

# Annual Report 2019–20

Biodiversity  
Conservation  
Trust





### **Acknowledgement of Country**

The NSW Biodiversity Conservation Trust acknowledges the Traditional Custodians of Country throughout NSW and recognises their ongoing connection to land, waters and culture. We pay our respects to their Elders, past, present and emerging, and seek to genuinely and collaboratively engage with Aboriginal people in the delivery of our private land conservation programs.

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Photo by: Joel Stibbard / BCT

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### **Published by**

NSW Biodiversity Conservation Trust  
4 Parramatta Square  
Level 7, 12 Darcy Street  
Parramatta NSW 2150  
Phone: 1300 922 688

Business hours:  
Monday to Friday, 9am – 5pm

Email: [info@bct.nsw.gov.au](mailto:info@bct.nsw.gov.au)

Website: [www.bct.nsw.gov.au](http://www.bct.nsw.gov.au)

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# Letter of submission

The Hon Matt Kean MP  
Minister for Energy and Environment  
Member for Hornsby  
52 Martin Place  
Sydney NSW 2000

Dear Minister

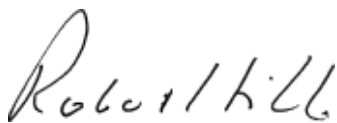
**Subject: BCT Annual Report 2019-20**

We are pleased to submit the Annual Report of the NSW Biodiversity Conservation Trust (BCT) for your presentation to the NSW Parliament. This report provides a summary of our services, achievements and performance for the period 1 July 2019 to 30 June 2020. In addition, the report contains the audited financial statements and appendices as required by legislation.

The report also incorporates the Annual Report of the Biodiversity Stewardship Payments Fund for the period ending on 30 June 2020, which the BCT is required to provide in its role as fund manager under S6.37(1) of the *Biodiversity Conservation Act 2016*.

The report was prepared in accordance with the provisions of the *Annual Reports (Statutory Bodies) Act 1984*, the *Public Finance and Audit Act 1983*, regulations under those Acts and NSW Treasury Circular TC15-19.

Yours sincerely



The Hon Robert Hill AC  
Chairperson of the Board of the NSW  
Biodiversity Conservation Trust



Ms Renata Brooks  
Member of the Board of the NSW  
Biodiversity Conservation Trust and  
Chairperson of the BCT Audit and  
Risk Committee

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# Message from the Chair



**The Hon Robert Hill AC**

Chairperson of the Board of the NSW Biodiversity Conservation Trust

It is with pleasure that I present the NSW Biodiversity Conservation Trust (BCT) Annual Report for 2019-20. In my capacity as BCT Chair, I reflect on the work of the BCT and recognise that we provide governance and administration of programs funded by the NSW Government in support of private land conservation. We seek to achieve the best possible outcomes consistent with the Biodiversity Conservation Investment Strategy adopted by the Minister for Energy and Environment.

This past year was filled with challenges for the people of NSW. Drought, bushfires and COVID-19 have impacted on our environment, health, wellbeing and economic prosperity in ways unimaginable, often described as unprecedented. Given the difficult times we have faced as a state and nation, I am very pleased to report on the ongoing achievements of the BCT.

The BCT has worked tirelessly with landholders to support them through the drought and the devastating impacts of the bushfire season. We have adapted our programs to meet the needs of the community and continued to innovate in how we do business, particularly in times of crisis.

The BCT continues to be a leader in private land conservation. As our programs evolve, the success of the BCT can be measured by the outcomes we are delivering on the ground. We have invested more than \$110 million in successful tenders, fixed price offers and grants in local communities across NSW, to support our landholders and local businesses in extreme economic conditions. In 2019-20, we protected 34 threatened species through our

conservation agreements. In the wake of the ecological damage caused by the drought and bushfires, the work of the BCT in protecting valuable conservation assets and supporting landholders to rehabilitate and manage fire-affected ecosystems is more important than ever.

The BCT will continue to work side by side with landholders to support them in their journey of private land conservation. The BCT is unique in its ability to provide landholders with a range of private land conservation programs, allowing them to choose one that best suits their needs and priorities. These include partnership conservation agreements and grants, conservation agreements with ongoing funding from our tenders and fixed price offers, or biodiversity stewardship agreements for landholders wishing to participate in the biodiversity credit market. As our results show, all our programs are growing as landholders find the right fit for them and their land.

We are also continuing to innovate, launching co-investment partnerships to encourage third parties to work with landholders and the BCT to invest in large-scale, high-conservation-value private land conservation outcomes.

I am proud of the work the BCT has delivered this last year in such difficult circumstances. I thank the BCT Board and staff for the work and dedication, and look forward to continuing to work with them, our partners and landholders to achieve enduring private land conservation outcomes.

A handwritten signature in black ink that reads "Robert Hill". The signature is written in a cursive, flowing style.







# Message from the Chief Executive



Firstly, I would like to acknowledge the difficult circumstances of 2019–20. The year started with many parts of NSW in extreme drought. This was followed by the unprecedented and catastrophic bushfires of 2019–20. Many of our agreement holders and their conservation areas were impacted (as were some of our staff). Just as we began the long recovery from this, along came the once-in-a-century COVID-19 pandemic, impacting the way we could work with our landholders and customers. Despite these challenges, the BCT was quick to adapt and we were still able to deliver most aspects of our programs and support our landholders.

In such tumultuous times, the health and wellbeing of our staff and our landholders has been a top priority. We are continually striving to support and protect the physical and mental health of our people, linking with cluster and external service providers to ensure the support services we need are readily available.

The BCT hopes that 2020–21 sees the pandemic brought under control, a rebuilding of the NSW economy, and the beginning of a brighter decade for biodiversity conservation in NSW.

In 2019–20, we sustained our focus on our purpose. We continued to expand and roll out our three core programs, our Education Strategy and support for our landholders. This annual report summarises the outcomes achieved during the year.

During this reporting period we entered 99 agreements protecting biodiversity on private land. As at 30 June 2020, we are managing 2,034 private land conservation agreements with landholders over more than 2.196

million hectares, representing about 2.7 per cent of NSW.

We are also now a significant fund manager, with \$246.9 million (as at 30 June 2020) held in trust and invested by the BCT in the NSW Treasury Corporation (TCorp) to support ongoing payments to funded agreement holders.

The BCT has further evolved as an organisation, with improved business systems and an ongoing commitment to being effective and accountable. We aim to be transparent and accountable through our website, and our communications with landholders and stakeholders.

On behalf of the BCT Executive, I would like to extend my sincere thanks to everyone working at the BCT for their commitment, resilience and passion, and I thank the BCT Board for their direction, guidance and support. I also extend my thanks and gratitude to our 2,034 landholders for the role they are playing to conserve the unique biodiversity of NSW.

We will continue to adapt and innovate to deliver effective programs to support private land conservation, safeguarding a healthy, productive and resilient environment across NSW.

**Paul Elton**

Chief Executive  
Officer of the  
NSW Biodiversity  
Conservation Trust

# 2019-20 Highlights

Since we launched our first programs in March 2018, the BCT has completed **10 conservation tenders and two rounds of fixed price offers**.

So far under our Private Land Conservation (PLC) programs, **199 landholders** have signed or plan to sign a conservation agreement with the BCT, creating conservation areas across **41,700 hectares**.

During the 2019-20 financial year, the BCT entered **45** partnership conservation agreements or wildlife refuge agreements, **50** funded conservation agreements, and **four** biodiversity stewardship agreements.

So far, the BCT's new agreements have sampled **four** unrepresented and **69** under-represented NSW landscapes, meeting the Biodiversity Conservation Investment Strategy (BCIS) target of 30 by 2023, four years early in February 2019.

So far, the BCT's new agreements have protected **112** different threatened species and **17** unique threatened ecological communities.

More than **two-thirds (68 per cent)** of the BCT's investment in funded conservation agreements is flowing to graziers, farmers or mixed farming enterprises; these landholders are being paid by the BCT to manage parts of their properties for conservation.

During 2019-20, we made payments to funded conservation agreement holders worth **\$4.9 million**, and at 30 June 2020 we had **\$110.9 million** held in trust and invested to support the **116** funded agreements entered (or committed) to date.

During 2019-20, we made payments to biodiversity stewardship agreement (BSA) holders worth **\$8.2 million**, and at 30 June 2020 we had **\$141.5 million** held in trust and invested to support the **192** BSAs entered to date.

During 2019-20, we paid **\$870,000 in grants** to holders of partnership conservation agreements, across 48,200 hectares of conservation areas.

So far, **108** developers have made payments worth **\$20.5 million** into the Biodiversity Conservation Fund (BCF) to transfer their offset obligations to the BCT.

During 2019-20, the BCT conducted **927** site visits and **5,197** interactions with our landholders.

In total, the BCT is now managing **2,034** PLC agreements with landholders over more than **2.196 million hectares**, representing **2.7 per cent of NSW**.

The BCT's [website](#) provides more information about [getting involved](#), the [outcomes of our private land conservation programs](#), the [outcomes of our biodiversity offsets program](#), and [private land conservation in NSW](#). We also maintain a [public register of agreements](#).



# 2019-20 Challenges

## Drought

In 2019-20, large parts of NSW were affected by drought. The BCT has focused on assisting landholders with recovery and rejuvenation of devastated landscapes, with some landholders still pursuing agreements with the BCT despite these impacts.

Our programs can provide a diversified farm income, assisting to mitigate the financial impacts of drought. Our assessment of the ecological condition of properties has been adjusted to take the drought into account so that properties with high conservation value continue to be selected.

## Bushfires

The devastating 2019-20 fires across NSW impacted more than 50,000 hectares across the conservation areas of 250 landholders who hold private land conservation agreements with the BCT.

The BCT assisted impacted landholders with ecological and technical advice to help conservation area regeneration, weed management or pest incursions. The BCT provided financial assistance through conservation partners grants, to restore the conservation values of impacted properties.

## COVID-19

The COVID-19 restrictions, including social distancing and travel restrictions, caused disruption to BCT business operations, particularly in March and April 2020. The BCT paused field work including the Southern Highlands Koala Habitat conservation tender, fixed price offers, applications for agreements and ecological monitoring. COVID-19 also impacted BCT gatherings with field days, conferences and educational events postponed or rescheduled.

The BCT adapted to working in a COVID-19 context when restrictions were eased in June 2020, implementing new ways of operating, including only attending sites if the landholder agreed and

operating under strict field protocols to ensure the health and safety of the assessment teams and landholders.

## Funds and investment management

The BCT has continued its role in the prudential management of the Biodiversity Conservation Fund (BCF) and the Biodiversity Stewardship Payments Fund (BSPF), including making full payments to all holders of funded conservation agreements or biodiversity stewardship agreements, where conservation management actions have been completed.

However, the BCT has faced a challenging year in its role as a funds and investment manager, caused by the operation of an earlier version of the Biodiversity Offsets Payment Calculator, deteriorated investment return forecasts, and negative investment returns caused by the COVID-19 pandemic. Additional details are set out in the relevant sections of this report. The BCT Board has been working closely with the Department of Planning, Industry and Environment (DPIE) to address these matters.

# About the BCT

The BCT is a statutory, not-for-profit body established under Part 10 of the *Biodiversity Conservation Act 2016* to deliver private land conservation programs under Part 5 of the Act. The BCT also has roles in the NSW Biodiversity Offsets Scheme, under Part 6 of the Act.

The BCT is part of the portfolio of the NSW Minister for Energy and Environment (Minister) and is part of the Planning, Industry and Environment cluster.

## Our purpose and functions

The object of the BCT, as stated in the *Biodiversity Conservation Act 2016*, is to protect and enhance biodiversity by:

- encouraging landowners to enter into co-operative arrangements for the management and protection of the natural environment that is significant for the conservation of biodiversity
- seeking strategic biodiversity offset outcomes to compensate for the loss of biodiversity due to development and other activities
- providing mechanisms for achieving the conservation of biodiversity
- promoting public knowledge, appreciation and understanding of the value of biodiversity and the importance of conserving biodiversity.

## Our vision

*To maximise the biodiversity conservation outcomes achieved with the public and private resources entrusted to the BCT to support private land conservation, to deliver a healthy, productive and resilient environment across NSW.*

## Our Culture

People	We respect and collaborate with our colleagues, our landholders and our stakeholders
Purpose	We focus on our role to protect and enhance biodiversity
Public value	We are effective and accountable



# Conservation Management Program

The Conservation Management Program (CMP) is a funded conservation program that aims to encourage and support private landholders in priority investment areas or with conservation assets identified in the BCIS to participate in private land conservation.

The CMP provides a unique opportunity for participating landholders to diversify their income by conserving and managing native vegetation and biodiversity on their land. The BCT makes fixed price offers, runs conservation tenders and pursues co-investment partnerships under this program.

## Case study

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### Fixed price offer phase two: success at Red Heart

Peter and Amanda Thomas own Red Heart in Tullamore, a 4,982-hectare mixed farming enterprise in the heart of the sheep-wheat belt. Peter and Amanda were successful applicants in round two of the BCT's fixed price offer. Receiving an annual payment to protect 1,668 hectares of Western Slopes dry sclerophyll forest and inland rocky hill woodland, where there have been sightings of vulnerable and endangered species such as the Major Mitchell's cockatoo (*Lophochroa leadbeateri*) and the malleefowl (*Leipoa ocellata*).

This is an in-perpetuity conservation agreement, one of only three agreements across the Cobar

Peneplain bioregion, which is an under-represented NSW landscape and a high priority region for the BCT. The conservation area is made up of 1,396 hectares of Mugga Ironbark - Western Grey Box - cypress pine tall woodland on foot-slopes of low hills in the NSW South Western Slopes bioregion, which is a critically endangered ecological community, and a further 108 hectares is mallee - gum coolabah woodland on red earth flats of the eastern Cobar Peneplain bioregion, which is an endangered ecological community. This property is a valuable addition to the protected area network in NSW.





## Conservation tender #6 : The Rummerys



Greg (agronomist and agricultural consultant) and Lyn Rummery are riverside landholders near Walgett, who were successful in a conservation tender to create a conservation area on their property.

The BCT identified this as a significant conservation project, because the old growth coolibah woodland on the floodplain and river red gum forests along the river on the property provide an extremely important refuge for native animals. It is also vital in the area due to the current lack of water in the landscape. In times of severe drought, patches of native vegetation along riverbanks act as arteries in the landscape, connecting large patches, providing occasional watering points and cooling the landscape.

Greg and Lyn were happy to work with the BCT and signed their conservation agreement in July 2019. The project has resulted in important conservation outcomes and was marked with a visit from the Minister who was pleased by the collaborative work to protect the Rummerys' beautiful natural environment.

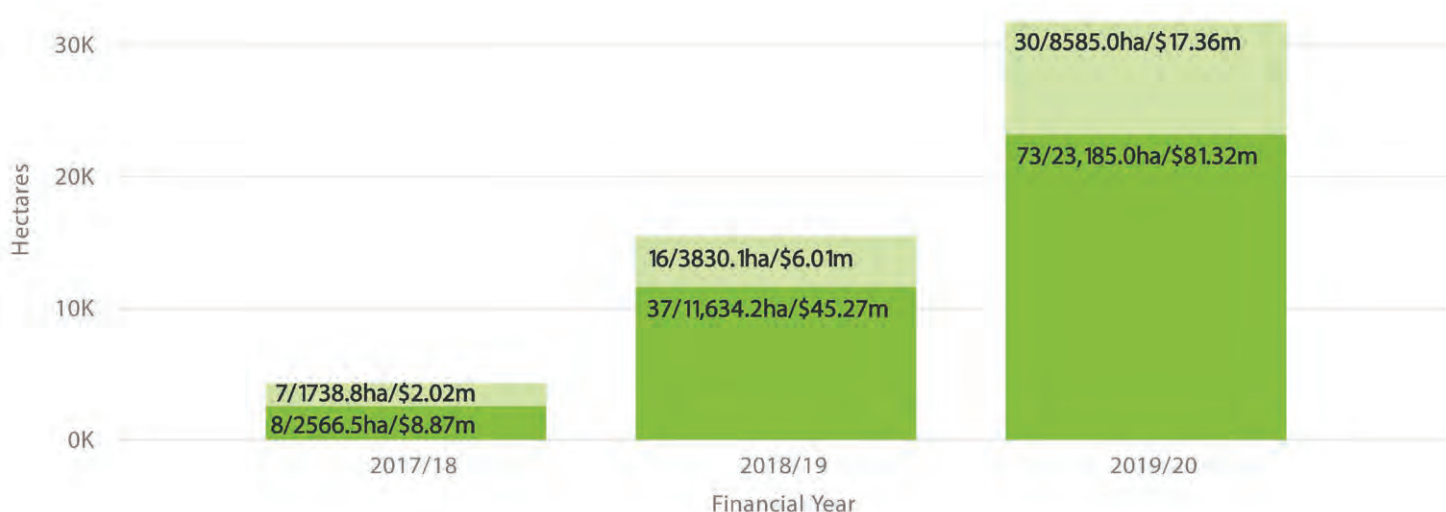




# Conservation Management Program *outcomes*

## New conservation agreements (number/hectares/dollars invested)

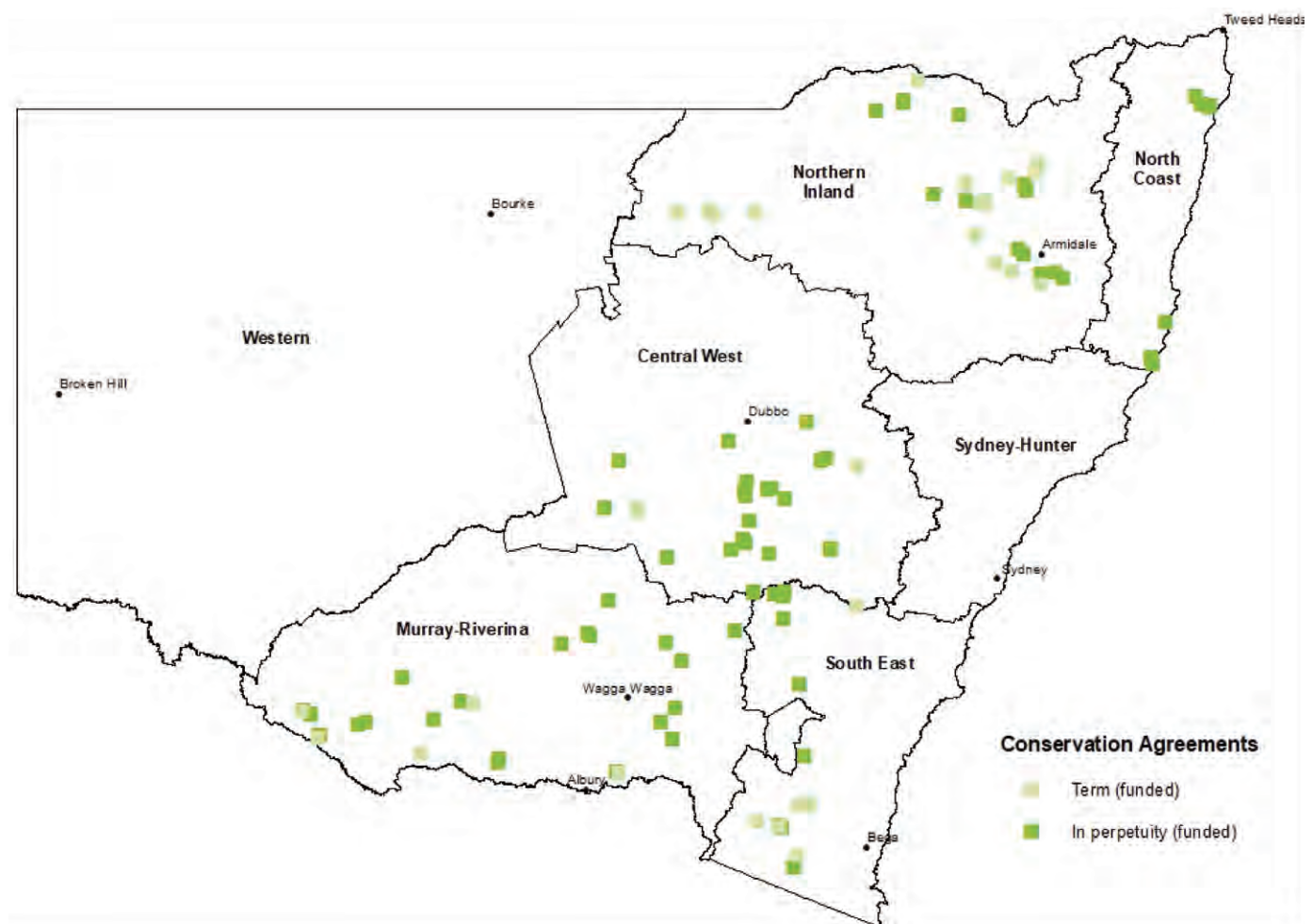
● In perpetuity (funded) ● Term (funded)



## CMP activity

Activity type	Number
Conservation agreements signed by CEO/approved by BCT Board	103/116
Total hectares under conversation agreements (term/in-perpetuity)	8,585/23,185
Total number of properties revolved under a funded conservation agreement	2
Fixed price rounds underway/completed	2/2
Conservation tenders underway/completed	1/10
Under-represented landscapes sampled	46
Unrepresented landscapes sampled	4
Threatened ecological communities protected	17
Threatened species protected	77
Priority investment areas 1, 2 & 3 area (ha) protected	25,716

## Map of new conservation agreements



## Key performance indicators

4

Unrepresented landscapes sampled

\$110.9m

Total investment in CAs\*

69

Under-represented landscapes sampled\*

\$4.9m

Conservation management payments made  
in the last 12 months

\*across Conservation Management and Conservation Partners Programs



# Conservation Partners Program

The Conservation Partners Program (CPP) is a program for landholders wishing to permanently protect and conserve biodiversity on their land. Landholders who are not seeking or not eligible for conservation management payments under the CMP can apply to enter an in-perpetuity conservation agreement at any time.

All landholders with a partnership agreement with the BCT can apply at any time for a conservation partners grant, to assist them to maintain the ecological values of their properties.

For example, a landholder may need funding to manage a pest or weed outbreak or to repair a fence to manage stock.

Landholders who participate in the Wildlife Land Trust program run by Humane Society International or the Land for Wildlife program run by the Community Environment Network can also apply for BCT grants.

## Case study

### Bushfire recovery grant for The Bog

Jimmy Malecki owns The Bog, a property on the North Coast with an in-perpetuity conservation agreement in place since 2010. The Bog is home to an elusive and endangered population of coastal emus. A professional photographer and filmmaker, Jimmy is a passionate conservationist and has received grant funding in the past for trackwork and the installation of nest boxes for wildlife. The Bog was impacted by the bushfire emergency of 2019-20, losing precious vegetation and habitat including old growth trees. Jimmy is positive about the future and has been working collaboratively with ecological researchers to study fauna recovery after fires. Jimmy applied for a BCT conservation

partners grant to assist in fire recovery which was accepted in June 2020. The funding will go towards removing fallen trees from tracks to improve access for coastal emus and eradicate weeds that have sprung up after the fires.





## Grant funding for Quoll Headquarters



Quoll Headquarters is a 164-hectare property near Tenterfield, providing an important corridor for wildlife, notably the nationally endangered spotted-tail quoll (*Dasyurus maculatus*). The property holds an in-perpetuity conservation agreement and was decimated by an unusually hot bushfire in early 2019, prompting the landholder, Steve Haslam, to apply for a conservation partners grant.

The application was successful, and Steve received the first of three payments in July 2019 for a new wildlife-friendly fence to replace the existing fence burnt in the fires.

