

# Critical Success Factor 5: Productive utilisation of our physical resources

## Strategic corporate objectives

- Optimise opportunities for cost recovery
- Improve financial management and control
- Maintain optimum output of plant and equipment

*The Commission achieved a minor surplus from operational activities and kept total increases down to a modest 4.8 per cent. The Commission is undertaking an Online Services Project and introduced a new cost centre structure that improves financial information and reporting. The Commission sources the most cost effective suppliers of goods and services and is committed to achieving savings in energy use.*

### Optimise opportunities for cost recovery

This year there was a significant increase in the revenue from the sale of language services, interpreting and translating, with revenue from that source being \$3,066,000, a \$352,000 increase from the previous year.

As part of the Commission's service obligation to the Government and the community, language services, especially translating and interpreting, are free to individuals, the law courts, other legal centres, Members of Parliament, Government Ministers and the Premier's Department. All requests for free services are evaluated to determine the applicant's non-ability to pay. This year the cost was \$2,595,950.

### Improve financial management and control

Prior to the transition to the Community Relations Commission from the Ethnic Affairs Commission, a review of cost centres was undertaken to align them with the new organisation by embracing new functions and transferring more responsibility and accountability for financial management and control to division heads and managers. Consequently, the process also improved internal client satisfaction due to better financial information and reporting. The project was completed in June 2001 and the new cost centre structure operated in 2001-2002.

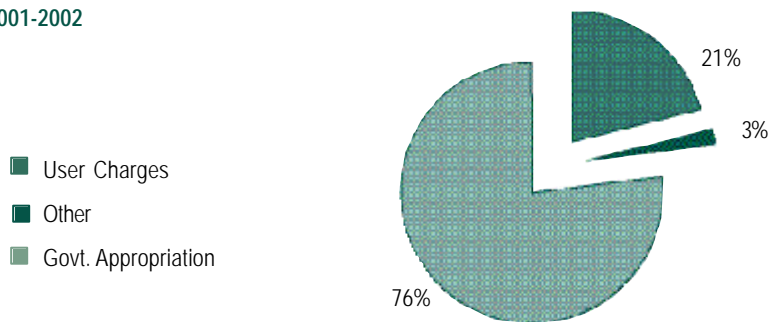
The unqualified audit report from the Auditor-General indicates the Commission complied with the Treasurer’s Directions and statutory financial regulations in the management of finances, maintenance of accounts, and production of financial reporting requirements.

There were no major events after the balance date that would have a significant effect in the succeeding year on the Commission’s operations, clients or stakeholders.

Revenue in 2001-2002 was \$14,595,000 and funds Commission services to the Government and the community. It is drawn from three sources:

- Government appropriation
- user-pays revenue from the sale of language services
- miscellaneous earnings such as bank interest received and multicultural awards sponsorships.

SOURCE OF FUNDS 2001-2002



COMPARISON OF REVENUE SOURCES

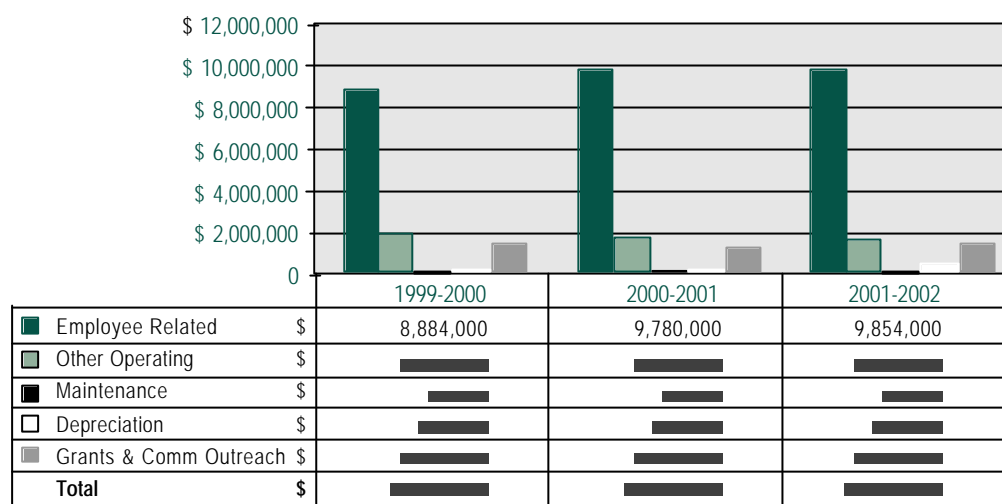
Source		1999-2000	2000-2001	2001-2002
User Charges	\$	2,282,000	2,714,000	3,066,000
Other	\$	325,000	482,000	380,000
Government appropriation	\$	9,854,000	10,255,000	11,149,000
Total	\$	12,461,000	13,451,000	14,595,000

