

Sydney  
**WATER**

**Annual Report  
2019–20**



## Acknowledgement of Country

Sydney Water acknowledges the traditional custodians and their ancestors of the lands and waters in Sydney, the Illawarra and Blue Mountains where we work, live and learn: the Dharawal, Gundungurra, Darkinjung and Dharug nations. Their lore, traditions and customs nurtured and continue to nurture the waters, both saltwater and sweetwater, within Sydney Water's operating area, creating well-being for all. We pay our respect to Elders, past and present and acknowledge their continuing connection to land, water and community.



**Cover:** Sydney Water's Winnie and Ziggy with trainer Bettina Grieve are part of our Canine Leak Detection Program.  
**Photograph:** Josh Plush of Sydney Water.

# Contents

Acknowledgement of Country	2	Our people	49
Letter to Shareholder Ministers	4	People and culture	49
About Sydney Water – creating a better life	5	Learning and development	50
		Diversity and inclusion	53
		Total workforce	55
		Our community	56
		Water stations	56
		Sponsorships and grants	57
		Giving programs	58
		Preserving and protecting our past	61
<b>01</b>		<b>03</b>	
<b>Overview</b>	<b>7</b>	<b>Corporate governance</b>	<b>63</b>
A challenging year with much opportunity ahead	8	Corporate governance	64
A message from our Chair and Managing Director	8	Board of Directors	64
One strategy to deliver our vision	10	Sydney Water Board Directors	67
Our focus areas	11	Board committees	70
Goals and measurement	12	Board meetings and attendance	70
Highlights of 2019–20	13	Executive team and organisation structure	71
Delivering essential services	13	Risk management	72
Creating a better life for our customers	13	Legal events	74
Creating a better, healthier environment	15	Privacy principles	75
Creating a better life through innovation	17		
Creating a better life, together with our people	18		
Measuring our success 2019–20	20	<b>04</b>	
Safety and wellbeing	20	<b>Financial statements</b>	<b>77</b>
Customer experience	21	Financial performance	78
Business sustainability	21	Exemptions from the reporting provisions	82
Corporate reputation	22	Pricing	83
Organisational culture	22	Auditor-General’s statutory audit report	88
		Financial Statements for the year ended	
		30 June 2020	89
		Independent Auditor’s Report	151
<b>02</b>		<b>05</b>	
<b>Our performance</b>	<b>25</b>	<b>Appendices</b>	<b>157</b>
Our growing network	26	Appendix 1: <i>Government Information</i>	
Area of operations	26	( <i>Public Access</i> ) <i>Act 2009</i>	158
Delivering for our communities	28	Appendix 2: Public interest disclosures	162
Delivering for the future	34	Appendix 3: Annual Report external production costs	163
Research and innovation	37		
Our environment	40	<b>06</b>	
Wastewater overflows	40	<b>Glossary and index</b>	<b>165</b>
Sewage Treatment Impact Monitoring Program	40	Glossary	166
Parramatta River Masterplan	40	Index of figures, maps and tables	170
Water conservation	41	Statutory information index	172
Working with the Environment Protection Authority	41	About this report	174
Our customers	42	Contact us	174
Customer Contract	42		
Customer satisfaction	43		
Community engagement and customer participation	44		
Customer communications and promotions	44		
Social programs	44		
Multicultural policies and services program	46		

# Letter to Shareholder Ministers

Dear Treasurer Perrottet and Minister Tudehope,

## **Report on performance for the year ended 30 June 2020.**

We are pleased to submit the Annual Report of Sydney Water Corporation (Sydney Water) for the year ended 30 June 2020 for presentation to Parliament.

Our *Annual Report 2019–20* has been prepared according to the requirements of section 24A of the *State Owned Corporations Act 1989* (NSW) and the *Annual Reports (Statutory Bodies) Act 1984* (NSW). The financial statements, which form part of this Annual Report, have been certified by the Auditor-General of New South Wales.

Yours sincerely,



**Bruce Morgan**  
Chairman



**Roch Cheroux**  
Managing Director

# About Sydney Water – creating a better life

For 130 years, we have helped shape our cities, supported our communities and continually innovated and evolved our systems to meet the growing needs and expectations of our customers. Every day, we supply more than five million customers with safe, high-quality drinking water. We are also custodians of wastewater, recycled water and some stormwater services, ensuring our communities can enjoy healthy rivers and clean beaches.

Our families, friends and future generations depend on us to protect their health and our environment. In doing so, we respect the traditional ‘Caring for Country’ restorative approaches practised over tens of thousands of years by Indigenous Australians, and play our part to sustain and improve the health of the landscape by recognising and nurturing the value of water in our environment and communities.

Water is an essential part of daily life, but it’s the way we use water in our cities that helps us thrive and supports the productivity and prosperity of our economy. We must continue to adapt to the challenges of the world in which we live, work and play, proactively nurturing our water and environment for the benefit of future generations.

Our Vision is to **create a better life with world-class water services**. By delivering world-class water services, we can create a better life for our customers, our business partners and our communities. We share the NSW Government’s vision for thriving, liveable cities with safe, clean drinking water, tree-lined streets, parks and green spaces, and access to safe, local waterways and beaches for recreation and fun.

Sydney Water is a statutory corporation, wholly owned by the NSW Government. Our Operating Licence is regulated by the Independent Pricing and Regulatory Tribunal (IPART), which sets out the standards and requirements we must meet.

We operate under the *Sydney Water Act 1994* (NSW) and have three equal principal objectives:

- protect public health
- protect the environment
- be a successful business.

Our people are proud to deliver essential services to our community, and we are committed to continually improving our performance by understanding and responding to customer expectations and meeting the challenges of a growing population, climate change and competition.



Our people are working together to create a high-performance culture to deliver results.



# 01

## Overview



# A challenging year with much opportunity ahead

## A message from our Chair and Managing Director

For our customers, the community and our business, the past year has been one of extreme challenges, from prolonged drought, and devastating bushfires to floods and the continuing COVID-19 pandemic. These events have tested the essential services that support our cities as never before.

Our role in protecting public health and the environment has never been more important. From our water conservation campaigns and our work to secure safe, quality drinking water throughout the drought, to assisting on the frontline during the bushfires and more recently supporting research as part of the COVID-19 response, we are extremely proud of the contribution our people make every day to ensure our customers continue to have reliable access to world-class water services.

The long-term dry weather and drought have had a significant impact on our network. The extreme moisture deficit in soil and the effects of tree roots searching for water have caused extensive damage to pipes and led to increased leakage and more blockages and breaks. In view of heightened extremes in climate, we are investing more in improving our network's performances so we can continue to meet the challenges of growing cities and climate variability. Our recent IPART price determination reflects our focus on building innovation and resilience, to ensure a sustainable and thriving future for Greater Sydney, with \$4.6 billion (\$2019–20) allocated for capital works over the next four years. Improving our environmental performance and increasing water conservation initiatives are also priorities for us. We will invest \$60 million into continuing key initiatives, including WaterFix®, PlumbAssist® and community awareness and education programs to help our customers continue to conserve water.

This year marked the completion of our 2015–2020 Lifestream strategy, which focused on placing our customers at the heart of everything we do and building resilience throughout our organisation to make it fit and ready for the future. Sydney Water implemented a new technology platform to improve the customer experience and laid the foundation for transforming the way we interact with our customers. Following the successful implementation of the Lifestream strategy, we must now respond to evolving customer and stakeholder expectations and a changing world.

In recent months, we have been working to develop our new strategy, which will help us meet the demands of customer expectations, increasing competition, growing cities and climate change. It draws on feedback and insights from our customers, our stakeholders and our people and sets bold ambitions for our future. We have realigned our business to better respond to the challenges and opportunities ahead and we are already seeing significant benefits across the business, including our growing pipeline of work across Western Sydney.

We have secured landmark contracts with the Western Sydney International Airport and the new Sydney Science Park to deliver critical water services that go beyond 'business as usual' and support future growth in these economic centrepieces of the Western Parkland City. These two contracts are significant in many ways.

Both projects demonstrate the leading-edge technology and innovation that Sydney Water brings to the market. They also illustrate our ability to provide world-class water and wastewater solutions for our customers that help us move towards a circular economy. Our scoping report on the Upper South Creek Advanced Water Recycling Centre was submitted to the NSW Department of Planning,



Industry and Environment in July this year. The centre will initially focus on the provision of water and wastewater services to meet the demands of forecast population growth in and around the new international airport and surrounding Aerotropolis and sets the stage for the Western Parkland City to be a leader in sustainable development.

In 2019, we delivered our new Customer Experience Platform (CxP), which laid the foundations for enhancing the customer experience. Its first phase included a flexible and adaptable billing and customer relationship management solution. Since the platform went live in 2019, it has demonstrated its value by providing additional insights into customers' water consumption and usage patterns. It has also increased automation for customers and our people, and improved processes, reducing the need for customers to contact us for many basic transactions. This has directly helped to reduce water consumption. We are now introducing new levels of customer self-service and personalisation that will transform how our customers interact with us. Our CxP is now world-class and allows us to easily integrate a range of new products and services immediately and into the future, meeting the needs and expectations of our customers.

We are continuing to invest in leading-edge technologies and innovations that further improve operational efficiency, make it easier for customers to access our services, and allow us to harness other opportunities. We have set ourselves new targets for safety, learning and development, and have significantly increased our efforts to embrace greater workplace diversity. A key aspect of this is the development of a new Reconciliation Action Plan (RAP) that builds on our inaugural RAP, launched in 2018. It clearly articulates targets for Aboriginal and Torres Strait Islander engagement, participation and employment across our organisation.

We continue to lead innovation across the water sector with the launch of our world-first Leak Detection Canine Program. Our three highly-trained dogs search our water and wastewater networks to quickly detect leaks that may be undetectable to the human eye.

We are further increasing our leak detection and prevention capability with the help of artificial intelligence, robotics and acoustic testing. We have also begun introducing digital metering for customers, enabling them to track their water usage and understand the impact that reducing water use can have on their bills.

We are harnessing technology to reduce the impact of our operations on the environment. We are expanding our use of Internet of Things (IoT) devices across our wastewater network to provide early indicators of potential blockages in our pipework. Earlier notification allows our crews to rapidly attend to an issue before there is any impact on the environment or the community. We are also continuing to work with universities and industry on drones that can be deployed into our wastewater pipe network to check the internal condition of pipes. This will enable us to ensure the reliability of the parts of our system that are buried and invisible.

Our laboratory services team is playing an important role participating in research into the presence of COVID-19 remnants in wastewater, which may help to detect and act early in controlling outbreaks. This research, which made world headlines earlier this year, is part of a national program led by Water Research Australia and includes universities, water utilities and government agencies.

The past year has reinforced Sydney Water's critical role in creating a better life for our customers and community and caring for the environment. We are an essential service, but we are also much more. We recognise it is the way we use water that helps our city thrive and supports the productivity and prosperity of our economy. Like the traditional custodians of the land and water, we too have important custodianship in ensuring we get the balance right now to provide a sustainable, liveable city for all to enjoy.



Bruce Morgan  
Chairman



Roch Cheroux  
Managing Director

# One strategy to deliver our vision

Our customers have told us that their desired future is one that is thriving, liveable and sustainable. As a provider of essential services, we play a critical role in creating that future. Over the past few months, we have been developing our 2020–2030 Strategy to help us deliver on our vision of **creating a better life with world-class water services**. It sets out four strategic outcomes that will direct our activities over the next decade and respond to the key challenges facing our customers, our business and the environment.

Being the **first choice** of our **customers and partners**, supported by a **high-performance culture**, and **successful and innovative business** practices will help us deliver **thriving, liveable and sustainable cities** now and for future generations. We have set ourselves ambitious targets, all underpinned by our values.

Key to our ongoing success will be our ability to remain agile in our approach so we can respond quickly and efficiently to potential changes in our operating environment.

**Figure 1: Our strategy to deliver our vision**



# Our focus areas

Our focus areas provide our people with the foundational elements for how we will deliver on our vision and will evolve with the business over time.



## Creating a world-class customer experience

We deliver an exceptional customer experience, every day, every time and for everyone.



## Digitalisation – people, assets & customers

We enhance the digital experience for the benefit of our people, assets, customers and the city.



## Future-ready workforce

We work with our people and partners to build capabilities to be successful for the future.



## Safety, culture & leadership

We build on our safety, culture and leadership journey to make Sydney Water the best place to work.



## Stakeholder & community engagement

We engage and collaborate with our customers, community and stakeholders to empower them and support informed decision-making.



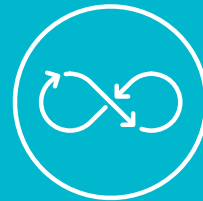
## Keeping it simple

We work together to simplify and improve our work processes, to make it easy for our customers, stakeholders and people.



## Robust risk, commercial & financial discipline

We improve and embed robust risk and commercial management and financial discipline in our decision making processes.



## Embracing a circular economy

We create value for our customers and communities by embracing circular economy practices with the use of water, energy and materials to restore and regenerate the natural environment.



## Insight-led decision-making

We manage information and data as an asset to provide new insights and intelligence to decision-making.



## New products, services & markets

We leverage our core products and service capabilities to deliver solutions that our customers and communities want.







## Asset life cycle optimisation

We optimise the asset life cycle to generate value for our customers and communities.

## Goals and measurement

Measuring our performance against agreed goals and targets will ensure we are on track to deliver our strategic outcomes and that we continually aspire to create a better life with world-class water services. For 2020–21 the following strategic success measures have been selected to measure our performance against our strategic goals.

**Figure 2: Goals and measurements**

	Goals	Measures
 <p><b>First choice of our customers and partners</b></p>	Engage with our customers and stakeholders to inform decision-making and make it easier for customers and partners to do business with Sydney Water	Customer advocacy Customer experience
	Expand our product and service offerings in partnership with the market	Customer conversion rate
 <p><b>High-performance culture</b></p>	Shape our culture to enable our strategy	Total Recordable Injury Frequency Rate Behavioural index
	Build workforce capability and diversity	Diversity index
 <p><b>Thriving, liveable and sustainable cities</b></p>	Deliver safe, affordable, reliable and high-quality water services, and manage our assets effectively and efficiently	Water service – network reliability Wastewater service – network reliability
	Embed circular economy practices as part of our core business	Volume of recycled water supplied (as a percentage of total supply) Environmental impact index
 <p><b>Successful and innovative business</b></p>	Ensure Sydney Water is a successful and commercially focused business	Earnings before interest, taxes, depreciation and amortisation (EBITDA) Residential potable water consumption per capita (litres per person per day)
	Drive innovation to make a positive social impact on our communities	Innovation effectiveness index

# Highlights of 2019–20

## Delivering essential services

Throughout the challenges of the past year, our people continued to deliver essential services to our customers. In caring for our customers, assisting emergency services and securing vital water supply during bushfires, drought, significant rain events and the COVID-19 pandemic, our people demonstrated their remarkable resilience and passion for their role in creating a better life with world-class water services.

Our customers also played a significant role in helping us to improve water savings during the drought, with average water consumption for the past year lower than expected by approximately 10.4%. That equates to savings of more than 61.8 billion litres. Significant behavioural change in response to water restrictions and campaign activity peaked during January, with a 16.6% reduction on expectations.

Our water conservation activities continued to reap benefits for our customers. Our highly successful WaterFix® programs saw more than 15,000 plumbing checks across Greater Sydney to help reduce leaks, stop dripping taps and install environmentally friendly shower heads. More than 17,145 repairs and 20,498 replacements were completed, which will result in estimated recurring savings of around 347 million litres (ML) per year. Financial support for the program was provided by the NSW Government's Climate Change Fund.

Just over 18,000 km of active leak detection was completed during the year. Average reactive and corrective response times to fix leaks are at the lowest levels since 2016.

## Creating a better life for our customers

Providing reliable, high-quality essential services at affordable prices for our customers is one way we seek to fulfil our vision of creating a better life with world-class water services. In June 2020, our regulator, the Independent Pricing and Regulatory Tribunal (IPART), released its final determination for customer pricing from 1 July 2020 to 30 June 2024. This determination sets out the funding framework for the capital works and operating activities that will be delivered under our new strategy.

Under the new prices, an average household bill (assuming water use of 200 kilolitres a year) will decrease by seven per cent or \$80 for 2020–21. With these changes, our water bills will continue to be among the lowest in the nation. The water usage price will be \$2.35 a kilolitre, except when dams fall to 60%. At that point, the price will increase to \$3.18 a kilolitre. IPART's decision to implement a dual pricing approach is an important innovation aimed at encouraging customers to save water in times of drought, while also helping fund the extra costs we incur during drought, such as increased expenditure on water conservation.

Customers will be able to save money by practising waterwise behaviours exhibited during restrictions that saw water consumption savings of 10.1% on average over the past year, peaking at 16.6% in January 2020. We will continue to support our customers, especially those experiencing financial hardship due to COVID-19. With record low interest rates and the cost of capital set at 3.4%, we can keep bills stable and affordable while significantly increasing our capital program to upgrade our assets and service our growing city. IPART supported an expenditure allowance of \$10.1 billion over 2020–24. This includes:

- \$4.6 billion for capital expenditure, made up of:
  - \$1.7 billion to meet the needs of new customers, particularly in Western Sydney. \$450 million of this is for an advanced wastewater treatment plant at Upper South Creek
  - \$2.7 billion to renew and upgrade existing assets, including \$400 million to improve environmental performance
- \$5.5 billion in operating expenditure for serving our customers, made up of:
  - bulk water purchases, and maintaining and operating our networks and critical infrastructure, so we can continue to provide reliable and quality essential services for our customers
  - \$40 million to support ongoing water conservation initiatives.

## Delivering a better customer experience

We engaged with our customers over the past year, getting their input into an overall vision for the role of water into the future and their preferred options for strengthening Greater Sydney's water resilience. We have included our customer feedback and insights in our new strategy and they will continue to inform the way we deliver services.

Building on the success of our Customer Experience Platform (CxP), which was delivered in June 2019, we have moved into the next phase of our program, to continually improve the customer experience. Our Customer Experience Transformation program is well underway and will significantly improve how we use data analytics and insights to improve customer journeys. This includes a new website and interactive platform that will make doing business with Sydney Water easier. It will provide online self-service account management for residential, business and development customers as well as a range of educational tools for students and water-saving tools.

Our CxP has received national and global recognition. This includes the Customer Service Institute of Australia recently selecting us as a finalist in the Customer Service Project of the Year – Customer Impact category at the **2020 Australian Service Excellence Awards**.

## Delivering world-class services with collaboration

Each year, we deliver billions of dollars of capital, operational and maintenance projects to support the growth and liveability of our city. Many of these projects are delivered in partnership with industry. Our new commercial framework, Partnering for Success (P4S), is changing the way we work with these suppliers to plan and deliver projects. We aim to achieve consistent planning, project delivery and customer outcomes, reduce costs and make procurement easier and more cost efficient. We recently started a 10-year collaboration with three organisations – servicing our north, south and western regions. This \$4.3 billion partnership will change the way we procure services. We are already seeing the results of world-class expertise and innovation, with improvements in both customer and commercial outcomes.

## Creating a better, healthier environment

### **Thriving, sustainable cities – doing water differently**

Sydney Water has a critical role in creating sustainable, thriving and liveable cities across Greater Sydney. As part of this, we work with multiple government agencies to support the Greater Sydney Commission's (GSC) vision of 'A metropolis of three cities'.

We are aware of the rapid growth in Western Sydney and share the GSC's vision for Sydney's Western Parkland City to be a liveable, sustainable and productive region. While our Operating Licence requires us to provide wastewater services to Greater Sydney, including the Western Parkland City, we also see the immense opportunities presented by the principles of integrated water cycle management, resource recovery and a circular economy. To this end, we continue to invest in new and innovative technologies that will help position the Western Parkland City as a leader in sustainable development.