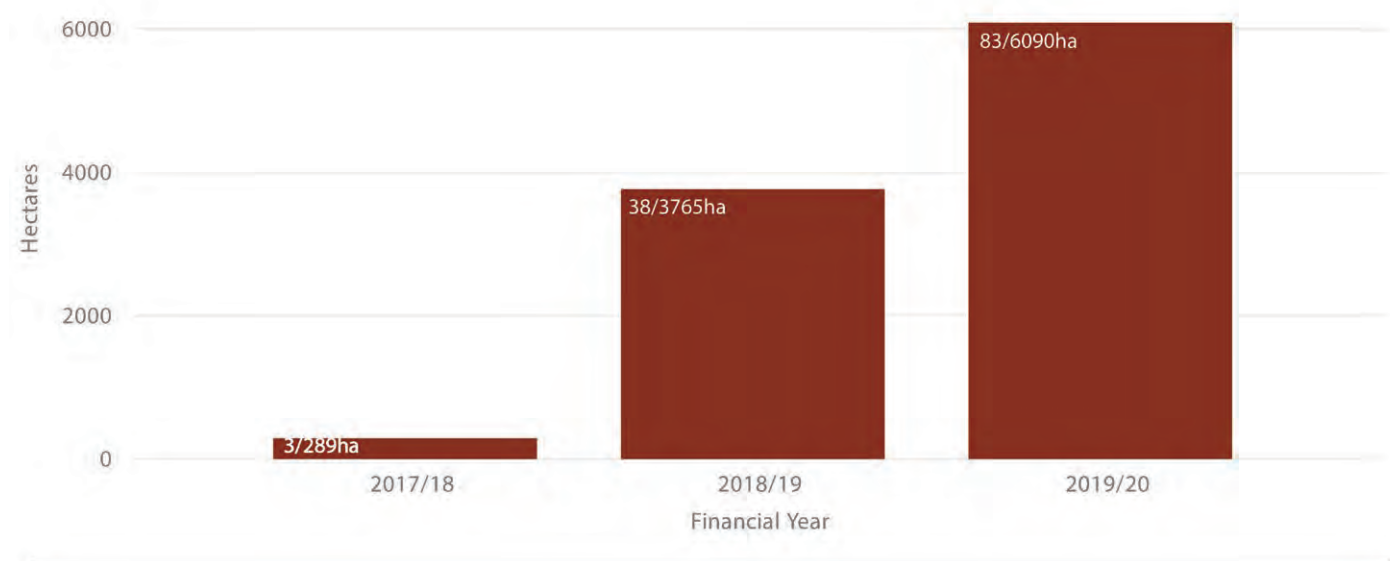
Quoll Headquarters was not impacted by the bushfire emergency of 2019–20, but during that time the property became a beacon of hope for the many landholders who were not so lucky. Despite the level of destruction caused by the 2019 fires, within a few months the vegetation was already starting to re-emerge. Native rock orchids grew back and evidence of quolls returning within a few months; a testament of the landscape's resilience as well as Steve's hard work and optimism.





# Conservation Partners Program *outcomes*

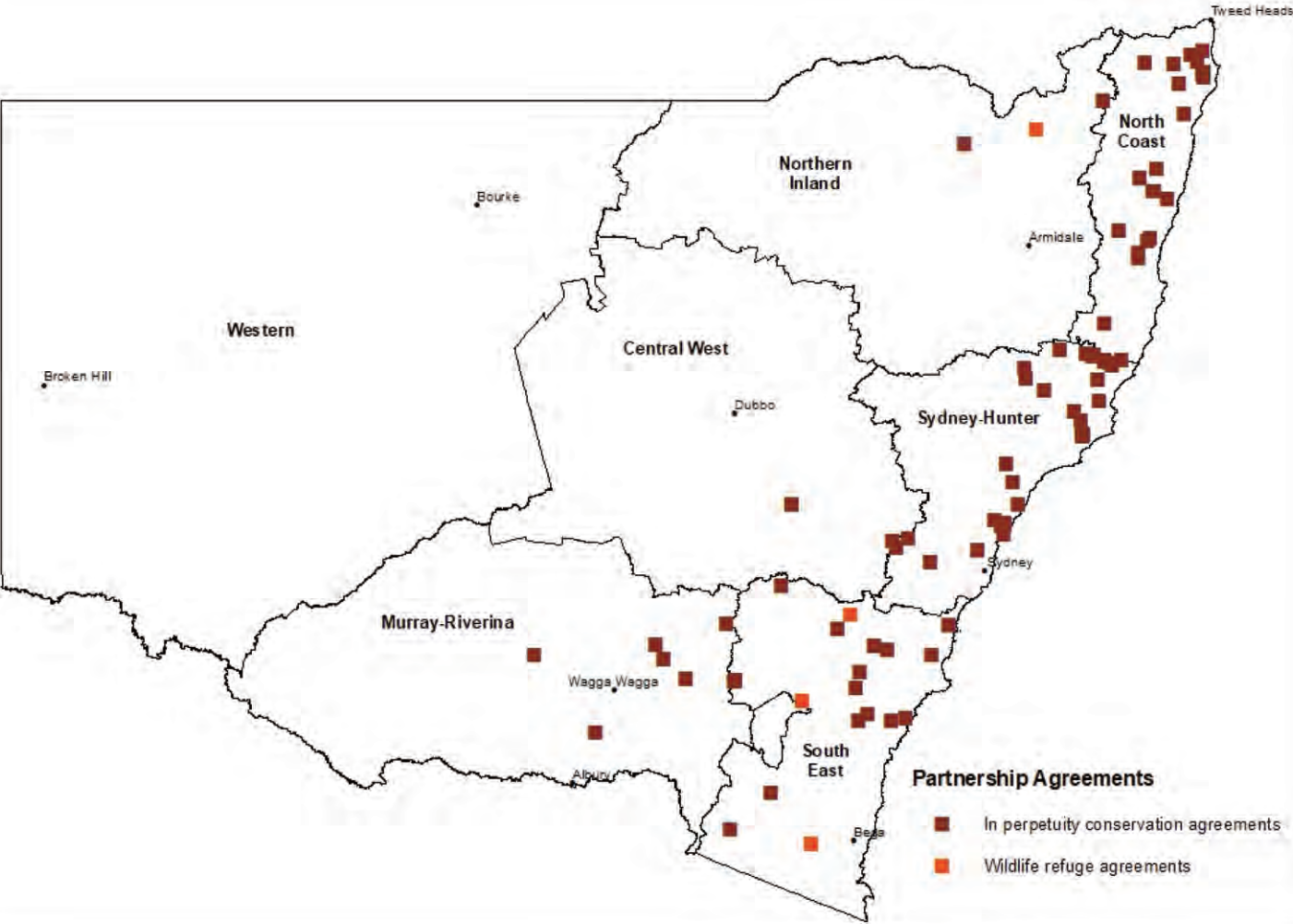
## New conservation and wildlife refuge agreements (number/ hectares)



## Conservation Partners Program activity

Activity type	Number
New partnership conservation agreements (PCA)	79
New wildlife refuge agreements (WRA)	4
Total hectares under partnership conservation and wildlife refuge agreements	6,090
Total number of applications (PCA/WRA)	213/16
Total number of properties revolved under a PCA	1
Under-represented landscapes sampled	23
Threatened species and ecological communities protected	35
Priority investment areas 1, 2 & 3 area (ha) protected	1,030.7
Pre-BCT agreements now managed by the BCT:	
- Partnership conservation agreements	542
- Wildlife refuge agreements	687
- Property agreements	261

Map of new conservation and wildlife refuge agreements



Conservation partners grants

151

Grants issued

106

Grant applications being assessed

\$1.2m

Value of grants issued

\$2.3m

Value of grants approved

48.2K<sub>ha</sub>

Area in receipt of grants



# Biodiversity Offsets Program

Under our Biodiversity Offsets Program (BOP), the BCT delivers a range of services to support the NSW Biodiversity Offsets Scheme (BOS), administered by DPIE.

## Facilitating supply of biodiversity credits

Landholders wishing to participate in the biodiversity credit market can apply to the BCT to enter a Biodiversity Stewardship Agreement (BSA). In addition to permanently protecting an area of land, a BSA enables biodiversity credits to be generated which may then be sold to a developer, the BCT or other interested parties. Once the credits are sold, BSA holders receive in-perpetuity annual biodiversity stewardship payments to manage the land and biodiversity on the stewardship site. They may also make a profit from the sale of credits. The BCT ensures compliance through review of annual reports and site inspections.

## Securing biodiversity offsets

The BCT acts as a market intermediary. Developers with an offset obligation can make a payment into the BCF at a price set by the Biodiversity Offset Payment Calculator. If developers choose to pay into the BCF, the obligation to procure biodiversity offsets transfers to the BCT. This enables developers to proceed with the development while allowing the BCT to bundle offset obligations and secure strategic biodiversity offset outcomes. The BCT takes a strategic approach to meeting offsets obligations, including acquisition of a portfolio of biodiversity credits for future use.

The BCT is also funded by government to procure offsets under various place-based biodiversity offset schemes, such as the Growth Centres Biodiversity Offset Program which operates in Western Sydney.

The BCT runs biodiversity credit tenders and fixed price offers, including targeted offers where there are limited credits available on the market.

## Case study

### State-wide biodiversity credit tender 2020

The BOS delivers a transparent, consistent and scientifically-based approach to biodiversity offsetting in NSW. The BCT ran its second state-wide biodiversity credit tender in March 2020, seeking specific ecosystem and species credits to acquit offset obligations. There was a strong response and the BCT has committed to purchase 881 ecosystem credits and 1,154 species credits from 12 biodiversity stewardship sites.

Through these purchases, the BCT will assist landholders to protect seven threatened species, including the koala, rufous bettong, glossy black-cockatoo and powerful owl. The BCT will also assist in the management and protection of 10 different vegetation types, including areas of:

- river-flat eucalypt forest on coastal floodplains endangered ecological community (EEC) in the Penrith City Council, Blacktown City Council

and Liverpool City Council Local Government Areas (LGAs)

- subtropical coastal floodplain forest EEC in the Tweed Shire Council LGA
- swamp sclerophyll forest on coastal floodplains EEC in the Port Stephens Council LGA.

These credit acquisitions will acquit over 20 per cent of the offset obligations held by the BCT as at 30 June 2020, offsetting impacts from a variety of developments, including a recycling centre, industrial warehouses, residential developments, hospitals and schools.

## Case study

### New Maitland Hospital, Maitland NSW



The NSW Government's \$470 million new Maitland Hospital will be a contemporary facility to meet the growing health needs of the local community, now and into the future.

NSW Health Infrastructure is delivering the project in partnership with Hunter New England Local Health District, CBRE Project Management and Multiplex. Collaboration with staff, the community and industry has been critical throughout all planning stages to ensure the new hospital provides an improved service delivery environment and better health outcomes for patients.

The project is being progressed under a State Significant Infrastructure (SSI) town planning approval granted by DPIE following extensive community, cross agency and stakeholder consultation.

The greenfields site for the new facility is a 19-hectare location on Metford Road, Metford. Under the SSI development approval, the Early Works and site establishment phase was completed in late 2019 which included bulk earthworks, clearance of vegetation, land stabilisation and retention of surrounding native landscapes.

A key focus for the project is building a hospital that is 'of its place'. This means protecting and complementing the bushland and environment

where the new hospital is nestled. To achieve this, the project collaborated with DPIE during the pre-approval planning phases, to identify opportunities for preserving and limiting the impacts on vegetation in the area.

The new Maitland Hospital development contributed a sum to the BCF to help offset developmental impacts and create environmental benefits in NSW. The BCT will use these funds to source and purchase ecosystem credits for the two impacted plant community types: spotted gum – red ironbark – grey gum shrub – grass open forest of the Lower Hunter, and *Phragmites australis* and *Typha orientalis* coastal freshwater wetlands of the Sydney Basin Bioregion. In addition to these ecosystem credits, the BCT will also source and purchase squirrel glider species credits, in the form of essential habitat for this species. Once these credits are retired, the land from which these credits have been generated will be managed to support the conservation of biodiversity in perpetuity. For the new Maitland Hospital, this offers a symbiotic relationship between servicing the health care needs of the community and environmental sustainability.

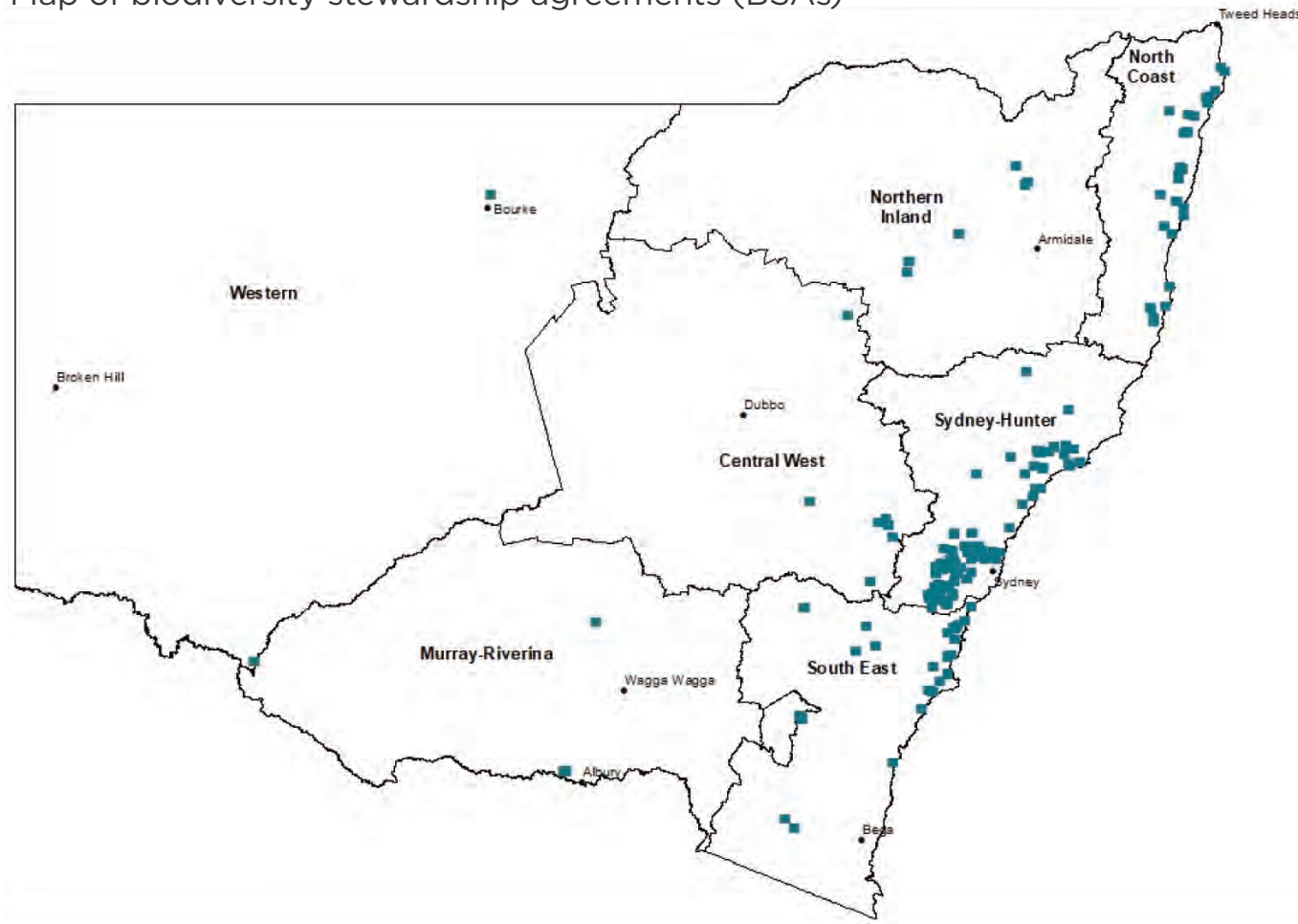
The new Maitland Hospital is on schedule to open in early 2022.



# Biodiversity Offsets Program *outcomes*

## Facilitating supply of biodiversity credits

Map of biodiversity stewardship agreements (BSAs)



**192**

No. of signed BSAs

**43**

No. of BSA applications in progress

**22.7K<sub>ha</sub>**

Area of signed BSAs

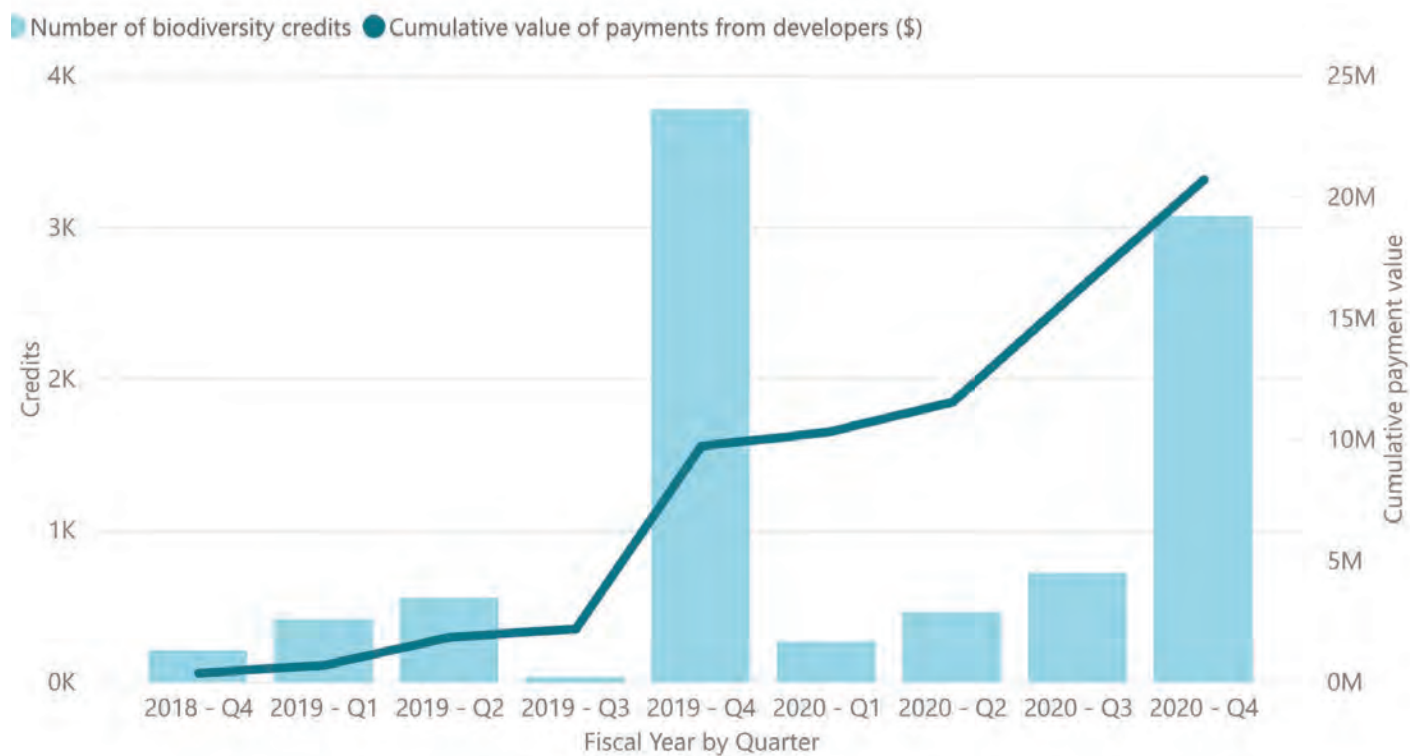
**\$141.5m**

Assets held by Biodiversity Stewardship  
Payments Fund

**\$8.2m**

Biodiversity stewardship payments  
made in last 12 months

## Securing biodiversity credits for developers and government



### Key statistics (since 25 August 2017)

No. of developer payments into BCF	108
Value of developer payments into BCF	\$20.8m
No. of offset obligations held*	231
No. of offset obligations met	18
Offset obligations met under like-for-like rules	100%
Total allocation to BCT for government offset delivery (budget)	\$6.7m
Value of government offsets secured in 2019/20 (actuals)	\$6.7m
No. of tenders underway/completed	1/4
No. of fixed price offers underway/completed	1/1

\* Each payment may comprise one or more offset obligations (types of biodiversity credits)



# Engaging landholders

The BCT has a range of voluntary delivery mechanisms to encourage and support landholders to participate in private land conservation in NSW, as well as several strategies to support our landholders.

## Fixed price offers

The BCT offers a fixed price per hectare per annum in priority investment areas, targeting areas within the least protected biological subregions that contain threatened ecological communities, habitat for threatened species or important wetlands. This is the BCT's core mechanism to encourage landholders to consider entering an agreement with the BCT. Landholders can express interest at any time to enter a funded, in-perpetuity conservation agreement.

The BCT assesses applications on a value for money basis in one or two batches each year, subject to the available investment budget. Landholders can also apply for an essential infrastructure grant to assist with establishing a conservation area.

The BCT completed the second batch of fixed price offers during 2019–20, which resulted in 12 in-perpetuity conservation agreements covering 4,980 hectares. These conservation areas contain endangered ecological communities such as semi-evergreen vine thicket, inland grey box woodland, and the critically endangered white box-yellow box-Blakely's red gum grassy woodland. The BCT has invested \$8.2 million to fund the annual conservation management payments to these landholders.

Expressions of interest were received for the third batch of fixed price offers. Site assessments were split into two phases due to restrictions caused by the COVID-19 pandemic. Phase one assessments were undertaken in Autumn 2020 and phase two assessments were deferred to Spring 2020. Applications from landholders will be assessed by an evaluation panel and recommendations will be made to the BCT Board for funding during 2020–21.

The BCT also opened the fourth round of fixed price offers, with the eligible area extending to the Western Lands Division for the first time, with a minimum size of 500 hectares per property to be conserved and managed for biodiversity.

The BCT improved access to this delivery mechanism with an online interactive map for landholders, to see if they are in an eligible area and to get an indicative estimate of the amount of funding they would receive under this offer.

## Conservation tenders

The BCT uses conservation tenders to target conservation assets listed in the Biodiversity Conservation Investment Strategy (BCIS). Each year, the BCT may call for landholders in priority 1 to 3 investment areas, or other locations containing conservation assets, to express interest in participating in a conservation tender. Landholders can offer to enter an in-perpetuity or term (minimum 15 years) agreement.

In 2019–20, the BCT completed one tender in the Central West Rivers area. This tender resulted in nine conservation agreements covering 3,900 hectares. The communities protected in these conservation areas include grassy open woodlands dominated by coolabah and black box, bumble box and myall, grasslands of plains grass and Mitchell grass, and wetlands; and threatened species such as bush stone-curlew, blue-billed and freckled duck, brolga, and black-tailed godwit. The BCT has invested \$10.5 million to fund the annual conservation management payments to these landholders.

Another tender for Southern Highlands koala habitat commenced during the year, with site assessments delayed following the 2019–20 bushfires. This tender will be completed in 2020–21.

## Revolving fund

The revolving fund is used to purchase high conservation value properties. The BCT then sells these properties to buyers willing to sign a partnership or funded conservation agreement or biodiversity stewardship agreement. All property purchases under our revolving fund must meet strict business case requirements and are approved by the BCT Board. Properties currently available for purchase from the BCT are advertised on our website and through local real estate agents.

## Co-investment partnerships

In April 2020, the BCT launched a new delivery pathway for private land conservation called *co-investment partnerships*.

The core purpose of this new mechanism is to attract third-party investors to partner with the BCT and landholders to achieve large-scale, high-value private land conservation outcomes and complementary socio-economic outcomes.

The BCT will consider participating in projects sponsored by landholders and co-investors on merit, on a case-by-case basis, through an expression of interest and business case process.

For example, the BCT may enter a partnership with a proposed landholder and a co-investor,

where a proposed buyer (e.g. an Indigenous corporation) proposes to manage some identified high conservation value land for conservation, a co-investor (e.g. a conservation non-government organisation) proposes to use philanthropic capital to assist the proposed landholder to procure the land and take some proportion of it out of production, and the BCT will bring the benefits of the protection of a statutory agreement and annual conservation management payments.

