelligent use of analytics and systems
- organisational culture that embraces learning and innovation
- effective engagement with stakeholders to promote transparency and accountability
- to be a regulation leader and role model.

NRAR released a preliminary report on the results of the research in February 2023.

IPART determination

Every five years, NRAR makes a submission to the IPART WAMC determination process. This process determines water prices for the following four years. IPART examines the prudence and efficiency of NRAR's compliance operations and determines what percentage of our costs should be passed on to water users through water prices framework.

This determination currently governs approximately 50 per cent of NRAR's annual funding. In the last determination, NRAR committed to achieving ongoing efficiencies, which will need to be demonstrated in the next determination process.

IPART's 2021 determination flagged an expectation for NRAR to achieve substantial compliance efficiencies by the next determination (2025), largely through assumed efficiencies resulting from completion of meter reforms.

These efficiencies will be difficult to realise due to a combination of market barriers to water users installing meters, delayed meter reform dates, legal framework for metering, and systems and data issues associated with the administration of the metering and water accounting systems.

Summary of operations

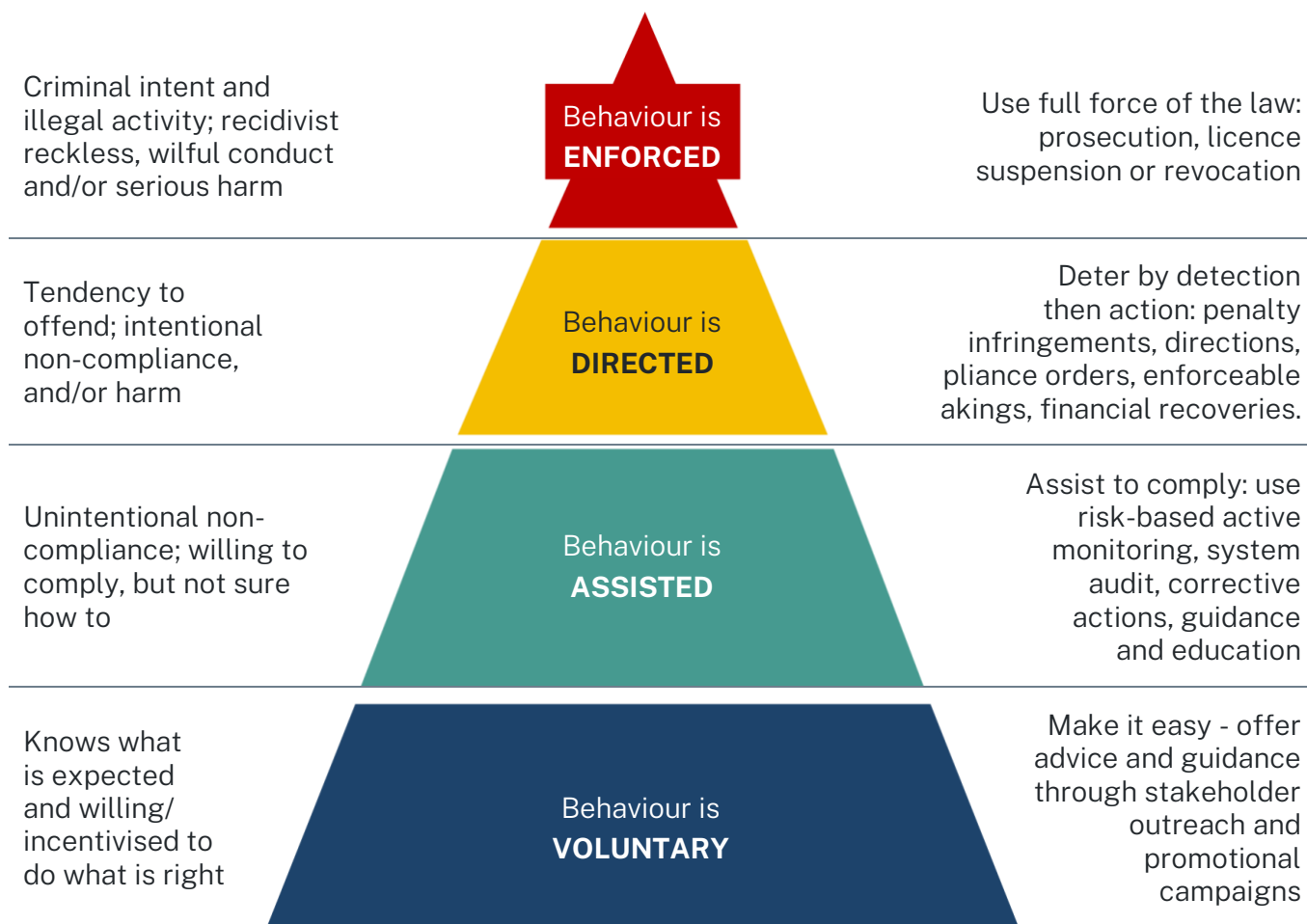
NRAR's work helps make sure water is regulated effectively and efficiently according to the law. We're accountable for our commitments and transparent about our compliance and enforcement activities, so the public can be confident that the system works.

We plan and execute our work to address the most significant problems and to get the best return on the investment of our resources.

NRAR has a well-defined approach to compliance built on a foundation of helping and guiding people to meet their obligations, but with an escalating level of enforcement actions against those who break the rules based on risk, harm and attitude to compliance.

Compliance attitude

Our regulatory tools



Actions at the top of the pyramid support actions at the bottom by clarifying expectations and demonstrating that those who don't comply will be held to account

Education and engagement

NRAR is committed to helping people comply with water laws because we know most people want to do the right thing. Our Education and Engagement branch aims always to listen, acknowledge different perspectives, and encourage a two-way relationship.

NRAR meets and consults with members of the NSW community to ensure people know the rules, why we have them and how to follow them for the benefit of communities, the environment, culture and industry.

Some of the ways NRAR connects with the people of NSW include at:

- field days where our staff had 857 conversations with visitors about diverse topics including metering, bores, working on waterfront land and more
- industry conferences where we build relationships with key water user groups
- other events, including roadshows and customer advisory group meetings
- meetings with licence holders on site to offer help and advice.

Education

The Education Team became part of the newly formed Education and Engagement branch as part of a major restructure of the agency in 2022. This team's key objectives for this period included to:

- understand those NRAR regulates and the community it serves
- foster understanding of the rules and NRAR's regulatory practices
- make water compliance a shared responsibility.

The Education Team attended 17 stakeholder events during the 2022-23 financial year including three Community Advisory Groups (CAGs) in the Murray Lower Darling, Murrumbidgee, and Lachlan, and eight rural and regional field days. These events enabled the team to hold face-to-face discussions and to provide key information to stakeholders.

Ongoing surveying of field day visitors since 2021 indicates improved awareness of NRAR as an agency and understanding of its purpose and activities.

Water Compliance E-tool

A project to provide an easy-to-use interactive online education tool for use by TAFE NSW began during the financial year. Known as the Water Compliance E-tool, it is designed to help students better understand water laws and the regulation regime. So far, the development of the tool has undergone user testing and will continue to be developed and refined in close consultation with TAFE.

Industry collaboration

Working closely with key industries linked to water regulation has been another key focus area for the Education Team this year. These relationships have allowed NRAR to deliver education and information tailored to each group and specific to their situation. Some of this occurred in face-to-face meetings while others were achieved through online workshops and webinars. The Education Team continues to expand the list of organisations it works directly with.

Engagement

The Engagement Team serves as a bridge connecting NRAR with its stakeholders, facilitating meaningful interactions, dialogue and collaboration. It continues to establish and nurture relationships based on trust, transparency and respect. Through increased understanding of the community and shared responsibility and collaboration, the Engagement Team assists NRAR to effectively influence stakeholders towards voluntary compliance.

During the 2022-23 financial year, the Engagement Team made significant contributions to NRAR. As a new team the focus was on building knowledge, capability, and relationships to underpin the agency's goals.

The team built this capability through training across a variety of knowledge areas including community engagement, project management, Aboriginal cultural understanding, first aid and field skills.

Aboriginal cultural awareness

The Engagement Team prioritises the protection of Aboriginal spiritual and cultural connections to water, which is an enduring priority of NRAR. This financial year, it included managing NRAR's first ever NAIDOC event and forming a project working group to inform how the agency as a whole responds to this priority.

Floodplain harvesting

The Engagement Team leads NRAR's floodplain harvesting program and in the last financial year formed a project working group to work in this focus area. Field work combined with stakeholder collaboration continues to inform this important work.

Outreach program

NRAR's Outreach program allows the agency to hear directly from licence holders about their water management practices and provide information to help them understand their obligations.

Teams in Dubbo, Tamworth, Deniliquin and Albury regularly visit properties across regional NSW, meeting water users on their properties.

These visits help determine whether people are aware of the rules, and actively follow them.