To support our growing customer base in Western Sydney, we have already achieved two significant milestones: signing landmark deals with the Western Sydney International Airport and the Sydney Science Park – keystone developments in Western Sydney's economic hub. These deals comprise around one-third of early customer demand in the Western Parkland City and are a significant step in our plans to support a growing and greener Western Sydney. They demonstrate the leading-edge technology and innovation that Sydney Water brings to the market, highlighting our ability to provide world-class water and wastewater solutions for our customers that help us move towards a circular economy.

The Upper South Creek Advanced Water Recycling Centre will be a critical asset in Sydney Water's vision to transition to an integrated and sustainable water future. The centre will become an important source of recycled water for new sustainable industries, agribusiness and greening the Western Parkland City, as envisaged in the Greater Sydney Region Plan. The scoping study for the project was submitted to the NSW Department of Planning, Industry and Environment in July. It will make a significant contribution to the Western Parkland City, providing an opportunity to protect and enhance South Creek and contribute to its amenity and that of the surrounding parklands.

Figure 3:

# Re-imagining water services in the west



**Customers at the heart**  
Involve you, our customers, as we plan for the future



**Celebrate waterways**  
Protect South Creek and the Hawkesbury Nepean rivers so they remain vital waterways that the community enjoys



**Liveable places**  
Deliver integrated services that support the changing urban landscape and reflect community values



**Deliver for the west**  
Offer services to support housing and economic growth at an affordable price



**Boost productivity sustainably**  
Support economic development with recycled water for industry and agriculture



**Cool and green spaces**  
Support a network of open spaces and trees in a parkland setting with recycled water and stormwater



**Valuing resources**  
Pursue diverse opportunities to use, re-use and capture water, resources and energy



**Water how you want it**  
Facilitate tailored water services to communities that wish to use water in more integrated ways



**Resilient water sources**  
Plan for future water supply that is resilient to growth and climate extremes



# Creating a better life through innovation

## World-class technologies and innovation

As a business committed to cost-effective and innovative solutions, we are proud to be at the forefront of developing world-first technologies and strategies to improve our service to our customers. These include:

**RACER robot:** Developed by Sydney Water in conjunction with IC Pipes, this is a world first, providing an alternative method of assessing the condition of the wastewater network without the need for our people to traverse confined spaces. The technology uses 3D photogrammetry and a sonar tool to provide continuous 3D footage in record time. This significantly reduces safety risks and operational costs and improves the quality and consistency of data used for planning purposes.

**Canine leak-detection program:** In a world first, Sydney Water is using three specially-trained dogs to detect leaks in our water and wastewater networks. The dogs complement the innovations we have already adopted and the investments we have made in our water and wastewater networks. Winnie and Ziggy locate leaks in the wastewater network at minute concentrations and where there is often no visible evidence. They help us to detect and repair small leaks before they become major leaks. Splash, our youngest recruit, will locate leaks in our water networks. This is part of our commitment to protecting public health and the environment.

**Quantum sensing:** In another Australian first, we are trialling quantum-sensing technology in collaboration with the Australian National University to detect leaking pipes and prevent major water main breaks. This is part of a larger collaboration between partners such as the NSW Smart Sensing Network (NSSN), the University of Canberra and other utilities. The trial involves simulating a leaking underground water main and using quantum sensing to accurately assess sub-surface density variations caused by water.

**Internet of Things (IoT) pilot:** We have made excellent progress with two trials underway to assist in digital demand management and blockage detection:

- we have installed more than 1,000 IoT wastewater-pipe blockage-detection devices across identified high-risk locations. The sensors provide proactive notification of high wastewater levels in our network. This alerts our field crews to complete maintenance before a possible surcharge event, mitigating potential customer disruptions or environmental incidents. To date, 45 blockages have been detected. The data collected helps us to better understand system behaviour and enables us to improve our preventative maintenance activities.
- we have deployed 800 digital IoT meters, installing 640 at residential and commercial properties across the Mount Pritchard water zone. Sydney Water employees are trialling an additional 200 meters, collecting data from their properties via a water usage app. The information gleaned from this data will help us detect leaks and assist in preventative watermain maintenance and help us to better understand and influence customer behaviours.

We have also begun researching the potential of IoT technology for monitoring chlorine in drinking water and water quality in waterways. Additionally, we have collaborated with the Department of Planning, Industry and Environment on the Smart Western City Program. This includes a smart planning and management initiative using video analytics to assess the condition of water pipes and asset defects, and smart monitoring initiatives that use IoT technology. Numerous blockages have been detected as part of the trial.

## Creating a better life, together with our people

We are committed to building a diverse and inclusive workforce, supporting our vision to create a better life and reflecting our core values. We believe that celebrating diversity and inclusion is not just the right thing to do, it also makes for a richer and stronger organisation. By implementing diversity and inclusion strategies, we are creating a culture that is constructive, engaging our people and improving safety, customer and commercial performance. Sydney Water has made big strides over the past year so that our workforce better reflects and embraces our diverse community.

### Embracing reconciliation

We have continued to embrace and embed reconciliation at Sydney Water. During National Reconciliation Week 2020, we reopened the Port Kembla Seawall after severe storms damaged the area. Our teams worked closely with Aboriginal community group Coomaditchie United Aboriginal Corporation and the Illawarra Local Aboriginal Land Council to share Aboriginal stories and history of place in a series of artworks adjacent to the seawall. Connection to Country and water is integral to Indigenous identity. It is important that the way we work at Sydney Water takes Indigenous perspectives into consideration from the very first planning stages, to incorporate Indigenous knowledge, skills and culture. This will also be reflected in our updated Reconciliation Action Plan 2021–2023, which is being developed and will be submitted to Reconciliation Australia for endorsement.

### Embracing diversity

Increasing women in leadership roles is another important focus for Sydney Water. We have made good progress on improving equity, with women in Head of Business leadership roles growing from 35% at 30 June, 2019 to 38% at 30 June, 2020. The number of women in our Executive Leadership Team has also increased to 40%. We piloted our Flourish mentoring program, which focuses on growing and empowering women in science, technology, engineering and mathematics (STEM). We celebrated International Women's Day and its theme of 'EachforEqual', recognising that an equal world is a better world for everyone, and we all play a role in bringing this to life.

## Our response to COVID-19

Our agile response to the pandemic has seen us adapt, improve and innovate our business practices. As part of our response, we have provided additional support to our customers and employees facing emotional, physical or financial hardships. We are also playing an important role in government and international efforts for COVID-19 through testing and examining the presence of inactive COVID-19 in the wastewater network.

It is more important than ever to support our customers to understand what they need and value, particularly in hardship. To meet these needs, we have increased our Contact Centre hours and digital communications, including online customer engagement forums and events via our Sydney Water Talk platform. We are also communicating more frequently through social media channels.

We have seen greater demand for our social programs, and changes in how people use our products and services, due to larger numbers of customers working from home. We continued our specialised support programs with individual assessments and advertised our support services in numerous languages on social media to ensure equal access for our multicultural customers. In March 2020, enquiries to our Customer Care team about specialist financial support increased 30% on previous years, primarily from people who had lost their jobs due to the pandemic. In April 2020, there was a further increase in calls, to more than 900 requests for assistance. Call volumes have remained high since then.

To help support our people during these challenging times, we implemented a range of initiatives, including:

- investing in digital technology to allow widespread remote work for non-location critical employees
- establishing a specialist COVID-19 advice line to provide independent medical information to employees with concerns about exposure, and where required, virtual medical clearance for those employees working in location-critical roles
- providing safe working spaces and resources for any employees in non-location critical roles who identified as needing more support for safety and wellbeing
- using what we have learnt from COVID-19 to improve our flexibility and ways of working.

The implementation of these initiatives has contributed to an increase in the organisational wellbeing index from 70% in 2018–19 to 77% during COVID-19 (to 30 June).

Our support, forward thinking and timely response has positioned us as an industry leader, with other utilities looking to us for advice and guidance.

# Measuring our success 2019–20

Our strategic success measures (SSMs) were developed to help track our progress in the execution of our previous strategy, *2015–2020 Lifestream*. These measures focused on safety, our corporate reputation and the customer experience, supported by business sustainability and organisational culture. Our performance against the SSMs for the financial year 2019–20 is detailed below.

## Safety and wellbeing

**Table 1: Safety performance, 1 July 2016 to 30 June 2020**

Strategic theme	Metric	2016–17 actual	2017–18 actual	2018–19 actual	2019–20 target	2019–20 actual
Safety	Total Recordable Injury Frequency Rate <sup>1</sup>	23.0	11.5	8.6	6.9	6.4

We continued to embed the activities from our Safe and Well Together Strategy 2.0, which resulted in improved safety performance. Our targeted initiatives included increasing our safety profile, holding regular safety conversations, improving decision-making and collaboration as well as work design to eliminate safety risks, ‘slowing down to speed up’, and providing ongoing coaching and support to our people.

The success of these initiatives resulted in significant improvement in employee engagement and reductions in injuries, injury severity, high-potential incidents and wellbeing risk.

<sup>1</sup> The TRIFR calculation method is a 12-month rolling average.

## Customer experience

**Table 2: Customer experience performance, 1 July 2016 to 30 June 2020**

Strategic theme	Metric	2016–17 actual	2017–18 actual	2018–19 actual	2019–20 target	2019–20 actual
Customer experience	Customer experience score	7.9	8.0	7.9	8.2	7.8

The customer experience score of 7.8 for 2019–20, while below the annual target of 8.2, was still very strong. A combination of events that occurred during the year had a significant impact on customers, including drought and water restrictions followed by extreme wet weather events in February and COVID-19 from March onward. The impacts of these events are reflected in the customer experience results from January to June 2020.

We continued our focus on improving customer experience for key customer interactions, including service interruptions and developer applications. We also piloted new ‘water wizard’ technology, which reduces the number of properties affected by water outages. We will expand the use of this technology next year, which will reduce service disruptions to up to 250,000 properties.

## Business sustainability

**Table 3: Business sustainability performance, 1 July 2016 to 30 June 2020**

Strategic theme	Metric	2016–17 actual	2017–18 actual	2018–19 actual	2019–20 target	2019–20 actual
Business sustainability	Strategic value add	13.9	14	14.7	year-on-year increase	14.3

Strategic value add (SVA) measures the increase in the net present value of Sydney Water’s cash flows over the next 20 years (excluding terminal value). SVA reflects financial performance in the context of the risk-based decisions the business makes.

The 2019–20 enterprise value is \$14.3 billion, compared to \$14.7 billion in the previous year. The lower value compared to the previous year reflects lower projected revenue returns due to a lower weighted average cost of capital driven by lower interest rates.

## Corporate reputation

**Table 4: Corporate reputation performance, 1 July 2016–30 June 2020**

Strategic theme	Metric	2016–17 actual	2017–18 actual	2018–19 actual	2019–20 target	2019–20 actual
Customer trust	Corporate reputation score	6.7	6.9	7.0	7.0	7.2

Source: Residential Sentiment Monitor 2020, FY19–20, Q4 (April–June).

Our corporate reputation score for residential customers ended the year at 7.2, which is up by 0.2 points on the previous financial year. This is despite a very challenging year with drought, bushfires and COVID-19, when

metrics declined, particularly in the January–March 2020 quarter. This score reflects our continued commitment to our customers during the many challenges of the second half of the year.

## Stakeholder reputation, trust and relationship quality

**Table 5: Stakeholder engagement 2018–20**

Metric	Source	2018	2019	2020
Corporate reputation	Stakeholder Perceptions Survey (all stakeholders excluding service critical medium customers)	7.1	7.3	7.2
Trust	Stakeholder Perceptions Survey (all stakeholders excluding service critical medium customers)	7.5	7.5	7.5
Relationship quality (score of 8 or higher out of 10)	Stakeholder Perceptions Survey (all stakeholders excluding service critical medium customers)	65%	62%	59%

Source: Stakeholder Perceptions Survey 2020 (All Stakeholders excluding Service Critical Medium Customers), April 2020.

The quality of our engagement with all stakeholders is a key focus area that we will continue to monitor and improve. We will implement a range of initiatives throughout the coming year to help improve service levels, accessibility and collaboration.

## Organisational culture

**Table 6: Organisational culture performance, 1 July 2018 to 30 June 2020**

Metric	2018–19 actual (%)	2019–20 target (%)	2019–20 actual (%)
Connection to purpose	77	80	68 <sup>2</sup>
Employee engagement	67	70	71
Demonstration of signature behaviours	79	80	77 <sup>2</sup>
Safety differently	NA <sup>3</sup>	80	81
Customer centricity	NA <sup>3</sup>	73	65 <sup>2</sup>

Source: Stakeholder Perceptions Survey 2020 (All Stakeholders excluding Service Critical Medium Customers), April 2020.

<sup>2</sup> Q3 2019–20 result. These items were not measured in June 2020, to make way for questions relating to our COVID-19 response.

<sup>3</sup> Data is unavailable for 2018–19 due to a change in the underlying survey questions for 2019–20.

We measure our 'employee pulse' to provide regular indicators of employee commitment to our strategic vision. In 2019–20, questions were added to gauge levels of customer centricity. In June 2020, we ran an abridged version, specifically focusing on engagement, safety and wellbeing and what support our people needed during the COVID-19 pandemic.

## **Connection to purpose**

In March 2020, the connection to purpose score of 68% was 12 points below the 2019–20 target (80%). At that time, more than one-third of our people did not believe the organisational objectives and priorities were clear and understood. Since then, we have developed our new strategy to help us deliver our vision: Creating a better life with world-class water services. With its launch, we are also having conversations with our teams about how we each contribute to our strategy.

## **Employee engagement**

The June score for employee engagement (71%) suggests a significant improvement on previous quarters. This uplift is attributed to several factors, including greater clarity on the organisation's direction. It is likely that COVID-19 has also affected results, as many employees indicated a high level of satisfaction with our response and report feeling well supported through the crisis.

## **Demonstration of signature behaviours**

Our signature behaviours scores remained stable throughout the year with the March result (77%) just three points below target. We delivered our Blue Bus culture program during 2019–20, and more than 75% of our employees have now received training.

## **Safety differently**

The June 2020 score for Safety Differently (81%) exceeded our target (80%) and represented a five-point improvement on the previous quarter. Perceptions of manager/supervisor support for wellbeing and safety remain strong, and there was a significant 10-point increase in employee validation that Sydney Water prioritises employee wellbeing.

## **Customer centricity**

Several questions were added to the Employee Pulse survey in 2019–20 to gauge employee sentiment and set a baseline for our level of customer centricity and whether employees feel empowered to keep our customers at the heart of everything they do (65% in March 2020). To help our people build a stronger customer mindset, we have developed several e-learning courses that outline what our customers have said they expect from us and how each team contributes to the customer experience. We also developed a range of tools to help deliver on our strategic focus area of insight-led decision-making.



New products, services and markets are taking us to the forefront of innovation. Racer Robot was born from a partnership between Sydney Water and IC Pipes to assess the condition of our wastewater pipes.





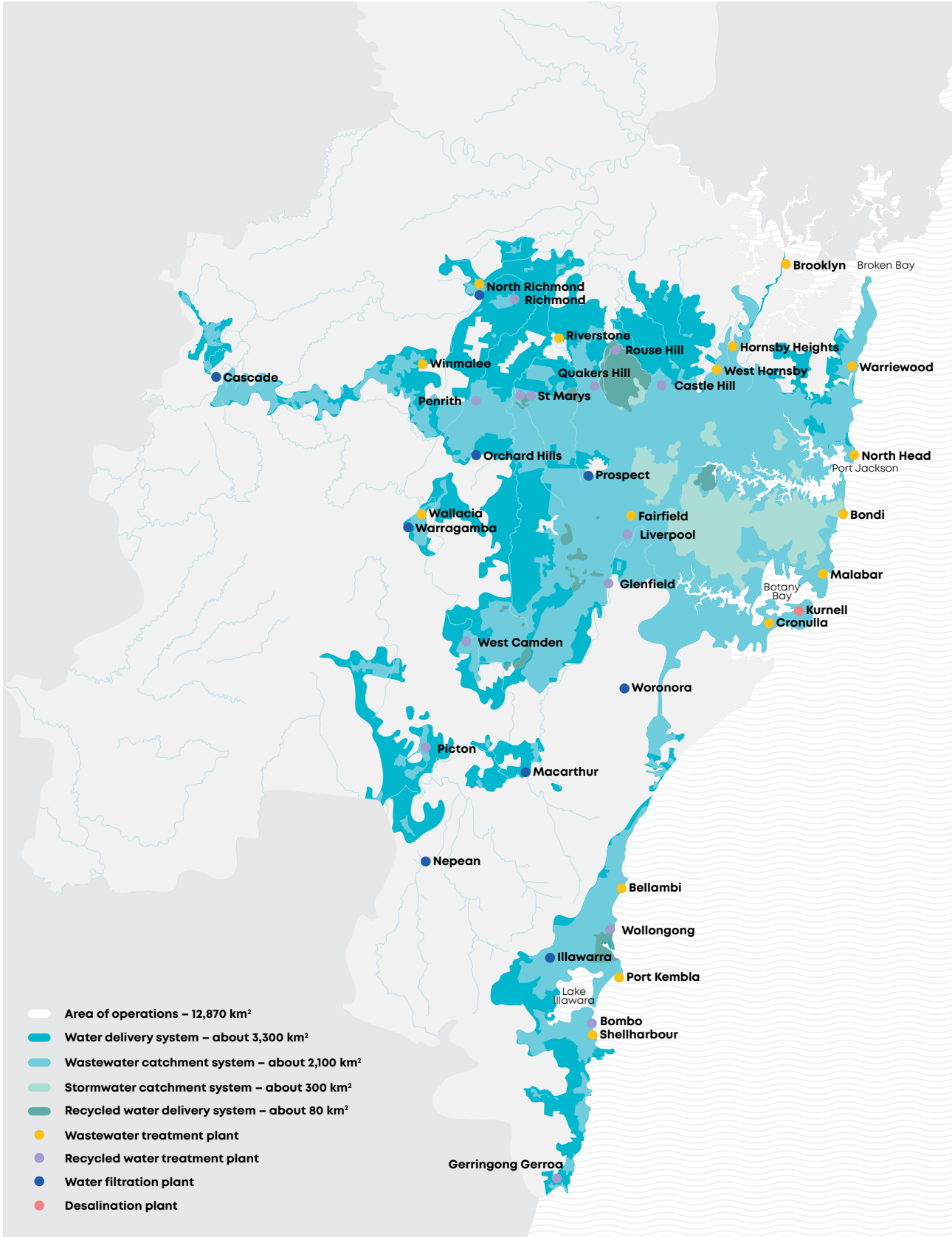
# 02

## Our performance

# Our growing network

## Area of operations

Figure 4: Map of our area of operations at 30 June 2020



**Table 7: Principal statistics, 2019–20**

Approximate area of operations	<b>12,870 km<sup>2</sup></b>
Estimated population <sup>4</sup> serviced by drinking water <sup>5</sup>	<b>5,311,000 people</b>
Quantity of drinking water we produced <sup>6</sup>	<b>532,731 ML</b>
Length of drinking water mains we own and operate	<b>22,474 km</b>
Quantity of drinking water produced from desalination	<b>71,147 ML</b>
Number of water treatment plants in service	<b>9 water treatment plants</b>
Number of desalination plants in service	<b>1 desalination plant</b>
Number of drinking water reservoirs in service	<b>248 drinking water reservoirs</b>
Number of drinking water pumping stations in service	<b>152 drinking water pumping stations</b>
Properties with drinking water service available	<b>2,050,580 properties</b>
Estimated population <sup>4</sup> receiving wastewater services <sup>5</sup>	<b>5,208,000 people</b>
Wastewater we collected (includes discharge, bypass, overflows and other)	<b>536,140 ML</b>
Length of wastewater mains we own and operate	<b>26,350 km</b>
Number of wastewater treatment plants in service <sup>7</sup>	<b>16 wastewater treatment plants</b>
Number of wastewater pumping stations in service	<b>693 wastewater pumping stations</b>
Properties with wastewater service available	<b>2,001,887 properties</b>
Estimated population <sup>8</sup> serviced by recycled water <sup>5</sup>	<b>98,000 people</b>
Quantity of recycled water we supplied	<b>46,919 ML</b>
Length of recycled water mains we own and operate	<b>770 km</b>
Number of water recycling plants in service <sup>7</sup>	<b>14 water recycling plants</b>
Number of recycled water reservoirs in service	<b>9 recycled water reservoirs</b>
Number of recycled water pumping stations in service	<b>11 recycled water pumping stations</b>
Length of stormwater channels we control	<b>456 km</b>
Properties with stormwater drainage available	<b>627,303 properties</b>

<sup>4</sup> The estimated population serviced by drinking water and wastewater excludes dwellings serviced under the *Water Industry Competition Act 2006* (NSW) and includes shops on mixed-development properties.