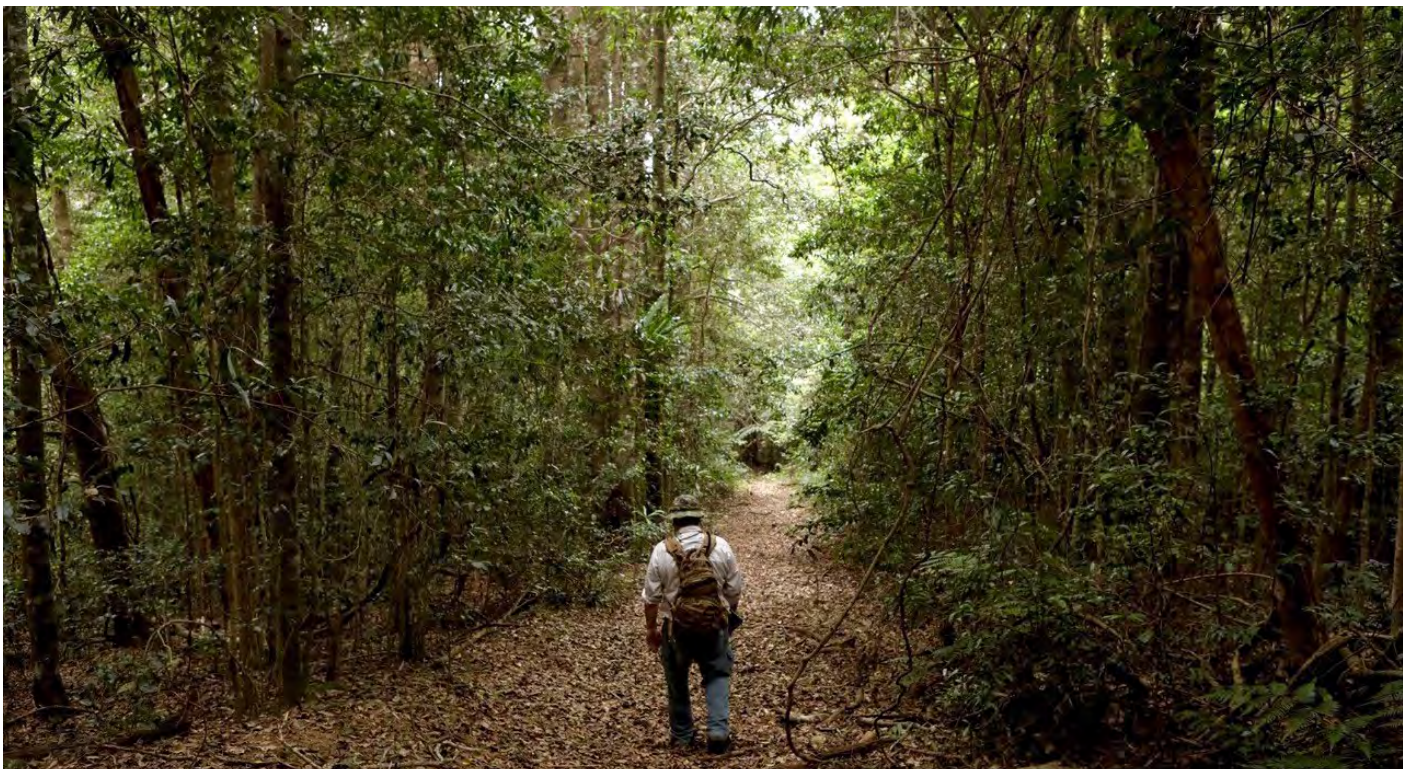
## Case study

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### First property to ‘revolve’ through the revolving fund

Gaangan is a 128-hectare rainforest property perched high up on the Dorrigo plateau. The property contains rainforest communities that support the Antarctic beech (*Nothofagus moorei*), an important Gondwana relic of rainforests in the Southern Hemisphere. The species’ origin can be traced back to when Australia was connected to Antarctica and Africa some 175 million years ago. Gaangan’s provision of habitat for Dorrigo Plateau rainforest fauna also makes it particularly special: the nationally endangered spotted-tail quoll (*Dasyurus maculatus*) has been captured by motion-censored cameras on the property.

Gaangan was the first property to be sold through the BCT revolving fund. The new owner, Sascha Ettinger, had been looking for ways to support conservation in NSW for many years. Sascha contacted the BCT because she was searching for a property that had a high conservation value. Despite the lack of any dwellings on the property (and an abundance of leeches), Gaangan won her heart for the towering Antarctic beech trees and healthy watered landscape. Sascha bought the property in 2019, signed the BCT agreement in February 2020 and is already saving for another block.





## Conservation partners grants

The BCT's conservation partners grants are designed to assist private land conservation agreement holders to actively manage or improve the biodiversity values of their properties. The types of activities that are supported include weed and pest control, essential conservation fencing to control stock access, supplementary planting, revegetation or vegetation enhancement and habitat restoration.

The grants are available to all landholders with an agreement with the BCT or that participate in Humane Society International and Community Environment Network programs, that does not include annual conservation management payments.

In 2019-20, the BCT:

- entered 82 new grant agreements with a further 98 grant applications being assessed, with 45 applications from fire-impacted sites
- paid \$870,000 in grant payments to support landholders, which included some special additional payments to support bushfire recovery
- completed a review of the grant guidelines and supporting products and processes, responding to external and internal feedback.

## BCT Assessment Metric

The BCT uses a peer-reviewed Assessment Metric to determine best value for money conservation areas in Conservation Management Program tenders, fixed price offers and revolving fund acquisitions. The Assessment Metric assesses the comparative cost effectiveness of BCT investment in individual private land conservation agreements. Information about the metric is available on our website.

## Technical and ecological support

Landholders partnering with the BCT gain access to technical support and information through our staff, our website and other resources. We recognise that every landholder's situation is different, so we tailor our support and are flexible to meet the needs of the business or individual. We provide over the phone support, conduct workshops and field days, encourage local networks, provide newsletters and on-site visits.

In 2019-20, the BCT focused on providing support for landholders impacted by natural disasters: drought, fire and flood. BCT ecologists offered technical knowledge and advice to landholders in conservation ecology and vegetation management.





Demonstrating a continued commitment to landholders, staff followed up with phone calls or site visits.

The BCT continued to develop technical guidelines to assist landholders in managing biodiversity on their land. During 2019–20, the BCT finalised guidelines on managing overabundant herbivores, undertaking ecological thinning, and establishing artificial hollows. These and other guidelines can be found on [the BCT's website](#).

## Ecological monitoring

In 2019–20, the BCT established an Ecological Monitoring Module (EMM). The EMM includes the monitoring and evaluation of ecological outcomes from the BCT's investment in private land conservation. The module responds to and aligns with the BCT's overarching Monitoring, Evaluation and Reporting (MER) Framework.

The objectives of the EMM are to:

1. collect and analyse data, informing evaluation and reporting of ecological outcomes against relevant BCT objectives and demonstrating return on investment
2. enable evaluation of management effectiveness and test assumptions about improvement in biodiversity values, the security of those values, and the relationships between different indicators of ecological integrity
3. support broader evaluation of the outcomes of the *Biodiversity Conservation Act 2016* (including input to the DPIE Biodiversity Indicator Program)
4. collate and manage ecological data so that it is accessible, reliable, useful, and can support the BCT reporting requirements.

Ecological monitoring commenced on the ground in Autumn 2020, with some delays due to COVID-19 restrictions.

## Customer service

In 2019–20, the BCT established and published a Customer Service Charter and Guarantee of Service. The Customer Service Charter outlines how we work with customers and what they can expect when contacting the BCT. Whether customers are existing or new to the BCT, we have an expectation that staff will be responsive, flexible, reliable and respectful.

The BCT is customer-focused and utilises many communication channels to engage customers, including via our website, email, post, face to face,

phone and social media. Our Guarantee of Service sets out timeframes within which customers can expect a response from the BCT, regardless of how the enquiry is received. We also continue to work with other responsible organisations and agencies to make sure referrals are followed up.





# Education Strategy

Consistent with one of our statutory roles, the BCT's Education Strategy aims to raise awareness of the importance of biodiversity and biodiversity conservation on private land.

The BCT has formed successful partnerships with the Australian Museum and Petaurus Education Group to deliver educational resources to children and adults.

Conservation Champions is a hugely successful project as a result of these partnerships, having developed resources such as animations, case study readers and activity sheets for students across the state, as well as field days at an agreement-holder's property.



## Case study

### Educational videos for landholders

The BCT recognises that effective private land conservation cannot just rely on agreements, financial support and technical advice. Landholders may require technical and practical support to implement the conservation management actions in their agreements.

The BCT has found workshops to be effective in helping landholders with technical support. However, with COVID-19 restrictions in place, we have had to innovate, finding new ways to deliver workshops. The BCT commissioned a series of educational videos for landholders, covering a range of topics including fire recovery, citizen science, revegetation, nest boxes, grazing and monitoring. Each video is recorded on an agreement-holder's property, with a BCT staff

member offering technical advice, with the landholder and their agreement used as a case study.

Although initially we did not think to deliver landholder technical support via video format, this innovation has allowed us to reach a broader audience. Recording educational videos means that our technical support is not limited by our capacity to conduct site visits or deliver workshops and creates a shareable resource for similar conservation organisations to distribute among their members.

## Case study

### Conservation Champions digital resources

The BCT has taken an opportunity to fill a missing gap in the environmental education space with the Conservation Champions project, to promote the importance of biodiversity conservation to regional school students and their wider regional communities. The project introduces the next generation of landholders to private land conservation through a series of hands-on activities in the classroom and in the field, accompanied by a range of teaching resources.

Support for the Conservation Champions project has been overwhelmingly positive, with 100 per cent of teachers providing feedback that the project is valuable, emphasising the effectiveness

of field days and celebration events as mechanisms to increase the awareness and appreciation of biodiversity and biodiversity conservation.

COVID-19 caused disruption in terms of safety and social distancing concerns. The BCT adapted and redefined the project allowing it to continue. The Conservation Champions project moved to online learning, with a choose-your-own-adventure online resource, using existing and new teaching resources and animations. Moving the Conservation Champions project online allows the BCT to expand the geographic reach of the Education Strategy and directly target high priority areas.





# Working with our partners

## Indigenous landholders

The BCT recognises that Aboriginal people's cultural obligation of caring for Country overlaps with the BCT's core business of biodiversity conservation.

In November 2019, the BCT formally adopted an Aboriginal Engagement Implementation Plan. The three focus areas for engagement include:

- building and maintaining relationships with Aboriginal landholders, communities and stakeholders
- working through the barriers and enablers to facilitate Aboriginal participation in BCT programs
- strengthening our communication and engagement with existing and prospective Aboriginal landholders.

## Landcare NSW

In May 2020, the BCT formally established a new partnership with Landcare NSW to fund a series of local projects and activities supporting conservation on private land. The key objectives of the project are to:

- foster understanding and build capacity so the BCT and local Landcare groups can continue to complement each other's knowledge and skills and work together
- strengthen biodiversity conservation knowledge with landholders through communication and education initiatives, delivered through grant funding to eligible groups
- increase participation of landholders in private land conservation.

Local Landcare groups that choose to participate will be eligible for grant funding to deliver activities supporting private land conservation. The partnership will also assist Landcare groups and local landholders to better understand the BCT, our programs and agreements, and the importance of private land conservation in NSW.

## Local Land Services

The BCT continues to build our relationship with Local Land Services (LLS) to achieve positive outcomes in projects that complement the work of both organisations. We work with LLS in our regions, particularly in designing and promoting tenders and fixed price offers. We consider local referrals from LLS regarding options for landholders' vegetation management.

In 2019-20, we partnered with LLS to plan for the plains-wanderer conservation tender and we have also actively engaged with Western LLS in designing our fixed price offers.

## Land for Wildlife and Wildlife Land Trust

Landholders wishing to conserve habitat for wildlife can apply to enter a BCT wildlife refuge agreement. The BCT also encourages landholders to consider the Wildlife Land Trust program run by Humane Society International or the Land for Wildlife program run by Community Environment Network. Members of these programs can apply for a BCT conservation partners grant at any time. The BCT supports this work with memoranda of understanding with Humane Society International and Community Environment Network, and funding to Community Environment Network to implement the Land for Wildlife program.

# Biodiversity Conservation Fund



The BCT manages and controls the Biodiversity Conservation Fund (BCF) in accordance with a Risk Appetite Statement and a Funds and Investment Management Framework approved by the BCT Board.

The BCF is used for all the BCT's purposes, other than amounts required to be paid into or out of the BSPF or the BCT Public Fund.

The BCT holds cash within the BCF for the following purposes:

- government grants and BOS fee revenues received to pay for BCT personnel services and operating expenses
- government grants used for expenditures on the BCT's Education Strategy and conservation partners grants
- government grants used to acquire and retire biodiversity credits under place-based offset

schemes (currently Western Sydney Growth Centres Program, and, in prospect, Warnervale, North Cooranbong, and Cumberland Plain Conservation Plan)

- cash provisions for payables.

## Assets held for funded conservation agreements

The BCT also holds assets with the BCF for the purposes of funded conservation agreements.

Note 25 in the BCT's financial statements shows that as at 30 June 2020 the BCT held assets worth \$91.7 million to support funded conservation agreements. During 2019-20, the BCT experienced a deteriorated investment return outlook and the economic downturn caused by the COVID-19 pandemic.



However, based on investment strategies being used by the BCT, the total adequacy ratio for the assets held for funded conservation agreements (signed and unsigned) as at 30 June 2020, based on the latest available (14 May 2020) TCorp long-term forecast investment return rate of 5.44 per cent, is approximately 122 per cent. The BCF assets held for funded conservation agreements were therefore in a positive adequacy position as at 30 June 2020.

## **Assets held for acquiring biodiversity offsets**

Section 6.30 of the *Biodiversity Conservation Act 2016* provides that a 'person who is required under this or any other Act to retire biodiversity credits may satisfy that requirement by instead paying an amount into the BCF determined in accordance with the offsets payment calculator.'

Section 6.31 requires the BCT 'to apply the amount paid into the BCF, towards securing biodiversity offsets determined in accordance with the regulations in substitution for the relevant number and class of biodiversity credits otherwise required to be retired.'

Section 6.32 states that the 'Minister is to establish an offsets payment calculator for the purpose of determining the amount that may be paid into the BCF.'

The BCT therefore also holds, within the BCF, cash payments received from developers under section 6.30 to transfer an obligation to acquire and retire biodiversity credits (or equivalent biodiversity offsets) to the BCT. These are accounted for as provisions in the BCT's balance sheet.

At the start of the financial year, on 1 July 2019, the BCT held 29 payments for 68 outstanding credit obligations (4,915 biodiversity credits) worth \$9.278 million (net of BCT fees).

During the financial year, the BCT:

- received 74 payments from developers worth \$10.732 million (net of BCT fees), transferring 157 offset obligations (5,223 biodiversity credits) to the BCT
- acquitted 7 payments accounting for 12 offset obligations (854 biodiversity credits) from developer payments of \$3.030 million. The acquitted obligations realised a net operating surplus of \$337,328.

At 30 June 2020, the BCT held 96 payments from developers worth \$16.698 million for 231 unacquitted offset obligations (9,284 biodiversity credit obligations). This included obligations held from previous financial years.

Note 18 in the BCT's financial statements shows that the provision for unacquitted credit obligations was revalued at 30 June 2020 to determine what the BCT may now expect to pay to acquit these credit obligations. The provision was assessed to now be worth \$28.191 million, an increase, or forecast loss to the BCT, of \$11.494 million relative to the payments made.

The BCT will continue to work closely with DPIE to ensure the Biodiversity Offset Payment Calculator sets appropriate prices for payments into the BCF to secure like-for-like offsets.

# Biodiversity Stewardship Payments Fund

The BCT manages and controls the Biodiversity Stewardship Payments Fund (BSPF) in accordance with a Risk Appetite Statement and a Funds and Investment Management Framework approved by the BCT Board.

When a landholder with a BSA sells their biodiversity credits, a total fund deposit (TFD) is transferred into the BSPF. Once a landholder has met the TFD requirement, they retain any additional proceeds for the sale of the credits.

Section 6.21 of the *Biodiversity Conservation Act 2016* says 'total Fund deposit for a site means an amount determined (subject to the regulations) by the Environment Agency Head as the present value of the total of all scheduled management payments in respect of the site (under the BSA) during the life of the agreement. The present value is to be determined by applying the discount rate determined and published by the Environment Agency Head from time to time.'

The TFD requirement is written into the BSA. It is calculated by working out the present value of all future BSA payments to in-perpetuity using a discount rate determined and published by the Environment Agency Head.

The BCT, as the Fund Manager for the BSPF, is responsible for investing the monies held in the

BSPF. Investment proceeds must be retained in the BSPF.

The monies and proceeds from investment are used by the BCT to make the annual stewardship payments owed to the landholder under the terms of the BSAs, subject to management actions being carried out.

Note 25 in the BCT's financial statements shows that BSPF's predicted total adequacy ratio (for active and passive BSAs together) as at 30 June 2020, based on the latest available (14 May 2020) TCorp forecast investment return rate of 5.36 per cent, is approximately 82 per cent.

This current poor adequacy position of the BSPF is driven by three factors: (1) the adequacy position of the BSPF inherited by the BCT on 25 August 2017; (2) a material 0.8 percentage point reduction in TCorp's long-term investment return forecasts advised in November 2019; and (3) the short-term decline in BSPF assets between 29 February and 30 June, driven by the economic impacts of the COVID-19 pandemic.

The BCT Board has been working closely with DPIE to address these matters.









# Progress against our strategic goals

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## Goal 1:

Encourage landowners to enter agreements to conserve biodiversity and support productive landscapes.

In 2019–20, the BCT:

- received 105 applications from landholders for partnership conservation agreements
- entered 41 conservation agreements under the CPP with landholders across 1,988 hectares
- completed the second round of fixed price offers, which resulted in 12 in-perpetuity conservation agreements covering 4,980 hectares
- sold one revolving fund property, securing 114 hectares conservation agreement under the CPP; and held six properties for sale, with a total of 2,904 hectares proposed for conservation
- delivered 23 information sessions for landholders across the state, introducing the BCT to rural communities and explaining what we can offer
- developed a steadily growing social media presence, including more than 6,000 Facebook followers
- (as at 30 June 2020) held \$115.06 million in trust in the BCF—invested in biodiversity credits, real property and in TCorp Investment Management funds—to fund the annual conservation management payments to landholders
- made \$4.9 million in annual conservation management payments to funded conservation agreement holders.

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## Goal 2:

Deliver a strategic biodiversity offsetting service

In 2019–20, the BCT:

- took on the ongoing management of 190 biobanking agreements, now known as BSAs under the *Biodiversity Conservation Act 2016*
- received 33 applications and completed 86 site visits for BSAs
- received 74 payments from developers for biodiversity offset obligations into BCF worth \$10.73 million, representing 1,478 ecosystem credits and 3,745 species credits
- (as at 30 June 2020) held \$141.5 million in trust in the BSPF—invested in TCorp Investment Management funds—to fund the annual stewardship payments to landholders
- made \$8.2 million in annual biodiversity stewardship payments to 114 active BSA holders
- ran two biodiversity credit tenders to buy credits to build the BCT's strategic portfolio of credits and for the Growth Centres Biodiversity Offset Program
- retired 854 credits to meet 12 offset obligations, with all meeting like-for-like offset rules under the *Biodiversity Conservation Regulation 2017*.



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### Goal 3:

Support our landholders to conserve biodiversity on their land

In 2019-20, the BCT:

- paid \$870,000 in grants to landholders with partnership conservation agreements (or participating in supported partner programs)
- supported landholders through 927 site visits and regular telephone support
- participated in 48 events including field days and workshops to share skills and knowledge
- continued to develop a user-friendly website for landholders and other stakeholders to access information on BCT programs, fact sheets and technical guidelines, with more than 44,000 visits to the site.

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### Goal 4:

Promote public knowledge, appreciation and understanding of the value of biodiversity conservation

In 2019-20, the BCT:

- delivered the Conservation Champions project, promoting the importance of biodiversity conservation to regional school students
- developed the Biodiversity on my Land Museum in a Box in partnership with the Australian Museum
- produced online educational resources for parents including a short animation titled What can you find in a woodland?

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### Goal 5:

Invest in our people to build an engaged, professional, customer-orientated and high performing organisation, focused on achieving the BCT's purpose

In 2019-20, the BCT:

- facilitated bi-annual all-staff meetings providing an opportunity for regional and metropolitan staff to connect and engage in knowledge sharing, understanding the different business areas and preparing for future activities
- saw improved People Matter Employee Survey results for staff engagement at 81 per cent, an increase from 72 per cent the previous year
- employed regional managers, landholder support officers, ecologists and program support officers in each of the BCT's seven regions in NSW
- embedded and improved our workplace health and safety systems
- focused strongly on staff and landholder wellbeing in the context of the devastating 2019-20 bushfires and the COVID-19 pandemic.

# BCT financial statements





## INDEPENDENT AUDITOR'S REPORT

### NSW Biodiversity Conservation Trust

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of the NSW Biodiversity Conservation Trust (the Trust), which comprise the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, 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:

- give a true and fair view of the financial position of the Trust as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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 Trust 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).

I have fulfilled my other ethical responsibilities in accordance with 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 believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Other Information

The Trust's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Board of the Trust is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the statement signed by the members of the Trust.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## The Board's Responsibilities for the Financial Statements

The members of the Board are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the members of the Board determine 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 are responsible for assessing the Trust'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.

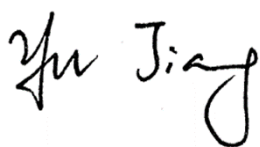
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, 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](http://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 Trust carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- 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.

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

9 October 2020  
SYDNEY



Mr Paul Elton  
Chief Executive Officer  
NSW Biodiversity Conservation Trust  
4 Parramatta Square, Level 7, 12 Darcy Street  
PARRAMATTA NSW 2150

Contact: Reiky Jiang  
Phone no: 02 9275 7281  
Our ref: D2019002/ 1847

9 October 2020

Dear Mr Elton

## **STATUTORY AUDIT REPORT**

### **for the year ended 30 June 2020**

### **NSW Biodiversity Conservation Trust**

I have audited the financial statements of the NSW Biodiversity Conservation Trust (the Trust) as required by the *Public Finance and Audit Act 1983* (PF&A Act). This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2020, and details matters I found during my audit that are relevant to you in your role as one of those charged with the governance of the Trust. The PF&A Act requires me to send this report to the Trust, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on the Trust's financial statements. I enclose the Independent Auditor's Report, together with the Trust's financial statements.

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify and report all the matters you may find of governance interest. Therefore, other governance matters may exist that I have not reported to you.

My audit is continuous. If I identify new significant matters, I will report these to you immediately.

### **Audit result**

I expressed an unmodified opinion on the Trust's financial statements and I have not identified any significant matters since my previous Statutory Audit Report.

### **Misstatements in the financial statements**

Misstatements (both monetary and disclosure deficiencies) are differences between what has been reported in the financial statements and what is required in accordance with the Trust's financial reporting framework. Misstatements can arise from error or fraud.



I have certain obligations for reporting misstatements:

- the PF&A Act requires agencies to obtain the Auditor-General's approval for all changes to the financial statements originally submitted for audit. The more significant/material changes are reported in a Statutory Audit Report
- the Auditing Standards require matters of governance interest and significant misstatements identified during the audit to be communicated to those charged with governance
- statutory obligations require the Auditor-General to report misstatements resulting from or not detected because of failures in internal controls and/or systemic deficiencies which pose a significant risk to the Trust.

The financial statements did not contain any monetary misstatements. Minor disclosure deficiencies were corrected by the Trust.

### **Compliance with legislative requirements**

My audit procedures are targeted specifically towards forming an opinion on the Trust's financial statements. This includes testing whether the Trust complied with key legislative requirements relevant to the preparation and presentation of the financial statements. The results of the audit are reported in this context. My testing did not identify any reportable instances of non-compliance with legislative requirements.

### **Auditor-General's Report to Parliament**

The 2020 Auditor-General's Report to Parliament will incorporate the results of the audit.

### **Publication of the Statutory Audit Report**

I consider this Statutory Audit Report to fall within the definition of 'excluded information' contained in Schedule 2(2) of the *Government Information (Public Access) Act 2009*. Under Schedule 1(6) of this Act, please seek the Audit Office's consent before releasing this report publicly. Agencies are advised to also seek approval from the Minister(s) and the Treasurer before publishing this report.