During financial year 2022-23, the Outreach Team substantially achieved its inspection targets, recruited 15 new staff and implemented strategies to reduce staff travel fatigue. During the reporting period, Outreach staff travelled 61,000 kilometres and visited 2,210 sites. During these onsite visits, 4,234 works were inspected.

While the majority of people are either complying with the rules or trying to, inspections identified 664 sites with alleged non-compliance and referred these sites for further investigation.

Common non-compliances included:

- failure to keep logbooks/records
- metering breaches
- expired works
- incorrect work size
- failure to order water.

Compliance activities

NRAR's Regulatory Initiatives (RI) branch is tasked with solving important compliance problems aligned with NRAR's annual and enduring priorities. The branch is a new activity area for the agency, formed after a major restructure in August 2022. The branch's activities are designed to reduce harm caused by unlawful activity and the need for more severe enforcement actions.

Water metering

During the 2022-23 financial year, NRAR focused on high volume water users in the Northern Inland region, including those with pumps 100mm and above and bores 200mm and above. Some additional funding enabled the RI branch to achieve even more in the non-urban metering rollout campaign.

During the financial year, the team conducted more than 595 comprehensive audits. These were followed by 201 site inspections at various locations to further check that 552 water licence approvals, and 1,203 water management works were compliant.

The RI branch focused on, and worked with, the largest water users in the Northern Inland and has achieved higher rates of compliance in this group compared to others.

The metering deadline for Southern Inland regions was reached on 1 June 2023 - for pumps 100mm and above and bores 200mm and above.

Improving Floodplain Connections

This Department of Planning and Environment (Water) program is designed to regulate unauthorised structures on the floodplain that divert water away from the environment or from places and traditions of cultural significance.

NRAR's Improving Floodplain Connections Team works with the department to ensure water moves across the landscape to areas of critical habitat in times of flood.

The team has two main tasks across the six river valleys: documenting existing flood impacting structures and ensuring the removal of unapproved and/or unlawful structures.

Of the 215 significant flood structures identified, the NRAR team has completed the spatial analysis of 198, has physically inspected and documented 130 and verified that 38 of those structures are no longer effective. Upon determination and referral by our partner agencies, the team will start the process of seeing that unlawful and unapproved flood works are removed.

Irrigated agriculture

The irrigated agriculture industry accounts for about 80 per cent of water taken in NSW. As a result, ensuring the fair sharing and accurate measurement of water taken by irrigators is a focus for NRAR.

During 2022-23, significant flooding events resulted in much of the work in this project being delayed.

The project team reviewed intelligence in the following regions:

- **Murray and Murrumbidgee:** 36 high priority sites were identified where potential unlawful irrigation could be taking place. Desktop assessments triggered 27 on-site inspections where eight issues were identified requiring further regulatory response.
- **North Coast:** 15 priority sites with high volume use were identified in the Port Macquarie-Hastings region.

Desktop assessments identified that 8 sites had expired water use approvals. These sites were inspected by NRAR field staff, with 5 requiring regulatory response.

Overdrawn accounts

Water licence holders are required to ensure the amount of water they extract is consistent with the conditions of their account. It is an offence to take water without, or with insufficient, water allocation in that account. When water is taken above quotas, it causes harm to other industry participants, the local community, cultural values and the environment.

The project team reviewed water access licenses identified as overdrawn for 2021-22. This represented a combined water entitlement of 318,079 megalitres valued at more than \$954 million.

The team directly engaged with 197 water account holders to bring their accounts into compliance, raising awareness of water law with licence holders and promoting compliance within the regulated community and the public. Some of the more serious matters were referred to NRAR's Investigations & Enforcement branch for further action.

Bore extraction

One of RI's key objectives during the financial year was to make sure licence holders were aware of their obligations when it came to using groundwater. This included identifying water users who committed offences under the *Water Management Act 2000*.

Water users not adhering to bore extraction limits may cause a localised lowering of the water table in some aquifers during pumping season, or pressure reduction in others. Both situations can impact neighbouring water users and, in some cases, have the potential to lead to long-term or permanent loss of water in the aquifer.

Major utilities and irrigation corporations

Major utilities and irrigation corporations are required to submit annual compliance reports (ACRs) each year to demonstrate they are compliant with the conditions of their licences and approvals. The RI branch currently reviews these ACRs.

20 ACRs were reviewed this year for seven major utilities including Water NSW, Energy Australia, Origin Energy, Sydney Water, and Hunter Water Corporation.

Five ACRs were reviewed this year for five irrigation corporations including Coleambally Irrigation Co-operative Limited, Murray Irrigation Limited and Jemalong Irrigation Limited.

Active management program

A program to monitor compliance with active management rules under the Water Sharing Plans for the Barwon-Darling, Gwydir and Macquarie-Bogan Unregulated water sources started in the 2022-23 financial year.

The project focuses on Held Environmental Water (HEW). This is water the government has purchased to achieve certain environmental outcomes, such as improving the health of rivers, wetlands and floodplains. HEW may originate from upstream regulated water sources, or unregulated HEW licences within the unregulated water source.

New rules put in place by the NSW Government help protect environmental water from extraction in unregulated river systems by limiting daily extraction, adjusting access thresholds when environmental water is present, managing resumption of flows after extended dry periods, and providing clarity on access through announcements to water users.

The project aims to provide several significant outcomes, including:

- Gathering intelligence about levels of compliance with active management rules in each area. This information will be provided to The Department of Planning and Environment - Water and WaterNSW to improve engagement and communication with impacted water users through existing networks and platforms to drive broad-scale voluntary compliance.
- Direct engagement with water users with identified “low risk” alleged breaches. This will ensure these water users who may have inadvertently breached active management rules are aware of their obligations.
- Investigation and enforcement of “high risk” alleged breaches. This will provide a specific deterrent to non-compliance for individual water users.
- Reporting of activities and enforcement actions undertaken will increase awareness of obligations among water users and provide a general deterrent to non-compliance for all impacted water users.

The program is still in development and no compliance action has been taken so far.

Investigations, enforcement and legal

Law enforcement

NRAR's Investigations and Enforcement (I&E) branch underpins public confidence in the management of the state's water resources. I&E carries out complex investigations into serious alleged breaches of water law, supported by NRAR's Legal Team. Both work together to ensure that breaches of water law are dealt with efficiently and enforced effectively in line with the agency's priorities. The Legal Team, staffed by lawyers from the Department of Planning and Environment, also provides legal advice to other branches within NRAR.

As a risk-based regulator, NRAR examines each case on its merits. We consider the potential harm caused to the environment or other water users, the offender's culpability and compliance history, and their attitude to staying within the water laws.

NRAR undertakes a range of activities to educate and promote voluntary compliance from water users, however when serious and willful law breaking happens, we act. The findings that arose from court cases this financial year will have ongoing implications for how we continue to regulate water, and for how we achieve a culture of compliance across NSW.

Sum of count of enforcement action

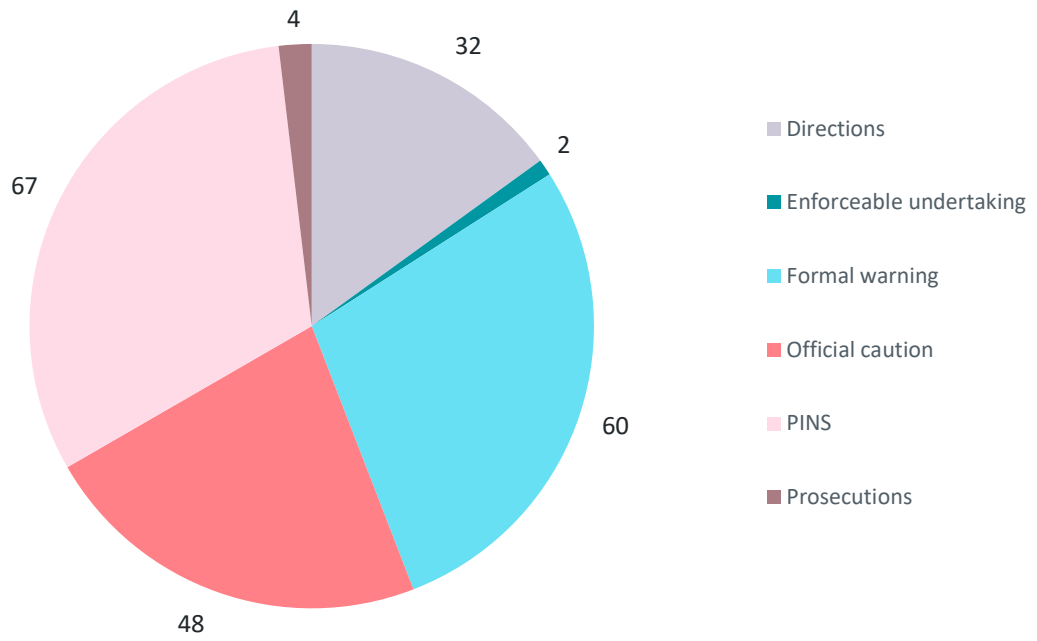


Table: Prosecution cases

Year	Started	Concluded	Ongoing	Conviction	Dismissed	Withdrawn	Appeals
1/7/22 to 30/6/23	4	7	6	5	0	1	1 appeal concluded

Key judgments

In the first half of 2023, NRAR concluded important prosecutions relating to the protection of fragile groundwater resources in the Riverina towns of Griffith and Leeton. Together, they resulted in almost \$239,000 in fines and \$150,000 in costs to be paid by the water users.