<sup>5</sup> The estimated population is a projection based on ABS Estimated Resident Population June 2019 preliminary published March 2020, and growth impacted by the COVID-19 pandemic.

<sup>6</sup> Includes the quantity of drinking water produced from desalination.

<sup>7</sup> The number of wastewater treatment and recycled water plants is based on Sydney Water's classification.

<sup>8</sup> The estimated population serviced by recycled water refers to Rouse Hill only and is an estimate as at 30 June 2020.

## Delivering for our communities

### Refresh Woolloomooloo

Our Refresh Woolloomooloo project separated Sydney's last, large, combined wastewater and stormwater system in the inner-city suburbs of Woolloomooloo, Darlinghurst and Potts Point, serving up to 30,000 customers. This has stopped wastewater flowing into Woolloomooloo Bay and Sydney Harbour when it rains and will help to prevent odour emissions during dry weather.

We laid around 4.2 km of new wastewater pipe adjacent to the existing combined pipe. These separated pipes take wastewater straight to the Bondi Wastewater Treatment Plant, so only stormwater flows into Woolloomooloo Bay. We also installed an additional 650 m of stormwater pipe, connected more than 200 properties to the new wastewater pipe and built 95 new maintenance holes.

Sydney Water completed this two-year project in March 2020, and to reward the community for their patience and provide a positive and lasting legacy, we also built a nature playground at the Plunkett Street Public School. It includes a mud play area, sandpit, stick-building space, rope ladder, low-level tightrope walk and a traditional yarning circle. It also has hammocks for the students to relax in and seating platforms around trees.

The playground lets students connect to Country, deepen their self-awareness, appreciate their natural surroundings and each other, and foster a positive attitude towards a sustainable future.

### Refresh Vaucluse and Diamond Bay

Sydney Water is working closely with the community to resolve a complex legacy issue and provide the city with a cleaner 'blue backyard' by stopping untreated wastewater being discharged into the ocean.

In 2019–20, we engaged with the community to develop a Review of Environmental Factors for the Refresh Vaucluse and Diamond Bay project, which will stop the continuous flow of untreated wastewater into the ocean. At a local level, we worked closely with a community

reference group and key government and local stakeholders to kickstart the project.

As part of our 2020 price review, we surveyed a representative sample of our customers in Greater Sydney, the Blue Mountains and the Illawarra region on their willingness to pay for discontinuing the ocean outfalls. Their support resulted in IPART including funding for the Refresh Vaucluse and Diamond Bay project in its 2020 price determination.

Community engagement will continue to be the cornerstone of this project as it moves towards completion in mid-2021.

### Green Square stormwater project

Sydney Water, in collaboration with the City of Sydney Council, completed the delivery of a 2.5 km stormwater drain, which runs underneath the bustling Green Square. It is big enough to carry the equivalent of 300 bathtubs of water every second. This critical engineering project demonstrates how urban water resources can be used and managed to reduce demand on drinking water, reduce flood risk, improve water quality and enable development in a highly urbanised area.

The \$140 million project won the 2019 Australian Water Association NSW Water Award for Infrastructure Project Innovation and was announced as a 2020 Australian Engineering Excellence Award Finalist.

### During bushfires

During summer's devastating bushfire season, the NSW Rural Fire Service (RFS) listed six major bushfires in Sydney Water's area of operations: at Gaspers Mountain, Ruined Castle, Green Wattle, Grose Valley, Linden Creek and Erskine Creek. None of our services were disrupted and our assets sustained minimal damage during these fires.

On the two days RFS issued 'catastrophic' fire danger warnings, we opened our Emergency Control Centre to ensure water supply to firefighters wasn't disrupted in areas prone to bush and grass fires. We also worked in the Regional Emergency Operations Centre coordinated by the NSW Police. Almost 30 staff members were involved in these efforts.

Two of our officers joined NSW Rural Fire Service personnel in areas susceptible to fires. They educated community members and reassured them that they were excluded from water restrictions. In addition, many Sydney Water staff members who live in affected areas are RFS volunteers and spent long hours trying to protect neighbours' properties and their local communities.

Since the bushfires, we have provided financial assistance to affected customers, including:

- issuing 14 \$100 credits to volunteer fire fighters as a goodwill gesture
- providing \$30 bushfire rebates for 6,573 properties (totalling \$197,190) in major bushfire areas, under the terms of our *Customer Contract*

- putting bills on hold and suspending debt recovery for properties destroyed by fire at Wollondilly and in the Blue Mountains, also under our *Customer Contract*.

## Capital expenditure

Our capital works program aims to:

- renew and upgrade existing assets
- improve business efficiencies
- deliver government programs
- support urban growth.

In 2019–20, Sydney Water invested \$843 million in capital works, which was 1% under the \$852 million budget (excluding capitalised borrowing costs).

**Table 8: Major capital works projects completed, 2019–20**

Project	Project benefits
Wastewater main renewals (outputs achieved in 2018–19)	We renewed 3.2 km of key wastewater mains, which were near the end of their service life, to reduce the impact of failures on the community and the environment. We rehabilitated 17.6 km of reticulation wastewater mains to reduce dry weather and repeat overflows affecting customers.
Water main renewals (outputs achieved in 2018–19)	We renewed 9.6 km of water reticulation mains and an additional 2.0 km of critical water mains to maintain water supply and reduce interruptions.
Malabar Wastewater Treatment Plant Improvement Program	We implemented an improvement program to improve reliability, capability and performance of the plant.
Riverstone Wastewater Treatment Plant Upgrade (Stage 1)	We increased the capacity at the plant to meet licence requirements and provide for growth in the catchment upgrading to 14.2 ML/d treatment capacity.
Green Square Trunk Stormwater Drainage	We increased stormwater drainage capacity in the Green Square town centre to reduce the risk of flooding and facilitate development.
South West Growth Centre (SWGC) – Second-Release Precincts (Water)	We upgraded a water pumping station and provided new water booster stations and pipelines to service Austral and second-release precincts including Leppington.
SWGC South Western Front Water Trunk Main Package 1A	We provided new drinking water infrastructure in the area.
Leppington and Leppington North Wastewater Stage 2	We provided wastewater infrastructure to support growth.
Schofields SP1202 Pressure Main and Gravity Main (Package 3, Work Lot C4)	We provided wastewater services for new customers in Schofields.
Marsden Park Industrial Wastewater Servicing Stage 1 (SPS1173)	We delivered wastewater services in Marsden Park industrial and adjacent precincts.

**Table 9: Major capital works in progress as at 30 June 2020**

<b>Project</b>	<b>Forecast completion date</b>	<b>Budget (\$m)</b>	<b>Cost to date (\$m)</b>	<b>Details of any expected significant costs overruns, amendments or delays</b>
Quakers Hill/St Marys Water Recycling Plant Process and Reliability Renewal: to maintain reliability and increase the plant's capacity to service growth	October 2021	354	294	–
New Liverpool Reservoir: delivery of a new reservoir to service growth, allow existing reservoir to be renewed and allow for water storage for the Prospect Reservoir	May 2021	26	4	–
Rouse Hill Growth Amplification Phase 1: upgrading the wastewater treatment plant to address capacity, reliability and performance issues	November 2021	32	5	–
St Marys Growth Amplification: construction of wastewater infrastructure in the St Marys system to service growth and comply with current environment protection standards	May 2022	27	3	–
Waterway Health Improvement Program: deliver stormwater-quality projects within the Cooks, Parramatta and Georges River catchments, at Milsons Park, Parkside Drive and Johnsons Creek	October 2021– June 2023	21	3	–
City Area 30 Stormwater Renewal: renewal of assets in the City Area 30 stormwater catchment	September 2022	20	4	–
Southern and Western Suburbs Ocean Outfall System (SWSOOS) Stage 1 of a four-year rehabilitation program of works: improving the condition and reliability of the SWSOOS	December 2020	25	15	–
Winmalee Wastewater Treatment Plant Upgrade: upgrade to the biosolids processing facility to ensure reliability, performance and compliance	December 2021	21	2	–

<b>Project</b>	<b>Forecast completion date</b>	<b>Budget (\$m)</b>	<b>Cost to date (\$m)</b>	<b>Details of any expected significant costs overruns, amendments or delays</b>
Winmalee Wastewater Treatment Plant Upgrade: under a pollution reduction program to ensure environmental compliance of the plant	September 2021	52	6	–
Bondi Ventilation Upgrade: to upgrade the existing air extraction and supply systems at the plant. This will resolve issues with contamination and improve the underground operating environment	September 2021	26	19	–
Northern Suburbs Ocean Outfall System (NSOOS) Desilting and Rehabilitation Package A: first stage of a program to rehabilitate the NSOOS tunnel sections 1 to 7, which will improve operational and hydraulic capacity and significantly reduce risk to the asset	December 2020	54	54	–
Northern Suburbs Ocean Outfall System (NSOOS) Desilting and Rehabilitation Package B: second stage of a program to rehabilitate the NSOOS tunnel sections 1 to 7, which will improve operational and hydraulic capacity and significantly reduce risk to the asset	December 2021	86	33	–
North Head Wastewater Treatment Plant (WWTP) Biosolids Upgrade: upgrade sludge processing and treatment capacity at the North Head WWTP, to improve quality of biosolids, meet customer expectations and forecast growth in demand	May 2023	94	8	–
Johnsons Creek Stormwater Renewal: renewing the channel with sandstone and native vegetation over a linear length of 600 m	May 2021	23	4	–
Western Sydney International Airport construction: to produce recycled water for construction of the airport	November 2020	40	7	–

<b>Project</b>	<b>Forecast completion date</b>	<b>Budget (\$m)</b>	<b>Cost to date (\$m)</b>	<b>Details of any expected significant costs overruns, amendments or delays</b>
Cascade Delivery System Critical Infrastructure: to design and deliver expanded capacity to the Cascade water filtration plant and surrounding network to increase and improve the reliability of supply in the Cascade water delivery system	May 2022	51	4	–
Prospect South to Macarthur Distribution System Link: delivery of a two-directional link between Prospect South Water Delivery System (WDS) and Macarthur WDS to secure supply and support growth in the area. This is a program of works involving the creation and upgrade of several assets	November 2021	621	31	–
Wastewater treatment plant renewals: continuing to replace equipment near the end of its service life	Ongoing	81/year <sup>9</sup>	Ongoing	–
Water treatment plant renewals: continuing to replace equipment near the end of its service life	Ongoing	3/year <sup>9</sup>	Ongoing	–
Information technology projects: continuing minor projects to reduce operating expenditure, renew IT systems and equipment, and deliver new systems and capabilities	Ongoing	109/year <sup>9</sup>	Ongoing	–
Wastewater reticulation and wastewater trunk main renewals: continuing to replace and rehabilitate wastewater mains near the end of their service lives, to reduce the impact of failures on the community and the environment	Ongoing	143/year <sup>9</sup>	Ongoing	–
Water reticulation and water trunk main renewals: continuing to replace water mains near the end of their service lives to reduce interruptions to supply	Ongoing	59/year <sup>9</sup>	Ongoing	–

<sup>9</sup> Denotes the five-year average in the Statement of Corporate Intent 2020/21–2024/25 in nominal dollars.



Project	Forecast completion date	Budget (\$m)	Cost to date (\$m)	Details of any expected significant costs overruns, amendments or delays
Reservoir Renewal and Reliability Program: continuing to ensure reservoirs and associated equipment operate at the lowest costs while complying with regulatory requirements	Ongoing	30/year <sup>9</sup>	Ongoing	–
Wastewater pumping station renewals: continuing to replace equipment near the end of its service life	Ongoing	32/year <sup>9</sup>	Ongoing	–
Water pumping stations: continuing to improve reliability and safety and minimise the life cycle costs of water pumping stations	Ongoing	11/year <sup>9</sup>	Ongoing	–
SCADA and IICATS upgrades, and related electrical upgrades for plants and network	Ongoing	30/year <sup>9</sup>	Ongoing	–
Meter replacement program: improving measurement and monitoring of water volume and service reliability	Ongoing	12/year <sup>9</sup>	Ongoing	–

### Drivers of planned capital expenditure for the next financial year

Our nominal capital works budget for 2020–21 is \$1,541 million (excluding capitalised borrowing costs) and reflects our ongoing commitment to improving the performance of our network and building now to meet the demands of growth and climate variability.

The key investments include:

- \$745 million for developing new water, wastewater, recycled water and stormwater infrastructure to meet the needs of urban growth in both infill (existing) and greenfield (new) areas, including the North West and South West growth sectors

- \$694 million for renewing and rehabilitating assets to meet system performance regulations and customer service levels
- \$31 million for business efficiency measures, such as information technology and energy-saving projects that reduce operating expenditure, and to meet new regulatory standards, such as those relating to wastewater system performance under environmental protection licences.

Over the next four years, Sydney Water will deliver a capital works program of about \$5.27 billion (excluding capitalised borrowing costs).

## Delivering for the future

### Re-imagining Western Sydney

Sydney Water has produced a plan for sustainable water management that will help bring the Western Parkland City vision to life.

*Re-imagining water in Western Sydney* outlines a path towards a more sustainable, holistic and resilient future for local communities.

The plan aims to provide residents of the future Western Parkland City with affordable essential water services, healthy waterways and cooler, greener places. It also considers how to minimise infrastructure costs and diversify water supply options.

We are planning measures to produce more recycled water, including from wastewater, stormwater and bioresources such as the by-product of treating wastewater, which is highly valued in the agricultural sector. This water would be supplied to homes and businesses, including agricultural and industrial organisations, and used to irrigate open spaces.

The Upper South Creek Advanced Water Recycling Centre will be established to collect wastewater from the Western Sydney Aerotropolis and a large part of the South West Growth Area. We plan to treat this water for re-use and to recover bioresources.

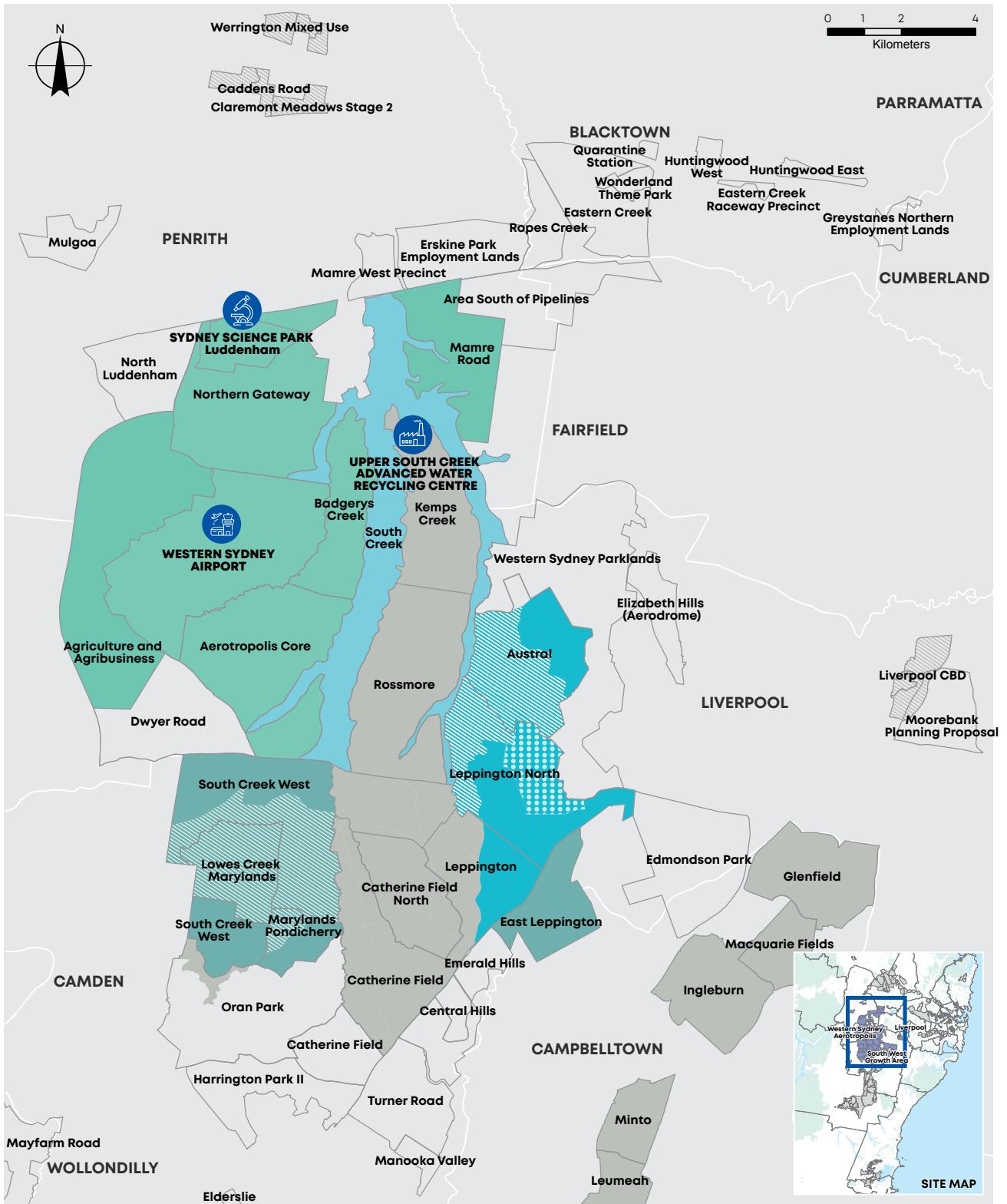
This will be Sydney Water's largest investment in water resilience for more than a decade and will contribute to building a world-class circular economy in Western Sydney. The recycling centre will support integrated water cycle management by retaining water within the landscape. This will protect the health of waterways, improve the health and wellbeing of local communities, and ensure water is valued and re-used wisely.

We are also examining ways to capture and harvest stormwater before it drains into sensitive creeks and waterways. This water will be used to help keep street trees and gardens green, provide natural shade throughout our communities, and protect the local ecology.

Sydney Water is also partnering with the Parramatta River Catchment Group to realise the government's vision of the Central River City. Along with other agencies, Sydney Water is committed to the goal of 'making the Parramatta River swimmable again by 2025'. We have also set up a dedicated team to provide coordination and leadership to help open up new swimming sites by monitoring water quality, providing information to the public and improving our wastewater system. We are also working with government planning agencies to set appropriate planning controls for the new development within the Greater Parramatta to Olympic Peninsula release area.

Figure 5:

# Western Sydney growth plan



## Project stages

### Drinking water



### Wastewater



- Growth precinct boundary
- Regional planning
- South Creek

Disclaimer: While Sydney Water has made every endeavour to ensure this information is up to date, this map is provided as a guidance only. Sydney Water makes no representation, warranty, undertaking or guarantee (express or implied) that this map is accurate or reliable. To the extent permitted by law, in no event will Sydney Water be liable for any loss, cost, expense, claim, liability or damage arising from or in connection with any reliance on this information.

## Eastern Sydney Masterplan

We are currently developing an Eastern Sydney masterplan to evaluate high-level integrated water servicing pathways towards 2056. The masterplan objectives are consistent with Sydney Water's long-term vision and focus on re-imagining the role of water into the future. They also address the rapidly growing eastern region in terms of housing and jobs, ageing assets, waterway health and climate change impacts. We are exploring opportunities including urban greening, resource recovery, recycling water and the role of water in urban heat mitigation. Some of the initiatives we are exploring include:

- providing non-potable recycled water to new dwellings and for irrigation of open green spaces
- aiming to achieve a circular economy and water conservation through purified recycled water as an alternative water source
- using biomethane from wastewater biosolids as an energy source

- providing community amenity through an additional 25 km of naturalised waterways
- mitigating urban heat by irrigating 2,000 ha of public open space with recycled water
- supporting NSW Government 5MT Program by providing water (five million trees by 2030 across Greater Sydney).