After adjusting for grants received for special projects (\$207,000), the Commission achieved a surplus (\$575,000) from operational activities.

Expenses increased by a modest 4.8% from last year. While there were no exceptional movements in salaries, wages, allowances and other operating expenses, the sharp rise was mainly due to a 173% increase in depreciation resulting from a fire in January 2002 and a 13% increase in grants and subsidies.

With the exception of CPI adjustments, expenditure by the Commission has been maintained at a fairly constant level as indicated by the graphical representation of expenses by category for the last three years.

#### COMPARISON OF EXPENSES FOR THE PERIOD 1999-2002



A major challenge facing the Commission is to strategically manage its limited funding to adequately finance numerous community projects. Through prudent cash management and meticulous planning of cash flows, the Commission has met its financial obligations with merit.

The Commission has an excellent account paying record and settles at least 98 per cent of claims by the due date. While all claims on hand are settled promptly, some late payments are unavoidable through factors beyond the control of the organisation. Payments after the due date may be due to late receipt of creditors' invoices and/or discrepancies in the goods or services received. Despite settling a very small proportion of claims after the due date, no penalty interest was paid or became payable in 2001-2002 for late payment of accounts.

Performance indicators of the Commission's receipts and payments for this year are in the following tables:

#### DEBTORS AGED ANALYSIS AT THE END OF EACH QUARTER

Quarter	Current (within due date) \$	Less than 30 days overdue \$	Between 30 and 60 day overdue \$	Between 60 and 90 day overdue \$	More than 90 days overdue \$
September	372,626	11,019	17,988	36,586	11,319
December	366,195	85,920	21,082	50,503	0
March	261,261	23,547	7,875	22,828	73,758
June	274,737	27,061	23,505	17,510	83,256

#### ACCOUNTS PAID BY CRC ON TIME WITHIN EACH QUARTER

Quarter	Total Accounts Paid on Time			Total Amount Paid
	Targets %	Actual %	\$	\$
September	100	94.45%	1,591,812	1,685,268
December	100	100.00%	1,270,087	1,270,087
March	100	100.00%	1,465,016	1,465,016
June	100	100.00%	2,234,964	2,234,964

To reduce risk, increase efficiency and ensure data integrity, the Commission has upgraded its integrated SunAccount system with additional modules. A revenue-receipting module will be implemented to facilitate cash processing in conjunction with the online program in 2002-2003. The SunAccount system has also been migrated successfully to window based SQL platform.

Capital purchases of \$905,000 consisted of the following acquisitions:

- leasehold improvements of \$23,000
- office furniture and equipment of \$66,000
- computer hardware and consultancy of \$816,000 which included expenditure on the Online Services Project.

In 2001-2002, the Commission received Government funding of \$748,000 for the Online Services Project. Although no other capital appropriation was obtained from the Government, the remaining capital expenditure was financed by the Commission's funds. User pays revenue generated from the sale of language services such as translating and interpreting was used for the purchase of computer equipment and office furniture and other equipment not associated with the Online Services Project.