### **Acknowledgment**

I thank the Trust's staff for their courtesy and assistance.

Yours sincerely



Reiky Jiang  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

# The NSW Biodiversity Conservation Trust

## Annual Financial Statements

*For the year ended 30 June 2020*



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# The NSW Biodiversity Conservation Trust

## Statement by Members of The Trust

### For the year ended 30 June 2020

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Pursuant to section 41C(1C) of the *Public Finance and Audit Act 1983*, we state that:

- a) the accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the applicable clauses of the *Public Finance and Audit Regulation 2015*, Australian Accounting Standards, the Financial Reporting Code for NSW General Government Sector Entities and the Treasurer's Directions;
- b) the statements exhibit a true and fair view of the financial position at 30 June 2020 and financial performance of the Trust for the year then ended; and
- c) to the best of our knowledge, there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Hon. Robert Hill AC  
Chairperson, BCT Board

9 October 2020



Renata Brooks  
BCT Board Member and  
Chairperson, BCT Audit and Risk Committee

9 October 2020



**The NSW Biodiversity Conservation Trust**  
**Statement of Comprehensive Income**  
For the year ended 30 June 2020

	Notes	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000
<b>Continuing operations</b>				
<b>Expenses excluding losses</b>				
Operating expenses				
Personnel services	2(a)	12,919	11,482	11,082
Other operating expenses	2(b)	12,704	6,409	16,552
Depreciation expense	2(c)	110	3	8
Grants and subsidies	2(d)	5,846	13,425	2,543
Finance costs	2(e)	9	-	-
Developers' payment provision remeasurement (loss)	2(f)	11,494	-	-
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>		<b>43,082</b>	<b>31,319</b>	<b>30,185</b>
<b>Revenue</b>				
Sale of goods and services from contracts with customers		-	439	-
Interest revenue	3(a)	346	499	896
Grants and contributions	3(b)	73,075	68,402	73,001
Other revenue	3(c)	705	499	539
Retained taxes, fees and fines		-	995	-
<b>TOTAL REVENUE</b>		<b>74,126</b>	<b>70,834</b>	<b>74,436</b>
<b>Operating result</b>				
Gain/(loss) on disposal	4(a)	291	-	(6)
Gain on developers' payment acquittals	4(b)	620	-	116
Unrealised loss from TCorpIM funds measured at fair value through profit or loss	4(c)	(3,379)	-	-
<b>Net result</b>	20	<b>28,576</b>	<b>39,515</b>	<b>44,361</b>
Other comprehensive income		-	-	-
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>28,576</b>	<b>39,515</b>	<b>44,361</b>

*The accompanying notes form part of these financial statements.*

**The NSW Biodiversity Conservation Trust**  
**Statement of Financial Position**  
**As at 30 June 2020**

	Notes	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6	37,571	86,209	80,156
Financial assets at fair value	7	76,153	-	-
Receivables	8	72	315	404
Non-current assets – land and buildings held for sale	10	9,696	13,213	5,963
Inventories	11	26,406	30,000	15,901
<b>Total Current assets</b>		<b>149,898</b>	<b>129,737</b>	<b>102,424</b>
<b>Non-current assets</b>				
Property, plant and equipment				
Plant and equipment	12	67	2,556	48
Intangibles		-	2,500	-
<b>Total property, plant and equipment</b>		<b>67</b>	<b>5,056</b>	<b>48</b>
<b>Right of use assets</b>	<b>13</b>	<b>217</b>	<b>-</b>	<b>-</b>
<b>Total non-current assets</b>		<b>284</b>	<b>5,056</b>	<b>48</b>
<b>Total assets</b>		<b>150,182</b>	<b>134,793</b>	<b>102,472</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	16	1,933	1,694	2,230
Contract liabilities	9	290	-	-
Borrowings	17	112	4	-
Provisions	18	28,191	381	9,278
<b>Total current liabilities</b>		<b>30,526</b>	<b>2,079</b>	<b>11,508</b>
<b>Non-current liabilities</b>				
Payables	16	28	-	22
Borrowings	17	110	3	-
<b>Total non-current liabilities</b>		<b>138</b>	<b>3</b>	<b>22</b>
<b>Total liabilities</b>		<b>30,664</b>	<b>2,082</b>	<b>11,530</b>
<b>Net assets</b>		<b>119,518</b>	<b>132,711</b>	<b>90,942</b>
<b>EQUITY</b>				
Accumulated funds		119,518	132,711	90,942
<b>Total equity</b>		<b>119,518</b>	<b>132,711</b>	<b>90,942</b>

*The accompanying notes form part of these financial statements.*



**The NSW Biodiversity Conservation Trust**  
**Statement of Changes in Equity**  
For the year ended 30 June 2020

	Notes	Accumulated funds \$'000	Total \$'000
<b>Balance at 1 July 2019</b>		90,942	90,942
Changes in accounting policy		-	-
<b>Restated balance at 1 July 2019</b>		90,942	90,942
<b>Net result for the year</b>		<b>28,576</b>	<b>28,576</b>
<b>Other comprehensive income:</b>			
Net increase / (decrease) in property, plant and equipment		-	-
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>28,576</b>	<b>28,576</b>
<b>Balance at 30 June 2020</b>		<b>119,518</b>	<b>119,518</b>

	Notes	Accumulated funds \$'000	Total \$'000
<b>Balance at 1 July 2018</b>		46,581	46,581
<b>Net result for the year</b>		<b>44,361</b>	<b>44,361</b>
<b>Other comprehensive income:</b>			
Net increase / (decrease) in property, plant and equipment		-	-
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>44,361</b>	<b>44,361</b>
<b>Balance at 30 June 2019</b>		<b>90,942</b>	<b>90,942</b>

*The accompanying notes form part of these financial statements.*

# The NSW Biodiversity Conservation Trust

## Statement of Cash Flows

For the year ended 30 June 2020

	Notes	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Personnel services		(11,675)	(11,482)	(10,092)
Grants and subsidies		(5,846)	(13,425)	(2,543)
Other operating expenses		(8,892)	(27,430)	(7,030)
Growth Centres credits		(7,350)	-	(12,845)
Purchase of biodiversity credits as inventory		(12,277)	-	(17,852)
Purchase of biodiversity credits for acquittals		(2,241)	-	-
<b>Total Payments</b>		<b>(48,281)</b>	<b>(52,337)</b>	<b>(50,362)</b>
<b>Receipts</b>				
Sale of goods and services		-	439	-
Developers' payments - biodiversity credits		11,805	-	9,362
Other receipts		4,335	1,494	4,824
Interest received		346	499	896
Grants and contributions		72,317	68,402	71,962
<b>Total Receipts</b>		<b>88,803</b>	<b>70,834</b>	<b>87,044</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	20	<b>40,522</b>	<b>18,497</b>	<b>36,682</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of property held for sale		3,143	-	290
Proceeds from sale of plant and equipment		-	15,000	20
Purchases of property held for sale and plant and equipment		(6,611)	(17,500)	(4,289)
Net purchase of financial assets		(79,532)	(2,500)	-
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(83,000)</b>	<b>(5,000)</b>	<b>(3,979)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of lease liability	13b	(107)	(4)	-
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(107)</b>	<b>(4)</b>	<b>-</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(42,585)</b>	<b>13,493</b>	<b>32,703</b>
Opening cash and cash equivalents		80,156	72,716	47,453
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	6	<b>37,571</b>	<b>86,209</b>	<b>80,156</b>

*The accompanying notes form part of these financial statements.*



## **1. Summary of significant accounting policies**

### **(a) Reporting entity**

The NSW Biodiversity Conservation Trust (BCT) is a statutory body representing the Crown. The BCT was legally constituted on 25 August 2017 with the commencement of the *Biodiversity Conservation Act 2016* (BC Act). Section 10.4(3) provides that the affairs of the BCT are to be conducted on a not-for-profit basis. The BCT is consolidated as part of the NSW Total State Sector Accounts.

Section 10.15 of the BC Act states, 'The Biodiversity Conservation Trust established under this Division is a continuation of, and the same legal entity as, the Nature Conservation Trust (NCT) established under the *Nature Conservation Trust Act 2001* immediately before the repeal of that Act by this Act.'

Under the BC Act, the Fund Manager is to manage and control the Biodiversity Stewardship Payments Fund (BSPF). The BCT is appointed as the Fund Manager. With the commencement of the BC Act, the BSPF replaced the Biobanking Trust Fund. The BCT invests the total fund deposits received to support biodiversity stewardship agreements in TCorpIM funds. Monies in the BSPF are held on behalf of biodiversity stewardship sites and cannot be used to fund BCT operations. Hence, they are not included in the financial statements of BCT. Refer note 26.

Under the BC Act, the BCT manages and controls the Biodiversity Conservation Fund (BCF). These funds are restricted in that they can only be used to deliver private land conservation programs. Refer note 15. The BCT received conditional approval from the NSW Treasury to invest assets held in the BCF to support funded conservation agreements under its Conservation Management Program in TCorpIM funds on 9 September 2019. Investment commenced on 28 October 2019. Refer note 25.

The BCT's mission is to maximise the biodiversity conservation outcomes achieved with the public and private resources entrusted in the BCT to support private land conservation, to deliver a healthy, productive and resilient environment across NSW. The BCT's goals are to encourage landowners to enter agreements to conserve biodiversity and support productive landscapes, deliver a strategic biodiversity offsetting service, support landholders to conserve biodiversity on their land, promote public knowledge, appreciation and understanding of the value of biodiversity conservation, and invest in our people to build an engaged, professional, customer-oriented high-performing organisation, focused on achieving the BCT's purpose.

Under the BC Act, the Minister for Energy and Environment is responsible for appointing the BCT Board. Functions and powers are conferred on the Board as a whole. The Board is accountable to the Minister.

The Department of Planning, Industry and Environment (DPIE) provided personnel services to the BCT. Personnel services, including related on-cost expenses and liabilities, are recognised in accordance with the NSW Treasury Guidelines TC 15-07 *Financial and annual reporting requirements arising from personnel services arrangements*.

The BCT's financial statements have been authorised for issue by the Board on 9 October 2020.

### **(b) Basis of preparation**

The BCT is a going concern (refer note 1(i)) and its financial statements are general purpose financial statements, which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* (the Act) and *Public Finance and Audit Regulation 2015*; and
- Treasurer's Directions issued under the Act.

Plant and equipment, assets held for sale and financial assets at fair value are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

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

**1. Summary of significant accounting policies (cont'd)**

**(c) Statement of compliance**

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

**(d) Accounting for the Goods and Services Tax (GST)**

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

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

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

**(e) Comparative information**

Except when an Australian accounting standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements. The 2018-19 comparative details in the notes relating to the current and non-current payables line items 'personnel services' have been reclassified within the total of each note to separate the current from the non-current portion and align the classification in the current and comparative year. There is no change of total liabilities in the Statement of Financial Position. Refer note 16.

**(f) Budgeted amounts**

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders or approved budget proposals) are not reflected in the budgeted amounts.

As disclosed in the 2019-20 NSW State Budget Papers, the total operations of the BCT contribute to the State outcome: *Connecting communities to resilient and sustainable energy and local environments*. Refer note 5.

**(g) Treatment of biodiversity credit purchases as inventory**

Developers may satisfy their offset obligations by purchasing biodiversity credits in the market and applying to DPIE to retire those credits; or by paying into the Biodiversity Conservation Fund and moving the obligation to acquire and retire biodiversity credits to the BCT. The BCT therefore acquires credits proactively or reactively from the market, to meet known or predicted demand for credits.

Biodiversity credits may be held in stock to satisfy obligations transferred from developers to the BCT. These credits support the BCT in rendering its services in its ordinary course of business of biodiversity conservation and are hence recognised as inventories under AASB 102 *Inventories* (AASB 102). They are recognised at the lower of cost or net realisable value in accordance with AASB 102.

**(h) Changes in accounting policy, including new or revised Australian Accounting Standards**

**Effective for the first time in FY2019-20**

The BCT applied AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities*, and AASB 16 *Leases for the first time*. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in FY2019-20, but do not have an impact on the financial statements of the BCT.



**1. Summary of significant accounting policies (cont'd)**

**(h) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**

*Effective for the first time in FY2019-20 (cont'd)*

**AASB 15 Revenue from Contracts with Customers**

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers.

The BCT does not have contract assets as at 30 June 2020. However, contract liabilities relating to consideration received in advance from the NCT in respect of funding agreements transferred to the BCT include performance obligations to deliver biodiversity benefits through associated management actions. Outstanding obligations have been presented as contract liabilities as at 30 June 2020 in accordance with AASB 15, which is effective for the first time in FY2019-20.

The effect of adopting AASB 15 is as follows.

Impact on Statement of Financial Position (increase/(decrease)):

		30 June 2020	30 June 2020	30 June 2020
	Notes	\$'000 AASB15	Without adoption of AASB15	Impact of AASB15
<b>Liabilities</b>				
Contract liabilities - current	9	290	-	290
Current liabilities - unearned revenue		-	290	(290)
<b>Total adjustment to equity</b>		<b>290</b>	<b>290</b>	<b>-</b>

The adoption of the AASB 15 Standard did not have an impact on existing treatment on the Statement of Comprehensive Income and the Statement of Cash Flows for the financial year.

**AASB 1058 Income of Not-for-Profit Entities**

AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions*. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with customer (accounted for under AASB 15).

As at end of reporting period, the BCT has considered the application of AASB 1058 in line with TPP20-01 and has made a related disclosure in note 3b. The adoption of AASB 1058 did not have an impact on the Statement of Comprehensive Income, the Statement of Financial Position or the Statement of Cash Flows for the financial year.

**1. Summary of significant accounting policies (cont'd)**

**(h) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**

Effective for the first time in FY2019-20 (cont'd)

**AASB 16 Leases**

AASB 16 supersedes AASB 117 *Leases, Interpretation, 4 Determining whether an Arrangement contains a Lease, Interpretation, 115 Operating Leases – Incentives and Interpretation, 127 Evaluating the Substance of Transactions Involving the Legal Form of Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on balance sheet.

**Lessee accounting**

AASB 16 requires the BCT to account for all leases under a single on-balance-sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the BCT recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The BCT has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.83%.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019. The exception is right-of-use assets that are subject to accelerated depreciation. These assets are measured at their fair value at 1 July 2019.

The BCT elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

**The NSW Biodiversity Conservation Trust**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

**1. Summary of significant accounting policies (cont'd)**

**(h) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**

*Effective for the first time in 2019-20 (cont'd)*

**AASB 16 Leases (cont'd)**

In applying AASB 16 for the first time, the BCT has used the following practical expedients permitted by the standard:

- not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and interpretation 4
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on its previous assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review
- not recognising a lease liability and right-of-use asset for short-term leases that end within 12 months of the date of initial application
- excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of adoption of AASB16 as at 1 July 2019 increase / (decrease) is, as follows:

	<b>\$'000</b>
<b>Assets</b>	
Right-of-use asset	235
<b>Total assets</b>	<b>235</b>
<b>Liabilities</b>	
Borrowings	235
<b>Total liabilities</b>	<b>235</b>
<b>Equity</b>	
Accumulated funds	-
<b>Total equity</b>	<b>-</b>

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	<b>\$'000</b>
Operating lease commitments as at 30 June 2019 (GST included)	331
(Less): GST included in operating lease commitments	(30)
Operating lease commitments as at 30 June 2019 (GST excluded)	<b>301</b>
Weighted average incremental borrowing rate as at 1 July 2019	4.83%
Discounted operating lease commitments as at 1 July 2019	236
Add: commitments related to leases previously classified as finance leases (GST excluded)	-
(Less): commitments relating to short-term leases	(1)
(Less): commitments relating to leases of low-value assets	-
Add/(less): contracts re-assessed as lease contracts	-
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	-
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	-
Lease liabilities as at 1 July 2019	<b>235</b>



**1. Summary of significant accounting policies (cont'd)**

**(h) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**

Issued but not yet effective

NSW public sector entities are not permitted to adopt new Australian Accounting Standards early, unless Treasury determines otherwise.

The following new Accounting Standards have not been applied and are not yet effective (NSW Treasury mandate TC 20-01):

- AASB 1059 service concession arrangements: grantors
- AASB 2018-5 amendments to Australian Accounting Standards – deferral of AASB 1059
- AASB 2018-7 amendments to Australian Accounting Standards – definition of Material
- AASB 2019-1 amendments to Australian Accounting Standards – references to the Conceptual Framework.
- AASB 2019-2 amendments to Australian Accounting Standards – implementation of AASB 1059
- AASB 2019-3 amendments to Australian Accounting Standards – interest rate benchmark reform
- AASB 2019-7 amendments to Australian Accounting Standards – disclosure of GFS measures of key fiscal aggregates and GAAP/GFS reconciliations.

These standards have been assessed for their possible impact on the financial statements, if any, in the period of their initial application. These new accounting standards have been estimated to have no material impact on the BCT's accounting.

**(i) COVID-19 and Delay in FY2020-21 NSW Budget**

The BCT receives grant funding from the Department of Planning, Industry and Environment (DPIE), which receives appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year. Due to COVID-19, the State Budget and related 2020-21 Appropriation Bill have been delayed until November/December 2020. However, pursuant to section 4.10 of the Government Sector Finance Act 2018 (the GSF Act), the NSW Treasurer has authorised Ministers to spend specified amounts from the Consolidated Fund. This authorisation is current from 1 July until the earlier of the release of the 2020-21 Budget or 2020-21 Appropriations Bill. Therefore, it is appropriate for the 2019-20 financial statements to be prepared on a going concern basis.

Although COVID-19 has not resulted in any significant impact on the BCT's operations as it is funded by appropriations from DPIE, it has impacted somewhat on timing for various tenders and reduced the number of face-to-face interactions with landholders.

**The NSW Biodiversity Conservation Trust**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

**2. Expenses excluding losses**

**Operating expenses**

Recognition and measurement of key expense items are discussed separately below.

**(a) Personnel services expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages (including annual leave)	10,515	8,694
Superannuation - defined contribution plans	939	759
Long service leave	781	1,074
Workers' compensation insurance	25	-
Payroll tax and fringe benefits tax	659	555
	<b>12,919</b>	<b>11,082</b>

Personnel services are received from DPIE. Refer note 1(a). Personnel services are recognised in the period in which they are incurred.

**(b) Other operating expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Biodiversity projects – contractors	246	272
Insurance	40	19
Consultants	-	15
Fees and services	2,707	1,683
Corporate service fees*	1,425	1,238
Biodiversity credits for immediate retirement**	6,682	11,677
Fleet costs	26	40
Advertising, publications and printing	78	142
Travel costs	512	528
Legal costs	170	148
Auditor's remuneration (audit of the financial statements)	67	76
Maintenance	83	47
Expense relating to short term leases	22	-
Operating lease rental expenses	-	50
Other occupancy costs	89	48
General administration	557	569
	<b>12,704</b>	<b>16,552</b>

\*In 2019-20, BCT received and paid for corporate, finance and human resources services from the Department of Planning, Industry and Environment, while in 2018-19, BCT received and paid for corporate, finance and human resources services from the Department of Planning and Environment.

\*\* BCT purchases biodiversity credits for retirement under the Growth Centres Biodiversity Offsets Program.

**The NSW Biodiversity Conservation Trust**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

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**2. Expenses excluding losses (cont'd)**

**Operating Expenses (cont'd)**

**Recognition and measurement – other operating expenses**

Operating expenses are recognised as they are incurred, including corporate support fees, fees and services, contractor – biodiversity projects, advertising, publications and printing and legal costs. Some specific cases are:

*(i) Biodiversity credits for immediate retirement*

Given the intent is to retire credits purchased under the Growth Centres Biodiversity Offset Program, the acquisition cost of these credits is expensed when the control of these credits is transferred to the BCT.

*(ii) Maintenance expense*

Day-to-day servicing or maintenance costs are expensed as incurred.

*(iii) Insurance*

A range of insurances are carried by the BCT with iCare. Insurance cover is reviewed annually to ensure adequacy. Insurance premiums are recognised as an expense in the period to which they relate.

*(iv) Operating leases*

***Lease expense (up to 30 June 2019)***

**Operating leases**

Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

***Lease expense (from 1 July 2019)***

From 1 July 2019, the BCT 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.

**(c) Depreciation expense**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Depreciation:		
Plant and equipment	7	8
Right-of-use asset	103	-
	<b>110</b>	<b>8</b>

For recognition and measurement policies on depreciation refer to note 12 and note 13.



**The NSW Biodiversity Conservation Trust**  
**Notes to the financial statements**  
For the year ended 30 June 2020

**2. Expenses excluding losses (cont'd)**

**(d) Grants and subsidies**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Payments to landholders	5,846	2,543
	<b>5,846</b>	<b>2,543</b>

These payments include \$4.88 million (2019: \$2.14 million) in annual payments to landholders with funded conservation agreements with the BCT, \$0.87 million (2019: \$0.28 million) in conservation partners grants to landholders with partnership conservation agreements with the BCT or to landholders participating in the Land for Wildlife or Wildlife Land Trust programs, \$0.07 million (2019: \$0.12 million) in management funding payments to landholders with contracts entered with the former Nature Conservation Trust (NCT) and \$0.03 million (2019: nil) in grants under the BCT's Education Strategy.

**Recognition and measurement – grants and subsidies**

Grants are generally recognised as an expense when control of the contribution is transferred out. BCT is deemed to have transferred control when the payment or grant is paid or payable.

**(e) Finance costs**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest from lease liabilities	9	-
	<b>9</b>	<b>-</b>

**Recognition and measurement – finance costs**

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit NSW GGS entities.

**(f) Developer payment provision remeasurement (loss)**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Developer payment provision remeasurement (loss)	11,494	-
	<b>11,494</b>	<b>-</b>

The BCT obtained the most up-to-date market values for all 9,284 Biodiversity Assessment Method (BAM) species and ecosystems credits that constitute its outstanding developer obligations using the Biodiversity Offsets Payments Calculator (BOPC 2.0). The total of these market value estimates is then compared to the total provisions in the ledger net of administration fees. The BOPC 2.0 derives estimated market values based on recent trades or on trades of groups of similar credits where there are no recent trades, on a like-for-like credit basis.

**Recognition and measurement – developers' payment provision remeasurement (loss)**

Where the total estimated market values of credits are higher than the provisions recorded in the ledger, the provisions are increased and the corresponding expense recorded in the Statement of Comprehensive Income. Provisions are recorded net of administration fees which are treated as other revenue.

**The NSW Biodiversity Conservation Trust**  
**Notes to the financial statements**  
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**3. Revenue**

**(a) Interest revenue**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income	346	896
	<b>346</b>	<b>896</b>

**Recognition and measurement – interest revenue**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired.

**(b) Grants and contributions**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Grants received*	-	71,962
Personnel services assumed by the Crown Entity	758	1,039
Grants to acquire/construct a recognisable non-financial asset to be controlled by the entity	-	-
Other grants with sufficiently specific performance obligations	-	-
Grants without sufficiently specific performance obligations**	72,317	-
	<b>73,075</b>	<b>73,001</b>

\* In 2018-19, the BCT received grants of \$50 million from the Climate Change Fund, \$11.957 million from the Environmental Trust and \$10.005 million of NSW Government funding through the Department of Planning and Environment.

\*\* In 2019-20, the BCT received grants of \$50 million from the Climate Change Fund, \$7.077 million from the Western Sydney Growth Centres program and \$15.24 million of NSW Government funding through the Department of Planning, Industry and Environment.

**Recognition and measurement – grants and contributions**

**Until 30 June 2019**

Income from grants (other than contribution by owners) is recognised when the BCT obtains control over the contribution. The BCT is deemed to have assumed control when the grant is received.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined, and the services would be purchased if not donated.

**From 1 July 2019**

Grants are received by the BCT to support its service delivery objectives and the funding agreements typically specify the purpose of the grants.