The masterplan articulates an adaptive plan to invest in servicing new infrastructure that would provide the most value to our customers. It also considers place-making opportunities in growth corridors through improved management of water, both for customers and the environment. A number of these initiatives are already being delivered through our existing waterway health improvement program, stormwater creek naturalisation program and by making non-potable water available to maintain green open spaces throughout the city.

## Research and innovation

Sydney Water's award-winning research and innovation (R&I) program helps to improve efficiency, effectiveness and the quality of decision-making and provide robust risk mitigation and strategic planning across the business.

The key drivers of our R&I program are:

- delivering safe and reliable drinking water
- enhancing assets and operations
- protecting and enriching natural waterways
- improving treatment and resource recovery
- enabling resilient and liveable cities.

During 2019–20, Sydney Water was awarded the **Australian Water Association's National Research Innovation Award** for our work on innovative sensing and intelligent robots for assessing the condition of concrete wastewater pipes. We are using these robotic tools to assess the condition of small and large concrete wastewater pipes, helping us prevent breaks.

We have also secured membership of Water Research Australia (WaterRA), Australia's leading national research organisation for the water industry. This means we can now leverage Australia's top research and industry experts and influence priority research areas funded by WaterRA.

We have implemented a research prioritisation process and continue to report on current and completed R&I activities. In 2019–20, we invested more than \$5.8 million across a range of R&I projects in collaboration with local and international universities, industry partners, utilities and government departments.

Sydney Water is participating in the WaterRA Collaboration on Sewage Surveillance of SARS-CoV-2 (ColoSSoS) project. This project is an innovative and collaborative Australia-wide investigation that aims to integrate reliable results of wastewater testing for the presence of the SARS-CoV-2 virus (COVID-19) with health data for COVID-19 on a national level. Our laboratories have developed a method for detecting the presence of molecular markers for SARS-CoV-2 in wastewater and have been working closely with NSW Health to analyse wastewater samples, which form part of their public health response to the pandemic.

The significant investment in digital technology and enablement is continuing at pace to provide customers with enhanced services and reliable operations. This investment will also empower and protect our workforce from harm and will create predictability in asset performance to enable proactive, real-time situational intelligence in operations.

As a result of this, Sydney Water will be:

- connected and engaged with customers through a personalised and valued set of relationships and effective digital channels
- connected with staff and partners who will be equipped with actionable intelligence to deliver customer service excellence within a safe and secure work environment
- connected across a smart asset base that will work smarter and more intelligently than ever before to stay ahead of incidents.

**Table 10: R&I investments in 2019–20**

<b>Project</b>	<b>Collaborator/s</b>	<b>Investment<sup>10</sup> 2019–20 (\$)</b>
Trial of a new nitrification management approach for chloraminated systems	Western Sydney University	201,173
Design and development of new and improved water treatment techniques	University of New South Wales, University of Technology Sydney	426,778
Australian Research Council Photonics	University of Sydney, Macquarie University	27,995
Critical pipeline failure prediction	University of Technology Sydney, The University of Newcastle, Monash University, CSIRO	436,654
Research on co-digestion	University of Wollongong	115,039
Predictive analytics for sewer corrosion	The University of Newcastle, University of Technology Sydney, CSIRO	567,031
Development of a wet weather overflow abatement strategy	University of New South Wales, The University of Melbourne, La Trobe University	1,150,326
CRC-P Smart Lining for Pipes Infrastructure (New Material Innovation)	Water Services Association of Australia and others	467,157
Sodium ion batteries	University of Wollongong	48,396
Advanced sensing of pipe leaks and breaks	Australian National University, Canberra University, University of New South Wales, Thales, University of Technology Sydney, The University of Newcastle	433,020
Urban heat assessment – Eastern Sydney	Climate Risk	89,294
Water recycling technical viability study	N/A	115,311
Geospatial water service planning tool	N/A	958,785
Impact of recreational access on drinking water catchments and storages	N/A	24,743
Recycled water baseline monitoring program	N/A	41,734
R&D project support	N/A	725,807
<b>Total</b>		<b>5,829,243</b>

<sup>10</sup> The information included is based on cost estimates at 30 June 2020 and may be subject to change.

**Table 11: Significant amendments to projects reported for the previous financial year**

Project name	Collaborator/s	Previously reported investment for 2018–19 (\$)	Revised investment for 2018–19 (\$)
Critical pipeline failure prediction	University of Technology Sydney, The University of Newcastle, Monash University, CSIRO	158,365	899,024
Predictive Analytics for Sewer Corrosion	The University of Newcastle, University of Technology Sydney, CSIRO	16,761	337,111
Sustaining IoT POV	N/A	821,804	388,698
CRC-P smart lining for pipes infrastructure (new material innovation) <sup>11</sup>	University of Sydney, Monash University, University of Waterloo, Water Services Association of Australia	N/A	608,487
Geospatial Water Service Planning Tool <sup>11</sup>	N/A	N/A	308,402
Advanced sensing of pipes <sup>11</sup>	Australian National University, Canberra University, University of New South Wales, Thales, University of Technology Sydney, The University of Newcastle	N/A	313,934

### Transforming digital experience

In June 2019, we reached an exciting milestone with the introduction of our new Customer Experience Platform (CxP). The platform successfully replaced our 32-year-old billing and customer management system. Since launching the CxP, our Customer Services group has demonstrated new and enhanced capabilities to deliver on our customer promises. The CxP program is a finalist in the Customer Services Institute of Australia 2020 Australian Service Excellence Awards.

We are continuing to drive greater efficiency in our business operations to enhance our commercial performance. The next phase in our journey is the implementation of our Business Experience Platform (BxP) in July 2021. The BxP will focus on achieving best practice by introducing new enterprise standards and governance for our business data in areas that include finance, supply chain, and project and portfolio management.

<sup>11</sup> Project not reported in last year's annual report due to not having financial information at the time to determine the R&I expenditure for the project.

# Our environment

We are committed to improving our performance through a comprehensive Environmental Performance Improvement Program, which includes optimising our maintenance programs and resourcing to improve asset reliability and performance. We work hand in hand with the community, as well as business, industry, state government and local councils, to find solutions to better manage and protect our waterways. We provide advice and direction on best practice and oversee the design and implementation of waterway projects.

Sydney Water's environmental performance has been impacted in recent years by such factors as drought, population growth and urbanisation, all of which have increased pressure on the infrastructure servicing our city. At the same time, our assets are ageing, contributing to additional challenges for achieving environmental standards.

## Wastewater overflows

As urbanisation and population growth increases, so does the pressure on waterways. Dry weather wastewater overflows are generally caused when a combination of tree roots, fats and wet wipes block our pipes. These overflows affect our networks and waterways and are a key focus of our maintenance programs.

In 2019–20, the total number of uncontrolled wastewater overflows during dry weather increased, due to the prevailing drought conditions. But the number of controlled overflows decreased from last year.

## Sewage Treatment Impact Monitoring Program

Sydney Water has a comprehensive monitoring program known as the Sewage Treatment Impact Monitoring Program (STSIMP), which tests the water quality in our oceans, beaches, lagoons, estuaries, rivers and creeks. The STSIMP aims to monitor the environment within our area of operations to determine general trends in water quality over time and our performance. This helps us to mitigate risk to environmental ecosystems and public health.

Current projects underway include:

- trialling a variety of statistical techniques to identify causes of changes in the water quality of the Hawkesbury–Nepean River
- trialling two new cost-effective and innovative approaches to treating wetland and macroalgae to reduce the concentration of nutrients in wastewater that is discharged into the environment.

## Parramatta River Masterplan

We are the lead coordinating agency driving the delivery of the Parramatta River Masterplan, which aims to make Parramatta River swimmable again by 2025. We are also implementing Step 6 of the masterplan ('Improve overflows'). This involves undertaking a comprehensive wastewater pipe inspection and improvement program across the catchments of the Upper Parramatta River, Duck Creek and Lane Cove River to reduce the inflow of stormwater that overloads the wastewater system and results in wastewater overflows.



Our work in leading the Parramatta River Masterplan won the Excellence in Strategic or Master Planning at the 2020 NSW Stormwater Awards. This was for its role in improving waterway health as well as recreational access and liveability along the river – both in the Western Parkland City and the Central River City.

## Water conservation

Greater Sydney has seen extremes of both drought and significant storm events over the past year. Available water storage levels reported by WaterNSW on 4 July 2019 indicated levels were at 52%, while the June 2020 report showed they were at 81%. The rate of decline in water storage throughout 2019 was unprecedented. In February 2020, the rate of increase in water storage was the largest observed in more than a decade, resulting in a more complex than normal operating environment.

Total water use for 2019–20 was 534,672 ML<sup>12</sup> or 277 L per person per day, of which 182 L per person per day was for residential use. Water use was impacted by water restrictions being in place for the entire year.

Our approach to water conservation is based on the Economic Level of Water Conservation (ELWC) methodology approved by IPART in December 2016. The ELWC methodology promotes economically efficient water conservation projects that consider social and environmental costs and benefits. Where projects are considered economically efficient at the current value of water, we have included them in our five-year plan. The plan also includes water conservation projects offered to help manage social hardship and build capability.

Sydney Water's approach to water conservation is threefold: to reduce leakage, improve recycling and ensure efficient use of water.

Our approach to distribution system leakage is guided by the principle of the Economic Level of Leakage (ELL), which is a robust method of estimating the optimum leakage level below which the costs of reducing leakage are greater than the benefits of saving water.

In 2019–20, Sydney Water invested \$1.9 million to maintain distribution system leakage at 124.7 ML a day, which is outside the range of our target ELL<sup>13</sup>. We also invested \$29 million in existing recycled water schemes, which supplied 46,919 ML of recycled water, an increase on 2018–19.

Our investments in other water conservation measures included \$16.6 million to achieve savings of 368 ML a year delivered through:

- increased investment in active leak detection and repairs
- continued investment in identifying new opportunities for recycled water
- a revamped WaterFix™ Residential program. COVID-19 forced the temporary suspension of the program, consistent with government health advice. In 2019–20, the program was funded by the NSW Government's Climate Change Fund
- our ongoing community awareness programs that educate and inform the community and businesses about water restrictions and water-saving solutions.

## Working with the Environment Protection Authority

The Environment Protection Authority (EPA) is the primary environmental regulator for New South Wales. Over the past year, as a result of multiple environmental factors, including prolonged drought and significant rain events, we experienced an increase in pollution incidents. We currently have four active cases before the Land and Environment Court relating to pollution incidents that occurred in the 2018–19 year (Bangor, North Epping, Northmead and Carramar).

We are taking action to improve our environmental performance, particularly our management of pollution incidents. The EPA has already recognised significant improvements in our incident management practices during the period.

<sup>12</sup> Includes 1,276 ML of unfiltered water provided for industrial use in the Illawarra.

<sup>13</sup> The economic level of water leakage (ELL) for 2019–20 was forecast as 108 ML per day. An uncertainty band of ±16 ML per day exists around the ELL forecast.

# Our customers

Sydney Water uses a broader definition of 'customer' than most organisations. We believe our customers include not just bill-paying customers, but anyone who interacts with us directly or indirectly through our products and services.

With drought, bushfires, flooding rains and COVID-19, our customers have faced numerous challenges in the last financial year. As a result, we have had to adapt communications to continue to support and engage with them.

By including customer research and opinion in our pricing submission to IPART in July 2019, we have gained a better understanding of our customers' wants and needs. This has provided increased funding in some areas, and will allow us to continue to improve and tailor our products and services to ensure customer satisfaction.

Building on what we have heard from customers, we are committed to:

- keeping our services reliable and affordable
- being proactive and easy to deal with
- including customers in planning for our future.

Drought saw increased face-to-face interactions as our community water officers patrolled the streets to engage in conversations about water efficiency and water restrictions. In addition, our events team participated in numerous displays at community events and shopping centres with the Small Change Shop and Cricket NSW partnership. This was supported by information on both [sydneywater.com.au](http://sydneywater.com.au) and the [lovewater.sydney](http://lovewater.sydney) microsite to ensure customers understood both the regulations around water restrictions and what they could do inside their homes to save water.

## Customer Contract

Our *Customer Contract* explains how we manage customers' access to water, wastewater and stormwater services. It outlines our obligations to customers, including:

- which services we maintain
- how we help customers experiencing hardship
- how and when we charge customers for services
- when we restrict, disconnect and restore services
- how we respond to customer enquiries and complaints.

## Customer satisfaction

### Overall rating

During 2019–20, we asked more than 1,600 customers to rate the overall quality of our service. Customer satisfaction ratings remain high at 7.8 out of 10. The first quarter saw a strong Customer Satisfaction result of 8.2. However, this dropped to 7.6 in the January-March 2020 quarter, which could be the result of a number of events which may have impacted the scores, such as the drought, water restrictions, and COVID-19. The final quarter (April-June 2020) has seen a rebound, lifting slightly to 7.7. These high satisfaction scores reflect our ongoing commitment to engaging with customers and maintaining the quality services they demand.

### Drinking water rating

The average customer rating for drinking water quality continues to increase and is currently at 7.9. The performance of our operational teams in delivering a top-quality product is supported by our customer and community engagement activities. These include being the Hydration Partner for Cricket NSW and our permanent and portable water station programs.

## Complaint handling

The Operating Licence defines a complaint as ‘an expression of dissatisfaction made to or about Sydney Water related to its actions, products, services, staff or the complaints handling process itself, where a response or resolution is explicitly or implicitly expected or legally required’.

During 2019–20, we resolved 5,145 complaints that were our responsibility. This was less than 0.5% of the more than 1,045,000 customer contacts we received via phone, email, fax, mail and online (excluding self-service contacts).

If a customer is dissatisfied with the action we take to resolve a complaint, they may contact the Energy & Water Ombudsman of NSW (EWON) at [ewon.com.au](http://ewon.com.au) and ask for an independent review of the complaint.

During 2019–20, EWON received 588 enquiries or complaints about us<sup>14</sup>. This equates to 2.9 matters per 10,000 customers, aligning with other water utilities EWON oversees.

In early 2019–20, process issues with eBill registration were identified through complaint data and action was taken to resolve these. We continually monitor and assess our complaint data to identify process improvements.

**Table 12: Customer satisfaction indicators, 2015–16 to 2019–20**

	2015–16	2016–17	2017–18	2018–19	2019–20
Average customer rating of overall service quality <sup>15</sup>	7.9	7.9 <sup>16</sup>	8.0	7.9	7.8
Average customer rating of overall quality of drinking water <sup>17</sup>	7.7	7.6	7.7	7.8	7.9
Total number of complaints (including EWON)	5,321	5,090	5,308	5,952	5,733

<sup>14</sup> EWON's report to Sydney Water for 2019–20

<sup>15</sup> The Customer Experience Monitor finished on 1 July 2020. Future reporting will use the Brand Tracker measurement and comparison will not be applicable.

<sup>16</sup> These results are the average of the first six months of 2017.

<sup>17</sup> The Customer Experience Monitor finished on 1 July 2020. Future reporting will use the Community Sentiment Monitor and a comparison will not be applicable.

## Community engagement and customer participation

Our customer participation programs to support our IPART 2020 price determination resulted in more than \$80 million in discretionary funding to deliver the Waterway Health Improvement Program and the Refresh Vaucluse and Diamond Bay Project. While the funding represents a small proportion of our overall determination, it is a significant step forward to customer-advocated pricing determinations.

## Customer communications and promotions

In 2019–20, we produced more than 200 reports, newsletters, brochures, fact sheets and other communications collateral to help inform and educate our customers, community and stakeholders. Many of these publications were delivered digitally. Topics included our drinking water, recycled water, wastewater and stormwater services as well as drought and water-saving initiatives. They included publications targeted at culturally and linguistically diverse (CALD) communities.

### Digital experience

With more than 8.1 million page views in 2019–20, sydneywater.com.au continued to provide customers with information and key transactional experiences. Customers spent about two minutes a page view on the website. Mobile access to our site (48%) surpassed desktop (45%) and tablet (5%), although this did swing back to desktop from March, probably because customers were out and about less often.

Our campaign microsite lovewater.sydney was key to driving awareness of our water efficiency campaigns. New technologies on the site include a water-wise chatbot – the Water Wise Coach. The site achieved more than 1.3 million page views, with the average time spent on a page at about two minutes.

We continue to look at harnessing existing and emerging technologies to drive behavioural change, educate the public, and engage and empower people to act. We have begun planning for a new integrated website with more customer self-service and engagement features.

### Social media

Our social media presence across Facebook, LinkedIn, Instagram and Twitter has increased in the past 12 months. During 2019–20, our channels achieved 28,401,958 impressions and 2,658,874 engagements, with an engagement rate of 9.36% (average industry engagement rate is about 2%). We picked up 18,830 new followers across all our channels.

#### Total new followers



Facebook  
5,695



Instagram  
3,547



Twitter  
950



LinkedIn  
8,638

## Social programs

### Financial support scheme

We support customers experiencing payment difficulties by offering specialised programs to ensure equal access to essential water and wastewater services. We assess each case individually, and where we cannot provide direct assistance, we refer customers to other support agencies. We also run our community Outreach program to ensure customers are aware of our hardship programs and to help overcome barriers to customers accepting assistance.

This became even more important with an increased number of calls from people seeking financial assistance with their water bills during the COVID-19 pandemic. In March 2020, enquiries to our specialist financial support team (Customer Care) increased 30% on previous years, primarily from people who lost their jobs due to the pandemic. In April, there was a further increase in calls, to more than 900, double the number in the previous year, and they continue to rise.

In 2019–20, just under \$900,000 of assistance was provided via the Payment Assistance Scheme (PAS) to help 2,594 customers with their bills. We also assisted customers via:

- payment arrangements to provide flexible payment plans to customers facing financial difficulties. This includes deferring payments for a short time and arranging smaller, regular payments using the customer’s preferred payment method
- BillAssist®, where our qualified professional case coordinators provide personalised support and advice to customers in financial hardship who are having trouble paying their water bill. We also refer customers to other external specialist services based on the customers’ needs and situation
- PlumbAssist®, providing essential or emergency plumbing repairs where there is a risk to health or public safety, or to improve water efficiency or reduce water costs. This service usually involves repairing leaks, and repairing or replacing broken taps, showerheads and toilets.

Our Outreach program works with community welfare agencies to increase awareness of our payment assistance options and concession entitlements. We visit schools, attend community events and interagency meetings, train agency partners and hold information sessions with CALD customers, seniors and mental health community groups.

In 2019–20, we trained 62 people from 11 different community welfare agencies. We had more than 700 referrals from other agencies that resulted in payment assistance to customers.

## Pensioner concessions

The NSW Government funds concessions to eligible recipients to help ensure all customers have adequate access to water, wastewater and stormwater services.

We provide concessions to customers who hold a Pensioner Concession Card or Department of Veterans’ Affairs (DVA) Gold Card as well as recipients of a DVA intermediate rate pension. In 2019–20, the concessions were:

- 100% of the water service charge
- 50% of the stormwater service charge
- 80% of the wastewater service charge.

## Exempt Properties Scheme

The *Sydney Water Act 1994* (NSW) states that certain types of properties are exempt from paying service charges. We give exemptions following an application and on-site inspection. Land owned and used by not-for-profit community service organisations is generally exempt. We granted service charge exemptions totalling \$19 million this year.

## Blue Mountains Septic Pump-out Scheme

We continued the Blue Mountains Septic Pump-out Scheme subsidy. Around 12 properties with wastewater pump-out services benefit from the scheme, receiving assistance with ongoing pump-out charges at a total scheme cost of \$50,500 in 2019–20.