The efficiency and cost effectiveness of operational and support systems depend to a large extent on strict adherence to internal control procedures and risk management measures. To achieve this, the Commission contracted Deloitte Touche Tohmatsu to undertake the internal audit function and develop an audit plan with an internal risk assessment.

The company conducted audit reviews of the Commission's budget allocations, the information technology security system and the refurbishment project at Ashfield. While the overall conclusion was that the internal control mechanisms were effective, some recommendations to improve processes and procedures were reported. These recommendations have been assessed in terms of feasibility and risk and are being implemented according to priority.

## Maintain optimum output of plant and equipment

The Commission sources the most cost effective suppliers of goods and services under the Government's procurement and probity guidelines. Energy savings have been achieved, the use of green power has increased, and a waste reduction and purchasing policy is followed.

All purchases are made at negotiated prices from suppliers that are contracted to the Government. Stores of stationery and other office supplies and consumables are monitored regularly to ensure stock levels are economical in terms of cost and space.

The Commission does not own land or buildings and all office accommodation is leased. Major assets managed by the Commission include office equipment, computer equipment, video conferencing and telecommunications equipment, furniture and fittings and leasehold improvements.

Preventative maintenance procedures, in accordance with Government policy, are in place to achieve maximum utility of assets where possible. The Commission's ACTIVA integrated asset management system maintains a register of all assets and computes the value of each over its economic life. Electronic interface with the SunAccount system provides online updates of capital expenditure and depreciation expenses. Major assets are bar-coded for easy tracking and data transfer to the asset management system. A stocktake of assets is completed annually.

The Commission is committed to achieving savings in energy use and compliance with sustained energy management principles. To meet them, continued purchase of electricity in the contestable market has lowered costs. A reduction in greenhouse gas emissions has been achieved by a six percent increase in consumption of green power for the last three years. As a result, there has been a 14 per cent reduction in overall energy consumption from 2000-2001 and a 35 per cent reduction compared to the 1995-1996 GEMP baseline, for buildings only. The Commission has achieved the GEMP energy reduction target of 15 percent of the 1995 level (excluding fleet data).

### ENERGY FUELS PURCHASED BY THE COMMISSION 2002-2002

Fuel	*Total Energy Consumed (GJ)	%of Total Energy	Annual Cost excluding GST \$	Carbon Dioxide (CO <sub>2</sub> ) Greenhouse emission tones
Electricity (Black Coal)	673.9	87%	12,665	179.0
Electricity (Green Power)	42.1	5%	1,200	-
Petrol	55.4	8%	1,153	3.7
Total	771.4	100%	15,018	182.7

\*Estimations of energy consumption have been made where 12 months of data was unavailable.

Consumption goals for each type of fuel have been included in the energy management.

The Newcastle office is now located in a smaller rental space and additional office area has been leased due to relocation of staff from the Ashfield offices.

Accountability and responsibility for energy management have been established by the nomination of an Energy Manager and Energy Coordinator. An energy management plan will identify energy consumption reduction targets and set strategies for all facilities.

The Waste Reduction and Purchasing policy was implemented to avoid waste, improve resource recovery and increase purchases of recycled content products. The Commission's staff buy products under Government contract that do not pollute and are recyclable whenever possible. Waste reduction initiatives include the discontinuation of phone messaging pads and increasing the use of computer networking.

The Commission's fleet of two cars is leased through State Fleet Services. One car is for use at the Ashfield head office and the other is for Castlereagh Street, Sydney. To ensure the safety of users and prolong the useful life of the vehicles, they are checked weekly for mechanical defects, cleaned monthly and serviced regularly as prescribed by the manufacturers. When a vehicle is due for replacement, special emphasis is placed on the safety and comfort features in selection of the new car. Because of its good fleet management record, the Commission enjoys reduced lease charges and the resale value of vehicles is placed at least at the agreed residual value.