Revenue from funding without sufficiently specific performance obligations is recognised when the BCT obtains control over the granted assets (i.e. cash received). Where the total funding amount in a contract is not allocated to distinct milestones/performance obligations and specifies purpose only, revenue is recognised when the BCT obtains control over the funds (i.e. cash received).

**The NSW Biodiversity Conservation Trust**  
**Notes to the financial statements**  
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**3. Revenue (cont'd)**

**Recognition and measurement – grants and contributions (cont'd)**

No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. This is based on past experience and terms specified in the contract.

The BCT did not have any revenue from grants with sufficiently specific milestones/performance obligations (as defined in the accounting standards).

**(c) Other revenue**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
NCT funding agreements transferred to BCT	65	228
Remuneration of the Fund Manager*	-	(88)
Miscellaneous	640	399
	<b>705</b>	<b>539</b>

\*The BCT Board has determined to waive fees for the 'Remuneration of the Fund Manager' during 2019-20. The previous year's accrued income was reversed in 2018-19 following the Board's decision to waive these fees.

**Recognition and measurement**

**(i) NCT funding agreements**

The former Nature Conservation Trust (NCT) received funding from external sources that had specific performance obligations in their funding agreements to deliver biodiversity benefits by entering management funding contracts. This funding was recognised as a liability upon receipt and is recognised as revenue when performance obligations are met. Refer notes 9, 16 and 23.

**4. Gain / (loss) on disposal, developers' payments and unrealised loss from TCorpIM funds**

**(a) Gain / (loss) on disposal**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Proceeds from disposal of current/non-current assets:		
Land and buildings held for sale	3,143	290
Plant and equipment	-	20
Carrying value of current/non-current assets disposed of:		
Land and buildings held for sale	(2,852)	(300)
Plant and equipment	-	(16)
<b>Net gain / (loss) on disposal</b>	<b>291</b>	<b>(6)</b>

**(b) Gain/(loss) on developers' payment acquittals**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Developers' payments	3,312	466
Less: Inventory offset (Note 18)	(655)	(328)
Less: Costs of offset biodiversity credits purchased (Note 18)	(2,037)	(22)
<b>Net gain on developers' payments (Note 18)</b>	<b>620</b>	<b>116</b>



# The NSW Biodiversity Conservation Trust

## Notes to the financial statements

For the year ended 30 June 2020

### 4. Gain / (loss) on disposal, developers' payments and unrealised loss from TCorpIM funds (cont'd)

#### (c) Unrealised loss from TCorpIM funds

	2020 \$'000	2019 \$'000
Unrealised loss from TCorpIM funds	(3,379)	-
	<b>(3,379)</b>	<b>-</b>

### 5. State Outcomes delivered by the Planning, Industry and Environment cluster

#### State Outcome: Connecting communities to resilient and sustainable energy and local environments

*Description of the State Outcome: Protecting and preserving the quality of our environment via active stewardship to support a healthy New South Wales while securing an affordable, reliable and sustainable energy future.*

The BCT's mission is to maximise the biodiversity conservation outcomes achieved with the public and private resources entrusted in the BCT to support private land conservation, to deliver a healthy, productive and resilient environment across NSW. The BCT's goals are to encourage landowners to enter agreements to conserve biodiversity and support productive landscapes, deliver a strategic biodiversity offsetting service, support landholders to conserve biodiversity on their land, promote public knowledge, appreciation and understanding of the value of biodiversity conservation, and invest in our people to build an engaged, professional, customer-oriented high-performing organisation, focused on achieving the BCT's purpose.

The total operations of the BCT contribute to the above, hence separate State Outcome statements are not required. Refer note 1(f).

**The NSW Biodiversity Conservation Trust**  
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**6. Current assets – cash and cash equivalents**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	34,764	80,156
TCorpIM Cash Fund	2,807	-
	<b>37,571</b>	<b>80,156</b>

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank and on hand and TCorpIM Cash Fund. As at 30 June 2020, the BCT holds 3,007,846 units in the TCorpIM Cash Fund priced at \$0.933 per unit.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows.

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents (per statement of financial position)	37,571	80,156
<b>Closing cash and cash equivalents (per statement of cash flows)</b>	<b>37,571</b>	<b>80,156</b>

Refer notes 15 and 25 for details on restricted assets. Refer note 21 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

**7. Current assets – financial assets at fair value**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
TCorpIM funds - Long Term Growth Fund	76,153	-
	<b>76,153</b>	<b>-</b>

Details regarding market risk are disclosed in note 21.

**Recognition and Measurement**

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 timeframe established by TCorp. As at 30 June 2020, the BCT holds 77,446,842 units in the TCorpIM Long Term Growth Fund at \$0.983 per unit.

***Classification and measurement***

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value under AASB 9.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model under AASB 9. TCorpIM Funds are managed and their performance is evaluated on a fair value basis and therefore the business model is neither to hold these to collect contractual cash flows nor to sell the financial asset. Hence, these investments are mandatorily required to be measured at fair value through profit or loss.

A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains/ (losses), except for TCorpIM Funds that are presented as part of the operating result due to the net unrealised loss incurred during the year.

# The NSW Biodiversity Conservation Trust

## Notes to the financial statements

For the year ended 30 June 2020

### 8. Current assets – receivables

	2020	2019
	\$'000	\$'000
Sale of goods and services	8	-
GST	61	398
Prepayments	3	6
	<b>72</b>	<b>404</b>

Details regarding credit risk of trade debtors that are neither past due nor impaired, are disclosed in note 21.

#### Recognition and measurement – receivables

Receivables, including trade and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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.

#### Impairment

The BCT holds receivables with the objective of collecting the contractual cash flows and therefore measures them at net realisable value less any impairment. The BCT assesses the collectability of its receivables based on business and economic conditions including the impact of COVID-19 and recent natural disasters and considering the following:

- increased credit risk associated with debtors as a result of poor trading conditions
- higher receivables balances (i.e. exposure at default) due to recent credit deferment policies of Government and/or late payment
- lost time value of money, if contractual payment dates are extended or amounts are expected to be received later than when contractually due.

As at 30 June 2020, the BCT believes that these conditions have not significantly affected the collectability of its receivables.



**The NSW Biodiversity Conservation Trust**  
**Notes to the financial statements**  
For the year ended 30 June 2020

**9. Contract assets and liabilities**

	2020 \$'000	1 July 2019 adjusted for AASB 15 \$'000
Contract liabilities - current	290	355
Contract liabilities - non-current	-	-
	<b>290</b>	<b>355</b>

**Recognition and Measurement – contract assets and liabilities**

BCT does not have contract assets as at 30 June 2020 and 2019.

Contract liabilities relate to consideration received in advance from the previous NCT in respect of funding agreements transferred to the BCT that include performance obligations to deliver biodiversity benefits through associated management actions. As at 30 June 2020, the BCT has 15 of these contracts still outstanding. Revenue from these contracts are recognised as corresponding obligations are performed or delivered. Refer note 3(c)(i) and note 23 (i)(b).

These remaining obligations from the previous NCT have been presented as contract liabilities as at 30 June 2020 in accordance with AASB 15, which is effective for the first time in FY2019-20, while the outstanding balance as at 30 June 2019 is presented as unearned revenue (note 16).

	2020 \$'000
Revenue recognised that was included in the contract liability balance (adjusted for AASB 15) at the beginning of the year	65
Revenue recognised from performance obligations satisfied in previous periods	-
Transaction price allocated to the remaining performance obligations from contracts with customers	290

**10. Current assets – land and buildings held for sale**

	2020 \$'000	2019 \$'000
Land and buildings	9,696	5,963
	<b>9,696</b>	<b>5,963</b>

Under its programs, the BCT acquires high conservation value land and then sells the land (and any associated buildings) to a buyer willing to enter either a funded or partnership conservation agreement.

**Recognition and measurement – current assets – land and buildings held for sale**

At 30 June 2020, the BCT held seven parcels of land (and any associated buildings) classified as land held for sale (30 June 2019: 6 parcels), where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Land and buildings held for sale are recognised in accordance with AASB 5 and AASB 13 at the lower of their carrying amount and fair value less costs of disposal. Impairment on land and buildings held for sale are assessed annually and any loss is expensed in the Statement of Comprehensive Income. Refer note 14. The BCT intends to sell all seven parcels of land (and any associated buildings) held at 30 June 2020 in the following year.

**The NSW Biodiversity Conservation Trust**  
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**11. Current assets – inventories**

	2020 \$'000	2019 \$'000
<b>Held for distribution</b>		
Biodiversity credits	26,406	15,901
	<b>26,406</b>	<b>15,901</b>

**Recognition and measurement – inventory**

Biodiversity credits are held in stock to satisfy obligations transferred from developers to the BCT or, on occasions, to be subsequently sold. These credits support the BCT in rendering its services in its ordinary course of business of biodiversity conservation and are hence recognised as inventories under AASB 102. They are recognised at the lower of cost or net realisable value in accordance with AASB 102.

**12. Non-current assets – property, plant and equipment**

	Plant & Equipment \$'000	Total \$'000
<b>At 1 July 2019 - fair value</b>		
Gross carrying amount	100	100
Accumulated depreciation	(52)	(52)
Net carrying amount	<b>48</b>	<b>48</b>
<b>At 30 June 2020 - fair value</b>		
Gross carrying amount	120	120
Accumulated depreciation	(53)	(53)
Net carrying amount	<b>67</b>	<b>67</b>

**Reconciliation**

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.

	Plant & Equipment \$'000	Total \$'000
<b>Period ended 30 June 2020</b>		
Net carrying amount at 1 July 2019	48	48
Additions	26	26
Disposals	-	-
Depreciation expense	(7)	(7)
<b>Net carrying amount at 30 June 2020</b>	<b>67</b>	<b>67</b>

**The NSW Biodiversity Conservation Trust**  
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**12. Non-current assets – property, plant and equipment (cont'd)**

	<b>Plant &amp; Equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>At 1 July 2018 - fair value</b>		
Gross carrying amount	178	178
Accumulated depreciation	(107)	(107)
<b>Net carrying amount</b>	<b>71</b>	<b>71</b>
<b>At 30 June 2019 - fair value</b>		
Gross carrying amount	100	100
Accumulated depreciation	(52)	(52)
<b>Net carrying amount</b>	<b>48</b>	<b>48</b>

**Reconciliation**

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the previous reporting period is set out below.

	<b>Plant &amp; Equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Year ended 30 June 2019</b>		
Net carrying amount at 1 July 2018	71	71
Disposals	(16)	(16)
Depreciation expense	(8)	(8)
Other	1	1
<b>Net carrying amount at 30 June 2019</b>	<b>48</b>	<b>48</b>



## **12. Non-current assets – property, plant and equipment (cont'd)**

### **Recognition and measurement – property, plant and equipment**

#### *(i) 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. the 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.

#### *(ii) 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.

#### *(iii) Major inspection costs*

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

#### *(iv) Restoration costs*

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

#### *(v) Depreciation of property, plant and equipment*

Depreciation is provided on a straight-line basis to write off the depreciable amount of each asset as it is consumed over its useful life to the BCT. Depreciation rates adopted by the BCT range from 6.7 to 7.7 per cent (2019: 6.7 to 7.7 per cent).

All material identifiable components of assets are depreciated separately over their useful lives.

For reporting periods prior to the commencement of the BCT, property, plant and equipment were depreciated on a reducing balance basis. The depreciation rates ranged from 15 to 40 percent.

#### *(vi) Right-of-Use Assets acquired by lessees (under AASB 16 from 1 July 2019)*

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The BCT has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained at Note 13.

The BCT has adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059 Service Concession Arrangements: Grantors. The BCT continues to apply its existing accounting policy to these assets until AASB 1059 is applied.

## **12. Non-current assets – property, plant and equipment (cont'd)**

### *(vii) Revaluation of property, plant and equipment*

Physical non-current assets are valued in accordance with TPP 14-01 *Valuation of physical non-current assets at fair value* policy and guidelines paper. This policy adopts fair value in accordance with AASB 13 *Fair value measurement* and AASB 116 *Property, plant and equipment*.

Plant and equipment being non-specialised assets with short useful lives, are measured at depreciated historical cost, as a substitute for fair value. The BCT has assessed that any difference between fair value and the historical cost is unlikely to be material.

### *(viii) Impairment of property, plant and equipment*

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of assets* is unlikely to arise. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. The BCT 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 BCT 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.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

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**13. Leases**

The BCT leases various properties, equipment and motor vehicles. Lease contracts are typically made for fixed periods of one to five years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The BCT does not provide residual value guarantees in relation to leases.

The BCT has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new.

**(a) Right-of-use assets under leases**

The following tables present right-of-use assets that do not meet the definition of investment property.

	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July 2019	75	160	235
Additions	-	85	85
Depreciation expense	(35)	(68)	(103)
<b>Balance at 30 June 2020</b>	<b>40</b>	<b>177</b>	<b>217</b>

**(b) Lease liabilities**

The following table presents liabilities under leases

	<b>Total</b>
	<b>\$'000</b>
<b>Balance at 1 July 2019</b>	235
Additions	85
Interest expenses	9
Payments	(107)
<b>Balance at 30 June 2020</b>	<b>222</b>

The following amounts were recognised in the Statement of Comprehensive Income for the year ending 30 June 2020:

	<b>\$'000</b>
Depreciation expense of right-of-use assets	103
Interest expense on lease liabilities	9
Expense relating to short-term leases, low-value assets and variable lease payments, not included in the measurement of lease liabilities	97
<b>Total amount recognised in the statement of comprehensive income</b>	<b>209</b>

The BCT had total cash outflows for leases of \$0.11 million in FY2019-20.



**The NSW Biodiversity Conservation Trust**  
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**13. Leases (cont'd)**

Future minimum lease payments under non-cancellable leases as at 30 June 2019 were as follows:

	<b>Operating lease \$'000</b>
Within one year	109
Later than one year and not later than five years	222
Later than five years	-
Total (including GST)	<b>331</b>
Less: GST recoverable from the Australian Tax Office	(30)
<b>Total (excluding GST)</b>	<b>301</b>

**Recognition and measurement (under AASB 16 from 1 July 2019)**

The BCT assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The BCT recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

**i. Right-of-use assets**

The BCT recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and equipment 4 to 5 years
- Buildings 2 to 3 years

If ownership of the leased asset transfers to the BCT at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The BCT 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 BCT 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. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in the net result.

**ii. Lease liabilities**

At the commencement date of the lease, the BCT recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase options reasonably certain to be exercised by the BCT; and
- payments of penalties for terminating the lease, if the lease term reflects the BCT exercising the option to terminate.

# The NSW Biodiversity Conservation Trust

## Notes to the financial statements

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### 13. Leases (cont'd)

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the BCT's leases, the lessee's incremental borrowing rate is used, being the rate that the BCT would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The BCT's lease liabilities are included in borrowings.

#### iii. Short-term leases and leases of low-value assets

The BCT applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

#### Recognition and measurement (under AASB 117 until 30 June 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the BCT was classified as a finance lease. BCT held no finance leases at 30 June 2019.

Property, plant and equipment acquired under finance leases was depreciated over the useful life of the asset. However, if there is no reasonable certainty that the entity will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

#### 14. Fair value measurement of non-financial assets

##### Fair value measurement and hierarchy

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 its absence, 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 *Fair value measurement*, the BCT 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 BCT 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 BCT recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer note 21 for further disclosures regarding fair value measurements of financial assets.

##### (a) Fair value hierarchy

###### 2020

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
Land and buildings held for sale (note 10)	-	9,696	-	9,696
	-	9,696	-	9,696

###### 2019

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
Land and buildings held for sale (note 10)	-	5,963	-	5,963
	-	5,963	-	5,963

There were no transfers between level 1 or 2 during the current year and the previous year.



**The NSW Biodiversity Conservation Trust**  
**Notes to the financial statements**  
For the year ended 30 June 2020

**14. Fair value measurement of non-financial assets (cont'd)**

**Fair value measurement and hierarchy (cont'd)**

**(b) Valuation techniques, inputs and processes**

<b>Asset class</b>	<b>Valuation technique</b>	<b>Comments</b>
Current assets-land and buildings held for sale	Market	Based on market evidence

Non-financial assets are valued on a highest and best use basis.

Non-current assets held for sale are recognised at the lower of their carrying amount and fair value less costs of disposal. Impairment assessment as at 30 June 2020 was completed by management based on an assessment of market movement by an independent valuer. The amount assessed for impairment in the 2019-20 year was 'nil' (2018-2019: nil).

**15. Restricted assets**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash (BCF)	34,030	77,557
TCorpIM Cash Fund	2,807	-
TCorpIM Long Term Growth Fund	76,153	-
<b>Restricted assets</b>	<b>112,990</b>	<b>77,557</b>

Cash refers to the BCF bank account balance and is deemed as a restricted asset as these funds can only be used for the specific purposes of the BCT's private land conservation and biodiversity offset programs. Refer note 6. TCorpIM Cash Fund is included in cash and cash equivalents in the statement of financial position per TPP 20-1. This is deemed as a restricted asset as these funds can only be used for the specific purposes of the BCT's private land conservation programs. The financial assets at fair value relates to the current balance in TCorpIM Long Term Growth Fund and is deemed as a restricted asset as it is used to fund BCT's funded conservation agreements. Refer note 7.

**16. Current / Non-current liabilities – payables**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Creditors	442	887
Personnel services	1,491	988
Unearned revenue	-	355
	<b>1,933</b>	<b>2,230</b>

# The NSW Biodiversity Conservation Trust

## Notes to the financial statements

For the year ended 30 June 2020

### 16. Current/ Non-current liabilities – payables (cont'd)

	2020 \$'000	2019 \$'000
<b>Non-current</b>		
Personnel services	28	22
	<b>28</b>	<b>22</b>

Personnel services (current) relate to the amount payable to DPIE for employee entitlements of \$1.37 million (2019: \$0.96 million) and accrued salaries of \$0.12 million (2019: \$0.03 million). Non-current personnel services liabilities of \$0.028 million (2019: \$0.022 million) relate to the non-current portion of employee long service leave entitlements. Refer note 2(a).

Details regarding liquidity risk, including a maturity analysis of the above payables, are disclosed in note 21.

#### Recognition and measurement

##### (i) Creditors

Payables represent liabilities for goods and services provided to the BCT and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest are measured at the original invoice amount where the effect of discounting is immaterial. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

##### (ii) Unearned revenue (until 30 June 2019)

Unearned revenue is recognised when the performance obligations specified in the funding agreement with the provider of funds are yet to be satisfied by the BCT. Revenue is recognised only upon the delivery of these obligations. Refer note 3(c)(i), and note 23(i)(b).

### 17. Current / Non-current liabilities – borrowings

	2020 \$'000	2019 \$'000
<b>Current borrowings</b>		
Lease liability (see Note 13)	112	-
	<b>112</b>	<b>-</b>
<b>Non-current borrowings</b>		
Lease liability (see Note 13)	110	-
	<b>110</b>	<b>-</b>

#### Recognition and measurement – borrowings

Borrowings classified as financial liabilities at amortised cost are 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.

**The NSW Biodiversity Conservation Trust**  
**Notes to the financial statements**  
For the year ended 30 June 2020

**17. Current / Non-current liabilities – borrowings (cont'd)**

**Changes in liabilities arising from financing activities**

	<b>Leases</b>	<b>Total liabilities from financing activities</b>
30 June 2019	-	-
Recognised on adoption of AASB 16	235	235
1 July 2019	235	235
Cash flows	(107)	(107)
New leases	85	85
Interest expenses	9	9
30 June 2020	<b>222</b>	<b>222</b>

**18. Current liabilities – provisions**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Developers' payments - biodiversity credits	28,191	9,278
	<b>28,191</b>	<b>9,278</b>

**Movements in provisions (other than employee leave benefits)**

Movements in the provision during the financial year are set out below:

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at 1 July	9,278	382
Less: amounts acquitted against inventory	(655)	(328)
Less: amounts acquitted from direct purchase of credits	(2,037)	(22)
Less: net profit on acquittals (refer note 4b)	(620)	(116)
Additional developers' payments received	10,731	9,362
Loss from developers' payments remeasurement	11,494	-
<b>Carrying amount at 30 June</b>	<b>28,191</b>	<b>9,278</b>

**Recognition and measurement – provisions**

(i) *Developers' payments - biodiversity credits*

Under Section 6.30 of the *Biodiversity Conservation Act 2016* (the BC Act), a person (typically a developer) who is required to retire biodiversity credits may satisfy that requirement by instead paying an amount into the Biodiversity Conservation Fund (BCF). If that amount is paid into the BCF, the developer's requirement to retire biodiversity credits is satisfied.

Under Section 6.31 of the BC Act, the BCT is to apply the amount paid into the BCF towards securing biodiversity offsets determined in accordance with the regulations in substitution for the relevant number and class of biodiversity credits otherwise required to be retired (by the developer).

A provision is recognised when funds are received from developers under Section 6.30 of the BC Act. The BCT has a constructive obligation to procure equivalent biodiversity offsets. This provision is extinguished when the BCT purchases credits, offsets BCF obligations against inventory or otherwise provides biodiversity offsets, with any net differences recognised in the Statement of Comprehensive Income. As at 30 June 2020, the outstanding developer obligations are revalued or remeasured using the Biodiversity Offsets Payment Calculator (BOPC 2.0) to reflect the estimated cost to procure these biodiversity credits. Increases in estimated costs from this remeasurement amounted to \$11.5 million, recorded as an expense in the Statement of Comprehensive Income. Refer note 2(f).



**The NSW Biodiversity Conservation Trust**  
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**19. Contingent liabilities and assets**

A contingent liability is a potential liability that may occur depending upon the outcome of an uncertain future events. The BCT is not aware of any contingent liabilities at 30 June 2020 (nil as at 30 June 2019).

A contingent asset is a possible asset that may arise because of a gain that is contingent on future events, not under the BCT's control. The BCT is not aware of any contingent assets at 30 June 2020 (nil as at 30 June 2019).

**20. Reconciliation of cash flows from operating activities to net result**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net cash provided by operating activities</b>	40,522	36,682
Depreciation	(110)	(8)
Finance costs	(9)	-
(Decrease)/increase in receivables	(332)	151
Decrease/(increase) in payables	291	537
Increase/(decrease) in inventories	10,505	15,901
(Increase)/decrease in provisions	(18,913)	(8,896)
(Increase)/decrease in contract liabilities	(290)	-
Gain/(loss) on disposal of assets held for sale	291	(6)
Unrealised loss from TCorpIM funds measured at fair value	(3,379)	-
<b>Net result</b>	<b>28,576</b>	<b>44,361</b>

**21. Financial instruments**

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

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

The BCT Board 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 BCT, to set risk limits and controls, and to monitor risks.

# The NSW Biodiversity Conservation Trust

## Notes to the financial statements

For the year ended 30 June 2020

### 21. Financial instruments (continued)

#### (a) Financial instrument categories

Financial Assets	Notes	Category	Carrying amount 30 June 2020 \$'000	Carrying amount 30 June 2019 \$'000
<b>Class:</b>				
Cash and cash equivalents	6	N/A	37,571	80,156
Receivables <sup>1</sup>	8	Receivables (at amortised cost)	8	-
		Fair value through profit or loss -		
Financial assets at fair value	7	mandatory classification	76,153	-

Financial Liabilities	Notes	Category	Carrying amount 30 June 2020 \$'000	Carrying amount 30 June 2019 \$'000
<b>Class:</b>				
Payables <sup>2</sup>	16	Financial liabilities (at amortised cost)	1,961	1,897
Borrowings	17	Financial liabilities (at amortised cost)	222	-

#### Notes:

1. Excludes GST receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes GST payables and unearned revenue (i.e. not within scope of AASB 7).

The BCT 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.

#### (b) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the BCT transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where the BCT has not transferred substantially all the risks and rewards, if the BCT has not retained control.

Where the BCT 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 BCT's continuing involvement in the asset. In that case, the BCT also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the BCT has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the BCT could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

## **21. Financial instruments (continued)**

### **(c) Financial risks**

#### **(i) Credit risk**

Credit risk arises when there is the possibility of the BCT's debtors defaulting on their contractual obligations, resulting in a financial loss to the BCT. 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 BCT, including cash and receivables. No collateral is held by the BCT. The BCT has not granted any financial guarantees.