**Table 13: Social program expenditure, 2015–16 to 2019–20**

Social programs	2015–16 (\$m)	2016–17 (\$m)	2017–18 (\$m)	2018–19 (\$m)	2019–20 (\$m)
Pensioner concession	140.7	125.5	125.0	124.2	129.8
Exempt Properties Scheme	23.9	17.3	17.7	17.2	19.0
Hardship Support Scheme	1.1	1.0	1.1	1.2	1.2
Blue Mountains Septic Pump-out Scheme	0.2	0.3	0.1	0.1	0.1
<b>Total</b>	<b>165.9</b>	<b>144.1</b>	<b>143.9</b>	<b>142.7</b>	<b>150.1</b>

## Multicultural policies and services program

Across our service area, 36% of people speak a language other than English at home and six per cent speak little or no English. Within some local government areas, two-thirds of the community are culturally diverse. In one area, more than 20% of the population speaks little or no English.

Through our research and interactions with CALD communities, we understand that preferences for engaging and communicating with us vary, and we factor this into our planning. Different beliefs and backgrounds can also influence people’s willingness to access financial support options, preferences about drinking tap water and water behaviours.

We seek to address this through our community Outreach program and other community activities, as well as translating materials into different languages.

Our culturally diverse workplace not only promotes a constructive and inclusive culture, but also offers insights into culturally diverse communities to support greater customer and community outcomes. We have an internal translation network that enables employees to support customer contact staff by acting as interpreters.

Details of our engagement with CALD communities can be seen in Table 14. It summarises our activities and programs that address the customer and community elements of the Multicultural Policies and Services Program (MPSP).<sup>18</sup>

**Table 14: CALD initiatives, 2019–20**

Focus	Activities
<b>Service delivery</b>	
Deliver mainstream services for everyone	<p>We consider multilingual communications in all engagement and communication activities, particularly in areas with large culturally diverse populations. We work with specialist organisations to understand how best to engage and communicate with CALD communities.</p> <p>All customers can access our free phone-based interpreter service, which offers translation services for more than 150 different languages. Customer contact staff can also call on our internal translation network.</p> <p>During restoration and upgrade projects in culturally diverse areas, we use translated information and/or interpreters to notify residents of the work and ensure they understand how it may affect them.</p> <p>We distribute multilingual brochures at events and through partnerships, providing information on bill payment, financial support, drinking water, wastewater, leak checking and saving water. These brochures then refer customers back to our dedicated language pages on the website to continue to provide important information in a timely manner.</p> <p>The Sydney Water website provides billing, financial support, product and campaign information in Arabic, Traditional Chinese, Simplified Chinese, Vietnamese, Greek and Korean. Each of these languages has its own dedicated webpage and is easily accessed via a link.</p> <p>We also publish links to multicultural support on water bills and in our quarterly Waterwrap newsletter.</p>

<sup>18</sup> The MPSP measures relating to our staff are reported in the ‘Diversity and inclusion’ section under ‘Our people’.

Focus	Activities
Target programs that fill gaps	<p>We regularly translate our marketing communications into Arabic, Simplified Chinese, Traditional Chinese, Vietnamese and Korean, and pitch them to multicultural radio, print, online and social media channels.</p> <p>Drought campaign: This year, we not only translated material for our drought campaign but also promoted it through paid and earned multicultural media. The campaign described the many ways to save water and educated the audience about the drought and water restrictions. We also provided interviews to radio stations for Mandarin and Cantonese speakers.</p> <p>Our COVID-19 response was promoted to CALD communities via a translated paid social media campaign on Facebook. It focused on our financial support and the importance of only flushing the '3 Ps' at home to avoid wastewater pipe blockages.</p>
Develop awareness among people from culturally diverse backgrounds of services, programs and functions funded by the NSW Government	<p>Our Outreach program partners with 130 community organisations to assist customers who are having difficulty paying their water bill. These agencies can provide financial assistance direct to our customers through a simple and easy process that benefits people from CALD backgrounds, who might be reluctant to ask for help or may not know who to ask.</p> <p>At the end of June 2020, we worked with Blacktown City Council and EWON to deliver an information session on payment assistance, water efficiency and general Sydney Water information to about 30 customers via an online Zoom session. This session included interpreters to cater for attendees from a CALD background.</p> <p>As part of this Outreach program, we offered PAS training and held information sessions for:</p> <ul style="list-style-type: none"> <li>• Woodville Alliance</li> <li>• Chester Hills Neighbourhood Centre</li> <li>• Junction Neighbourhood Centre</li> <li>• Anglicare</li> <li>• Service NSW</li> <li>• Muslim Care</li> <li>• Community Care Kitchen.</li> </ul>
Planning	
Plan for strong service delivery	<p>We continually update our understanding of CALD communities within our service area. We use census data and consult CALD agencies to inform our strategies and plans for communication and engagement activities.</p> <p>Sydney Water has a Customer Council with representatives from the Ethnic Communities' Council of NSW, Multicultural NSW and the Illawarra Local Aboriginal Land Council, all of which represent CALD communities. We regularly engage with Customer Council members to gain their feedback on how our planning and operations affect the interests of our diverse customers.</p> <p>Sydney Water is also a member of the Thriving Communities Partnership, which hosts weekly webinars on 'Navigating COVID Together' and other issues that affect the CALD community.</p>

Focus	Activities
Use evidence-driven planning	<p>We always ensure we have proportionate representation of both CALD and Aboriginal and Torres Strait Islander communities in our customer research and engagement activities. In the past financial year, these included:</p> <ul style="list-style-type: none"> <li>• using customer research in our pricing submission to IPART in July 2019</li> <li>• tracking and reporting campaign performance</li> <li>• launching various trackers, including the Residential Sentiment Monitor, Customer Experience Monitor, Service Faults Tracker, Drought Tracker and Stakeholder Perceptions Survey.</li> </ul> <p>For larger customer engagement projects, we hold multilingual focus groups in our key languages.</p> <p>As part of our new Partnering for Success model, we completed a social impact assessment, using available data to identify which CALD communities are most represented, by geographical area, so we can make better use of this information when planning our work.</p>
<b>Engagement</b>	
Collaborate with diverse communities	<p>We celebrate cultural diversity through our portable water station program by being present at events such as Chinese New Year, Lunar New Year and the Carnival of Cultures.</p> <p>Under our Outreach program, we attend culturally diverse events, including a community breakfast in Warilla, Migrant Information Day in Hurstville and an information session at Muslim Care in Campsie.</p> <p>We also attend interagency meetings throughout the year, including at the Fairfield Multicultural Interagency and St Marys Interagency. These meetings provide opportunities for services in the area to discuss local challenges and share successful methods of engagement. They also give us an opportunity to better understand our community and increase awareness of our services and support options. These events have largely been placed on hold due to COVID-19, and we are looking to present or attend them remotely wherever possible.</p>
Understand the needs of people from diverse backgrounds	<p>The permanent water refill stations we have installed through partnerships with councils feature bilingual messaging in highly culturally diverse areas. Interestingly, the water station with the highest daily use has bilingual messaging and is in Cabramatta, where census data states that 83% of residents speak a language other than English at home. As the main Hydration Partner for Cricket NSW, we also engage with CALD communities through their love of cricket.</p>



# Our people

At Sydney Water, we are committed to creating a better life by helping our people to thrive. To achieve a high-performing culture, we focus on attracting and retaining the best people and building a diverse and inclusive workforce. We nurture and develop talent to optimise performance and improve safety and wellbeing. And we build strong and trusting relationships with our employees.

## People and culture

### Attracting and retaining the best people

Our competitive recruitment process focuses on attracting and sourcing the best talent in the market to support our profile of being a diverse, inclusive and flexible workplace. We've shared the stories of our employees to help prospective employees see what it's like to work at Sydney Water, and to validate the authentic and positive accounts they have heard from others. These stories demonstrate our values in action, showing how we promote diversity, inclusion and flexibility in the work we offer.

Our new starters bring fresh perspectives, energy and excitement. Using the Human Centred Design framework of discovering, designing, ideating and prototyping solutions, we create an excellent and uniquely tailored employee experience.

Our approach has been recognised by our industry and peers throughout 2019–20.

### Awards

- We were named runner-up in the **Recruitment Solution of the Year** category of the 2019 Seek Annual Recruitment Industry Awards
- We won the **Best Partner Award** for proactively building and recruiting via our Live Hire Talent Community at the **Inaugural Live Hire Award 2019**
- We won Gold in the **Best Social Talent Acquisition Strategy** category at the Brandon Hall Group's 2020 Excellence in Talent Acquisition Awards
- We won Gold in the **Best Unique and Innovative Talent Acquisition Strategy** category at the Brandon hall Group's 2020 Excellent in Talent Acquisition Award
- Our Partnering for Success (P4S) program was shortlisted in the Recruitment, Consulting and Staffing Association Industry 2020 Awards' **Outstanding Client Award** category
- Our graduate program was ranked second in the **Top Graduate Employers 2020** list compiled by the Australian Association of Graduate Employers..

### Culture and engagement

- The Blue Bus™ program is a culture initiative that Sydney Water uses to help our people understand and practise the behaviours and mindsets that have a positive impact on our everyday interactions at work. Blue Bus provides tools that help people to recognise and adapt their behaviour and mindset to create a constructive culture.
- Since 2018, more than 2,300 of our people have participated in the Blue Bus program. We use Blue Bus principles to support our people, build leadership capabilities and improve our systems. These all help us bring our values to life so we can achieve our vision of creating a better life with world-class water services.

## Learning and development

In 2019–20, we implemented learning and development solutions that increased the capabilities of employees across the organisation. These data-driven role-based solutions are targeted at employees at every level, from those undertaking induction, to graduates and other entry-level staff members, and those in positions of leadership and role transition. They cover program-specific capabilities and operational training.

Our 'Leading at the Frontline' program reinforced Sydney Water's priorities and culture change journey. Around 63% of frontline team leaders who participated in the program agreed it created a higher standard of leadership for the organisation.

We're delivering learning that builds high performance by linking our programs to our strategic priorities. Our graduate programs target skills and job types aligned to the business, with a focus on science, technology, engineering and mathematics (STEM), as well as encouraging diversity in thought and experiences.

**Table 15: Training programs conducted by Sydney Water, 2019–20**

Program	Target	Number of staff members	Focus
Corporate Induction	New starters	408 (across 14 sessions)	Introduction and onboarding
Leading at the Frontline	Line managers	99	Top challenges identified in our learning needs analysis: quality conversations, providing feedback, leading change, supporting inclusion and enabling high performance through coaching and delegation
Environmental Incident Response	Employees and contractors	537	Competency-led training
Managing Underperformance	People leaders	84	Improving performance management and developing a high-performance culture
P4S Go Live	Employees and regional delivery consortia personnel	250	Preparation for the implementation of the P4S model
Role-specific training	Employees	100	Incident Regulator, Notification Awareness, Regulatory Liaison Management, Environmental Incident Management – Clean Up, and Environmental Management – National Parks Access

## Safety and wellbeing

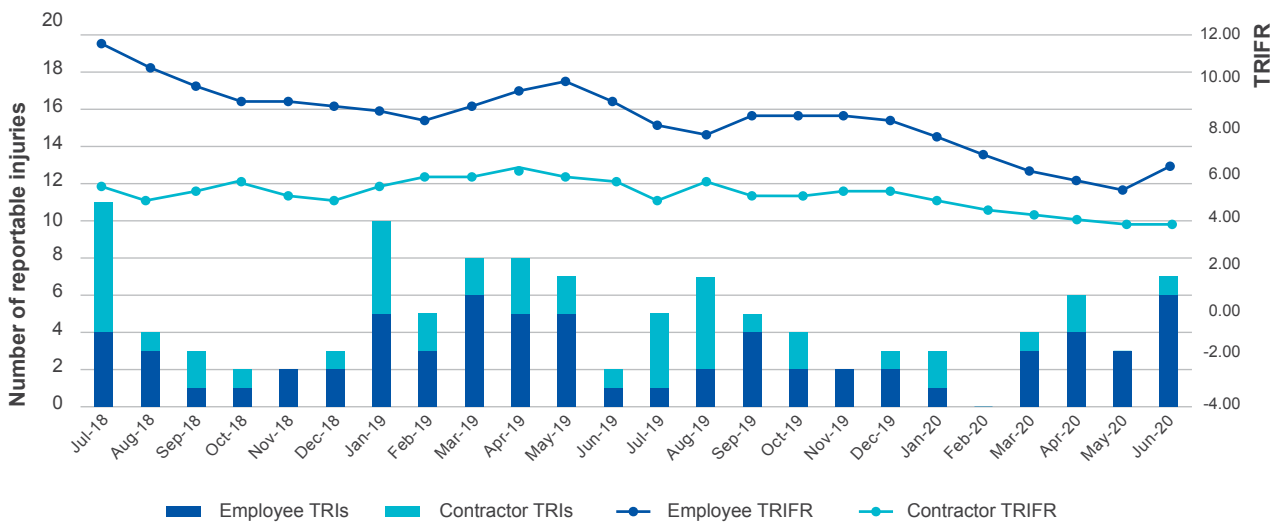
We are committed to continually improving the safety and wellbeing of our people. Over the past year, our people – like our broader community – have faced a range of challenges including prolonged drought, bushfires, significant rain events and the COVID-19 pandemic.

Despite these challenges, safety and wellbeing continue to improve at Sydney Water. This year saw the completion of the Safe and Well Together Strategy 2.0, which enabled us to:

- achieve Sydney Water’s lowest ever Total Recordable Injury Frequency Rate (TRIFR) of 6.4, against a target of 6.9
- reduce workers compensation claims by 51% and cut related insurance premiums by \$1.3 million
- maintain employee engagement with safety initiatives at 81%
- win the Workplace Health, Safety and Wellbeing category of the Australian Psychological Society’s **2019 Workplace Excellence Awards**
- achieve an eight per cent improvement in an independent Safety Maturity Assessment, which means we are now rated as a ‘proactive organisation’
- implement the successful physioCARE program for people involved in manual work, delivering 535 sessions that prevented 33 workers compensation claims
- achieve a high level of participation in the annual R U OK? Day, with 2,000 participants across 60 sites.

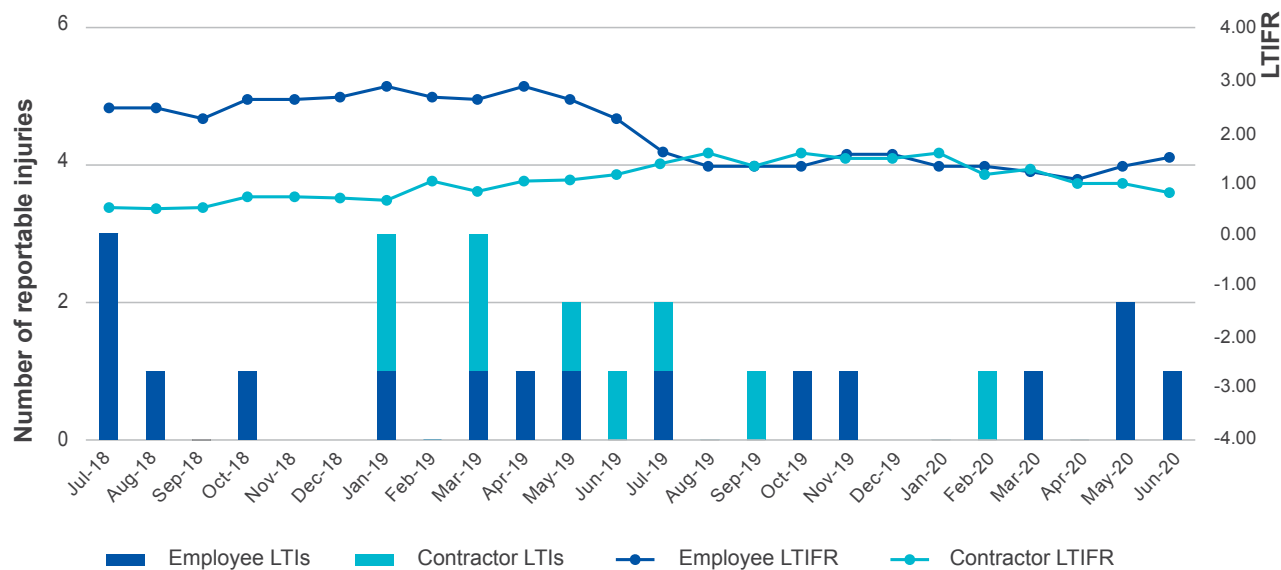
The employee TRIFR decreased from 8.6 in 2018–19 to 6.4 in 2019–20. The number of total recordable injuries (TRIs) decreased by 19%.

**Figure 6: TRIFR for employees and contractors, 1 July 2018 to 30 June 2020**



The employee Lost Time Injury Frequency Rate (LTIFR) decreased from 2.1 in 2018–19 to 1.5 in 2019–20. There were nine lost time injuries (LTIs) in 2018–19 and seven in 2019–20.

**Figure 7: LTIFR for employees and contractors, 1 July 2018 to 30 June 2020**



**Notes:**

- The TRIFR is the number of reportable injuries for each million hours worked. The TRIs consist of LTIs and medical treatment injuries (MTIs)
- The LTIFR is the number of LTIs per million hours worked. An injury is an LTI if the person was away from work for one or more days or shifts
- The results reflect the most recent data at the time of reporting. Historical data has been updated to include any LTIs or MTIs notified since the previous reporting periods
- The results are based on the number of contractor hours reported to Sydney Water.

## Diversity and inclusion

Building a diverse and inclusive workforce culture supports our vision to create a better life for our employees and customers. This allows us to make the best use of the skills and perspectives of our workforce and ensures our people feel valued and respected.

We continue to focus on increasing the participation of women, particularly in STEM areas, operations and leadership. We have also implemented strategies to reduce our gender pay gap, and we are seeking to achieve gender balance in our entry-level programs.

In early 2020, Sydney Water established a Pride Network and joined a cohort of water utilities as a member of Pride in Water. The initiative is an opportunity to create a more inclusive water industry for LGBTIQ+ employees, contractors and customers.

Our employees celebrate diversity through internal events such as International Women's Day, NAIDOC Week, Sorry Day, National Reconciliation Week, International Day Against Homophobia, Transphobia and Biphobia (IDAHOBIT) Day and other culturally significant diversity days and social events.

### Women in the workforce

We monitor the gender balance in our workforce and achieved our enterprise-wide target of 35% female representation in 2019–20. We will continue working to increase the number of women in leadership roles (35.8% against a target of 40%) and in STEM areas (22.5% against a target of 25%).

In 2019–20, we ran a pilot Flourish mentoring program, focusing on women in STEM and operational roles. The program provides opportunities for 12 mentees to further develop their skills and build their network within Sydney Water. We aim to continue this program in 2020–21.

To support diverse hiring, we entered a partnership with FlexCareers, a recruitment platform that connects people with employers offering flexible work. This will help us tap into the talent pool of women and people in diverse age groups seeking supportive flexible work.

The COVID-19 pandemic has increased the need for flexibility, making this partnership especially timely. We have also reviewed our recruitment processes and agreements to ensure they support our diversity goals.

We measure pay parity using guidance from the Workplace Gender Equality Agency. We also identify the difference between average women's and men's earnings, expressed as a percentage of men's earnings. Our gender pay gap for women on individual employment contracts increased slightly to 2.25%.

The following key statistics relate to women in leadership positions who are from culturally and linguistically diverse (CALD) backgrounds, where English is not their first language:

- five women out of a total of 68 women in Level 4 manager and above roles have identified as being from CALD backgrounds representing 7.4% as at 30 June 2020
- Sydney Water invested \$46,751 in training programs – Managing Underperformance and Leading at the Frontline – for female managers and supervisors in 2019–20. Delivery of Leading at the Frontline was postponed due to COVID-19, but two cohorts of the program for City Growth and Development were completed with 45% female participation.

### Leadership for CALD women

Sydney Water takes an inclusive approach to leadership development to provide appropriate training for all leaders at various levels of our organisation. We are particularly focused on advancing people from diverse backgrounds through the following:

- the Leading at the Frontline program includes a stream on inclusive leadership, looking at it from a range of perspectives, including culture, and with an emphasis on 'identify, engage and advocate'
- inductions for the Heads of Business roles (HoB) now include webinars to build understanding of Sydney Water and our priorities, including diversity and inclusion.