A Moree Plains irrigator was ordered to pay fines totalling \$353,750 early in 2023 after the company pleaded guilty to and was convicted in the NSW Land and Environment Court of four offences under the *Water Management Act 2000*. NRAR alleged the company knowingly took water while its metering equipment was not working and built and used a 610ML dam without approval.

Together these cases set an important sentencing precedent for any similar matters in the future.

Enforceable undertakings

If a company or individual breaches water laws in a significant way, they may propose to NRAR that they enter into an enforceable undertaking (EU) to remedy the breach as an alternative to court action. An EU must acknowledge the alleged breach of the *Water Management Act 2000* and must contain actions to address the conduct of concern.

An EU will usually offer compensation or remedies relating to the offending conduct, which may include funding or programs that benefit the local environment or community, with a connection to the *Water Management Act 2000*. An EU is legally enforceable.

In deciding if an EU is the right course of action, NRAR considers what happened, how serious it was and whether there is a history of rule breaking. An EU will not be accepted unless NRAR considers it can deliver positive outcomes in the public interest, and that it reflects and promotes the water management principles in s5 of the *Water Management Act 2000*.

There have been 2 EUs finalised in the past financial year with a range of outcomes and conditions:

1. Illawarra Coal Holdings Pty Ltd will contribute almost \$2.9 million to a community project after the company allegedly took surface water without a licence at its Dendrobium mine.

The monetary contribution is the largest and most significant EU secured by NRAR since the agency was formed and it's one of the biggest EUs ever reached in NSW by any environmental regulator. The funds will support a project related to wetland or waterway restoration.

2. The operators of Boggabri coal mine will pay more than \$50,000 in compensation for water allegedly unlawfully taken, \$15,000 for investigations costs and \$10,000 toward a community project with a water management focus.

The EU committed the mine operators to a strict reporting and management regime for a significant period and this will give NRAR strong oversight of water management operations and ensure that the mine itself will have the data needed to stay within its water licence requirements.

Improving the way water use is measured and reported in mining and extractive industries has been a key focus area for the independent regulator during the past year.

Technology, systems and intelligence

NRAR's Innovation, Systems and Intelligence (ISI) branch contributes to NRAR's efficiency and effectiveness by leading and promoting innovative methods that support proactive, risk-based regulation of water use in NSW.

The branch creates value by looking ahead and pushing the boundaries of innovation so that NRAR can be a leading regulator and at the forefront of new technology.

The branch uses data and spatial analytics, strategic intelligence, expert knowledge, policy and field data to help detect and solve compliance issues before they become serious problems.

It also uses these methods to determine which problem areas pose the highest risk, either because of the volume of water involved, or because of the number of water users in an area.

ISI leads the development of new tools and technology within NRAR to accurately determine compliance. When needed, these tools are used to gather evidence of wrongdoing, which may be used in subsequent enforcement actions.

Current tools include drones, depth sounders and a bathymetric boat. The branch plays a key role in building staff capability in the use of advanced technology and new processes.

Key achievements of this branch during the 2022-23 financial year include:

- helping NRAR to champion improvements to the management of natural resources by developing a metering compliance dashboard that clearly showed progress in the non-urban metering roll out in NSW. This dashboard highlighted the need to review the metering policy, and this review is now underway.
- playing a pivotal role in development of NRAR's annual regulatory priorities by using its technology and innovation expertise, tools and data to identify the most important regulatory problems.
- contributing to staff culture and capability through a field skills training camp focusing on NRAR's main areas of technology use in the field.

Regulatory Excellence

NRAR's Regulatory Excellence branch enables organisational excellence and contributes to maintaining community confidence in the enforcement of NSW water laws.

The branch does this by:

- providing corporate level assurance that processes and procedures, staff capabilities and funding are adequate and fit-for-purpose, and provision of operational policy guidance.
- charting NRAR's continual improvement to regulatory best practice through evidence-based policy change and improvement, internal operational policy and guidance, staff capability development to meet emerging needs, continuous review of procedure and process, and seeking out new funding opportunities.

Licensing and approvals

During this financial year, Regulatory Excellence completed important work around the licensing and approvals framework, which will underpin even more effective compliance and enforcement activities by the agency. The branch received endorsement from the board to establish an approvals audit function and began recruiting staff. The new team started an inaugural evaluation of aspects of the licensing and approvals framework, and its impacts on the effectiveness and efficiency of NRAR's compliance activities.

A consultation committee consisting of key stakeholders including the Department of Planning and Environment - Water and WaterNSW was also established to guide and support licensing evaluations and to respond to evaluation findings. The committee developed its terms of reference and will contribute to any actions arising from evaluations.

Quality management systems

The Systems and Assurance Team worked hard to ensure NRAR maintained its certification under international standard for quality management systems ISO 9001. Recertification was achieved at the end of 2022. This certification has multiple benefits to NRAR. It builds community confidence that our processes are robust and consistent and highlights our constant pursuit of best practice. It strongly supports the principal objectives of NRAR as identified in the NRAR Act, to ensure transparent and accountable compliance and enforcement measures and to maintain public confidence in our activities.

Economic factors

The Finance Team supported the agency by preparing funding proposals, providing economic support and analysis for projects, and by sourcing economic information relevant to NRAR activities. This branch ensured that economic factors such as water price and value were integrated into compliance and other decision making.

Independent Pricing and Regulatory Tribunal (IPART)

Regulatory Excellence is responsible for reporting to IPART on NRAR's current performance indicators and outcomes. The team managed NRAR's input into the IPART 2023 review of how water is regulated in NSW. The resulting IPART handbook sets out how water in NSW will be economically regulated and what needs to be included in agency submissions to IPART relating to pricing and funding. The branch is also doing crucial work toward NRAR's business case to IPART in 2024.

Regulatory Co-ordination

NRAR's Regulatory Co-ordination branch provides governance and support for the agency including performance analysis and reporting, front-of-house services, internal and external communications and media.

Regulatory Support

The Regulatory Support team provides services and support to all NRAR teams including multiple administrative functions, customer services, complaints handling, finance and procurement, asset management, and staff onboarding and off boarding.

One of the main achievements of the team in the 2022-23 financial year has been the planning and introduction of a crucial safety system for NRAR staff working in the field.

Regulatory Services is now managing the administration of BREON Portal and InReach devices that are carried by operational staff when in the field.

Internal communications

Ensuring NRAR's staff are well-informed and well-connected across the agency promotes efficiency and morale. Achieving this has been a key focus area, with improvements in information distribution, staff engagement and even more ways for the senior executive team to connect meaningfully with staff.

Among progress indicators were:

- a 70 per cent increase in the open rate for the internal newsletter, The Regulator
- more than 70 per cent increase in the open rate of the Senior Leaders Update
- a significant shift in use of internal communication platform Viva Engage, with 368 posts and more than 8,009 reactions on posts.

Media

Part of NRAR's purpose has always been to champion improvements to the management of natural resources. We do this by influencing the public discourse around fair access to water, creating a culture where compliance with water law is an accepted norm.

NRAR regularly highlights its activities through the work of our Communications and Media team. NRAR staff work hard to ensure vital messages are delivered to the broader public via traditional news media.

During the 2022-23 financial year, NRAR was mentioned in the media more than 1,900 times in both major metropolitan and regional news outlets. Thirty-two media releases were issued on key activities, and NRAR leaders were interviewed 28 times about key water compliance issues. Almost 60 requests from journalists for more information were answered.

Online news publications and radio broadcast were the most common types of media coverage during the period covering education, compliance and enforcement activities.

Social channels

Social media is crucial for reaching and engaging with people about water law compliance. NRAR's channels include Facebook, X (previously called Twitter), LinkedIn and YouTube.

Our overall social audience grew by 738 to 2,657. There were more than 18,300 engagements with 292 posts on various channels. LinkedIn is NRAR's newest social channel and increased its audience by more than 500 followers during the financial year.

Website

There were 34,840 page views on NRAR's website during the financial year, with 9,028 unique users. The functionality, features and content of the NRAR website continue to be upgraded and updated.

We are committed to providing an excellent user experience, and we are continually improving the website to make it a seamless platform for information dissemination and interaction. As we look ahead, we are eager to continue evolving our website as a powerful tool to provide important information and help drive compliance.

4

Management and accountability

Privacy and personal information

Under Clause 6 of the *Annual Reports (Departments) Regulation 2010*, NRAR must provide a statement of its actions to comply with the requirements of the *Privacy and Personal Information Protection Act 1998* (PPIP Act)⁷. It must also provide statistical details of any reviews conducted by or on behalf of the agency, under Part 5 of the PPIP Act. NRAR complies with its Privacy Management Plan⁸ and is supported by the Department of Planning and Environment.