#### *Cash and cash equivalents*

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System as well as deposits in the TCorpIM Cash Fund. Interest is earned on daily bank balances at the monthly average TCorpIM 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

#### **Accounting policy for impairment of trade debtors**

#### *Receivables – trade and other debtors*

Collectability of trade debtors 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 BCT applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

Trade and other debtors as at 30 June 2020 (and 30 June 2019) are not material and no credit loss is expected.

#### **(ii) Liquidity risk**

Liquidity risk is the risk the BCT will be unable to meet its payment obligations when they fall due. The BCT 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 years, there were no defaults or breaches on any payables. No assets have been pledged as collateral. The BCT's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in 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 time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the BCT may automatically pay the supplier simple interest. The applicable rate of interest for the period to 30 June 2020 was 9.08% (2019: 9.96%). The rate of interest is determined by the Office of State Revenue.



**The NSW Biodiversity Conservation Trust**  
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For the year ended 30 June 2020

**21. Financial instruments (cont'd)**

**(c) Financial risks (cont'd)**

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

		\$'000						
		Interest rate exposure				Maturity Dates		
	Weighted average effective int. rate	Nominal amount	Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 year	1 -5 years	> 5 years
<b>2020</b>								
Payables		1,961	-	-	1,961	1,933	28	-
Borrowings		222	222	-	-	112	110	-
		2,183	222	-	1,961	2,045	138	-
<b>2019</b>								
Payables		1,897	-	-	1,897	1,875	22	-
		1,897	-	-	1,897	1,875	22	-

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the BCT can be required to pay.

**(iii) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The BCT's exposures to market risk are primarily through price risks associated with the movement in the unit price of the TCorpIM funds. The BCT has no exposure to foreign currency risk and does not enter into 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 BCT operates and the timeframe 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 balance date. The analysis assumes that all other variables remain constant.

*Interest rate risk*

The BCT does not account for any fixed rate financial instruments at fair value through profit or loss. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +0.05% or -0.25% is used (2019: 0.25%), 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 BCT's exposure to interest rate risk is set out below.

**The NSW Biodiversity Conservation Trust**  
**Notes to the financial statements**  
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**21. Financial instruments (cont'd)**

**(c) Financial risks (cont'd)**

**(iii) Market risk (cont'd)**

	Carrying amount \$'000	-0.25% Profit \$'000	Equity \$'000	+0.05% Profit \$'000	Equity \$'000
<b>30 June 2020</b>					
<b>Financial assets:</b>					
Cash in bank	34,764	(87)	(87)	17	17

	Carrying amount \$'000	-0.25% Profit \$'000	Equity \$'000	+0.25% Profit \$'000	Equity \$'000
<b>30 June 2019</b>					
<b>Financial assets:</b>					
Cash in bank	80,156	(200)	(200)	200	200

The interest rate implicit in the lease (borrowings) is fixed for each capitalised lease agreement and is therefore not exposed to interest rate risk.

*TCorpIM Funds*

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM funds, which are held for strategic rather than trading purposes. The BCT has no direct equity investments. The BCT holds units in the following TCorpIM funds:

Facility	Investment Sectors	Investment Horizon	30 June 2020 \$'000	30 June 2019 \$'000
Cash Fund	Cash, money market instruments	Up to 1.5 years	2,807	-
Long Term Growth Fund	Cash, Australian shares, International shares, listed property, emerging market shares, emerging markets debt, bank loans, Inflation linked bonds, fixed interest, global credit, high yield multi-asset	Greater than 7 years	76,153	-

The unit price of each TCorpIM fund is equal to the total fair value of net assets held by the fund divided by the total number of units on issue for that fund. Unit prices are calculated and published daily.

Investment in the TCorpIM funds limits the entity's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

TCorp provides sensitivity analysis information for each of the investment management funds, using historically based volatility information collected over a ten-year period, quoted at two standard deviations (i.e. 95% probability). The TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results. A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from TCorpIM Funds Statement).

**The NSW Biodiversity Conservation Trust**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

**21. Financial instruments (cont'd)**

**(c) Financial risks (cont'd)**

*TCorpIM Funds (cont'd)*

		Impact on net result / equity	
		2020 \$'000	2019 \$'000
TCorpIM funds – Cash Fund	+/- 1.4%	39	-
TCorpIM funds – Long Term Growth Fund	+/-10.4%	7,920	-

**22. Related party disclosures**

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the BCT, directly or indirectly.

- a. The BCT's key management personnel (KMP) compensation (for Board members and the Chief Executive Officer) is:

	2020 \$'000	2019 \$'000
Short-term employee benefits		
Salaries	693	671
Other monetary allowances	-	-
Non-monetary benefits	-	-
<b>Total remuneration</b>	<b>693</b>	<b>671</b>

The key management personnel compensation excludes the Minister for Energy and Environment. Ministerial compensation is paid by the NSW Legislature, not the BCT. Based on advice provided by KMP and NSW Treasury and transactional reviews undertaken, the BCT did not enter any transactions with key management personnel, their close family members and any entities controlled or jointly controlled thereof during the year.

- b. Related party transactions

During the year, the BCT received grants of \$50 million from the Climate Change Fund, \$7.077 million from the Western Sydney Growth Centres program and \$15.24 million of NSW Government funding through the Department of Planning, Industry and Environment (2020 total: \$72.317 million) (2019: \$50 million from the Climate Change Fund, \$11.957 million from the Environmental Trust and \$10.005 million of NSW Government funding through the Department of Planning and Environment), which is an entity controlled by the NSW Government. These transactions support the BCT in meeting its objectives to deliver the State Outcome as detailed in note 5. The BCT also receives personnel services from DPIE.

As at 30 June 2020, the BCT paid \$1.425 million (2019: 1.238 million) to the Department of Planning, Industry and Environment for corporate, finance and human resources services.

The above transactions are disclosed as fees for services, general operating expenses, grants received, personnel and corporate services expenses, and are disclosed in relevant notes to the financial statements.



# The NSW Biodiversity Conservation Trust

## Notes to the financial statements

For the year ended 30 June 2020

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### 23. Commitments for expenditure

- (a) Conservation agreements: Under the *Biodiversity Conservation Act 2016*, BCT can enter an agreement relating to land (conservation agreement) with the owner of the land for the purpose of conserving or studying the biodiversity of the land. Such an agreement binds the landholder to certain restrictions on the use of the land and requires them to undertake conservation management actions. As at 30 June 2020, the BCT had entered 103 funded conservation agreements with landholders. In addition, the BCT had offered or committed to enter a further 13 funded conservation agreements which had not been signed by the landholders as at 30 June 2020, but which are likely to be signed within the first half of 2020–21. The BCT sets aside and invests in various assets to support these agreements. The BCT uses these assets and investment or other earnings on those assets to make the annual conservation management payments to the agreement holders. The BCT has a commitment to pay landholders an agreed amount according to their agreement on the satisfactory completion of annual conservation management actions. The expected payments to be made in the 2020-21 financial year total \$5.18 million. Refer note 25.
- (b) Management funding contracts: The previous NCT, under its now repealed Act, could enter management funding contracts with private landholders. Such agreements bind landholders to conserve biodiversity on their land and binds NCT (now the BCT) to provide financial assistance in accordance with the agreed schedule. There are currently 15 (2019: 20) such agreements with a total outstanding obligation of \$0.29 million (2019: \$0.36 million). Refer notes 3(c) and 9.

# The NSW Biodiversity Conservation Trust

## Notes to the financial statements

For the year ended 30 June 2020

### 24. Budget review

The budgeted amounts are drawn from the original financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

	\$m
<b>Net result</b>	
<b>Actual operating surplus was \$28.6 million compared to budget of \$39.5 million – an unfavourable variance of (\$10.9) million.</b>	
This variance was driven primarily by the unbudgeted loss on remeasurement of provision for developers' payments.	
<b>Expenses:</b>	
Unbudgeted loss on remeasurement of developers' payments provision of \$11.5 million and higher than budgeted operating expenses including landholder payments of \$0.2 million.	(11.7)
<b>Revenue:</b>	
Higher growth centres grants and other revenues from fees received of \$3.3 million, unbudgeted gains on disposal of assets held for sale and developers' payment acquittals of \$0.9 million, offset by unbudgeted TCorp investment losses of (\$3.4) million.	0.8
<b>Total Net Result</b>	<b>(10.9)</b>
<b>Assets and liabilities</b>	
<b>Actual net assets of \$119.5 million against the budget of \$132.7 million – an unfavourable variance of (\$13.2) million</b>	
<i>Total actual assets of \$150.1 million against a budget of \$134.8 million giving a favourable variance of \$15.3 million</i>	
- Increase in retained cash from cash brought forward from the previous financial year, acquisition of financial assets (TCorpIM funds), higher than budgeted receipts from developers to offset their biodiversity obligations and cash retained from the positive operating result.	15.3
<i>Total liabilities of \$30.6 million against a budget of \$2.1 million, resulting in an unfavourable variance of \$28.5 million</i>	
- Mainly due to higher than budgeted developers' contributions to offset their biodiversity obligations recorded as provisions and the loss on remeasurement noted above.	(28.5)
<b>Total Net Assets</b>	<b>(13.2)</b>
<b>Cash Flow</b>	
<b>Closing cash of \$37.6 million against a budget of \$86.2 million giving an unfavourable variance of (\$48.6) million</b>	
Higher opening cash & cash equivalents balance of \$80.2 million compared to \$72.7 million budget	7.5
<b>Cash flows from Operating Activities:</b>	
Lower than anticipated operating expenses including purchase of strategic biodiversity credits and landholder payments - \$4.0 million. Higher than budgeted receipts or payments from developers, Growth Centres grants and other fee revenues - \$18.0 million	22.0
<b>Cash flow from Investing Activities:</b>	
Higher than budgeted purchase of financial assets (TCorp) – (\$77.0) million. Higher net purchases of assets held for sale than budget – (\$1.0) million	(78.0)
<b>Cash flow from Financing Activities:</b>	
Higher than budgeted lease liability (AASB 16) payments	(0.1)
<b>Total Net Cash Flow</b>	<b>(48.6)</b>

## **25. Future payments under funded conservation agreements**

Under Part 5 of the *Biodiversity Conservation Act 2016*, the BCT can enter a conservation agreement relating to land with the owner of the land for conserving or studying the biodiversity of the land. The Act provides that a conservation agreement may contain terms, binding on the BCT, requiring the BCT to provide financial assistance.

The BCT receives funding from the NSW Government to deliver private land conservation programs. The BCT uses a proportion of this funding to enter conservation agreements where the current landholder receives annual conservation management payments for the term of the agreement. These funded agreements are either in-perpetuity or have a minimum term of 15 years.

When the BCT enters (or commits to enter) a funded conservation agreement with a landholder, the BCT calculates the present value of all future conservation agreement payments (PV-CAPs), using a discount rate determined by the BCT Board having considered actuarial advice, and designates this as restricted assets held in the Biodiversity Conservation Fund (BCF).

On 10 September 2019, the BCT received approval from the acting Treasurer to invest cash held in the Biodiversity Conservation Fund associated with funded conservation agreements in Treasury Corporation Investment Management Funds (TCorplM funds), limited to grant revenues received by the BCT from the Climate Change Fund. This approval is for the period from 1 July 2019 to 30 June 2021. The BCT's investment arrangements may be subject to a joint BCT–Treasury review during this period. The adequacy figures (in net dollar positions and ratios) presented in the tables below are calculated at a range of discount rates based on an assumption of continued investment in TCorplM funds beyond June 2021. If continued investment in TCorplM funds is not authorised beyond this period, and an alternative source of revenue or NSW Government funding is not provided to support payments to holders of funded conservation agreements, the BCT will not have sufficient funds to support these agreements over their terms.

From time to time, the BCT also invests in other assets, primarily biodiversity credits or real property. Some of these assets are also recognised as part of the assets supporting funded conservation agreements. When investing in other assets, the BCT aims to achieve a rate of return no less than the rate being earned on funds invested in TCorplM funds. For the purposes of the analysis below, it is assumed that all investments earn the same rate of return, being the TCorplM funds' forecast rate.

As at 30 June 2020, the BCT held assets valued at \$91.7 million to support funded conservation agreements.

These assets and the proceeds from investment or other earnings from these assets are to be used to meet the BCT's commitment to make annual conservation management payments. Future payments are not recognised as a financial liability in the financial statements of the BCT as they are dependent upon landholders undertaking the agreed management actions and providing an annual report to the BCT each year.

The BCT commissioned actuarial advice to calculate the PV-CAPs as at 30 June 2020 using risk-free rates and at a range of discount rates the BCT Board considers reasonably possible, assuming that all future conservation management actions are undertaken in accordance with agreements and therefore all future management payments are to be made. The discount rates used have regard to the fact that a majority of these agreements are for an in-perpetuity term and in-perpetuity investments are more sensitive to movements in discount rates.

As at 30 June 2020, the BCT had entered 103 funded conservation agreements with landholders. Table 25.1 shows the PV-CAPs and net position against the assets as at 30 June 2020.

# The NSW Biodiversity Conservation Trust

## Notes to the financial statements

For the year ended 30 June 2020

### 25. Future payments under funded conservation agreements (cont'd)

**Table 25.1 – PV-CAPs, net positions and adequacy ratios for signed and registered conservation agreements at a range of possible investment return rates\***

Assets (as at 30 June 2020)	Discount rate (nominal)	Discount rate (real)	PV-CAPs	Net position	Adequacy
\$91.7 million	3.0%	0.5%	\$353.2 million	-\$261.5 million	26%
	3.5%	1.0%	\$186.7 million	-\$95.1 million	49%
	Risk-free rates	Risk-free rates	\$163 million	-\$71.3 million	56%
	4.0%	1.5%	\$130.8 million	-\$39.1 million	70%
	4.5%	2.0%	\$102.6 million	-\$10.9 million	89%
	5.0%	2.5%	\$85.4 million	\$6.3 million	107%
	5.5%	3.0%	\$73.8 million	\$17.9 million	124%
	6.0%	3.5%	\$65.4 million	\$26.3 million	140%
	6.5%	4.0%	\$58.9 million	\$32.8 million	156%

In addition, the BCT has committed and offered to enter a further 13 funded conservation agreements which had not been signed by the landholders as at 30 June 2020, but which are likely to be signed within the first half of 2020–21.

As at 30 June 2020, the BCT held assets valued at \$12.2 million to support these 13 conservation agreements.

Table 25.2 shows the PV-CAPs, net positions and adequacy ratios relative to the assets held as at 30 June 2020.

**Table 25.2 – PV-CAPs, net positions and adequacy ratios for unsigned conservation agreements at a range of possible investment return rates\***

Assets (as at 30 June 2020)	Discount rate (nominal)	Discount rate (real)	PV-CAPs	Net position	Adequacy
\$12.2 million	3.0%	0.5%	\$37.9 million	-\$25.6 million	32%
	3.5%	1.0%	\$21.5 million	-\$9.3 million	57%
	Risk-free rates	Risk-free rates	\$20.0 million	-\$7.8 million	61%
	4.0%	1.5%	\$16.0 million	-\$3.7 million	77%
	4.5%	2.0%	\$13.1 million	-\$0.8 million	94%
	5.0%	2.5%	\$11.3 million	\$1.0 million	109%
	5.5%	3.0%	\$10.0 million	\$2.2 million	122%
	6.0%	3.5%	\$9.1 million	\$3.2 million	135%
	6.5%	4.0%	\$8.4 million	\$3.9 million	146%

Two of the rates included in tables 25.1 and 25.2 (3% and 3.5%) are lower than the implied single discount rate that would match risk-free rates. The BCT's actuaries advise it is unlikely that long term interest rates would fall and remain at that level over the long term without some reduction in the rate of inflation (assumed to be 2.5%) and that therefore the estimates of present values at these rates are considered conservative.

Based on investment strategies being used by the BCT, the total adequacy ratio for the assets held for funded conservation agreements (signed and unsigned) as at 30 June 2020, based on the latest available (14 May 2020) TCorp long-term forecast investment return rate of **5.44 per cent**, is approximately **122 per cent**. As demonstrated in tables 25.1 and 25.2, the BCF may have lower adequacy under certain investment return scenarios.

*\*The following assumptions and calculations are made for table 25.1 and 25.2: an assumed future inflation rate of 2.5% per annum; risk free rates are based on spot redemption yields of publicly traded Commonwealth Government bonds as at 30 June 2020, extrapolated on a risk free spot rate curve; and the percentage adequacy is calculated as the assets divided by estimated present value of payments.*



# The NSW Biodiversity Conservation Trust

## Notes to the financial statements

For the year ended 30 June 2020

### 25. Future payments under funded conservation agreements (cont'd)

Future investment returns are inherently uncertain and, as a result, the value of assets held in the BCF for funded conservation agreements may be higher or lower than the PV-CAPs at any particular time.

The BCT's prudential policies and risk mitigation strategies are aimed at optimising the net position of the BCF. The BCT will actively monitor the adequacy of the BCF and regularly:

- receives updated TCorp projections on investment returns and volatility
- receives TCorp investment advice to optimise fund investment settings
- commissions independent actuarial advice on inflation and discount rate assumptions and modelling of the adequacy of the fund.

### 26. Funds, assets and future payments of the Biodiversity Stewardship Payments Fund (BSPF)

Funds in the BSPF are held on behalf of biodiversity stewardship sites and cannot be used to fund BCT operations. Hence, they are not included in the financial statements of BCT. Refer note 1(a).

#### Movement in Funds

	2020 \$'000	2019 \$'000
Balance at start of the period	122,379	86,569
Add: receipts (TFDs) by the Fund	28,710	37,272
Add: earnings on invested amounts in the Fund	(1,119)	7,645
Less: annual management payments	(8,403)	(9,195)
Less: remuneration of the fund manager*	-	88
<b>Balance invested in the Fund</b>	<b>141,567</b>	<b>122,379</b>

\* The BCT has decided to waive its fund manager fee for 2019-20, to support the fund's adequacy. Prior year accrued fund manager's fee was reversed.

#### Statement of Financial Position

	2020 \$'000	2019 \$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,557	4,786
Short term deposits	8,887	8,646
<b>Total cash and cash equivalents</b>	<b>11,444</b>	<b>13,432</b>
Financial assets at fair value		
TCorpIM Medium Term Growth Fund	-	20,128
TCorpIM Long Term Growth Fund	130,123	88,819
<b>Total financial assets at fair value</b>	<b>130,123</b>	<b>108,947</b>
<b>Total current assets</b>	<b>141,567</b>	<b>122,379</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accrued expenses	-	-
<b>Total current liabilities</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>141,567</b>	<b>122,379</b>

**The NSW Biodiversity Conservation Trust**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

**26. Funds, assets and future payments of the Biodiversity Stewardship Payments Fund (cont'd)**

The Biodiversity Stewardship Payments Fund (BSPF)

Under Section 6.35 of the Biodiversity Conservation Act 2016, the BCT has been appointed as Fund Manager of the Biodiversity Stewardship Payments Fund (BSPF). This appointment is at the discretion of the Minister for Energy and Environment. The funds in the BSPF are held on behalf of biodiversity stewardship sites and cannot be used to fund BCT operations. They are therefore not included in the financial statements of BCT. However, as manager of the funds invested in the BSPF any market risk is relevant to the BCT in the performance of its duties as Fund Manager.

Monies held in the BSPF are invested in the following three TCorpIM funds:

Facility	Investment Sectors	Investment Horizon	30 June 2020 \$'000	30 June 2019 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	8,887	8,646
Medium-term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian shares	3 years to 7 years	-	20,128
Long-term growth facility	Cash, Australian shares, International shares, listed property, emerging market shares, emerging markets debt, bank loans, Inflation linked bonds, fixed interest, global credit, high yield multi-asset	Greater than 7 years	130,123	88,819

The unit price of each fund is equal to the total fair value of net assets held by the fund divided by the total number of units on issue for that fund. Unit prices are calculated and published daily.

Investment in the TCorpIM funds balances the BSPF's exposure to risk and returns, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

If a biodiversity stewardship site account has an operational deficit greater than 20 per cent, the Minister has a discretion, under clause 6.17(2) of the Biodiversity Conservation Regulation 2017, to decide to cease or reduce payments to the landholder for a specified period of time. The Minister also has a discretion to change the 20 per cent threshold. To date no such decisions have been made by the Minister and the BCT continues to make full payments to landholders.

The assets held in the BSPF, along with the investment earnings on those assets invested in NSW Treasury Corporation investment management funds (TCorpIM funds), are used to make annual payments to Biodiversity Stewardship Agreement (BSA) holders. Future biodiversity stewardship payments under BSAs become payable from the BSPF to landholders when they complete agreed biodiversity stewardship management actions.

The BCT commissioned actuarial advice to calculate the present value of the future biodiversity stewardship agreement payments (PV-BSAPs) as at 30 June 2020 using risk-free rates and at a range of discount rates the BCT Board considers reasonably possible, assuming all future management actions are undertaken in accordance with agreements and therefore all future management payments are to be made. The discount rates provided also have regard to the fact that these agreements are for an in-perpetuity term and in-perpetuity investments are more sensitive to movements in discount rates.

# The NSW Biodiversity Conservation Trust

## Notes to the financial statements

For the year ended 30 June 2020

### 26. Funds, assets and future payments of the Biodiversity Stewardship Payments Fund (cont'd)

BSPF assets for active BSAs consist of balances in TCorp and Westpac as at 30 June 2020 of \$131.9 million and \$1.87 million, respectively.

For active BSAs—which is where the total fund deposit has been received in the BSPF and biodiversity stewardship agreement payments are being made—Table 26.1 shows the PV-BSAPs, net positions and adequacy ratios relative to the assets held as at 30 June 2020.

**Table 26.1 – PV-BSAPs, net positions and adequacy ratios for active biodiversity stewardship agreements at a range of possible investment return rates\***

Assets (as at 30 June 2020)	Discount rate (nominal)	Discount rate (real)	PV-BSAPs	Net position	Adequacy
\$133.8 million	3.0%	0.5%	\$739.7 million	-\$605.9 million	18%
	3.5%	1.0%	\$390.1 million	-\$256.4 million	34%
	Risk-free rates	Risk-free rates	\$337.6 million	-\$203.8 million	40%
	4.0%	1.5%	\$273.0 million	-\$139.3 million	49%
	4.5%	2.0%	\$214.1 million	-\$80.3 million	62%
	5.0%	2.5%	\$178.4 million	-\$44.6 million	75%
	5.5%	3.0%	\$154.5 million	-\$20.6 million	87%
	6.0%	3.5%	\$137.0 million	-\$3.2 million	98%
	6.5%	4.0%	\$123.8 million	\$10.0 million	108%

BSPF assets for inactive BSAs is a projected figure consisting of balances (partial TFD payments made) held in TCorp and Westpac as at 30 June 2020 of \$7.1 million and \$0.66 million respectively, plus \$83.29 million of expected total fund deposit (TFD) payments, assuming these were all paid in as at 30 June.

For inactive BSAs—where an agreement has been signed and passive management requirements are in place but where the full total fund deposit has not yet been received, biodiversity stewardship payments are not yet being made and active management is not yet required—Table 26.2 shows the PV-BSAPs, net positions and adequacy ratios relative to the expected assets for these BSAs.

**Table 26.2 – PV-BSAPs, net positions and adequacy ratios for inactive biodiversity stewardship agreements at a range of possible investment return rates\***

Expected Assets (as at 30 June 2020)	Discount rate (nominal)	Discount rate (real)	PV-BSAPs	Net position	Adequacy
\$91.0 million	3.0%	0.5%	\$506.8 million	-\$415.8 million	18%
	3.5%	1.0%	\$267.5 million	-\$176.4 million	34%
	Risk-free rates	Risk-free rates	\$230.7 million	-\$139.6 million	39%
	4.0%	1.5%	\$187.4 million	-\$96.3 million	49%
	4.5%	2.0%	\$147.1 million	-\$56.0 million	62%
	5.0%	2.5%	\$122.7 million	-\$31.7 million	74%
	5.5%	3.0%	\$106.4 million	-\$15.3 million	86%
	6.0%	3.5%	\$94.6 million	-\$3.6 million	96%
	6.5%	4.0%	\$85.7 million	\$5.4 million	106%

\*The following assumptions and calculations were made for table 26.1 and 26.2: an assumed future inflation rate of 2.5% per annum; risk free rates are based on spot redemption yields of publicly traded Commonwealth Government bonds as at 30 June 2020, extrapolated on a risk free spot rate curve; and the percentage adequacy is calculated as the assets divided by estimated present value of payments.