## Aboriginal and Torres Strait Islander representation

Our 2018–2020 Reconciliation Action Plan (RAP) has guided our reconciliation activities since July 2018. We are ready to renew the plan, which will remain at the level of an Innovate plan. Our focus will remain on creating business and employment opportunities, raising cultural awareness and building relationships with Aboriginal and Torres Strait Islander peoples.

We have reconstituted our RAP Working Group as the Reconciliation Committee and updated its terms of reference. Our Managing Director is now the executive sponsor of the committee and we have representatives from all management layers and business groups. We marked significant events during the year, including Sorry Day, National Reconciliation Week and NAIDOC Week, to raise awareness and understanding of Indigenous history and culture.

Indigenous representation remained largely unchanged at 0.9% against an enterprise-wide

target of 2% in 2019–20. We continue to focus on opening up employment opportunities. This includes reviewing our early career programs to ensure they provide Aboriginal and Torres Strait Islander peoples with pathways through our graduate, undergraduate, traineeship and work experience programs. Doing so will help us to source and attract Indigenous students.

As part of a University Collaboration Agreement, we signed a memorandum of understanding with four universities: the University of Technology Sydney, the University of Sydney, the University of New South Wales and Western Sydney University. Building stronger relationships with these universities will also help us attract Indigenous students to Sydney Water.

We ran a pilot Indigenous Cultural Competency Workshop, conducted by an Aboriginal trainer, for members of the Reconciliation Committee. Cultural awareness training, will be offered more broadly across Sydney Water in the coming year.

**Table 16: Trends in the representation of workforce diversity groups<sup>19</sup>**

Workforce diversity group	Benchmark <sup>20</sup> (%)	2015–16		2016–17		2017–18		2018–19		2019–20	
		No.	(%)	No.	(%)	No.	(%)	No.	(%)	No.	(%)
Women	50	808	30.9	836	32.6	847	33.2	943	35.3	978	35.0
Aboriginal and Torres Strait Islander peoples	3.3	25	1.1	26	1.0	22	0.9	25	0.9	24	0.9
People whose first language is not English	23.2	425	16.3	398	15.5	379	14.8	360	13.5	363	13.0
People with disability	5.6	49	1.9	40	1.6	35	1.4	32	1.2	28	1.0
People with disability requiring a work-related adjustment	N/A	13	0.5	12	0.5	8	0.3	5	0.2	4	0.1
<b>Total employees</b>		<b>2,611</b>		<b>2,564</b>		<b>2,550</b>		<b>2,669</b>		<b>2,794</b>	

<sup>19</sup> Employee numbers at 30 June 2020.

<sup>20</sup> The NSW Public Service Commission benchmark.

**Table 17: Trends in the distribution of workforce diversity groups<sup>21</sup> – distribution index<sup>22</sup>**

Workforce diversity group	Benchmark/ target	2016	2017	2018	2019	2020
Women	100	100	99	99	97	98
Aboriginal and Torres Strait Islander peoples	100	77	85	86	92	92
People whose first language is not English	100	106	105	109	111	110
People with disability	100	91	93	98	100	101
People with disability requiring a work-related adjustment	100	N/A	N/A	N/A	N/A	N/A

## Total workforce

**Table 18: Workforce numbers, 2015–16 to 2019–20**

Human resources*	2015–16	2016–17	2017–18	2018–19	2019–20
Full-time equivalent – permanent	2,228	2,203	2,172	2,217	2,400
Full-time equivalent – temporary	145	164	200	260	246
Full-time equivalent – part-time	140	94	94	95	113
<b>Total</b>	<b>2,513</b>	<b>2,461</b>	<b>2,466</b>	<b>2,572</b>	<b>2,759</b>
<b>Other</b>					
Agency employees	191	357	280	269	234
Redundancies	35	96	46	79	57
Appointments	214	263	288	427	405
Average turnover (%)	4.8	6.6	8.2	6.1	4.7
Unplanned absences (%)	7.9	7.5	7.7	7.5	6.3

**\*Calculations:**

Workforce numbers are calculated by apportioning the full-time equivalent (FTE) hours worked to the actual head count.

Average turnover represents employee-initiated terminations per rolling 12 months, divided by the average employee head count for the same period.

Unplanned absences is the total number of days of unplanned absences per rolling 12 months, divided by the total number of employees.

## Employee and industrial relations

We're working hard to ensure that our people continue to contribute to significant change across Sydney Water, and are involved in reshaping it for the future. As part of this effort, we're using an engagement model that focuses on building strong and trusting relationships with all employees.

In addition, we have enhanced our technology to support flexible and remote working arrangements, enabled by agile thinking and policy development.

The Sydney Water Enterprise Agreement had a nominal expiry date of 30 June 2020, and we have started negotiating a new agreement.

<sup>21</sup> Information sourced from the NSW Public Service Commission.

<sup>22</sup> A distribution index of 100 indicates that the distribution of members of the workforce diversity group across salary bands is equivalent to that of the rest of the workforce. A score of less than 100 means that members of the workforce diversity group tend to be more concentrated at lower salary levels than other employees. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the workplace diversity group tend to be less concentrated at lower salary bands than other employees. The distribution index is not calculated where a diversity group or non-diversity group has fewer than 20 members. Calculations exclude casual employees.

# Our community

Our community involvement and education programs help us to educate the broader community about the important role water plays in our lives. We offer project-based engagement initiatives; formal education programs that focus on school, tertiary and industry audiences; professional training; and online and physical learning resources. We also provide guest presentations and on-site treatment plant tours for students and educators. During 2019–20, we:

- engaged more than 5,700 people in our education programs before cancelling plans for another 3,400 participants due to COVID-19
- recorded more than 150,000 visits to the education pages of our website, where we share learning resources and tools
- received positive feedback from our education stakeholders, with 97% learning practical ways to be more water wise. This included:
  - 100% saying their learning outcomes were met
  - 95% saying they were extremely likely to recommend our education program to others.

## Water stations

In 2016, in response to customer feedback, we ran a pilot program with Burwood Council to install a water station in Burwood Park. To cater for the large Arabic, Chinese and Korean communities in the area, the messaging that encouraged them to drink tap water was translated into their languages. Sydney Water built on that success by working with 24 councils across Greater Sydney to supply 158 water stations since late 2017.

We translated our messaging into 11 languages for councils with diverse residents, including Chinese, Korean, Arabic, Vietnamese, Dhari, Hindi, Khmer, Assyrian, Napoli, Japanese and Filipino.

In 2019–20, water usage readings for the 158 water stations recorded more than two million litres of water had been consumed. This amounts to a potential reduction in plastic waste going to landfill of more than 42,000 kilograms, as well as protecting our waterways. It also equates to a potential saving to our customers of over \$7 million in unnecessary bottled water purchases.

We also have a fleet of 50 portable water stations we loan out to councils and community events throughout the year. We have supported more than 450 events to date. In 2019–20, we were on target to reach 600 events before COVID-19 caused the cancellation of community gatherings and events. In response, we are converting our stations to touchless technology to further ensure the safety of our community.

To find out more or to locate your nearest water station, visit [lovewater.sydney.gov.au/water-refill-stations](https://lovewater.sydney.gov.au/water-refill-stations).



## Sponsorships and grants

### Cricket NSW

As official Hydration Partner for Cricket NSW since 2015, we position drinking water as the sustainable, affordable and high-quality drink of choice, disrupting the belief that bottled water or sports drinks are ‘cooler’ or ‘trendier’. We have been encouraging cricket enthusiasts from grassroots to elite to ditch the plastic and choose tap water. Since then Cricket fans have helped save over 82,000 plastic bottles ending up in waste.

The sponsorship has proven to be a cost-effective way to promote our brand through activations, community events and social media. In 2019–20, for the second year running, fans ranked us as the number one sponsor of Cricket in NSW. Additionally, our Bring It to Win It campaign, which encourages sustainable drinking water behaviours, won the 2020 Australian Marketing Institute Marketing Excellence Award for Sponsorship Effectiveness and was a finalist in the 2019 B&T Awards for Best Use of Sponsorship. It is also a finalist for the 2020 Australian Marketing Institute Awards for Marketing Excellence in the Sponsorship Effectiveness category.

### Orange Sky Australia

Orange Sky is the world’s first free mobile laundry service for people experiencing homelessness. Currently, more than 1,000 volunteers wash 7,200 kilograms of laundry and provide over 150 showers to homeless people in 160 locations across Australia every week.

In 2018, Sydney Water funded the purchase and fit-out of a bespoke hybrid shower and laundry van to help Western Sydney communities. As the first van of its kind in NSW, and only the third in Australia, it plays an essential role in supporting those in need. Since its launch in April 2018, the van has provided 753 showers, done 1,948 loads of washing and, most importantly, encouraged 3,140 hours of connection and conversation between volunteers (including Sydney Water employees) and friends.

### Community grants

In 2019–20, we awarded a total of \$50,000 in grants to 54 grassroots community organisations across our area of operations. These groups deliver programs that focus on making a difference to health and safety, diversity and inclusion, arts and heritage, or education.

### Beat the Bottle environmental grants

Our Beat the Bottle program aims to bring the community together to keep our rivers, beaches and waterways free of plastic waste. Every year, we remove more than one million plastic bottles from our waterways at a cost of over \$400,000. In 2019–20, we partnered with 11 grassroots community groups across our area of operations to clean up waterways, beaches and parks. Groups applied to be a Beat the Bottle host through our community grants program and we gave them each \$2,000 (including equipment) to support their collection efforts.

## Giving programs

One of our key values is caring for one another, the community and the environment. Our giving initiative brings this value to life by supporting our people to give their time, money or expertise to causes they are passionate about. Our initiatives include dollar-matching payroll donations, charity fundraising and volunteering. Our payroll giving program was a finalist for the Workplace Giving Excellence Awards in the Best Public Sector Program category.

## Fundraising and donations

During bushfires, flooding rains, droughts and COVID-19, our people have continued to show their generous spirit by increasing their charitable giving, and we have supported them. Our donations program is linked to our payroll giving program, which enabled us to support 120 registered Australian charities in 2019–20. By dollar-matching staff donations, we contributed a combined total of \$274,346.

During each November and December, we conduct our Season of Giving Appeal, in which our people vote for a charity or cause important to them. In 2019, they once again chose to support Rural Aid's Buy a Bale Appeal, raising more than \$24,484 for drought-affected rural communities. Soon after – in January 2020 – our employees helped to raise \$25,564 for our Bushfire Relief charities.

**Table 19: Funds granted by Sydney Water, 2019–20**

Program	Organisation	Project	Amount (\$)
<b>Community sponsorships</b>	Cricket NSW	Official hydration sponsor	275,000 <sup>23</sup>
	Illawarra Surf Life Saving Club	Naming rights partner	
	Orange Sky Australia	Western Sydney van sponsor	
	Sculpture by the Sea	Supporting partner	
	WaterAid Australia	Silver sponsor	
<b>Community grants</b>	1st Kurrajong Girl Guides NSW, ACT	Support for local activities or services provided in one of four categories: arts and heritage, health and wellbeing, education, and safety.	50,000
	Achieve Australia Limited		
	Australia Street Infants School Community Organisation		
	Australian Seniors Computer Clubs Association		
	Autism Advisory and Support Service		
	Belmore North Public School		
	Blacktown City Community Radio		
	Campsie Public School		
	Catholic Parish of St Michael Belfield		
	Concord Occasional Childcare Services		
	Crossroads Community Care Centre		
	Diamond Pregnancy Support Inc		
	Douglas Park Little Athletics		
	Drummoyne Pre-School Kindergarten Incorporated		

<sup>23</sup> Sponsorship contracts contain commercial information. We follow standard business practice to keep details commercial-in-confidence.

<b>Program</b>	<b>Organisation</b>	<b>Project</b>	<b>Amount (\$)</b>
<b>Community grants (cont)</b>	Dulwich Hill Public School P&C Association		
	Elonera		
	Gateway Family Services		
	Georges River Life Care Incorporated		
	Glenorie Pre School Kindergarten		
	Healthy Cities Illawarra		
	Illawarra Flame Tree Project		
	Leichhardt Rowing Club		
	Light House Pathways		
	Maia Outrigger Canoe Club		
	Making Do		
	Manly Food Co-Operative		
	Men in Action		
	Millers Point Community Resident Action Group		
	Mt Warrigal Public School P&C Association		
	Parish of Canterbury Hurlstone Park		
	Penrith Community Kitchen Incorporated		
	Police Citizens Youth Clubs NSW		
	Rainbow Club Australia Incorporated		
	Schizophrenia Fellowship of New South Wales		
	Scout Association of Australia – 2nd Baulkham Hills Scouts		
	Scout Association of Australia – Fairlight–Manly Branch		
	Settlement Services International		
	Shalvey High School		
	South West Community Transport		
	South West Sydney Men’s Shed		
	Speakersbank Australia		
	St Francis Social Services		
	St Gabriel’s School		
	St Paul’s Burwood Parish		
	Stanmore Public School Parent’s & Citizens		
	Summer Hill Lakers Netball Club Incorporated		
	Sunnyfield		
	Sutherland Shire Carer Support Service		
	The Ella Community Centre		
	The Girls & Boys Brigade		
	The Greek Orthodox Community of New South Wales		
	The Hills Community Aid & Information Service		
	Victoria Avenue Public School P&C Association		
	Wollongong Emergency Family Housing		

Program	Organisation	Project	Amount (\$)
<b>Beat the Bottle environment grants</b>	Host of The Peace Environment	Support for community action groups to run waterway and beach clean-up events	30,000 <sup>24</sup>
	La Perouse Coastcare		
	Living Word Church International		
	Marist Dragons Dragon Boat Club		
	Splash Without the Trash		
	River Canoe Club of NSW		
	Riverwood Community Centre		
	Seaside Scavenge		
	Surfrider Foundation		
	Sydney Westies		
University of Wollongong			
Surfrider Foundation			
<b>Donations</b>	Payroll donations	Dollar-matching employee donations (120 charities supported)	117,532

## Volunteering

We love connecting with customers through our partnerships and community events. It's a fun and engaging way for our people to engage with the community and demonstrate our values. In 2019–20, our volunteer efforts were affected by COVID-19, which led to the cancellation of our activations at major events such as the Royal Easter Show.

Each year, our people compete in the WaterAid Winnovators global challenge. In 2019, 27 employees from three teams completed the challenge to design and raise funds for a sanitation and hygiene solution for a country that does not have access to reliable and safe water or sanitation. The teams raised more than \$27,000 for WaterAid and won national prizes in the categories of Best Community Approach and Best Innovation for their solutions and fundraising efforts.

<sup>24</sup> Amount includes cash and in-kind contributions.

## Preserving and protecting our past

We own more than 200 heritage-listed assets that we actively protect for future generations.

We maintain a *Heritage and Conservation Register (S170 Register)* that lists our assets that have state or local heritage significance. For each state heritage listed asset, we have a conservation management plan, which includes historic photographs, drawings and general research, to help us maintain their heritage value.

## Heritage delegation actions

Sydney Water has regulatory power to approve and endorse certain work on our assets listed on the State Heritage Register.

We can grant excavation permits and/or exempt work that could impact archaeological sites in our area of operations. We can also endorse conservation management plans and strategies for assets listed on the register.

**Table 20: Decisions made under the Heritage Council of NSW delegation, 2019–20**

Site	Work completed
<b>Decision approved under section 60</b>	
Pipehead Guildford	Relocation of chlorine analysers
Prospect Reservoir and site	Changed ground levels in the old quarry from the placement of excavated natural material
Prospect Reservoir and site	Upgrade to water pumping station WP184A
Ryde Pumping Station and site	Constructed new switch room inside Boiler House
<b>Decision approved under section 57(2) standard exemptions</b>	
Botany Wetlands	Installed new pathway (4 & 7)
Buckland Convalescent Home	Performed works at Springwood Reservoir site (7)
Potts Hill Reservoirs and site	Film set established in former reservoir (7 & 11)
Potts Hill Reservoirs and site	Bore holes and test pits (7)
Prospect Reservoir and Site	Installed solar panels on WP0239 (7)
Prospect Reservoir and Site	Film set established on site (7 & 11)
Prospect Reservoir and Site	Performed works associated with the upgrade to Water Filtration Plant (7)
Ryde Pumping Station and site	Bore holes for road widening (7)
Ryde Pumping Station and site	Undertook electrical upgrade and associated works (7)
Upper Canal, Liverpool Dam	Bore holes for exploratory works (7)
Woronora Dam site	New chemical store (7)
<b>Decision approved under section 139(4) exceptions</b>	
McGarvie-Smith Farm	Performed geotechnical works
Pressure Tunnel Shaft 14	Undertook electrical works



The Sydney Water Board of Directors.  
Our strong governance framework is essential for a sustainable future.



# 03

## Corporate governance

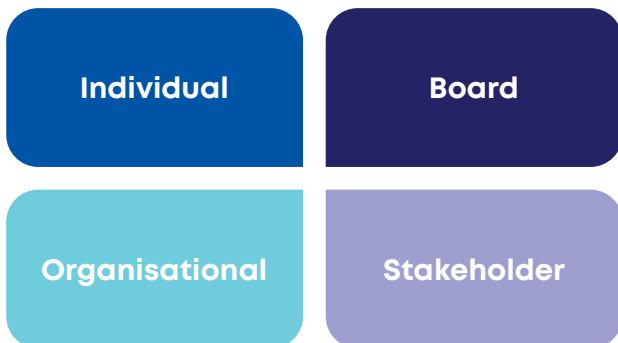
# Corporate governance

The Board and Executive recognise that strong corporate governance is essential for Sydney Water to be a high-performing organisation with a sustainable future. Our governance framework helps us to:

- deliver the outcomes our shareholders expect
- support our people and business operations
- set the framework for sound ethical, financial and risk management practices, and effective compliance and auditing programs.

The Board has adopted the Australian Institute of Company Directors (AICD) Corporate Governance Framework, which outlines the practices of good corporate governance across four major quadrants of focus and engagement.

**Figure 8: AICD Corporate Governance Framework**



The framework aligns with the *ASX Corporate Governance Principles and Recommendations (4th Edition)* and the Audit Office of NSW Governance Lighthouse model. It serves as the basis for measuring the activities of the Board and management against corporate governance best practice.

Under the Board Charter, the Board assesses its performance each year. In 2020, the Board conducted a self-assessment evaluation of its performance.

The Board also complies with the NSW Treasury's *TPP17-10 Guidelines for Governing Boards of Government Businesses*.

## Board of Directors

In line with the *Sydney Water Act 1994 (NSW)*, the *State-Owned Corporations Act 1989 (NSW)* and the Constitution of Sydney Water, the Board consists of a Chairperson and up to nine other Directors appointed by the shareholders.

The Portfolio Minister publicly advertises for nominations for Board members. All members of the Board, except the Managing Director, are appointed for terms of up to three years, which may be renewed by the shareholders. A Non-executive Director's remuneration is set by the shareholders and paid by Sydney Water.

## The Board's role and responsibilities

The Board is responsible for the corporate governance of Sydney Water. This includes:

- approving the strategic direction
- establishing performance targets as set out in the Statement of Corporate Intent (SCI)
- monitoring the achievement of those targets
- reviewing internal control systems, corporate governance frameworks and compliance.

The Board strives to honestly, fairly and diligently serve the interests of the shareholders, employees, suppliers, customers and broader community. It delegates responsibility to the Managing Director for implementing the strategic direction and managing Sydney Water's day to day operations. The Board operates according to its Board Charter, which complements the Constitution and the Directors' Code of Conduct.



## Director independence

All Non-executive Directors on the Board are independent. They are subject to duties and responsibilities regarding conflicts of interest, including a disclosure requirement. The Corporate Secretary maintains a Register of Disclosures, which is reviewed annually, and Directors are invited to declare any conflicts of interest (perceived or actual) at the start of each Board meeting.