The plan outlines how the agency complies with the principles of the PPIP Act and the *Health Records and Information Privacy Act 2002*. Officers in the department's Information Access & Privacy unit also provide specialist privacy advice and training to NRAR staff and conduct any privacy internal reviews under Part 5 of the PPIP Act on NRAR's behalf.

In 2022-23, NRAR received one application for review under Part 5 of the PPIP Act.

Consultants

Table Consultants 2022-23 - engagements costing \$50,000 or more

Consultant	Purpose	Cost
J.G Anson Consulting Pty Ltd	Development Program for NRAR	\$211,850

Table Consultants 2022-23 - engagements costing less than \$50,000

Category	Number of engagements	Cost
Management services	2	\$77,425

Government information (public access)

NRAR has delegated its functions under section 9 of the *Government Information (Public Access) Act 2009* (GIPA Act)⁹ to the Information Access and Privacy Unit of the NSW Department of Planning and Environment.

Therefore, all statistical information about access applications required to be included in an annual report regarding NRAR, in compliance with s125 of the GIPA Act and Clause 8 of the *Government Information (Public Access) Regulation 2018*, is included in the annual report for the Department of Planning and Environment.

Legislation

NRAR is created as a statutory authority and its operations governed by the *Natural Resources Access Regulator Act 2017* (NRAR Act). NRAR is currently responsible for enforcement of two pieces of natural resources management legislation and their associated regulations: the *Water Act 1912* and the *Water Management Act 2000*.

The NRAR Act was amended in the financial year 2022-23 to correct an issue identified within the governance provisions related to board operation. Under the original NRAR Act, the NRAR Board was limited to three members and required a quorum of three for decision making.

⁷ <https://legislation.nsw.gov.au/view/html/inforce/current/act-1998-133>

⁸ https://www.nrar.nsw.gov.au/__data/assets/pdf_file/0005/367376/NRAR-privacy-management-plan-2020.PDF

⁹ <https://legislation.nsw.gov.au/view/html/inforce/current/act-2009-052>

This required that all board members be present at all meetings for decisions to be made, with no allowance for member illness or conflict of interest. To address this governance risk, the Act was amended to allow for four to five board members to be appointed, with the quorum remaining at three. Kamilaroi man Phil Duncan was appointed as a fourth permanent NRAR Board member in December 2022.

Factors affecting operations

In June 2023, the NSW Government announced a review of the NSW Non-Urban Metering Policy to examine ways to accelerate progress on compliance. The Department of Planning and Environment is conducting the review, which is still underway and will include public consultation. The department will look closely at how to overcome barriers to compliance faced by some water users. These barriers include a shortage of active qualified meter installers and some difficulty obtaining equipment.

While the review is underway, there will be no change to the regulations and compliance expectations that are already in place. NRAR continues to take a fair and measured approach to enforcing the rules.

Cyber security policy attestation

Cyber Security Annual Attestation for the 2022-2023 Financial Year for Natural Resources Access Regulator

I, Grant Barnes, Chief Regulatory Officer, am of the opinion that the Natural Resources Access Regulator has managed cyber security risks via the Department of Planning and Environment in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy.

The Department of Planning and Environment has a Cyber Security Strategy in place to ensure a constant focus on improving and managing cyber security governance, risk and resilience. Ongoing assessment and management of risks to the department's information and critical systems are achieved through the cyber security program and routine operational activities.

Throughout the previous financial year, the Department of Planning and Environment has undertaken independent audits of its Information Security Management System, cyber security controls, and compliance with the NSW Cyber Security Policy. These audits uncovered areas of positive progress as well as potential areas for improvement, all in alignment with the dynamic cyber security threat landscape.

The Department of Planning and Environment regularly updates its cyber security incident response plan and conducts annual testing to ensure its effectiveness.

The Department of Planning and Environment's Digital Information Office successfully maintained compliance with the international security standard ISO 27001, "Information Technology - Security techniques - Information security management systems," as certified by an Accredited Third Party (BSI Certificate Number: IS 645082).

The Department remains committed to bolstering its technology environments and raising awareness among all employees regarding cyber security and privacy risks.



Grant Barnes
Chief Regulatory Officer
Natural Resources Access Regulator

Date: 10 August 2023

Human resources

Officers and employees by category

Table: Officers and employees by category 2022-2023

Year	Clerk Grade 3/4	Clerk Grade 5/6	Clerk Grade 7/8	Clerk Grade 9/10	Clerk Grade 11/12	PSSE and SE equivalent
2022	31	21	45	29	20	5
2023	37	27	69	36	20	7
% change	+19%	+29%	+53%	+24%	0%	+40%

Personnel services and employer arrangements

Employer arrangements and personnel services for NRAR were provided by the Department of Planning and Environment for the 2022-23 financial year.

Remuneration of senior executives

Table: Shows number and remuneration of senior executives

	Female 2022-23	Male 2022-23	Female 2021-22	Male 2021-22
Band 4 (Secretary)	0	0	0	0
Band 3 (Deputy Secretary)	0	0	0	0
Band 2 (Executive Director)	0	1	0	1
Band 1 (Director)	4	4	2	3
Totals	4	5	2	4
Totals Overall		9		6

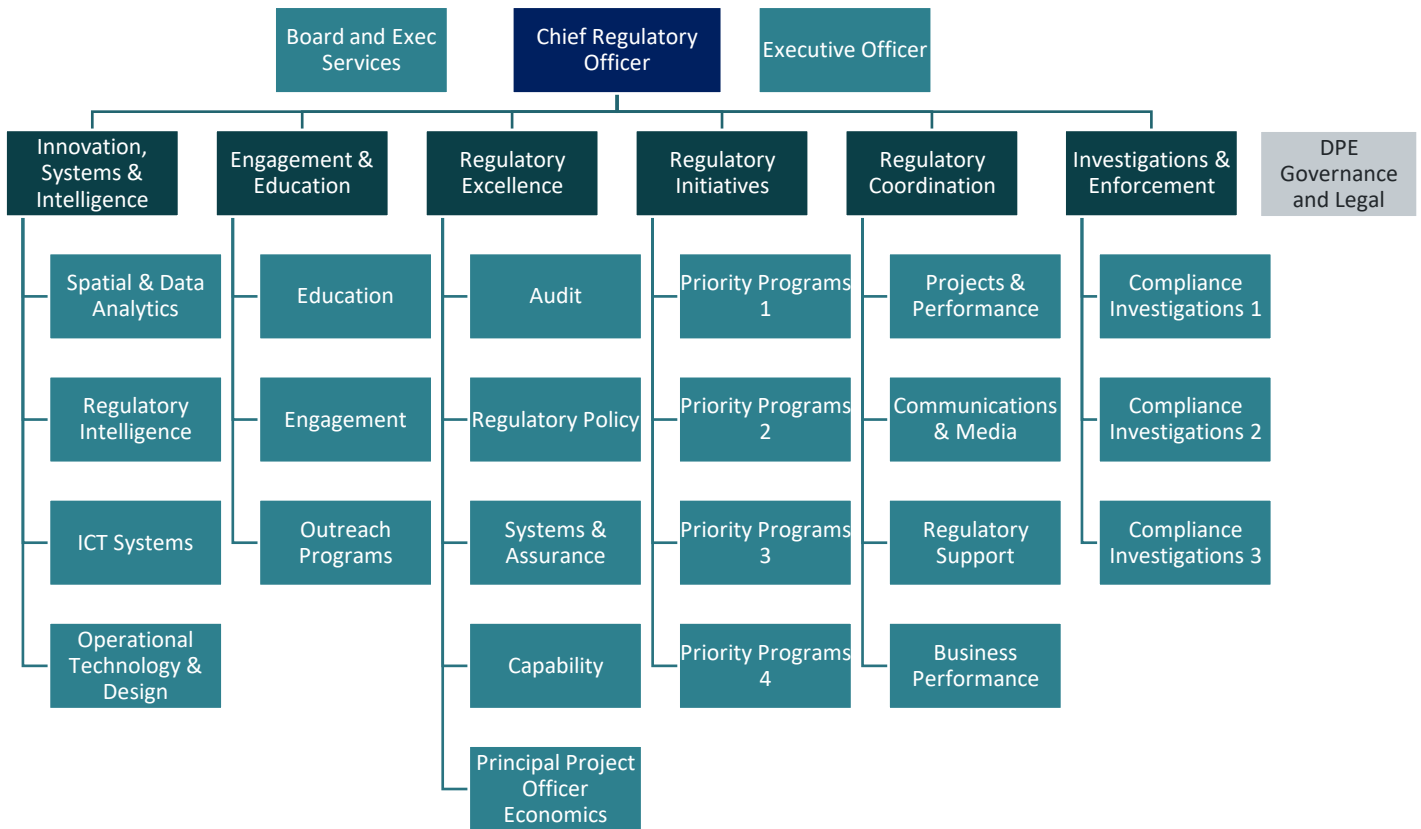
Average remuneration

Table: Shows average remuneration of senior executives

	Range \$	Average Remuneration \$ 2022-23	Average Remuneration \$ 2021-22
Band 4 (Secretary)	\$509,251 to \$588,250	0	0
Band 3 (Deputy Secretary)	\$361,301 to \$509,250	0	0
Band 2 (Executive Director)	\$287,201 to \$361,300	336,232	321,509
Band 1 (Director)	\$201,350 to \$287,200	216,170	245,131

8.6 per cent of NRAR's employee-related expenditure in 2022-23 was related to senior executives, compared with 7.9 per cent in 2021-22.