# The NSW Biodiversity Conservation Trust

## Notes to the financial statements

For the year ended 30 June 2020

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### 26. Funds, assets and future payments of the Biodiversity Stewardship Payments Fund (cont'd)

Two of the rates included in tables 26.1 and 26.2 (3% and 3.5%) are lower than the implied single discount rate that would match risk-free rates. The BCT's actuaries advise it is unlikely that long term interest rates would fall and remain at that level over the long term without some reduction in the rate of inflation (assumed to be 2.5%) and that therefore the estimates of present values at these rates are considered conservative.

Based on the current investment strategies deployed, the BSPF's predicted total adequacy ratio (for active and passive BSAs together) as at 30 June 2020, based on the latest available (14 May 2020) TCorp forecast investment return rate of **5.36 per cent**, is approximately **82 per cent**. As demonstrated in tables 26.1 and 26.2, the BSPF may have even lower adequacy under certain investment return scenarios.

Given the decline in the adequacy of the BSPF since last year, the BCT will continue to work with the Department of Planning, Industry and Environment, NSW Treasury, the Minister and the NSW Government, during 2020–21, to explore options and implement any agreed measures to strengthen the adequacy position of the fund.

Future investment returns are inherently uncertain and, as a result, the value of assets of the BSPF may be higher or lower than the PV-BSAPs at any particular time.

The BCT's prudential policies and risk mitigation strategies are aimed at optimising the net position of the BSPF. The BCT actively monitors the adequacy of the BSPF and regularly:

- receives updated TCorp projections on investment returns and volatility
- receives TCorp investment advice to optimise fund investment settings
- commissions independent actuarial advice on inflation and discount rate assumptions and modelling of the adequacy of the fund.

### 27. Events after the reporting period

1. As at 30 June 2020, the BCT assessed the impact of COVID-19 on the fair value of its non-current physical and financial assets. These assets include financial assets at fair value, inventories, assets held for sale and receivables. This was based on historical sales information, expectation of macroeconomic conditions and outlook at the time of assessment. Given continued uncertainty of the COVID-19 factor, it is possible that post 30 June 2020 there may be some new evidence that impacts this fair value assessment materially.
2. On Thursday, 1 October 2020, the New South Wales (NSW) Industrial Relations Commission decided to award NSW public servants with a 0.3 per cent pay rise. The BCT believes the decision does not have a significant impact on the personnel services payable as at 30 June 2020.

There are no other known events that would impact on the state of the BCT or have a material impact on the financial statements.

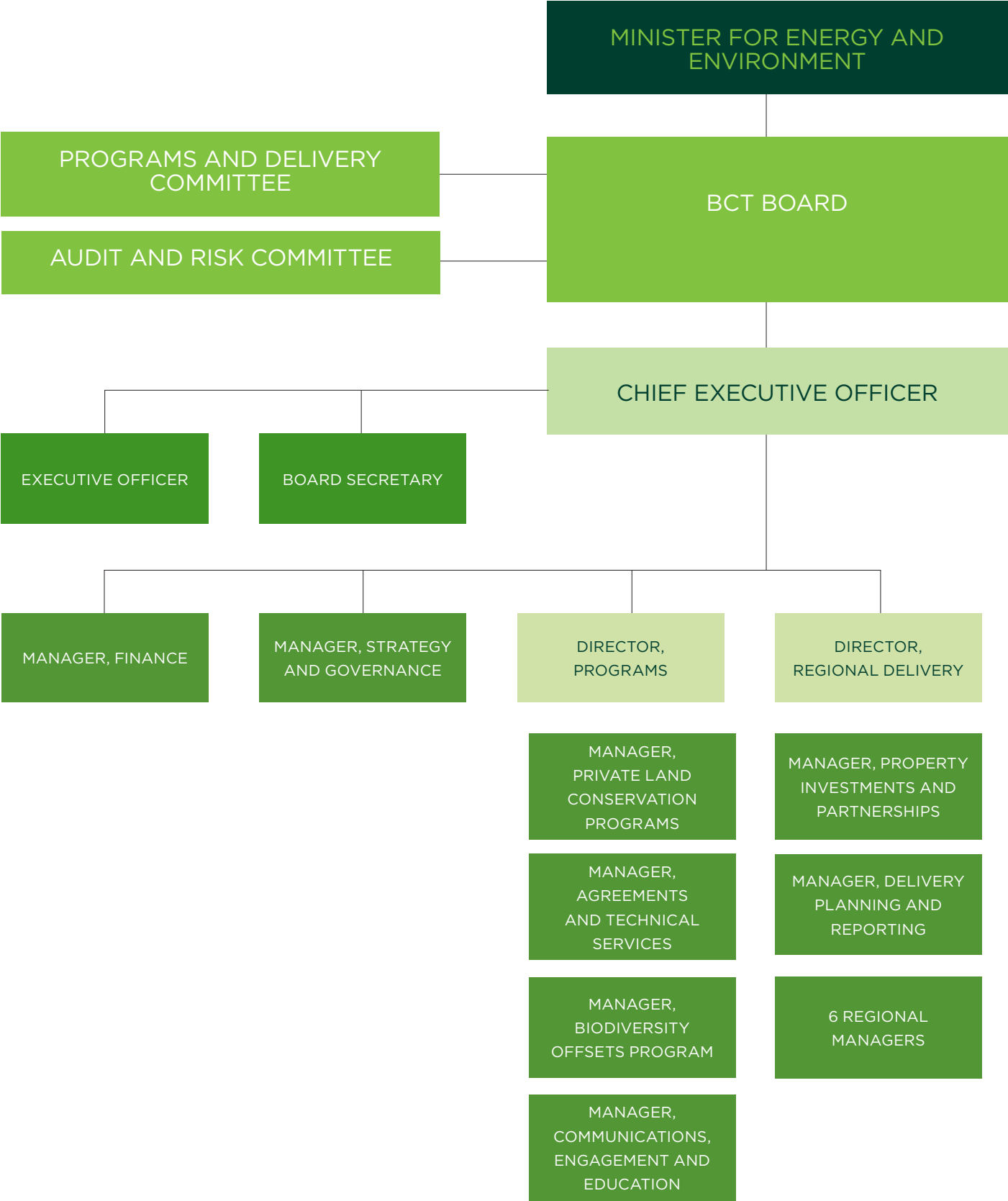
**End of audited financial statements.**



# Appendices

# Organisational structure

The BCT organisation structure consists of the BCT Board, managing the affairs of the BCT as set out in the *Biodiversity Conservation Act 2016*, the BCT Chief Executive Officer, with support from the Director Regional Delivery, Director Programs and a team of staff located across NSW.



# Governance

## BCT Board

The BCT Board is directly accountable to the Minister and operates pursuant to the *Biodiversity Conservation Act 2016*, the *Biodiversity Conservation Regulation 2017*, and the *Biodiversity Conservation (Savings and Transitional) Regulation 2017*.

The BCT Board ensures compliance with a comprehensive governance framework developed to inform operational processes, including finance, programs and service delivery, reporting responsibilities and administrative requirements.

## Method of appointment

On 15 December 2016, in compliance with the *Biodiversity Conservation Act 2016*, following consultation and recommendations provided by the Minister for Planning and the Minister for Primary Industries, the Minister approved the appointment of six members to the BCT Board; and appointed an additional two members in October 2018. There were no new appointments to or retirements from the BCT Board in 2019-20.

Schedule 8 Clause 2 of the *Biodiversity Conservation Act 2016*, provides that the members of the BCT Board must as a collective possess the following skills:

- increasing public knowledge, understanding and appreciation of the importance of biodiversity by private landholders and other community members
- protection and conservation of biodiversity
- management of natural resources, including agricultural land
- agricultural land production systems
- land use planning and operation of local councils
- marketing, fundraising, communications and stakeholder engagement
- economics and financial management (including investment fund management)
- information technology
- law, governance and administration
- decision-making and leadership.

## BCT Board members

The BCT Board is constituted under Part 10.3 of the *Biodiversity Conservation Act 2016*. The Board must consist of no fewer than five, and no more than 11 members appointed by the Minister. During 2019-20 the BCT Board consisted of the following members:



### **The Hon Robert Hill AC** Chairperson

Robert Hill is a Barrister and Solicitor and was a Senator in South Australia from 1981-2006, serving as Leader of the Government in the Senate, Minister for the Environment and Minister for Defence. After leaving Parliament, Mr Hill served as Australia's Ambassador to the United Nations in New York.

Mr Hill returned to Australia and was appointed Chancellor of the University of Adelaide, directed a sustainability program at the University of Sydney and was the first Chair of The Australian Carbon Trust. Mr Hill chairs the Cooperative Research Centre on Low Carbon Living at the University NSW, is on the Asia Pacific Board of The Nature Conservancy and a Governor of WWF Australia.



**Virginia Malley** Deputy Chairperson

Virginia Malley has 30 years' experience in the financial services and banking sectors, including 16 years as a company director, with expertise in environmental and financial markets, stewardship, risk management, corporate governance and regulatory compliance.

Ms Malley was previously the Chief Risk Officer at Macquarie Funds Management Group, overseeing risk management of portfolios worth more than \$85 billion, invested in clean technologies, publicly traded debt securities, listed equities, derivatives, currencies and private equity.

Ms Malley is a member of the Clean Energy Regulator, a non-executive director of Perpetual Superannuation Limited, Perpetual Equity Investment Co Ltd, Morphic Ethical Equities Fund Ltd and the Future Energy Fund Ltd and was previously a member of the Board of the Nature Conservation Trust of NSW.

In addition, Ms Malley is a Fellow of the Australian Institute of Company Directors and holds a Juris Doctor from the University of Technology Sydney, a Bachelor of Arts and a Master of Applied Finance from Macquarie University, and a Graduate Diploma in Environmental Law and Master of Laws from the University of Sydney.



**Renata Brooks** Member

Renata Brooks is currently Deputy Chair of the Fisheries Research and Development Corporation, an Australian Fisheries Management Authority Commissioner and a member of the NSW Joint Regional Planning Panel for the Southern region. She also undertakes policy and program reviews through her consulting business, StratagemDS.

As an Executive Director and Deputy Director General in the NSW Department of Primary Industries, her responsibilities included land and natural resource management, agriculture and science and research programs. Ms Brooks has a deep appreciation of the importance of working closely with landholders and a strong evidence base to achieve successful governance and biodiversity outcomes.

Ms Brooks holds an honours degree in veterinary science, a graduate certificate in bioethics and is a graduate and fellow of the Australian Institute of Company Directors.



**Duncan McGregor** Member

Duncan McGregor has 30 years' experience as a specialist environmental and planning lawyer. He was a partner of a major Australian law firm for 17 years and continues as a Legal Consultant.

Mr McGregor has significant experience across a broad range of environmental and planning issues including the identification of planning and environmental approvals pathways for various types of development and infrastructure, working with technical experts in assessing major development impacts, advising on environmental regulatory regimes including threatened species protection, environmental licensing, remediation and redevelopment of contaminated sites, infrastructure development and environmental incident management.

Mr McGregor was the inaugural chair of the Domestic Offsets Integrity Committee, part of the Carbon Farming Initiative, and has advised widely on a broad range of climate change and renewable energy issues.





### **The Hon Gary Nairn AO** Member

After a 25-year career in the spatial sciences including as Managing Director of his own surveying mapping company, Gary Nairn was elected as the Federal Member for Eden-Monaro in 1996. His 12-year parliamentary career included being Parliamentary Secretary to Prime Minister John Howard with responsibility for water reform and as Special Minister of State with responsibility for e-government, Australian Electoral Commission and five government business enterprises. Subsequently, he has operated his own consultancy in the spatial sciences including as a consultant to leading company AAM Group.

Mr Nairn was the inaugural Chairman of the Northern Territory Planning Commission and a Board member of the NT Environment Protection Authority from 2013 to 2017; Chairman of the Tasmanian Spatial Information Council from 2010 to 2016; National Chairman of the Spatial Industries Business Association from 2012 to 2014; and has been the Chairman of the Advisory Committee for the Centre for Spatial Data Infrastructure at Melbourne University since 2011. He was appointed Chairman of the Mulloon Institute in January 2016 after serving as a member of its Advisory Council. He joined the Board of the NSW Biodiversity Conservation Trust in August 2017. Mr Nairn was appointed an Officer in the Order of Australia (AO) in June 2015 for his contribution to the spatial sciences, communities of NSW and the NT, Federal Parliament and disability support services.



### **Russell Taylor AM** Member

Russell Taylor is a highly respected senior Indigenous Australian with extensive experience in corporate governance and a long history of advocacy with particular passion for education and social welfare.

Mr Taylor is a member of several boards including the University of Technology Sydney, The Aboriginal and Torres Strait Islander Healing Foundation, Wentwest Limited and the Indigenous advisory firm, Moreton Consulting. Mr Taylor has a wealth of senior executive managerial experience and is a former CEO of the NSW Aboriginal Housing Office and the Australian Institute of Aboriginal and Torres Strait Islander Studies.

In 2015 Mr Taylor was made a member (AM) of the Order of Australia in the Queen's Birthday Honours for 'significant service to the community as a cultural leader and publicly senior executive in the field of Indigenous affairs' and in 2016 was awarded the inaugural UTS Indigenous Australian Alumni Award for Excellence.



### **Dr David Freudenberger** Member

David Freudenberger has a distinguished ecological research and leadership record of excellence. He has more than 200 research publications including 80 in peer-reviewed journals and books.

Dr Freudenberger has a consistent reputation for collaboration with a broad diversity of stakeholders that achieves consensus and effective teamwork. He has 10 years' experience in senior leadership roles in both environmental research (CSIRO), as well as delivery of enduring natural resource management strategies and outcomes on-ground (Greening Australia).

Dr Freudenberger was a Senior Lecturer at the Australian National University (ANU), convening courses in Environmental Forestry and supervising 12 research students. While now semi-retired, Dr Freudenberger remains an Honorary Fellow at the Fenner School of Environment and Society, ANU.



### Dr Neil Byron Member

Neil Byron was the Commissioner responsible for environment, agriculture and natural resource management issues in the Productivity Commission from April 1998 to March 2010. He presided over 26 public inquiries and directed the commission's environmental economics program. Previous appointments include: Bureau of Agricultural Economics in Canberra; teaching resource and environmental economics and development economics at ANU; Chief Technical Adviser of a United Nations Project in Dhaka, Bangladesh; and Assistant Director General of the Centre for International Forestry Research, based in Indonesia. Dr Byron has also consulted internationally in the design and evaluation of rural development projects since 1980.

Since 2008, Dr Byron has been an Adjunct Professor in Environmental Economics at the ANU then at the University of Canberra. In 2014, he chaired an independent review of biodiversity conservation and land management laws in NSW which led to the drafting of a new Biodiversity Conservation Act and amendments to the Local Land Services Act. In 2012-13, Dr Byron chaired the independent review of the Oil Product Stewardship Scheme for the Australian Government. Dr Byron is a Fellow of the Australian Institute of Company Directors. He has been a non-executive Director of Alluvium Consulting since 2015, a plantation forestry company in New Zealand (2008 to 2011), and the Earthwatch Institute Australia (2010-16).

## Frequency of meetings

The BCT Board Charter notes that the Board is expected to meet six times each year. Additional meetings may be convened as necessary and out-of-session decisions are made as agreed by the Chairperson. The Board met six times in 2019-20 and there were two out-of-session meetings.

Name	Position	Term of appointment	Meeting attendance
The Hon Robert Hill AC	Chairperson	25 August 2017 - 24 August 2020	6 of 6 scheduled meetings 2 of 2 OOS meetings
Ms Virginia Malley	Deputy Chairperson	25 August 2017 - 24 August 2022	6 of 6 scheduled meetings 2 of 2 OOS meetings
Dr Neil Byron	Member	11 October 2018 - 24 August 2022	5 of 6 scheduled meetings (apology 16/8/19) 2 of 2 OOS meetings
Ms Renata Brooks	Member	25 August 2017 - 24 August 2020	6 of 6 scheduled meetings 2 of 2 OOS meetings
Dr David Freudenberger	Member	11 October 2018 - 24 August 2020	5 of 6 scheduled meetings (apology 13/9/19) 2 of 2 OOS meetings
Duncan McGregor	Member	25 August 2017 - 24 August 2022	6 of 6 scheduled meetings (apology 28/2/20) 2 of 2 OOS meetings
The Hon Gary Nairn AO	Member	25 August 2017 - 24 August 2020	5 of 6 scheduled meetings (apology 13/9/19) 2 of 2 OOS meetings
Mr Russell Taylor AM	Member	25 August 2017 - 24 August 2022	4 of 6 scheduled meetings (apologies 16/8/19 + 13/9/19) 2 of 2 OOS meetings

## Senior Executive team

The BCT Chief Executive Officer is accountable to the Board for BCT operations and to the Deputy Secretary Policy, Strategy and Science within DPIE for employment and administrative purposes. In 2019-20, the Chief Executive Officer was supported by the Director Programs and Director Regional Delivery.

### **Paul Elton** Chief Executive Officer

In July 2017, Paul Elton was appointed Executive Director (CEO) of the NSW BCT. Paul commenced his career in the private sector and has since had 24 years' experience working in portfolio and central agency roles with the NSW and Commonwealth governments. In the mid-2000s, Paul was Executive Director, Natural Resources and Economic Development Policy with the Department of Premier and Cabinet. He then spent four years working with the Department of Prime Minister and Cabinet supporting the COAG Reform Council.

In NSW, Paul has worked across numerous sectors. Throughout his career, Paul has had a significant focus on environmental protection and biodiversity conservation, including climate change policy, and the intersection of environmental policy with policy and programs in areas such as energy, resources, forestry, water management, infrastructure, land use planning and development assessment.

From 2012 to 2017, Paul was Executive Director Policy with the Office of Environment and Heritage. As part of this role, Paul led the development of the land management and biodiversity conservation reforms across government. He was instrumental in designing the role of the Biodiversity Conservation Trust, the private land conservation program and the biodiversity offsets scheme.

### **Carolyn Davies** Director Programs

Carolyn Davies has 25 years' experience in state and federal governments and tertiary institutions working in the fields of water management, water and energy savings and environmental programs.

Her most recent roles are Director of OEH's Environmental Programs Branch from 2013 to 2016, and during 2017 leading the OEH's Private Land Conservation Branch, including responsibility for preparing for the establishment of the BCT.

Carolyn holds a Bachelor of Natural Resources, Masters of Economics, Masters of Training and Development, and a Doctorate in Water Management.

Carolyn was appointed Director Programs of the BCT in September 2017.

### **Alan Goodwin** Director Regional Delivery

Alan Goodwin's career spans 30 years and includes extensive experience in land and conservation management. Alan has had an extended career with the Victorian Department of Environment, Land, Water and Planning (DELWP), including as Regional Director and as Chief Fire Officer.

Before joining DELWP in 2003, Alan commenced his career with the Department of Natural Resources and Environment, followed by several years with Forestry Tasmania. Alan was appointed Director Regional Delivery of the BCT in November 2017.

## **Our staff**

The BCT consists of three main functional areas, including the Office of the Chief Executive, Regional Delivery Branch and Programs Branch. The BCT head office is located in Parramatta, with staff located in seven regions across NSW to help support and work with local landholders, communities and stakeholders.

### **Office of the Chief Executive**

The Office of the Chief Executive performs critical business-enabling functions and includes Finance, Funds and Investment; Strategy and Governance; and Executive and Board support.

### **Programs Branch**

The Programs Branch facilitates the BCT's private land conservation programs and manages the BCT's offset obligations in line with legislative requirements. The Programs Branch is responsible for leading operational policies, guidelines, monitoring and delivery of technical services to support BCT programs and agreements of properties. The Programs Branch also includes Communications, Engagement and Education.

### **Regional Delivery Branch**

The Regional Delivery Branch is responsible for the on-ground delivery of the BCT's programs, including the Conservation Management Program, Conservation Partners Program and the supply-side and field aspects of the Biodiversity Offsets Program. The Regional Delivery Branch is responsible for the ongoing management and support of existing agreements, including technical support, monitoring agreements and compliance requirements. Regional Delivery staff also participate in community engagement and education activities across NSW.



# Board sub-committees

## Audit and Risk Committee

The Audit and Risk Committee (ARC) provides independent assistance and assurance to the Board by monitoring, reviewing and providing advice on governance, financial management, risk management, conformance, internal and external audit, and external accountability. Staff from the Audit Office of NSW and the BCT's internal auditors regularly attend meetings.

### Method of appointment

Under the ARC Charter, the Board appoints the Chairperson and members of the ARC, consisting of at least three (3) members, and no more than five (5) members. Members are appointed for an initial period not exceeding three years, after which they are eligible for an extension or reappointment for a further two terms, subject to a performance review by the Board (noting that a total term on the ARC will not exceed nine years). At least one member of the ARC must have accounting or related financial management experience with an understanding of accounting and auditing standards in a public-sector environment. In 2019-20 the ARC consisted of four BCT Board members and Mr David Black, an external, non-Board member.

### David Black Independent member

David Black has more than 25 years' experience as a chartered accountant, including 11 years' experience as an audit partner at Deloitte Touche Tohmatsu. David holds a Masters of Business Administration from Durham University, United Kingdom and has completed the Company Directors Course Diploma at the Australian Institute of Company Directors.

David has worked with audit committees across a wide range of Commonwealth and state government entities and departments, as well as Australian Securities Exchange listed organisations. David is a fellow of both Chartered Accountants Australia and New Zealand and the Institute of Chartered Accountants in England and Wales.

### Frequency of meetings

The ARC Charter notes that the ARC will meet at least four times per year, and a special meeting may be held to review the BCT's annual financial statements. The ARC met six times in 2019-20 and there were four out-of-session meetings.

Name	Position	Term of appointment	Meeting attendance
Ms Renata Brooks	Chairperson	25 August 2017 - 24 August 2020	6 of 6 scheduled meetings 4 of 4 OOS meetings
Mr David Black	Non-Board Member	13 April 2018 - 24 August 2023	6 of 6 scheduled meetings 4 of 4 OOS meetings
Dr Neil Byron	Member	11 October 2018 - 24 August 2022	5 of 6 scheduled meetings (apology 14/8/19) 3 of 4 OOS meetings (apology 30/7/19)
Ms Virginia Malley	Member	25 August 2017 - 24 August 2022	6 of 6 scheduled meetings 4 of 4 OOS meetings
Mr Duncan McGregor	Member	25 August 2017 - 24 August 2022	5 of 6 scheduled meetings (apology 24/2/20) 4 of 4 OOS meetings

## Programs and Delivery Committee

The Programs and Delivery Committee (PDC) provides advice to the Board by considering BCT management recommendations on program design and planning, program delivery, and BCT performance.

### Method of appointment

The BCT Board established the PDC as a sub-committee pursuant to clause 29 of the BCT Board Charter. The Board appointed the Chairperson and members of the PDC from within the BCT Board membership.

### Frequency of meetings

The PDC Charter notes that the committee will meet as required either in person or via teleconference. The PDC met four times in 2019-20 and there was one out-of-session meeting.