## Indemnity and insurance

In line with the *State-Owned Corporations Act 1989* (NSW) and the Constitution of Sydney Water, all Directors have been granted indemnity, with the approval of our shareholders, in accordance with the NSW Treasury TPP18-04 Directors and *Officers Indemnity Policy for State Owned Corporations*.

Sydney Water has an insurance policy for Directors' and Officers' liability, which underpins and augments the Deed of Indemnity. These insurance arrangements do not cover conduct involving lack of good faith or wilful breach of duty.

## Board of Directors skills matrix

The Board considers that its membership should comprise Directors who collectively bring a broad range of skills, expertise and experience. The Board has identified its desired collective skillset and the target number of Directors who should be specialists in each of these areas. It is not expected that Directors will have specialist skills in all areas.

The skills matrix enables the Board Nominations Committee to identify any gaps in the Board's collective skills that should be addressed.

**Table 21: Board of Directors skills matrix at 30 June 2020**

Skills and experience	Explanation	Target number of Directors at the desired specialist level of competency	Status
Commercial/business experience acumen	Experience at senior executive level within a large and complex business	2	▲
Engineering and safety	Experience at senior executive level in providing engineering or safety services and products, including overseeing work health and safety systems	2	▲
Health	Technical and professional expertise in protecting public health as it relates to water	1	▲
Environment	Technical and professional expertise in water resource management and environmental protection practices	1	▲

Skills and experience	Explanation	Target number of Directors at the desired specialist level of competency	Status
Financial literacy	Expertise in financial statements and drivers of financial performance within a large and complex business, including finance controls and audit standards	2	▲
Strategy development and implementation	Expertise in developing, setting and implementing clear strategic direction, including for growth	3	▲
Strategy development and implementation	Expertise in developing, setting and implementing clear strategic direction, including for growth	3	▲
Corporate governance	Experience with the highest standards of corporate governance, including overseeing governance frameworks	2	▲
Risk management	Experience in applying and overseeing risk management frameworks and regulatory relationships	2	▲
Law	Qualifications in law and/or experience in interpreting and applying relevant legislative frameworks within a large and complex business	1	▲
Digital services/strategy	Experience and expertise in developing, selecting and implementing leading business transformational technology, including responding to digital disruption	1	▲
Government/state-owned corporation	Government and/or state-owned corporation expertise, with an understanding of public policy objectives and commercial policy frameworks	2	▲
Capital markets/investments	Expertise in banking, debt capital markets and investments	1	▲
Public affairs/economic reputation	Experience managing public affairs and reputation risk, including key stakeholder and reputation management	2	▲

#### Performance indicator key

▲ Target met or exceeded    ■ Target not met

# Sydney Water Board Directors



## Bruce Morgan

BComm, FCA, FAICD, Adjunct Professor  
University of New South Wales

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### Chairman

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**Chairman:** 1 October 2013  
to current

**Director:** 1 January 2012 to  
30 September 2013

**Chairman of the Nominations  
and Remuneration Committees**

#### Skills and experience

Bruce has extensive business experience as a Non-executive Director, including in water, energy and transport fuels, and through his executive career in the audit and professional services industry.

He was Chairman of the Australian PwC Board for six years until 2012, when he retired as a partner. He was also a member of the PwC International Board for four years and managing partner of its Sydney and Brisbane offices.

#### External appointments

Bruce is a Non-executive Director of Origin Energy Limited, Chair of Transport Holding Entity of New South Wales (TAHE), Deputy Chair of the European Australian Business Council, a director of the University of NSW Foundation and of Redkite Pty Ltd, and a former Director of Caltex Australia Limited.



## Roch Cheroux

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### Chief Executive Officer and Managing Director

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**Managing Director:**  
2 September 2019 to current

**Member of the Safety and Wellbeing,  
Planning and Infrastructure,  
Remuneration and Nominations  
committees**

#### Skills and experience

Roch is a key influencer in the water industry, with experience shaping and leading public and private corporations across the Asia-Pacific region and Europe. In his previous role as Chief Executive of SA Water, he led the transformation of South Australia's largest water utility, embedding changes to technology, culture and systems to improve the experiences of the corporation's 1.6 million customers. Before joining SA Water, Roch was Chief Executive Officer of SUEZ for South East Asia and SUEZ-Degrémont Australia and New Zealand, Managing Director of United Utilities Asia and Pacific (TRILITY), and Chief Executive and Chairman of Tallinn Water in Estonia.

He holds formal qualifications in engineering and business management and seeks to champion innovation, diversity and reconciliation in the workplace.

#### External appointments

Roch is a Non-executive Director of Water Services Association of Australia and a member of the French-Australian Chamber of Commerce Advisory Council.



## Trevor Bourne

BSc (Mech Eng), MBA, FAICD

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### Non-executive Director

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**Director:** 10 February 2014  
to current

**Chairman of the Safety and  
Wellbeing Committee**

**Member of the Planning and  
Infrastructure, Remuneration  
and Nominations committees**

#### Skills and experience

Trevor brings management experience, including as chief executive officer, in manufacturing, logistics, engineering and large-scale projects. He is an experienced non-executive director, having served on public and private company boards for more than 20 years. He is a leader and advocate for work health and safety improvements.

#### External appointments

Trevor is Chairman of Senex Energy Limited and a Non-executive Director of Virgin Australia Holdings Limited and Transport Holding Entity of New South Wales (TAHE). Formerly, he was a Non-executive Director of Caltex Australia Limited and Origin Energy Limited, and Managing Director of Brambles Australasia.



## Dr Marlene Kanga AM

BTech, MSc, PhD, Hon FIEAust,  
Hon FIChemE FTSE, FAICD

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### Non-executive Director

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**Director:** 10 February 2014  
to current

**Chair of the Planning and  
Infrastructure Committee**

**Member of the Safety and  
Wellbeing, Remuneration and  
Nominations committees**

#### Skills and experience

Marlene is an experienced business leader and non-executive director. She has more than 30 years' experience in the chemical and process engineering industry in Australia and New Zealand. Marlene is a past national president of Engineers Australia. She is a Member of the Order of Australia in recognition of being one of Australia's leading women engineers and for her contribution to the engineering profession.

#### External appointments

Marlene is a Non-executive Director of Air Services Australia, Business Events Sydney and Standards Australia. She sits on several other boards, focusing on innovation and commercialisation of new technologies. Marlene is also the Immediate Past President of the World Federation of Engineering Organisations, representing 100 nations and more than 30 million engineers.



## Dr Abby Bloom

BA (High Hons), MPH, PhD, FAICD,  
Adjunct Professor University of Sydney and  
University of Technology Sydney

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### Non-executive Director

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**Director:** 1 January 2013  
to current

**Member of the Audit and Risk,  
Planning and Infrastructure,  
Remuneration and Nominations  
committees**

#### Skills and experience

Abby is an experienced company director and former senior executive and corporate adviser in health care, insurance, utilities, water and wastewater, and ageing. During her 10 years at the US Department of State, Abby was the Senior Health, Water and Sanitation Policy Advisor, responsible for US foreign aid water and health policy and programs globally. She subsequently held senior executive and advisory roles in health, infrastructure and insurance in Australia and globally.

#### External appointments

Abby is a Non-executive Director of the State Insurance Regulatory Authority (SIRA), the Sydney Children's Local Health Network, Cadenza Innovation Inc. and the advisory boards of Griffith University Enterprise and ID Exchange.

An accredited independent risk and audit specialist, Abby chairs SIRA's Audit and Risk Committee (ARC) and serves on the ARCs of boards of Rookwood General Cemetery, Southern NSW Local Health District, Luminesce Alliance and NSW Department of Communities and Justice.



## Greg Couttas

BComm, FCA, MAICD

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### Non-executive Director

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**Director:** 17 November 2016  
to current

**Chairman of the Audit and  
Risk Committee**

**Member of the Safety and  
Wellbeing, Remuneration and  
Nominations committees**

#### Skills and experience

Greg brings to the Board significant finance and risk management expertise, having served as a senior audit partner at Deloitte for 28 years until his retirement in November 2016. He held several senior management roles at Deloitte, including Managing Partner for NSW from 2005 to 2008. Greg served as a member of the Deloitte Australia Board from 2005 to 2016 and was Chairman of the firm's Audit and Risk Committee for 11 years.

#### External appointments

Greg is a Non-executive Director of Virtus Health Limited, Hireup Pty Ltd, Victoria Power Networks and SA Power Networks Pty Ltd. He is also a member of the governance board of The Salvation Army Australian Territory



## Richard Fisher AM

MEc, LLB, MAICD

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### Non-executive Director

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**Director:** 1 January 2012 to current

**Member of the Audit and Risk, Planning and Infrastructure, Remuneration and Nominations committees**

#### Skills and experience

Richard brings to the Board extensive general and commercial law expertise. He is General Counsel of the University of Sydney and is an Adjunct Professor in the University's Faculty of Law. Formerly, Richard was a Partner at Blake Dawson (now Ashurst) and Chairman of Partners. Richard was a part-time Commissioner of the Australian Law Reform Commission and an international consultant for the Asian Development Bank.

#### External appointments

Richard was formerly the Chairman of InvoCare.



## Cameron Robertson

MEc, FIAA, GAICD

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### Non-executive Director

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**Director:** 21 December 2017 to current

**Member of the Audit and Risk, Planning and Infrastructure, Remuneration and Nominations committees**

#### Skills and experience

Cameron's executive career includes roles in investment banking, asset management, asset development, social services and not-for-profit organisations. He was a Managing Director and executive lead for the Infrastructure and Utilities group at Deutsche Bank and has worked at Lendlease. He has extensive commercial and public markets experience in debt structuring, advisory and complex finance transactions. He also has worked in public policy and management with a large not-for-profit organisation.

#### External appointments

Cameron is a Non-executive Director of WestConnex, the Worsley Cogeneration Plant and the Peninsula Link Road public-private partnership. He is also a member of the Direct Asset Committee for Aware Super.



## Craig Roy

MSc, MBA, FAICD

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### Non-executive Director

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**Director:** 1 January 2019 to current

**Member of the Planning and Infrastructure, Safety and Wellbeing, Remuneration and Nominations committees**

#### Skills and experience

Craig brings to the Board extensive experience in research and commercialisation strategy, innovation and entrepreneurship across a wide range of global projects and industry sectors. He is skilled in business sustainability in complex social, stakeholder and environmental settings. As a meteorologist and oceanographer, he understands the environment and climate change and its impacts on business. Craig was Deputy Chief Executive Officer of the CSIRO from 2010 to 2018. His career includes two decades as an officer of the Royal Australian Navy.

#### External appointments

Craig is Chairman of Australian Research Data Commons and Silex Systems Limited.

He was formerly the Chairman of Data61, a Non-executive Director of the Australian National Commission for UNESCO and a Vice Chancellor's Industry Board member for the University of Technology Sydney.

## Board committees

The following permanent committees have been convened.

### Audit and Risk

**Purpose:** To oversee Sydney Water's financial reporting, evaluate audit processes, and assess the risk and control environment for financial and non-financial risk.

**Members:** G Couttas (Chair), R Fisher, A Bloom, C Robertson

### Safety and Wellbeing

**Purpose:** To oversee Sydney Water's strategy and performance for safety and wellbeing.

**Members:** T Bourne (Chair), M Kanga, G Couttas, C Roy and R Cheroux

### Planning and Infrastructure

**Purpose:** To oversee Sydney Water's strategic approach to planning for Greater Sydney, including asset investment, and its environment and regulatory strategies.

**Members:** M Kanga (Chair), R Fisher, A Bloom, T Bourne, C Robertson, C Roy and R Cheroux

### Nominations

**Purpose:** To assist the Board in fulfilling its corporate governance responsibilities with regard to Director appointments and reappointments.

**Members:** B Morgan (Chair), A Bloom, T Bourne, G Couttas, R Fisher, M Kanga, C Robertson and C Roy

### Remuneration

**Purpose:** To oversee Sydney Water's people strategy including remuneration, capability, talent management and succession planning.

**Members:** B Morgan (Chair), A Bloom, T Bourne, G Couttas, R Fisher, M Kanga, C Robertson, C Roy and R Cheroux

## Board meetings and attendance

The Board meets monthly, except in January and June (unless required). Meetings are held in line with Sydney Water's Constitution following an annual schedule of set meeting dates and additional meetings called when Directors see fit. Eleven meetings were held in 2019–20.

**Table 22: Directors' meetings, 2019–20**

	Meeting Number held	Board of Directors	Audit and Risk Committee	Planning and Infrastructure Committee	Safety and Wellbeing Committee	Nominations Committee	Remuneration Committee
<b>Directors</b>		<b>11</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>1</b>
B Morgan		(C) 11	4 <sup>25</sup>	4 <sup>25</sup>	4 <sup>25</sup>	(C) 2	(C) 1
A Bloom		11	5	4	1 <sup>25</sup>	2	1
T Bourne		11	4 <sup>25</sup>	4	(C) 4	2	1
G Couttas		11	(C) 5	4 <sup>25</sup>	4	2	1
R Fisher		10	4	4	0 <sup>25</sup>	2	1
M Kanga		10	4 <sup>25</sup>	(C) 4	3	2	1
C Robertson		11	5	4	2 <sup>25</sup>	2	1
C Roy		11	2 <sup>25</sup>	4	4	2	1
R Cheroux <sup>26</sup>		8	3 <sup>25</sup>	3	3	1 <sup>25</sup>	
K Young <sup>27</sup>		1					

**Notes:** The above table reflects meetings attended by all Directors as members or observers. The Board held a strategy session with the Executive on 2 December 2019. This session is not counted as a Directors' meeting. (C) Committee Chairperson.

<sup>25</sup> Not a member of the Committee and attended as an observer.

<sup>26</sup> Roch Cheroux joined the Board effective 2 September 2019 and has attended all meetings since his appointment.

<sup>27</sup> Kevin Young resigned effective 31 July 2019.

## Executive team and organisation structure

**Table 23: Organisation as at 30 June 2020**

<p><b>Chairman:</b> Bruce Morgan</p> <p><b>Managing Director:</b> Roch Cheroux</p> <p><b>Non-executive Directors:</b> Dr Abby Bloom, Trevor Bourne, Richard Fisher AM, Dr Marlene Kanga AM, Greg Couttas, Cameron Robertson and Craig Roy</p>	
<p><b>Customer, Strategy and Engagement</b> General Manager: Maryanne Graham BComms (Journalism and Public Affairs), MAICD</p>	<ul style="list-style-type: none"> <li>• Strategy and Corporate Social Responsibility</li> <li>• Competition and Regulation</li> <li>• Stakeholder Engagement</li> <li>• Government and Media Relations</li> <li>• Customer and Community Engagement</li> <li>• Brand and Communication</li> <li>• Customer Direction and Experience</li> </ul>
<p><b>Asset Lifecycle</b> General Manager: Paul Plowman BEng (Civil), MBA</p>	<ul style="list-style-type: none"> <li>• Engineering and Technical Support</li> <li>• Major Projects Delivery</li> <li>• Property Services</li> <li>• Infrastructure Investment and Asset Performance</li> <li>• Program Delivery</li> <li>• Systems and Asset Planning</li> </ul>
<p><b>Customer Service</b> General Manager: Kathy Hourigan</p>	<ul style="list-style-type: none"> <li>• Billing and Revenue</li> <li>• Contact Centre</li> <li>• Customer Metering and Accounts</li> <li>• Business Customers</li> <li>• Customer Hub</li> <li>• Customer Programs</li> </ul>
<p><b>Customer Delivery</b> General Manager: Bernie Sheridan BEng (Mechanical), MBA, MIEAust</p>	<ul style="list-style-type: none"> <li>• Laboratory Services</li> <li>• Network Regional Operations and Maintenance</li> <li>• Networks Field Operations</li> <li>• Water Resource Recovery</li> <li>• Water Supply and Production</li> <li>• Specialised Services</li> <li>• Work Programming and Optimisation</li> </ul>
<p><b>People and Culture</b> General Manager: Shelley Tate BComm, MBA, GAICD, CAHRI</p>	<ul style="list-style-type: none"> <li>• Change and Business Improvement</li> <li>• Learning and Development</li> <li>• Workforce Planning and Insights</li> <li>• People, Partnering and Services</li> <li>• Safety, Health and Wellbeing</li> <li>• Diversity and Inclusion</li> <li>• Culture and Performance</li> </ul>
<p><b>Governance and Assurance</b> General Manager and Corporate Secretary: Denisha Anbu BA, LLB (Hons 1), LLM, GAICD, FGIA</p>	<ul style="list-style-type: none"> <li>• Internal Audit</li> <li>• Management Systems</li> <li>• Risk and Compliance</li> <li>• Water Quality</li> <li>• Wastewater and Environment</li> <li>• Legal, Claims and Secretariat</li> <li>• Resilience and Climate Change Adaption</li> <li>• Protective Security</li> </ul>

<p><b>Finance and Business Performance</b> Interim General Manager: Ken Picard BComm (Hons), FCA</p>	<ul style="list-style-type: none"> <li>• Business Connect</li> <li>• Procurement</li> <li>• Business Planning</li> <li>• Finance</li> <li>• Supply Chain</li> <li>• Business Performance</li> </ul>
<p><b>Business Development</b> General Manager: Chris Gould LLB/BComm</p>	<ul style="list-style-type: none"> <li>• Innovation and Product Development</li> <li>• Business Partnership Development</li> <li>• City, Growth and Development</li> <li>• Western Sydney Development</li> </ul>
<p><b>Digital Business</b> General Manager: George Hunt BSc (Hons) Engineering, MSc (Dist) Information Systems</p>	<ul style="list-style-type: none"> <li>• Data and Analytics</li> <li>• Digital Portfolio and Project Management</li> <li>• Digital Risk and Strategic Assurance</li> <li>• Operational Experience and Support</li> <li>• Digital Infrastructure Programs</li> <li>• Digital Experience and Support</li> <li>• Operational Technology Programs</li> <li>• Digital Service Management</li> <li>• Digital Business Programs</li> </ul>

## Risk management

Sydney Water has an Enterprise Risk Management Framework to help us meet our strategic objectives and corporate governance accountabilities.

We use a single risk management approach across the organisation to minimise the potential adverse impacts of uncertainty, while maximising opportunities to enhance value for our shareholders and customers and achieve our corporate goals.

Our framework is consistent with the risk management standard AS ISO 31000:2018 – *Risk management – Guidelines*, and we voluntarily conform to *TPP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector*.

Our Risk Management Policy confirms and communicates our commitment to adopting an Enterprise Risk Management Framework that encourages a risk-aware culture. This ensures that employees and contractors proactively identify, communicate and manage risks throughout our decision-making.

The Sydney Water Board Risk Appetite Statements help us:

- identify risks and develop strategies to manage these risks consistently
- act appropriately within the limits of our risk appetite
- achieve Sydney Water’s objectives.

Our Board is supported by subcommittees that oversee risks related to their respective core functions, such as public health, environment, safety and financial matters. The Board’s Audit and Risk Committee monitors the effectiveness of the Enterprise Risk Management Framework and advises the Board on risk exposures and the effectiveness of our risk management activities. Our Executive team manages and monitors risks relating to our day to day operations and the delivery of corporate objectives.



**Table 24: Summary of enterprise risks associated with our Lifestream strategy, 2019–20**

Corporate strategy objective	Risk theme	Risk management outcome
Customer at the heart	Customer sentiment and experience	Prioritise and deliver outcomes our customers value, with minimal disruption to our customer base
World-class performance	Asset planning and delivery	Plan and deliver critical infrastructure that meets regulator, stakeholder and customer expectations
	Asset operations	Manage business interruptions to sustain critical operations
High-performance culture	Public health	Proactively manage events that could affect public health and deliver water quality that meets or exceeds guidelines
	Safety and wellbeing	Proactively prevent and manage serious, multiple or repeated injuries to, or the death of, workers and members of the public
	Environment	Protect, restore and enhance the quality of our environment to the satisfaction of our regulators, customers and stakeholders

## Insurance

Sydney Water’s insurance program focuses on transferring and mitigating risks. It is a key element of the Enterprise Risk Management Framework.