Org chart indicating functional responsibilities



5

Sustainability

Environmental measures

As a NSW Government agency within the Department of Planning and Environment, NRAR strives to conduct its work in ways that maximise the long-term well-being of the people of NSW, the environment and our natural resources.

In line with NSW Government sustainability guidelines¹⁰, NRAR's operations are designed to make sure we regulate water in NSW as effectively and efficiently as possible. By using innovative technology to proactively monitor water take across the state, and a risk-based approach to our investigation and enforcement activities, we can focus our efforts on areas where we can achieve the best possible outcomes for communities and the environment.

NRAR's work also impacts natural systems, providing environmental benefits including returning water to the environment. The health and sustainability of water resources depend on NSW water laws being properly enforced to ensure the environment gets its share. Delivering positive environmental outcomes is also a key area in NRAR's strategic goals 2021-23.

Workplace diversity

NRAR strives to create an inclusive workplace, in line with strategies of the Water Group and the broader Department of Planning and Environment. Actions and activities to achieve this goal are set out in the DPE Diversity and Inclusion *Workforce Strategy 2021- 25*¹¹.

Total and location

At June 30, 2023, NRAR employed a total of 196 staff including both permanent and temporary employees. This was an increase of approximately 27 per cent in total staffing in 2022. Approximately 65 per cent of staff were based in regional NSW, an increase on 2022 (58 per cent).

Table: Distribution of staff by gender

Year	Total	Men	Women
2022 (June 30)	154	51.6%	48.4%
2023(June 30)	196	57.3%	42.1%
% change	+27%	+11%	- 13%

Table: Distribution of staff by age

Year	15-34 years	35-54 years	55+ years
2022 (June 30)	46	86	22
2023 (June 30)	69	96	31
% change	+50%	+12%	+41%

¹⁰ Sustainability in government | NSW Climate and Energy Action

¹¹ https://www.dpie.nsw.gov.au/_data/assets/pdf_file/0006/370572/Diversity-and-Inclusion-Workforce-Strategy-2021-25.pdf

Gender equity

NRAR employs similar numbers of men and women. At June 30, 2023, just over 43 per cent of staff were women and over 56 per cent were men. This compared to 2022 when 44.2 per cent were women and 55.8 per cent were men. However, during this period, the percentage of women senior leaders at NRAR rose from 20 per cent (one woman out of five executives) to 57 per cent (four women of seven executives). The NSW Government target is to have 50 per cent of senior leadership positions filled by women.

Linguistic backgrounds and cultural diversity

NRAR employs a number of people in this group, however exact numbers are difficult to determine because employees do not always elect to disclose this information. As at June 30, 2023, 4.6 per cent of employees spoke a language other than English as a first language and 25.2 per cent chose not to say. This compared with 7.3 per cent and 25.2 per cent of employees respectively in 2022.

Just over 8 per cent of staff identified as being part of a minority group in 2023, a similar number to the previous year. Between 20 per cent and 30 per cent of staff in either year chose not to disclose this information.

Disability inclusion action plan

The NSW Premier has set a target that people with disability hold 5.6 per cent of all NSW Government roles by 2025. Currently, the percentage of people with a disability in the department is less than 2 per cent. As of June 30, 2023, NRAR employed five people with a disability which represents 3.11 per cent of the workforce.

Main challenges to improving this percentage is trying to address:

- creating an inclusive and safe workplace, where employees feel they can declare their disability
- recruiting people with disability to meet the Premier's Priority target
- ensuring representation of people with disability in leadership development programs.

Indigenous engagement

Enduring priority

NRAR's enduring priorities represent the principles that support and guide our activities over the long term. One of the most significant of these is protecting and prioritising Aboriginal cultural and spiritual values in water regulation.

NRAR is committed to identifying the benefits and impacts to Aboriginal cultural and spiritual values in our regulatory functions and activities.

During 2022-23, a project plan for this enduring priority (EP2) was developed to bring together representatives from across NRAR branches to collaborate on how we can make the protection of Aboriginal cultural and spiritual values an even greater part of all we do. This approach at NRAR is led by engagement team members Andrew Den (Warumungu man) and Carissa Beatty (Wiradjuri/Kooma woman).

Aboriginal Support Network (ASN)

NRAR's Board recently endorsed the establishment of the NRAR ASN. The ASN is a network that provides opportunities for NRAR's First Nations staff to come together for a yarn, attend exclusive cultural events and explore the cultural values of water.

The network serves to better ensure that NRAR is a culturally safe workplace. In March, the ASN came together in Moree for a walk on Country guided by NRAR Board member and Kamilaroi man, Phil Duncan. Here, the members agreed on the terms of reference for the ASN before being submitted and endorsed by the board.

Leadership

The reappointment of Kamilaroi man, Phil Duncan, to the NRAR Board in March 2023 ensures that his knowledge and guidance continues to be a valuable resource to NRAR.

Mr Duncan will serve on the independent board for another three years, retaining the benefit of 30 years of experience in water policy and management at state, national and international levels.

The board consists of four independent part-time members that serve three-year terms. All members must have a high level of expertise in law, natural resources management, compliance and regulation, or other relevant areas.

NAIDOC Week

NRAR ran a series of successful events for 2023 NAIDOC Week. Some 40 staff took part in events at NRAR's Sydney, Dubbo, Deniliquin and Tamworth offices where they had the opportunity to come together to engage with Aboriginal people, history and culture during an important national week of celebration and recognition. When surveyed, 97 per cent of participants said they wanted to see more NAIDOC week events, and 94 per cent indicated that what they learned was important to their work with NRAR.

Work, health and safety

NRAR is part of the Department of Planning and Environment's work health and safety (WHS) program. Although the regulator has its own WHS Committee, formed in 2018 with the establishment of NRAR, it also has access to a team within the department that provides advice and support.

Safety is a key aspect of NRAR's operational processes, the regulator's motto is 'everyone home safe everyday'.

The biggest WHS risks for the regulator centre around driving, working in remote locations and aggressive stakeholders. We have developed comprehensive safe work method statements (SWMs) to cover these aspects of our work.

Key WHS activities FY22-23

Mandatory training

NRAR requires all staff to undertake mandatory training in WHS related topics to ensure compliance with Regulation 39 of the *Work Health and Safety Regulations 2017* (NSW). In 2022-23, there was a 91.6 per cent completion rate for the NRAR's Online WHS Induction (compared with 93.4 per cent in 2021-22).

Incidents reporting

In 2022-23, 68 work-related events were reported utilising the online CAMMS system. Noting that the previous 2021-22 reporting period was significantly impacted by COVID-19, and reported events were substantially lower for the period (28). The reported period is comparable to the 2020-21 reporting period, with 61 events. Eight notifications resulted in injuries. Events involving vehicles (46 per cent) and mental stress (21 per cent) were identified as the most common causal factor.

There was a significant increase in the reporting of hazards (34), which exceeded the 6:1 requirement for proactive reporting requirements. The increase in reports demonstrates that our reporting culture continues to mature in response to the ongoing injury prevention focus and reporting of all hazardous situations or incidents, with or without minor injury.

SafeWork NSW investigations

SafeWork NSW undertook no investigations or regulatory actions. NRAR instigated 32 WHS investigations with 78 actions implemented. The average time for WHS investigations to be completed decreased by 58 per cent from the previous reporting period.

The NRAR Health and Safety Committee complied with Section 78 of the *WHS Act 2011* (NSW) and met quarterly during the reporting period.

6

Financial performance

Financial statements

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT **Natural Resources Access Regulator**

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Natural Resources Access Regulator (the Regulator), which comprise the Statement by the accountable authority, the Statement of comprehensive income for the year ended 30 June 2023, the Statement of financial position as at 30 June 2023, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising a Summary of significant accounting policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the Government Sector Finance Act 2018 (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the Regulator's financial position, financial performance and cash flows.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Regulator in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

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

The Members of the Board's Responsibilities for the Financial Statements

The Members of the Board is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Members of the Board's responsibility also includes such internal control as the Members of the Board determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members of the Board is responsible for assessing the Regulator's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Regulator carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Caroline Karakatsanis

Director, Financial Audit

Delegate of the Auditor-General for New South Wales

3 October 2023

SYDNEY

Audited Financial statements

Natural Resources Access Regulator

Statement by accountable authority

For the year ended 30 June 2023

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018*, we state on behalf of the Natural Resources Access Regulator that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2018*, and the Treasurer's directions, and
- present fairly the Natural Resources Access Regulator's financial position, financial performance, and cashflows.