Name	Position	Term of appointment	Meeting attendance
Ms Virginia Malley	Chairperson	25 August 2017 – 24 August 2022	4 of 4 scheduled meetings 1 of 1 OOS meeting
Dr David Freudenberger	Member	11 October 2018 – 24 August 2020	4 of 4 scheduled meetings 0 of 1 OOS meeting (apology 6/9/19)
The Hon Robert Hill AC	Member	25 August 2017 – 24 August 2020	4 of 4 scheduled meetings 1 of 1 OOS meeting
The Hon Gary Nairn AO	Member	25 August 2017 – 24 August 2020	4 of 4 scheduled meetings 1 of 1 OOS meeting
Mr Russell Taylor AM	Member	25 August 2017 – 24 August 2022	3 of 4 scheduled meetings (apology 11/11/19) 0 of 1 OOS meeting (apology 6/9/19)

## Public Fund Management Committee

The Public Fund Management Committee (PFMC) is responsible for managing the BCT Public Fund, which involves compliance with requirements of the *Biodiversity Conservation Act 2016*, including: maintaining a not-for-profit status; ensuring specified money and property is held in the public fund; and money and property held in the public fund is used by the BCT only for its principal purpose.

### Method of appointment

Under the terms of reference, the BCT Board appoints the Chairperson and three members of the PFMC. There are currently no members appointed to the PFMC and the ARC is acting as the PFMC.

### Frequency of meetings

The BCT has not yet received any donations into the BCT Public Fund. No meetings were held in 2019-20. Once donations are received, the PFMC will meet twice each year, and additionally if required. The Chairperson may call meetings at any time and if requested to do so by the Board or another PFMC member.

## BCT Executive Committee

The BCT Executive Committee is a key leadership forum for collective dialogue, debate and discussion; to inform decision-making by the BCT's leadership team. No formal decision-making powers are delegated from the Minister, Board or Chief Executive Officer to the Executive Committee. The BCT Executive Committee therefore works as a group to inform and support all members in the exercise of each member's own authority and responsibilities. Resolutions of the BCT Executive Committee are consistent with formal delegations for decision-making.

### Method of appointment

The Executive Committee Terms of Reference states that the BCT Chief Executive Officer, Director Programs and the Director Regional Delivery are members of the BCT Executive Committee.

### Frequency of meetings

As per the terms of reference, the BCT Executive Committee are to meet every month, except for months in which a BCT Board meeting is held. In 2019-20, the BCT Executive Committee met 10 times.

Name	Position	Term of appointment	Meeting attendance
Paul Elton	Chairperson	25 August 2017- ongoing	10 of 10 meetings
Carolyn Davies	Member	25 August 2017- ongoing	9 of 10 meetings
Alan Goodwin	Member	1 November 2017- ongoing	8 of 10 meetings

## Work Health and Safety Committee

The Work Health and Safety (WHS) Committee is an advisory joint forum of managers and staff, monitoring the effectiveness of WHS management systems and processes, aiming to develop effective workplace solutions. The WHS Committee reports to the Executive Committee and prepares quarterly reports for the ARC.

### Method of appointment

The WHS Committee members are appointed through internal expressions of interest and selected through an informal process from all BCT regions and branches. In 2019-20, 12 representatives served on the WHS Committee and, by financial year end, the WHS Committee consisted of 11 members.

### Frequency of meetings

The WHS Committee terms of reference states that meetings will be held monthly during the establishment phase. Meeting frequency will be reviewed and potentially altered depending on business needs. In 2019-20, the WHS Committee met five times.

Name	Position	Term of appointment	Meeting attendance
Alan Goodwin	Chairperson	31 October 2018 - 30 October 2020	4 of 5 meetings
Angela Goodfellow	Member	31 October 2018 - 30 October 2021	4 of 5 meetings
Tania Rose	Member	31 October 2018 - 30 October 2021	3 of 3 meetings (including 1 proxy - stepped down on 23 January 2020)
Stephen Bladwell	Member	31 October 2018 - 30 October 2021	5 of 5 meetings
Kathryn Collins	Member	31 October 2018 - 30 October 2021	4 of 5 meetings

Name	Position	Term of appointment	Meeting attendance
Scott Jaensch	Member	31 October 2018 – 30 October 2021	5 of 5 meetings (including 1 proxy)
Cassie Douglas	Member	31 October 2018 – 30 October 2021	5 of 5 meetings
Simone Garwood	Member	31 November 2018 – 30 October 2021	5 of 5 meetings (including 3 proxy)
Paul O’Keefe	Member	31 November 2018 – 30 October 2021	2 of 5 meetings
Paula Pollock	Member	31 November 2018 – 30 October 2021	5 of 5 meetings (including 2 proxy)
Christine Lee	Member	23 January 2020 – 30 October 2021	3 of 3 meetings
Nicoletta Volonte	Member	23 January 2020 – 30 October 2021	2 of 2 meetings

## WHS at the BCT

The BCT previously commissioned an internal compliance audit and has been working towards the implementation of the recommendations in 2019-20. The BCT continued to encourage staff to participate in the BCT Wellbeing in the Workplace lunch and learn sessions facilitated by the DPIE Health and Wellbeing Team, focusing on physical, psychological, intellectual and social wellbeing.

All staff and their families have access to the Fitness Passport, a low-cost flexible gym and pool membership program at a selection of fitness facilities, however participation has been hampered by COVID-19 restrictions.

The BCT has developed guidelines and procedures to address common WHS issues and staff receive periodic reminders to emphasise the importance of safety when conducting BCT work. All WHS procedures are now easily accessible on the BCT’s intranet, Mycelium.

In 2019-20, there were a total of 19 reported WHS incidents, seven of which were related to tick bites. Other reported incidents included five minor vehicle and traffic events, three minor injuries incurred in the office, one cut from field work, three minor injuries on site and one interaction with a member of the public.

The BCT’s commitment to WHS was further strengthened to ensure regional staff were able to continue working within drought and bushfire conditions. There were many BCT landholders and staff who were personally affected by these natural disasters. The BCT referred to existing policies and procedures, making improvements where necessary to ensure all staff were equipped to deal with the unprecedented circumstances and were protected. Protocols for assessing safety of burned sites were developed to protect staff from hazards if entering them.

The BCT has adapted to new ways of working due to the COVID-19 pandemic. The BCT recognised the safety of staff as a priority and was quick to respond by implementing a contingency plan involving staff working from home. Staff received equipment for their home setup and were required to undertake compulsory COVID-19 WHS training as part of the DPIE roll-out.

## Legislation and legal changes

The BCT was constituted with the commencement of the *Biodiversity Conservation Act 2016* on 25 August 2017. The BCT also operates in accordance with the *Biodiversity Conservation Regulation 2017* and the *Biodiversity Conservation (Savings and Transitional) Regulation 2017*. In 2019-20, there were no amendments to the *Biodiversity Conservation Act 2016*. There were no legislative or judicial decisions affecting the BCT or our landholders.



## Public interest disclosures

Public authorities are required to prepare an annual report on their obligations under section 31 of the *Public Interest Disclosures Act 1994*. BCT information on public interest disclosures (PIDs) for the period 1 July 2019 to 30 June 2020 is in accordance with Clause 4 of the *Public Interest Disclosures Regulation 2011*.

The DPIE Public Interest Disclosure Internal Reporting Policy (2019) is consistent with the NSW Ombudsman's model policy. The BCT acts to ensure that staff are aware of responsibilities under section 6E(1)(b) of the *Public Interest Disclosures Act 1994* by providing access to relevant information and training. No PIDs were made during the 2019-20 reporting year from public officials performing their day to day functions, under a statutory or other legal obligation.

## Privacy management

The BCT Privacy Management Plan outlines how we comply with the principles of the *Privacy and Personal Information Protection Act 1998* and the *Health Records and Information Privacy Act 2002*. The BCT's commitment to privacy is available via our website. In 2019-20, the BCT received no requests under Section 15 of the *Privacy and Personal Information Protection Act 1998* to amend personal information, internal review, other privacy complaints or misdirected complaints.

## Public access

An Instrument of Authorisation under the *Government Information (Public Access) Act 2009* (GIPA Act) authorises BCT delegates to exercise functions under the provisions of the GIPA Act.

The BCT continues to rely on administrative arrangements within DPIE where requests for information are managed centrally. DPIE receives requests, liaises with applicants, administers associated application fees and allocates to relevant areas within the cluster. The BCT provides records for DPIE to review, assess and release if relevant. Under the GIPA Act there are annual reporting obligations (section 7(3), 21 and 125). There are also requirements under the *Government Information (Public Access) Regulation 2009* (GIPA Regulation).

## Proactive release program

Under section 7(3) of the GIPA Act and Clause 7(a) of the GIPA Regulation, agencies are required to review programs and proactively release government information, identifying information that can be made publicly available every 12 months. The BCT proactively releases information on the BCT website, periodically as and when information is available and is in the public interest.

## Statistical information on access applications

Under clause 7 and Schedule 2 of the GIPA Regulation, statistical information must be provided about the formal access applications received by the BCT under section 9 of the GIPA Act, during the last financial year.

During the reporting period, the BCT did not directly receive any applications, including withdrawn applications, and thus did not refuse any, wholly or in part. The BCT did contribute to four access applications, providing relevant information to community members and groups in 2019-20.

## Consumer response information

The DPIE Complaint Management Policy and the DPIE Unreasonable Complainant Conduct Policy provide guidance for staff. The BCT established processes to handle public feedback and complaints with efficiency and courtesy. In 2019-20, the BCT received 12 complaints and one compliment that were recorded in our Customer Relationship Management (CRM) system. It should be noted that positive feedback is likely to be provided informally directly to staff members and would therefore not be captured in the CRM. The BCT ensures that all complaints are assessed and resolved in a responsive manner and has implemented a Customer Service Charter and Guarantee of Service. More information is available on the BCT's website.

## BCT staff overseas travel

In October 2019, the BCT recognised the opportunity to engage in learnings from the Land Trust Alliance Rally, a national private land conservation conference in the United States. The BCT's Manager, Agreements and Technical Services attended the conference to participate in and learn from international practices in the field. The conference provided the BCT with insights into advanced delivery mechanisms for private land conservation, and world-leading innovations in the fields of conservation finance and philanthropy.

# Human Resources

## BCT Senior Executives

	2018-19			2019-20		
	Male	Female	Total	Male	Female	Total
Band 4 Secretary						
Band 3 Deputy Secretary						
Band 2 Executive Director	1		1	1		1
Band 1 Director	1	1	2	1	1	2
Total	2	1	3	2	1	3

## BCT average remuneration of Senior Executives

	Range 2018-19 (\$)	Average remuneration 2018-19 (\$)	Range 2019-20 (\$)	Average remuneration 2019-20 (\$)
Band 4 Secretary	N/A		N/A	
Band 3 Deputy Secretary	N/A		N/A	
Band 2 Executive Director	268,001 - 337,100	337,100	310,969 - 345,549	345,528
Band 1 Director	187,900 - 268,000	251,808	225,918 - 274,700	258,103

## Staff profile by employment basis

BCT staff comply with DPIE personnel policies and practices. The following table does not include Senior Executives. The table provides a comparison of three years with the addition of a third non-binary column in 2019-20, to capture staff who do not identify with traditional genders (male/female).

Employment type	2017-2018		2018-19		2019-20		
	Male	Female	Male	Female	Male	Female	Non-binary
Permanent full time	25	26	24	31	36	38	
Permanent part time	1	9	1	8	1	12	
Temporary full time	3	1	3	4	3	3	1
Temporary part time		1		1	1	1	
Contract – Senior Executive Service (SES)					2	1	
Contract – non-SES							
Training positions							
Retained staff							
Casual							
Board Member	5	2	6	2	6	2	
Total	34	39	34	46	49	57	1

## Exceptional movements in remuneration

A salary increase of 2.5 per cent effective in the first full pay period of July 2019 was paid to clerical officers in accordance with the Crown Employees (Public Sector - Salaries 2017) Award.

# Workforce diversity

## Overall diversity

Respect is a core value of the BCT Culture Vision - we aim to promote and maintain an environment where staff, landholders and stakeholders feel valued and safe. The BCT is committed to building a workforce that is reflective of the wider community and values the principles of equity and diversity.

The BCT has implemented a Respectful Workplace Action Plan, to give effect to DPIE's Respectful Workplace Policy. The BCT promotes a safe and open organisational culture of inclusion, where diversity is valued, discrimination is prevented, and staff are empowered to raise concerns when identifying a shortfall. This is underpinned by training and resources including the mandatory Workplace Bullying module, as well as processes and tools to identify, mitigate, and address issues. The BCT is guided by DPIE's Multicultural Plan 2018-2021 and Disability Inclusion Action Plan 2019-23.

In 2019-20, the BCT undertook recruitment in roles targeting candidates with refugee status. All staff were recruited using the NSW Government Capability Framework. The BCT enthusiastically adopts diversity initiatives and resources from the Cluster Corporate Services Diversity team, including the Cluster Women in Senior Leadership Mentoring Program and training programs.

Staff are encouraged to get involved with diversity networks, including the DPIE Aboriginal Network, Spokeswomen's Program, Cluster Rainbow Connection (LGBTIQ+ community), Cluster Disability Employee Network and the Young Professionals Network.

In 2019-20, the BCT hosted an R U OK? Day event to raise awareness and promote resources to support staff to maintain good mental health.

All staff were additionally given the opportunity to attend a series of listening sessions related to working in a way that reduces work stress.

The BCT also hosted events to mark the Sydney Gay and Lesbian Mardi Gras, National Sorry Day, International Women's Day and International Day Against Homophobia, Biphobia and Transphobia.

## Trends in the representation of workforce diversity groups

The following table does not include Board members.

Workforce Diversity Group	Benchmark (2019-20)	2018-19	2019-20
Women in Senior Leadership	50%	33.3%	33.3%
Aboriginal and/or Torres Strait Islander People	3.3%	2.67%	5.3%
People whose First Language Spoken as a Child was not English	23.2%	5.67%	3.75%
People with a Disability	5.6%	2.67%	2.5%
People with a Disability Requiring Work-Related Adjustment	N/A	0.0%	0.0%

## Multicultural engagement

The BCT is guided by the DPIE Multicultural Plan 2018-21. In 2019-20, 3.75 per cent of staff indicated that the first language they spoke as a child was not English.

## Disability action plan

The BCT is guided by the DPIE Disability Inclusion Action Plan 2019-23. In 2019-20, 2.5 per cent of staff noted that they have a disability. In 2019-20, BCT staff relocated to Parramatta from Sydney (central business district). The new office is equipped with workplace adjustments to meet the needs of people with disability, including but not limited to physical attributes, disability, injury or illness and includes both temporary or permanent conditions.

## Indigenous employment and development

In 2019-20, 5.3 per cent of BCT staff identify as Aboriginal and/or Torres Strait Islander people. The BCT's Employee Assistance Provider is able to assist Aboriginal and Torres Strait Islander staff in a culturally safe way.

In 2019-20, the BCT continued to facilitate the Cultural Appreciation Training program with an Aboriginal owned and operated training organisation (NITES). Online Aboriginal and Torres Strait Islander Cultural Awareness training is also available for all BCT staff. BCT staff participated in a range of activities during NAIDOC week to celebrate and learn about the history, culture and achievements of Aboriginal and Torres Strait Islander peoples.

## Gender equity

In 2019-20, 54.4 per cent of staff identify as female with 33.3 per cent of women in senior leadership roles. The BCT continued to support and participate in the Women in Senior Leadership Mentoring Program, with two staff members involved. The program is designed to build a talent pipeline to meet the Premier's Priority of 50 per cent of women in senior leadership roles by 2025. BCT staff participated in Spokeswomen, an employee-led network that provides training, support, networking opportunities and advocates for women's issues in the workplace. This is in line with the NSW Public Service Commission (PSC) and as part of the NSW Premier's Strategy for gender equity.



# Industrial relations

The BCT has the option to raise industrial relations matters to DPIE through the Environment, Energy and Science Joint Consultative Committee and the overarching DPIE Joint Consultation Committee. In 2019-20, no industrial relations matters were raised.

## Managing misconduct and employment tribunal matters

The BCT adheres to the DPIE Code of Ethics and Conduct 2020, and the DPIE Managing Misconduct and Serious Misconduct policy 2015. The BCT had no Industrial Relations Commission (IRC) nor NSW Civil and Administrative Tribunal (NCAT) matters. No misconduct matters were raised.

## Workplace grievances

Respect is a core value of the BCT Culture Vision, we aim to promote and maintain an environment where we all feel valued and safe in a workplace that is respectful and welcoming. The BCT adheres to the DPIE Respectful Workplace Policy as the primary process for resolving workplace grievances. There were no workplace grievance matters raised in 2019-20.

# Audit and risk management

The ARC complies with the requirements of the NSW Treasury Policy TPP15-03. The ARC provides independent assistance to the BCT Board by monitoring, reviewing and providing advice about BCT governance, financial management, risk management, conformance, internal and external audit, and external accountability.

## Internal audit

The BCT internal audit function provides an independent and objective review and advisory service to provide assurance to the Board and the ARC, that the BCT's financial and operational controls are designed to manage risks and achieve objectives, operating in an efficient, effective and ethical manner. It also assists management in improving the BCT's performance.

The Manager Strategy and Governance acts as the Chief Audit Executive (CAE) and oversees the internal audit function, with the role accountable to the Chief Executive Officer and the Chair of the ARC. NTT Australia Digital Pty Ltd (formerly Oakton Services Pty Ltd) is the internal audit service provider engaged from the NSW Government pre-qualified scheme. Internal audit reports are submitted through the CAE to the ARC.

The internal audit plan of the BCT was reviewed, resulting in a risk-based Strategic Internal Audit Plan 2018-19 – 2021-22. The strategy and supporting annual internal audit plans are comprehensively reviewed each year to cater for changes in the operating environment and identify appropriate audits. Annual internal audit plans are endorsed by the ARC and approved by the Board.

In 2019-20, the BCT completed internal audits on management reporting, fraud control and fraud risk assessment, business continuity, core financial controls, and strategic planning and budget setting. All audit recommendations are recorded in an audit recommendations tracker which is reported quarterly to the ARC.

## Risk

Risk management is crucial to organisational resilience. The BCT continued to work with NTT Australia Digital Pty Ltd to improve the BCT's Risk Management Framework against best practice and NSW Treasury requirements. Following ARC and Board approval, the BCT is committed to improving overall risk management maturity from repeatable/systematic to systematic/embedded over the next two to three years, based on NSW Treasury Standards and Guidance. A roadmap and detailed implementation plan has been developed to achieve this.

# Tab 1 - Risk attestation

## Internal Audit and Risk Management Attestation for the 2019-20 Financial Year for the NSW Biodiversity Conservation Trust

I, The Hon. Robert Hill, Chair of the Board of the NSW Biodiversity Conservation Trust, am of the opinion that the NSW Biodiversity Conservation Trust has internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Policy for the NSW Public Sector*, specifically:

Core Requirements	Compliant, non-compliant or in transition
<b>1. Risk Management</b>	
Core Requirement 1.1: The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
Core Requirement 1.2: A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO31000:2009	Compliant
<b>2. Internal Audit</b>	
Core Requirement 2.1: An internal audit function has been established and maintained	Compliant
Core Requirement 2.2: The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
Core Requirement 2.3: The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant
<b>3. Audit and Risk Committee</b>	
Core Requirement 3.1: An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
Core Requirement 3.2: The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
Core Requirement 3.3: The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

### Membership

The chair and members of the Audit and Risk Committee are:

- Independent Chair, Ms Renata Brooks, appointed 21 September 2017 to 24 August 2020
- Independent Member, Mr David Black, appointed 13 April 2018 to 24 August 2023
- Independent Member, Dr Neil Byron, appointed 11 October 2018 to 24 August 2022
- Independent Member, Ms Virginia Malley, appointed 21 September 2017 to 24 August 2022
- Independent Member, Mr Duncan McGregor, appointed 21 September 2017 to 24 August 2022

These processes demonstrate that the NSW Biodiversity Conservation Trust has established and maintained frameworks, including systems, processes and procedures for appropriately managing audit and risk within the NSW Biodiversity Conservation Trust.



**The Hon. Robert Hill AC**

Chair of the Board of the NSW Biodiversity Conservation Trust

**Date:** 21 August 2020

Agency Contact Officer

Emily McCosker, Chief Audit Executive  
02 8289 6734

## Tab 2 - Cyber attestation



**Biodiversity  
Conservation  
Trust**

Our ref: DOC20/688090

### **Cyber Security Annual Attestation for the 2019/20 financial year for the NSW Biodiversity Conservation Trust**

I, Paul Elton, Chief Executive Officer, am of the opinion that the NSW Biodiversity Conservation Trust has an Information Security Management System in place via the Department of Planning, Industry and Environment (DPIE) and has managed cyber security risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy.

Governance is in place to manage the cyber security maturity and initiatives of DPIE.

Risks to the information and systems of DPIE have been assessed and are managed.

There exists a current cyber incident response plan for DPIE which has been tested during the reporting period.

DPIE has maintained certified compliance with ISO 27001 Information technology - Security techniques - Information security management systems - Requirements by an Accredited Third Party (BSI) during the 2019/20 financial year (Certificate Number is IS 645082).

A handwritten signature in blue ink, appearing to read 'P. Elton'.

Paul Elton  
**Chief Executive Officer**

Date: 26 August 2020

**Head Office: Parramatta**

4 Parramatta Square  
Level 7 South, 12 Darcy St  
Parramatta NSW 2150  
Locked Bag 5022, Parramatta, NSW, 2124

**[www.bct.nsw.gov.au](http://www.bct.nsw.gov.au)**

email: [info@bct.nsw.gov.au](mailto:info@bct.nsw.gov.au)  
phone: 1300 992 688

NSWBCT BCT\_NSW

# Consultancies

There were no consultancies of up to \$50,000 or more in 2019-20.

## Insurance

Consistent with NSW Government policies, the BCT, BCT staff and volunteers were fully covered for the legal liability to any third party arising out of BCT operations including, but not limited to, workers compensation, public liability, professional indemnity, product liability, Directors & Officers, personal accident, accident during travel, property damage and motor vehicle cover under the Treasury Managed Fund (TMF) through the NSW Self Insurance Corporation (iCare).

## Major capital works

### Land disposal

There was no land disposal of value greater than \$5 million that would have required disposal by way of public auction or tender in 2019-20.

## Payment of accounts

### Quarterly aged analysis – account values

Quarter	Current (i.e. within due date)	Less than 30 days overdue	Between 30 and 60 days overdue	Between 61 and 90 days overdue	More than 90 days overdue
All suppliers					
September	585,769	2,825	-	-	-
December	574,185	11	-	-	-
March	700,384	25	-	-	-
June	155,560	-	-	-	1,408,934
Small business suppliers					
September	14,052	-	-	-	-
December	106,035	-	-	-	-
March	55,344	-	-	-	-
June	4,442	-	-	-	69,557



## Accounts due or paid within each quarter

Measure	Sep 2019	Dec 2019	Mar 2020	Jun 2020
<b>All suppliers</b>				
Number of accounts due for payment	800	930	567	366
Number of accounts paid on time	792	920	537	223
Actual percentage of accounts paid on time (based on number of accounts)	99.0%	98.9%	94.7%	60.9%
Dollar amount of accounts due for payment	588,593	574,196	700,409	1,564,494
Dollar amount of accounts paid on time	585,769	574,185	700,384	155,560
Actual percentage of accounts paid on time (based on \$)	99.5%	100.0%	100.0%	9.9%
Number of payments for interest on overdue accounts	-	-	-	-
Interest paid on overdue accounts	-	-	-	-
<b>Small business suppliers</b>				
Number of accounts due for payment to small businesses	3	17	11	17
Number of accounts due to small businesses paid on time	3	17	11	2
Actual percentage of small business accounts paid on time (based on number of accounts)	100.0%	100.0%	100.0%	11.8%
Dollar amount of accounts due for payment to small businesses	14,052	106,035	55,344	73,999
Dollar amount of accounts due to small businesses paid on time	14,052	106,035	55,344	4,442
Actual percentage of small business accounts paid on time (based on \$)	100.0%	100.0%	100.0%	6.0%
Number of payments to small business for interest on overdue accounts	-	-	-	-
Interest paid to small businesses on overdue accounts	-	-	-	-

## Grants

In 2019-20, the BCT granted \$124,676 to the Community Environment Network to support delivery of Land for Wildlife programs.

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