Signed

Grant Barnes

Chief Regulatory Officer

Date: 29 September 2023



Signed

Craig Knowles

Chairman

Date: 29 September 2023

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Beginning of the financial statements

Statement of comprehensive income

Statement of comprehensive income for the year ended 30 June 2023

		2023	2022
	Notes	\$000	\$000
Operating expenses excluding losses			
Personnel services expenses	2(a)	22,861	21,429
Operating expenses	2(b)	9,545	5,184
Depreciation and amortisation	2(c)	37	36
Total expenses excluding losses		32,443	26,649
Revenue			
Retained taxes, licences, levies, fees and fines	3(a)	677	1,483
Grants received	3(b)	28,572	25,336
Acceptance by the Crown of employee benefits and other liabilities	3(c)	288	119
Other income	3(d)	341	877
Total revenue		29,878	27,815
Net result	10	(2,565)	1,166
Total comprehensive income		(2,565)	1,166

The accompanying notes form part of these financial statements.

Statement of financial position

Statement of financial position as at 30 June 2023

	Notes	2023 \$000	2022 \$000
Assets			
Current assets			
Cash and cash equivalents	4	4,292	6,303
Receivables	5	684	529
Total current assets		4,976	6,832
Non-current assets			
Plant and equipment	6	193	211
Total non-current assets		193	211
Total assets		5,169	7,043
Liabilities			
Current liabilities			
Payables	8	2,013	1,843
Provisions	9	3,114	2,585
Total current liabilities		5,127	4,428
Non-current liabilities			
Provisions	9	40	48
Total non-current liabilities		40	48
Total liabilities		5,167	4,476
Net assets		2	2,567
Equity			
Accumulated funds		2	2,567
Total equity		2	2,567

The accompanying notes form part of these financial statements.

Statement of changes in equity

Statement of changes in equity for the year ended 30 June 2023

	Accumulated Funds \$'000	Total Equity \$'000
Balance at 1 July 2022	2,567	2,567
Net result for the year	(2,565)	(2,565)
Balance as at 30 June 2023	2	2
Balance at 1 July 2021	1,401	1,401
Net result for the year	1,166	1,166
Balance at 30 June 2022	2,567	2,567

The accompanying notes form part of these financial statements.

Statement of cash flows

Statement of cash flows for the year ended 30 June 2023

	Notes	2023 \$000	2022 \$000
Cash flows from operating activities			
Payments			
Personnel services		(21,763)	(21,925)
Payments to suppliers for goods and services		(10,282)	(4,839)
Total payments		(32,045)	(26,764)
Receipts			
Retained taxes, licences, levies, fees and fines		308	1,982
Restricted cash movement		75	(791)
Grants and contributions		28,566	25,336
Other		1,098	844
Total receipts		30,047	27,371
Net cash flows from operating activities	10	(1,998)	607
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(13)	-
Net cash flows from investing activities		(13)	-
Net increase/(decrease) in cash and cash equivalents			
Opening cash and cash equivalents		6,303	8,698
Transfer of bonds		-	(3,002)
Closing cash and cash equivalents	4	4,292	6,303

The accompanying notes form part of these financial statements.

1. Summary of significant accounting policies

a. Reporting entity

The Natural Resources Access Regulator (the Regulator) is a reporting entity constituted under the *Natural Resources Access Regulator Act 2017*.

The Regulator is an NSW government entity and is controlled by the state of New South Wales, which is the ultimate parent. It is a not-for-profit entity, as profit is not its principal objective. The Regulator does not have a cash generating unit, operational funding is sourced by grants from the Department of Planning and Environment (the department).

The principal objectives of the Regulator are to ensure effective, efficient, transparent, and accountable compliance and enforcement measures for the natural resources management legislation; and to maintain public confidence in the enforcement of the natural resources management legislation.

In keeping with the *Natural Resources Access Regulator Act 2017*, the Regulator utilises staff from the department to undertake its core tasks and activities.

These financial statements for the year ended 30 June 2023 have been authorised for issue by the Chair and Chief Regulatory Officer on the date the accompanying statement by the accountable authority was signed.

b. Basis of preparation

The Regulator's financial statements are general purpose financial statements, which have been prepared on an accrual basis in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations).
- the requirements of the *Government Sector Finance Act 2018* (GSF Act)
- Treasurer's Directions issued under the GSF Act.

Judgements, key assumptions, and estimations made by management are disclosed in the relevant notes to the financial statements.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and certain financial assets and liabilities are measured using the fair value basis. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the Regulator's presentation and functional currency.

c. Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

d. Administered activities

The Regulator administers, but does not control, certain activities on behalf of the Crown in the right of New South Wales (Crown). It is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of the Regulator's own objectives.

Transactions and balances relating to the administered activities are not recognised as the Regulator's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Administered Income', 'Administered Expenses', 'Administered Assets' and 'Administered Liabilities'.

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

1. Summary of significant accounting policies (continued)

e. Accounting for the goods and services tax (GST)

Income, expenses, and assets are recognised net of the amount of GST, except that:

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

The net amount of GST receivable from or payable to the ATO is included as part of the receivables or payables respectively.

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

f. Comparative information

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

g. Insurance

A range of insurances are carried by the department through the Treasury Managed Fund. This coverage extends to the operations of the Regulator. Insurance cover is reviewed annually to ensure adequacy.

h. Changes in accounting policies, including new or revised Australian Accounting Standards (AAS)

i) Effective for the first time in FY 2022-2023

The accounting policies applied in 2022-23 are consistent with those of the previous financial year except as a result of the following new or revised AAS that have been applied for the first time in 2022-23:

- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments (effective from 1 January 2022)*
- AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective from 1 January 2022)*
- AASB 2021-7a *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections (effective from 1 January 2022)*
- AASB 2022-3 *Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15*

There were no material impacts of these Standards in the period of initial application on the financial statements of the Regulator.

ii) Issued but not yet effective

NSW public sector entities do not early adopt new Australian Accounting Standards unless the Treasury determines otherwise.

The following new Australian Accounting standards have not been applied and are not yet effective (NSW Treasury mandate TPG 23-04):

- AASB 17 *Insurance Contracts* (effective from 1 January 2023)
- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (effective from 1 January 2024)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (effective from 1 January 2023)

1. Summary of significant accounting policies (continued)

h. Changes in accounting policies, including new or revised Australian Accounting Standards (continued)

ii) Issued but not yet effective (continued)

- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective from 1 January 2023)
- AASB 2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards (effective from 1 January 2023)
- AASB 2021-7b Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections (effective from 1 January 2023)
- AASB 2021-7c Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections (effective from 1 January 2023)
- AASB 2022-1 Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information (effective from 1 January 2023)
- AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback (effective from 1 January 2024)
- AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants (effective from 1 January 2024)
- AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards (effective from 1 January 2023)
- AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments (effective from 1 January 2023)
- AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector (effective from 1 July 2026)
- AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities (effective from 1 January 2024)

The Regulator has assessed the potential impacts on the financial statements due to the new accounting standard or interpretation and find that there will be no financial impact when implemented. However, when AASB 2021-2 is adopted, there will be a disclosure amendment due to the change in the presentation of accounting policies as "material accounting policies" instead of "significant accounting policies".

i. COVID-19 and going concern

COVID-19 has not resulted in any material impact on the Regulator's operations in the 2022-23 financial year.

The financial statements have been prepared on a going concern basis. The Regulator receives financial support from the department. At the date of this report there is no reason not to expect this financial support to continue

1. Summary of significant accounting policies (continued)

j. Superannuation on annual leave loading

The Regulator has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: *Finance Sector Union of Australia v Commonwealth Bank of Australia* [2022] FedCFamC2G 409. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

This position will be re-assessed in future reporting periods as new information comes to light on this matter.

2. Expenses excluding losses

a. Personnel services expenses include the following:

	2023	2022
	\$000	\$000
Salaries and wages (including recreation leave)	19,452	18,319
Superannuation - defined contribution plans	1,880	1,806
Payroll tax	1,150	980
Long service leave	148	84
Workers compensation insurance	83	96
Board member remuneration	148	144
	22,861	21,429

Recognition and measurement

Personnel services

The Regulator does not employ staff but uses the personnel services of the department. The costs of salaries, wages, superannuation, annual leave, long service leave, and sick leave are disclosed as personnel services.

In the 2021-22 financial year, the long service leave expense is lower due to movements in bond rates and effect on the present value of long service leave liabilities and on-costs.

2. Expenses excluding losses (continued)

b. Other operating expenses include the following:

	2023	2022
	\$000	\$000
Advertising costs	231	33
Audit fees	32	38
Consultancy	289	383
Contractors	1,798	427
Education and training	496	235
Expenses relating to short term leases	634	407
Legal fees	2,064	1,653
Licences and fees	498	356
Other operating expenses	455	314
Purchased assets <\$5,000	485	130
Software fees	469	421
Travelling costs	2,094	787
	9,545	5,184

Recognition and measurement

Lease expense

The Regulator recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term, i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

The Regulator does not have low value leases (30 June 2022: Nil).

c. Depreciation and amortisation expense

	2023	2022
	\$000	\$000
Plant and equipment	37	36
	37	36

Refer to note 6 for recognition and measurement policies on depreciation

3. Revenue

Income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not for Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15 *Revenue from Contracts with Customers*. Comments regarding the accounting policies for the recognition of income are discussed below.

a. Retained taxes, licences, levies, fees and fines

	2023	2022
	\$000	\$000
Administration fee revenue	-	8
Fee revenue	677	862
Licence revenue	-	613
	677	1,483

Recognition and measurement

Revenue from levies, licences and fines are recognised when cash is received by the Regulator. During the 2022 year, the business function generating administration, licence and a portion of fee revenue transferred out of the Regulator to the department under an instrument of delegation.

b. Grants and contributions

	2023	2022
	\$000	\$000
Grants without sufficiently specific performance obligations	28,566	25,336
Assets received free of charge	6	-
	28,572	25,336

Recognition and measurement

Revenue from grants with sufficiently specific performance obligations is recognised as when the Regulator satisfies a performance obligation by transferring the promised goods or services.

Grant revenue without specific performance obligations is recognised when the Regulator obtains control over the granted assets (e.g., cash).

Receipts of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services are measured at fair value.

During 2022-23, the Regulator did not use any volunteer services (2022: Nil).

3. Revenue (continued)

c. Acceptance by the Crown of employee benefits and other liabilities

The following liabilities and/or expenses have been assumed by the Crown or other Government agencies:

	2023	2022
	\$000	\$000
Long service leave	251	73
Payroll tax	1	2
Superannuation - defined benefit	36	44
	288	119

d. Other income

	2023	2022
	\$000	\$000
Insurance recoveries	-	75
Recovery of legal costs and moieties	323	635
Recovery of administration costs	18	167
	341	877

Recognition and measurement

Recoveries

Revenue relating to recoveries including legal costs, insurance and administration costs, is recognised when cash is received or when invoiced by the Regulator.

Moieties relate to court-imposed fines that are directed to be paid to certain parties. The Regulator recognises moieties when cash is received.

3. Revenue (continued)

e. Appropriations - Summary of compliance

If applicable, the *Appropriation Act 2022* (Appropriations Act) and the subsequent variations appropriates the sum of \$5.3 billion to the Minister for Planning out of the Consolidated Fund for the services of the Department of Planning and Environment (the department) for the 2022-23 financial year. The spending authority of the Minister under the Appropriations Act has been delegated to the Secretary and subdelegated to departmental Public Service employees for expenditure on the services of the department and entities funded from the amount appropriated to that Minister, including the Regulator.

The *Treasury and Energy Legislation Amendment Act 2022* made some amendments to sections 4.7 and 4.9 of the *Government Sector Finance Act 2018* (the GSF Act). These amendments commenced on 14 November 2022 and are applied retrospectively. As a result, the lead Minister for the Regulator being the Minister for Planning (Minister for Planning and Public Spaces from 5 April 2023) is taken to have been given an appropriation out of the Consolidated Fund under the authority of section 4.7 of the GSF Act, at the time the Regulator receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the Regulator. These deemed appropriations are taken to have been given for the services of the department.

In addition, government money that the Regulator receives or recovers, from another GSF agency, of a kind prescribed by the GSF regulations that has been paid from an amount appropriated from the Consolidated Fund under an annual Appropriation Act, is now capable of being handled and accounted for as deemed appropriation money where the Minister who holds the appropriation from which the payment was made is different to the lead Minister for the Regulator (within the meaning given by section 4.7(8)).

On 16 June 2023, the *GSF Amendment (Deemed Appropriations) Regulation 2023* was made triggering the application of the amendments to section 4.7 of the GSF Act, which governs the treatment of inter-agency cross-appropriation payments.

The summary of compliance is disclosed in the financial statements of the department's Annual Report. It has been prepared by aggregating the spending authorities of the minister for Planning / Minister for Planning and Public Spaces for the services of the department and includes that Minister's authority as lead Minister for the Regulator to expend deemed appropriation money received or recovered by the Regulator. It reflects the status at the point in time this disclosure statement is being made.

The delegation/sub-delegations for the 2022-23 and 2021-22 financial years, authorising officers of the Regulator to spend Consolidated Fund money, impose limits on the amounts of individual transactions, but not the overall expenditure of the Regulator. However, as they relate to expenditure in reliance on a sum appropriated by legislation, the delegation/sub-delegations are subject to the overall authority of the department to spend monies under relevant legislation. The individual transaction limits have been properly observed. The information in relation to the aggregate expenditure limit from the Appropriations Act and other sources is disclosed in the summary of compliance table included in the financial statements of the Annual Report of the department.

The State Budget and related 2023-24 Appropriation Bill has been delayed until September 2023. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised the payment by the Minister for Climate Change of specified sums out of the Consolidated Fund for the services of the department during this period. The authorisation is current from 1 July 2023 until the earlier of 30 September 2023 or enactment of the annual Appropriation Act for the 2023-24 financial year. The Minister for Climate Change has delegated her appropriation expenditure functions (including authority to expend pursuant to section 4.10 of the GSF Act) to the secretary effective 1 July 2023 and the Secretary has subdelegated those appropriation expenditure functions to departmental Public Service employees effective 1 July 2023.

4. Current assets – cash and cash equivalents

	2023	2022
	\$000	\$000
Cash at bank and on hand	4,292	6,303
	4,292	6,303

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, and short term deposits with original maturities of three months or less and subject to an insignificant risk of changes in value, and not of outstanding bank overdraft.

Cash and cash equivalents (per statement of financial position)	4,292	6,303
Closing cash and cash equivalents (per statement of cash flows)	4,292	6,303

Refer to note 11 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

5. Current assets – receivables

	2023	2022
	\$000	\$000
Debtor-department	428	129
Debtors	46	199
Accrued income	7	-
Prepayments	104	95
Net GST	98	106
	684	529

Details regarding credit risk of trade debtors that are neither past due nor impaired are disclosed in note 11.

Recognition and measurement

The entity recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. To determine when the agency becomes a party to the contractual provisions of the instrument, the entity considers:

- Whether the entity has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- Whether at least one of the parties has performed under the agreement.

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price

5. Current assets - receivables (continued)

Recognition and measurement (continued)

Subsequent measurement

The Regulator holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

The Regulator recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the Regulator expects to receive, discounted at the original effective interest rate. At 30 June 2023, the Regulator has not recognised any ECL's (2022: Nil).

6. Non-current asset – property, plant and equipment

	Plant and equipment	Total
	\$'000	\$'000
At 1 July 2021 - fair value		
Gross carrying amount	249	249
Accumulated depreciation and impairment	(2)	(2)
Net carrying amount	247	247
Year ended 30 June 2022		
Net carrying amount at the start of the year	247	247
Depreciation expense	(36)	(36)
Net carrying amount at the end of the year	211	211
At 1 July 2022 - fair value		
Gross carrying amount	249	249
Accumulated depreciation and impairment	(38)	(38)
Net carrying amount	211	211
Year ended 30 June 2023		
Net carrying amount at the start of the year	211	211
Purchase of assets	13	13
Transfers - non cash	6	6
Depreciation expense	(37)	(37)
Net carrying amount at the end of the year	193	193
At 30 June 2023 - fair value		
Gross carrying amount	271	271
Accumulated depreciation and impairment	(78)	(78)
Net carrying amount	193	193

6. Non-current asset – property, plant, and equipment (continued)

Recognition and measurement

Acquisition of property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

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

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

Capitalisation thresholds

Property, plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

Depreciation of property, plant and equipment

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

All material separately identifiable components of assets are depreciated over their useful lives. Depreciation is calculated on a straight-line basis. A useful life of 7 years is used for plant and equipment.

The residual values, useful lives, and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the TPP 21-09 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 21-09) and the Treasurer's direction 'Valuation of the Physical Non-Current Assets at Fair Value' (TD 21-05). TD 21-05 and TPP 21-09 adopts fair value in accordance with AASB 13 Fair Value Measurement and AASB 116 Property, Plant and Equipment.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible, and financially feasible. The highest and best use must be available at a period that is not remote and consider the characteristics of the asset being measured, including any socio-political restrictions imposed by the government. In most cases, after considering these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on the use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Refer to note 7 for further information regarding fair value.

The Regulator re-values each class of property, plant, and equipment with sufficient regularity to ensure that each asset's carrying amount in the class does not differ materially from its fair value at the reporting date.

6. Non-current asset – property, plant, and equipment (continued)

Recognition and measurement (continued)

Revaluation of property, plant and equipment (continued)

Non-specialised assets with short useful lives are measured at depreciated historical cost, which for these assets approximates fair value. The Regulator has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Impairment of property, land and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

The Regulator assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Regulator estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

7. Fair value measurement of non-financial assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell an asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Regulator categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets / liabilities that the Regulator can access at the measurement date.
- Level 2 – inputs other than quoted prices included within level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

The Regulator recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to note 6 for revaluation basis.

8. Current liabilities - payables

	2023	2022
	\$000	\$000
Creditors	281	140
Accruals	813	1,028
Accrued salaries, wages and on-costs (Note 9)	692	403
Payable - department	227	272
	2,013	1,843

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 11.

Recognition and measurement

Payables represent liabilities for goods and services provided to the Regulator and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

9. Current/non-current liabilities – provisions

Current	2023	2022
Personnel services liabilities	\$000	\$000
Recreation leave	2,704	2,067
Long service leave	253	302
Parental leave	21	54
Payroll tax	136	162
	3,114	2,585

Non-current	2023	2022
Personnel services liabilities	\$000	\$000
Payroll tax	13	16
Long service leave	27	32
	40	48

Aggregate personnel services

Accrued salaries, wages and on-costs (Note 8)	692	403
Provisions - current	3,114	2,585
Provisions - non-current	40	48
	3,846	3,036

9. Current/non-current liabilities – provisions (continued)

Recognition and measurement

Salaries and wages, annual leave, sick leave, and on-costs

Liabilities for personnel services are stated as liabilities to the service provider, the department. Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the year in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at the undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 *Employee Benefits*.

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.

Long service leave and superannuation

The Regulator's liabilities for long service leave and defined benefit superannuation are assumed by the Crown through the department. The Regulator 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 of employee benefits and other liabilities".

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

Consequential on costs

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

10. Reconciliation of cash flows from operating activities to net result

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	2023	2022
	\$000	\$000
Net cash used on operating activities	(1,998)	607
Depreciation and amortisation expense	(37)	(36)
In-kind grant (non cash)	6	-
Increase/(Decrease) in receivables	155	(466)
Decrease/(Increase) in payables	(170)	687
Decrease/(Increase) in provisions	(521)	374
Net result	(2,565)	1,166

11. Financial instruments

The Regulator's principal financial instruments are outlined below. These financial instruments arise directly from the Regulator's operations or are required to finance the Regulator's operations. The Regulator does not enter or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Regulator's main risks arising from financial instruments are outlined below, together with the Regulator's objectives, policies, and processes for measuring and managing risks. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Regulator's executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Regulator, to set risk limits and controls and to monitor risks.

a. Financial instrument categories

Class:	Note	Category	Carrying Amount	
			2023	2022
			\$000	\$000
Financial assets				
Cash and cash equivalents	4	Amortised cost	4,292	6,303
Receivables ¹	5	Amortised cost	481	328
Financial liabilities				
Payables ²	8	Financial liabilities measured at amortised cost	2,013	1,843

Notes

1. Receivables excludes statutory receivables and prepayments, not within scope of AASB 7.
2. Payables excludes statutory payables and unearned revenue, not within scope of AASB 7.

The Regulator determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

11. Financial instruments (continued)

b. Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Regulator transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- the Regulator has transferred substantially all the risks and rewards of the asset; or
- the Regulator has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control

When the Regulator has transferred its rights to receive cash flows from an asset or has entered a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When the Regulator has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Regulator's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

c. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

d. Financial risks

i) Credit risk

Credit risk arises when there is the possibility of the Regulator's debtors defaulting on their contractual obligations, resulting in a financial loss to the Regulator. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Regulator, including cash, receivables, and deposits. No collateral is held by the Regulator. The Regulator has not granted any financial guarantees. Credit risk associated with the Regulator's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

The Regulator considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Regulator may also consider a financial asset to be in default when internal or external information indicates that the Regulator is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Regulator.

Cash and cash equivalents

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables

Collectability of trade receivables is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The Regulator applies the AASB 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

11. Financial instruments (continued)

d. Financial risks (continued)

i.) Credit risk (continued)

Receivables - trade receivables (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 180 days past due.

The Regulator's trade receivables balance as at 30 June 2023 is \$19,980 (30 June 2022: \$163,808) and no loss allowance for trade debtor was determined as at balance date (30 June 2022: Nil).

The Regulator is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on experience, debtors are not considered impaired and there are no debtors whose terms have been renegotiated

ii) Liquidity risk

Liquidity risk is the risk that the Regulator will be unable to meet its payment obligations when they fall due. The Regulator continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high-quality liquid assets.

During the current and prior year, there were no defaults or breaches of loans payable. No assets have been pledged as collateral. The Regulator's exposure to liquidity risk is deemed insignificant based on prior periods data and current assessment of risk.

The liabilities of the Regulator are recognised for amounts due to be paid in the future for goods or services received, whether invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11-12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Chief Regulatory Officer (or a person appointed by the Head of a Regulator) may automatically pay the supplier simple interest. There was no interest paid during the year (2022: Nil).

11. Financial instruments (continued)

d. Financial risks (continued)

ii) Liquidity risk (continued)

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

Maturity analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure					Maturity Dates		
	Weighted Average Effective Int. Rate	Nominal Amount	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2023								
Payables	0%	2,013	-	-	2,013	2,013	-	-
2022								
Payables	0%	1,843	-	-	1,843	1,843	-	-

Notes:

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Regulator can be required to pay.
- The amounts disclosed here exclude statutory payables and unearned revenue (not within scope of AASB 7).

iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Regulator's exposure to market risk is very limited as it has no borrowings, and all its deposits are at call. The Regulator has no exposure to foreign currency risk and does not enter commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below for interest rate risk. A reasonably possible change in risk variable has been determined after considering the economic environment in which the Regulator operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposure in existence at the year end. The analysis is performed on the same basis as for 2022. The analysis assumes that all other variables remain constant.

11. Financial instruments (continued)

d. Financial risks (continued)

iii) Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through Regulator's cash balances and receivables. A reasonably possible change of +/- 1 per cent is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

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

	Carrying	-1%		+1%	
	Amount	Result	Equity	Result	Equity
	\$000	\$000	\$000	\$000	\$000
2023					
Financial assets					
Cash and cash equivalents	4,292	(43)	(43)	43	43
Receivables	481	(5)	(5)	5	5
Financial liabilities					
Payables	2,013	20	20	(20)	(20)
2022					
Financial assets					
Cash and cash equivalents	6,303	(63)	(63)	63	63
Receivables	328	(3)	(3)	3	3
Financial liabilities					
Payables	1,843	18	18	(18)	(18)

e. Fair value measurement

i) Fair value compared to carrying amount

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

ii) Fair value recognised in the statement of a financial position

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value because of the short-term nature of the financial instruments.

12. Administered assets

The Regulator administers certain activities on behalf of the Crown in the right of New South Wales. The assets and liabilities associated with these activities are listed below:

	2023	2022
	\$000	\$000
Current assets		
Cash at bank	3	2
	3	2

13. Administered revenue

The following monies have been collected on behalf of the Crown in the right of New South Wales:

	2023	2022
	\$000	\$000
Revenue		
Fines and penalties	76	123
	76	123

14. Commitments

The Regulator is unaware of the existence of any capital expenditure commitments as at balance date (2022: Nil).

15. Contingent liabilities and contingent assets

A contingent liability is a possible liability that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Regulator.

Legal proceedings

There are currently two separate matters before the court that are being challenged by defendants for alleged breaches against the Water Management Act 2000. If successful the Regulator may be required to pay costs, however, the financial impact (if any) cannot be quantified at this point of time.

16. Related party disclosure

During the year, the Regulator expensed \$492,778 (2022: \$473,599) in respect of the key management personnel services that are provided by a separate management entity, Department of Planning and Environment.

During the year, the Regulator did not enter into transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

During the year, the Regulator entered into transactions with other entities that are controlled / jointly controlled / significantly influenced by NSW Government. These transactions (incurred in the normal course of business) in aggregate are a significant portion of the Regulator's revenue and expenses, and the nature of these significant transactions are detailed below:

Entity	Nature of Transaction
Crown Solicitors Office	Provision of professional legal services and legal advice
Department of Customer Service	Customer services and administration of fees and fines
Department of Planning and Environment	Provision of personnel services, administrative, secretarial support and operational assistance
Department of Regional NSW	Provision of accommodation and facility services
NSW Police Force	Transfer of employee leave entitlements

17. Events after reporting date

In August 2023, the government announced changes to the structure of DPE that are effective from 1 January 2024. These changes include the transfer of certain functions to a new Department of Climate Change, Energy, the Environment and Water with the remaining functions of the existing DPE to be retained by the Department of Planning, Housing and Infrastructure. From 1 January 2024, the Regulator is likely to receive corporate and specialist services from the two departments. These changes will not have any impact on the operations, assets, liabilities and financial performance of the Regulator.

There are no other known events that would impact on the state of the Regulator or its financial statements.

End of financial statements

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