We regularly review our insurance program to prepare for current and emerging risks. If appropriate, we transfer insurable risks to either the commercial insurance market or to Insurance and Care NSW.

We review the insurance program every year to ensure it:

- is appropriate for our risk appetite
- is relevant
- is effective.

## Legal events

Following are the key changes in law that affected Sydney Water between 1 July 2019 and 30 June 2020.

### **Water Management (General) Amendment (Groundwater Exemptions) Regulation 2019 (NSW)**

On 6 December 2019, the Water Management (General) Amendment (Groundwater Exemptions) Regulation 2019 (NSW) was passed. It provides for exemptions from the requirement to hold a water access licence under the *Water Management Act 2000* (NSW) for the following activities:

- *the taking of more than 3 megalitres of groundwater in a water year from specified groundwater sources when using a water supply work for the purposes of excavation required for certain construction work in certain circumstances*
- *the taking of up to 3 megalitres of groundwater in a water year by a certain aquifer interference activity for a purpose other than consumption.*

Sydney Water can rely on these exemptions when undertaking construction and maintenance activities.

### **Work Health and Safety Amendment (Review) Act 2020 (NSW)**

On 10 June 2020, the *Work Health and Safety Amendment (Review) Act 2020* (NSW) commenced, amending the *Work Health and Safety Act 2011* (NSW) and the *Work Health and Safety Regulation 2017* (NSW).

This Act implements proposals based on recommendations of the 2018 *Review of the model Work Health and Safety laws: Final report*. It also implements changes as recommended by the *Work Health and Safety Act 2011 Statutory Review Report* in relation to the application of the *Work Health and Safety Act 2011* (NSW) to dangerous goods and high-risk plants.

### **COVID-19 Legislation Amendment (Emergency Measures) Act 2020 (NSW)**

On 24 March 2020, the NSW Parliament passed an Emergency Bill consisting of amendments to existing laws to reduce the spread of COVID-19. The Act implements emergency, temporary measures to 20 NSW Acts. These amendments are aimed at reducing the risk of transmission by enhancing the enforcement of public health orders, limiting unnecessary human interaction, and introducing flexibility into procedures. The amendments generally have sunset clauses of between six and 12 months.

Under the Act, amendments have been made to the *Electronic Transactions Act 2000* (NSW) to enable the making of regulations that alter arrangements in respect of signatures and witnessing of documentation, verification of identity and attestation of documents.

### **Electronic Transactions Amendment (COVID-19 Witnessing of Documents) Regulation 2020 (NSW)**

On 25 April 2020, the *Electronic Transactions Amendment (COVID-19 Witnessing of Documents) Regulation 2020* (NSW) commenced, introducing new provisions for witnessing documents during COVID-19. The Regulation allows a person to witness a document by audio-visual link if they observe the signing of the document in real time, and then sign the document, or a copy of the document themselves. The Regulation applies to (at least) Wills, Powers of Attorney, including Enduring Powers of Attorney, Deeds or Agreements, Enduring Guardianship Appointments, Affidavits and Statutory Declarations. The Regulation also allows matters incidental to witnessing documents (such as verifying a person's identity) to occur by video link. The provisions under this Regulation expire on 25 October 2020.

## Privacy principles

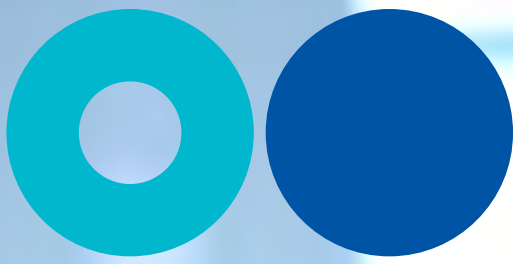
We're committed to protecting the personal information of our customers, business partners, employees and the public. We treat personal information according to the applicable provisions of the *Privacy and Personal Information Protection Act 1998* (NSW) and the *Health Records and Information Privacy Act 2002* (NSW) as stated in clause 13.3 of our *Customer Contract*.

Sydney Water will:

- only collect relevant personal information for lawful purposes, directly related to our activities
- protect personal information from misuse and unauthorised access
- only use personal information in certain circumstances, and:
  - take reasonable steps to check the accuracy of personal information before using it
  - not give personal information to other organisations for marketing purposes
  - only use personal information for the purposes for which it was collected
- ensure employees who deal with personal information are aware of their obligations to protect privacy
- never disclose information that we expect customers, or their representatives, to know
- only disclose personal information to third parties if:
  - authorised or required to by law
  - we have verbal or written authority
  - we can reasonably assume, in the circumstances, that the person would consent
  - there is a danger of injury or loss of life
  - our contractors need the information for essential activities
- allow people to access their personal information and amend it if incorrect

In 2019–20, we:

- processed 165 privacy matters, which included:
  - 155 general privacy enquiries, of which seven were raised by external parties
  - 10 matters investigated using NSW Privacy Commissioner protocols
- reviewed 24 initiatives for privacy impacts
- completed a review of our privacy incident procedure and published it to the intranet
- provided input into NSW Government privacy related to regulatory reform and policies
- promoted Privacy Awareness Week through corporate communication channels
- presented to work groups to promote better understanding of privacy
- participated in Privacy Practitioner's Network events.

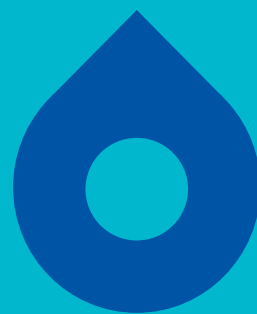


We practise robust risk, commercial and financial discipline.  
We are socially responsible and are champions for the  
environment, public health and resilience.



# 04

## Financial statements



# Financial performance

As a state-owned corporation, we must operate as efficiently as any comparable business and maximise the net worth of the NSW Government's investment.

Each year, Sydney Water's Board agrees on a Statement of Corporate Intent (SCI) with the shareholders. The SCI includes key business objectives, commercial performance and income targets, operational expenditure and capital investment. It also forms the basis of our yearly budget.

During 2019–20, our net profit after tax (NPAT) was \$427 million, \$85 million below the SCI target of \$512 million. We recognised a dividend of \$963 million, which was \$29 million

higher than the SCI target of \$934 million.

The lower profit was due to lower revenue of \$96 million, driven by lower water consumption during an extended period of drought and related water restrictions. It was also due to higher operating expenses of \$60 million in relation to drought response initiatives and higher levels of reactive maintenance expenses, which were partly offset by lower borrowing expenses of \$30 million.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year were \$1,466 million, which was \$156 million under the SCI target of \$1,622 million.

**Table 25: Profit and loss statement, 2016–17 to 2019–20**

Financial performance target	2016–17 result	2017–18 result	2018–19 result	2019–20 result	2019–20 SCI budget	2019–20 variance to SCI budget
Total income (\$m)	2,659	2,898	2,927	2,967	3,063	(96)
Operating expenses (\$m)	1,310	1,336	1,471	1,501	1,441	(60)
EBITDA (\$m)	1,349	1,563	1,456	1,466	1,622	(156)
Depreciation, amortisation, impairments and loss on asset sales (\$m)	284	303	317	389	393	4
Borrowing expenses (\$m)	430	446	457	468	498	30
Total expenses (\$m)	2,024	2,085	2,245	2,358	2,332	(26)
Net profit before tax (NPBT) (\$m)	635	814	682	609	731	(122)
Income tax expense (\$m)	188	242	203	182	219	37
NPAT (\$m)	447	572	479	427	512	(85)
Dividend (\$m)	291	546	915	963	934	(29)
Return on assets (%)	6.0	6.8	5.8	5.1	6.0	(0.9)

Financial performance target	2016–17 result	2017–18 result	2018–19 result	2019–20 result	2019–20 SCI budget	2019–20 variance to SCI budget
Funds flow from operations	648	880	672	612	836	(224)
Funds flow interest cover (times)	2.5	3.2	2.6	2.3	2.3	0
Capital investment program <sup>28</sup> (\$m)	602	790	833	843	852	11
Gearing ratio (%)	50	50	55	58	59	1

## Income

- Total income for the year was \$2,967 million, which was \$96 million below the SCI target of \$3,063 million
- Regulated income was \$2,686 million, which was \$115 million lower than the SCI target of \$2,801 million. This was due to lower water sales than the SCI target
- Non-regulated income was \$281 million, which was \$19 million above the SCI target of \$262 million.

## Property sales

During 2019–20, we sold 13 properties that were surplus to needs at a total gross sale price of \$3.9 million. We completed all sales in line with accepted NSW Government disposal standards and guidelines. Members of the public can request access to documents regarding property disposal under the *Government Information (Public Access) Act 2009* (NSW).

## Expenditure

Total expenses for the year were \$2,358 million, which was \$26 million above the SCI target of \$2,332 million. This was mainly due to:

- higher operating expenses (\$60 million above SCI target) due to drought response initiatives and higher levels of reactive maintenance expenditure
- annual borrowing expenses (interest expense and government guarantee fees), which were \$30 million below budget due to lower interest rates and lower indexation costs on inflation-indexed debt
- lower depreciation, amortisation, impairments and loss on asset sales, which were \$4 million below SCI target.

## Time for payment of accounts

Sydney Water did not pay any penalty interest payments during 2019–20 for late payments to creditors.

## Funds flow from operations

Cash (funds flow) from our operations in 2019–20 was \$612 million. This was \$224 million lower than our target, due to lower water sales and high operating costs, driven mainly by drought-related activities and higher expenditure on reactive maintenance.

<sup>28</sup> The capital investment program numbers exclude unregulated capex and capitalised borrowing costs.

## Funds flow from operations interest cover

The funds flow from operations interest cover ratio was 2.3, in line with our target.

## Investment management

We benchmark our investment portfolio's performance against the NSW Treasury Corporation's cash investment facility. This meets NSW Treasury guidelines and increases our investment returns while maintaining risk controls. In 2019–20, we had no financial investments, as we used surplus cash to minimise debt.

## Debt management

At 30 June 2020, we had \$42.8 million in the bank and our total debt was \$9.8 billion. Our debt portfolio was sourced through the NSW Treasury Corporation and we actively manage it to limit the cost of funds. Additionally, 70% of our total debt was fixed-rate debt maturing out to 2041, with the remaining 30% inflation-indexed debt maturing out to 2035.

**Table 26: Debt management, 2019–20**

	Sydney Water	Benchmark
Market valuation at 30 June 2020 <sup>29</sup> (\$m)	10,626	10,509
Generalised cost of funds 2019–20 (%)	3.46	3.27
Weighted average cost 2019–20 (%)	5.04	6.40

## Cash flow

- Cash receipts from our operations in 2019–20 were \$2,690 million, which was \$105 million higher than in 2018–19.
- Total cash inflows were \$3.6 billion, which was \$343 million less than in 2018–19, due to lower borrowings.
- We used \$1,704 million in cash for operational purposes, which was \$154 million higher than in 2018–19, due to high operational costs.
- Total interest paid was \$362 million, which was \$34 million higher than in 2018–19. Total interest paid includes interest and the government guarantee fee paid on our borrowings.

## Return on assets and equity

Our return on assets for 2019–20 was 5.1%, against a target of 6.0%. The return on equity was 5.8%, against a target of 7.0%, driven by the lower profit result.

## Budget

**Table 27: Budget, 2020–21**

Measure	Budget 2020–21 (\$m)
<b>Total income</b>	<b>2,781</b>
Total operating expenses	1,409
Depreciation, amortisation, impairments and loss on asset sales	400
Borrowing costs	372
<b>Total expenses</b>	<b>2,181</b>
<b>Profit before tax</b>	<b>600</b>
Income tax expense	180
<b>Profit after tax</b>	<b>420</b>

<sup>29</sup> The market value of debt represents the value if all debt had to be retired. This is different to the capital value, which is the value in the financial statements.



## Executive officers

**Table 28: Executive remuneration, 2019–20**

PSSE band equivalent <sup>30</sup>	2018–19		2019–20		Average remuneration (\$)	
	Female	Male	Female	Male	2018–19 (\$)	2019–20 (\$)
Above Band 4 equivalent	0	1	0	1	806,523	750,000
Band 4 equivalent	0	0	0	0	–	–
Band 3 equivalent	3	3	2	4	401,736	415,548
Band 2 equivalent	6	19	5	13	292,120	301,584
Band 1 equivalent	45	94	42	104	217,629	221,822
<b>Total</b>	<b>54</b>	<b>117</b>	<b>49</b>	<b>122</b>		
<b>Grand total</b>	<b>171</b>		<b>171</b>			

## Consultant engagements

**Table 29: Payments to consultants<sup>31</sup> for engagements valued at over \$50,000, 2019–20**

Vendor name	Contract description	Category	Amount (\$)
Monash University	Laboratory and field trial of cured in place pipe lining	Management Services	177,574.00
KPMG	Upper South Creek Project – provision of accounting advisory services	Finance and Accounting/Tax	144,439.44
RPS AAP Consulting Pty Ltd	Upper South Creek Project – consulting	Management Services	143,775.18
Bowery Consulting Pty Ltd	Upper South Creek Project	Management Services	70,699.00
Frontier Economics Pty Ltd	Upper South Creek Project	Management Services	58,571.10
Knights and McAuley Pty Ltd	Consultancy services for Parramatta River Master Plan	Management Services	81,104.00
Alluvium Consulting Australia Pty Ltd	Long-term demand forecast	Management Services	62,830.00
<b>Total</b>			<b>738,992.72</b>

In 2019–20, we engaged 35 consultants for \$50,000 or less, totalling \$521,281.62.

<sup>30</sup> Sydney Water does not use Public Sector Senior Executive (PSSE) remuneration package ranges. For 2019–20, we reported in line with the regulatory definition, to include People Manager remuneration equivalent to the total remuneration package of the PSSE bands. At 30 June 2020, around 10% of our employee-related expenditure was for employees remunerated at an equivalent level to the PSSE bands, compared to 11% at the end of 2018–19.

<sup>31</sup> Consultants are defined as companies that provide opinion or advice on a task. The consultant is independent of any ensuing process or work, and Sydney Water decides whether to act on the consultant's findings. It is the advisory nature of the work that differentiates it from other tasks commonly provided by service contractors.

## Overseas travel

**Table 30: Overseas travel, 2019–20**

Date of travel	Name	Destination	Purpose
4–20 October 2019	J Dagger	India	To support Wipro and SAP delivery for the development of Sydney Water’s project of state significance, the Customer Experience Platform. Sydney Water funded the travel.
15–18 October 2019	A Boerema	Singapore	To attend the International Standards Organisation, Water Efficient Products Standard 316 meeting. Standards Australia and Sydney Water funded the travel.
3–18 January 2020	B Swain	India	To support Wipro and SAP delivery of the development of Sydney Water’s project of state significance, the Customer Experience Platform. Sydney Water funded the travel.

## Exemptions from the reporting provisions

**Table 31: Annual reporting exemptions**

Statutory requirements	Statutory references	Comments
<b>Format of financial statements</b>	Section 41B(c) <i>Public Finance and Audit Act 1983</i> (NSW)	Treasury exemption from preparing manufacturing, trading, and profit and loss statements. Required to prepare an Operating Statement.
<b>Paying accounts</b> Performance in paying accounts, including action to improve payment performance	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2015 (ARSBR)	Treasury exemption – not subject to the payment of accounts provisions in Section 13 of the Public Finance and Audit Regulation 2015.
<b>Time for paying</b> Reasons for late payment Interest paid due to late payments	Schedule 1 ARSBR	As above.

## Pricing

### How we set our prices

Our services are declared monopoly services under section 4 of the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW). IPART sets and regulates our prices to ensure they are fair for our customers, while allowing us to cover costs and generate an adequate return on our assets.

We must set prices according to the IPART-determined maximum price, or IPART-determined methodology for calculating the maximum price. We cannot charge less than the maximum price set by IPART without the NSW Treasurer's approval.

In June 2016, IPART published its 2016 price determination for Sydney Water (Determination No. 5, 2016), which sets the prices we can charge for water, wastewater, stormwater drainage and other services from 1 July 2016 to 30 June 2020.

For 2019–20, IPART has advised it will record a pricing non-compliance for Sydney Water against Determination No. 5, 2016. This relates to the timing of the removal of the Sydney Desalination Plant (SDP) uplift to the water usage charge. Under the determination, an uplift is applied to the water usage charge to recover costs associated with the operation of the SDP. Sydney Water implemented the reduction in the water usage charge in March, following rains that increased dam levels above 70% in February. This allowed time for us to implement the price change in our billing system and enabled us to provide a better customer experience.

We ensured that customers were financially no worse off than if we had implemented the price change immediately in February. We do not therefore agree with IPART's decision to record this as a non-compliance.

### New (or upgraded) connection charges

During 2018–19, IPART released a determination on the maximum prices for connecting, or upgrading a connection, to a water supply, wastewater or drainage system. In the 12 months to June 2020, Sydney Water did not provide any new services to existing properties to which this determination applied.

For one existing case in Riverstone (which had not yet been built), we provided an updated offer to connect 11 existing properties to our water and wastewater networks to allow payment to occur over 20 years. We also received an application for services from a group of existing properties at Spring Farm. We provided an estimate of the connection charges that could be payable using the IPART methodology.

### Recycled water developer charges

Sydney Water has complied with IPART's Determination No. 8, 2006, which sets a methodology for fixing the maximum prices that a water agency may charge for recycled water developer charges. We will apply IPART's 2019 recycled water pricing determination when the recycled water developer charge for an area is due for its five-year review.

**Table 32: Compliance with IPART's Determination No. 8, 2006 – developer charges per equivalent tenement (ET), 2019–20**

Recycled water scheme	Status of Development Servicing Plan (DSP)	Developer charge, \$ per ET	Compliance status against the determination
Rouse Hill	Registered	4,405	Compliant
Hoxton Park	Registered	7,820	Compliant
Oran Park /Turner Road	Registered	7,585	Compliant
Colebee	Registered	8,139	Compliant

## Sydney Water prices

Table 33: IPART pricing table, 2019–20

	IPART-determined price (\$)	Adjustments for DSP and Shoalhaven Transfer by IPART-determined method (\$)	Inflated IPART maximum prices (\$ at the rate of 5.5%)	Sydney Water quarterly prices <sup>a</sup> (\$)
2019–20	(2016–17)	(2019–20)	(2019–20)	(2019–20)
<b>Service charges (\$)</b>				
<b>Residential premises</b>				
<b>Water</b>				
Metered <sup>b</sup>	89.95	1.79	96.69	0.26418
Unmetered	449.95	1.79	476.49	1.30189
<b>Wastewater<sup>c</sup></b>	583.60		615.69	1.68221
<b>Stormwater (drainage)</b>				
Stand-alone premises	74.77		78.88	0.21552
Multi-premises	23.34		24.62	0.06727
<b>Non-residential properties – water</b>				
Meter size (mm) <sup>d</sup>				
20	89.95	1.79	96.69	0.26418
25	140.55	2.80	151.08	0.41279
32	230.28	4.59	247.54	0.67634
40	359.82	7.18	386.79	1.05680
50	562.22	11.21	604.35	1.65123
80	1,439.27	28.72	1,547.15	4.22719
100	2,248.86	44.88	2,417.43	6.60500
150	5,059.94	100.97	5,439.21	14.86123
200	8,995.44	179.51	9,669.70	26.41995
250	14,054.69	280.48	15,108.61	41.28036
300	20,238.75	403.90	21,756.40	59.44372
500	56,218.75	1,121.93	60,434.43	165.12139
600	80,955.00	1,615.58	87,025.58	237.77481
Unmetered	449.95	1.79	476.49	1.30189
<b>Non-residential properties – wastewater<sup>c</sup></b>				
Meter connection charge by meter size (mm) <sup>e,f</sup>				
20	555.26		585.80	1.60055

	IPART-determined price (\$)	Adjustments for DSP and Shoalhaven Transfer by IPART-determined method (\$)	Inflated IPART maximum prices (\$ at the rate of 5.5%)	Sydney Water quarterly prices <sup>a</sup> (\$)
2019–20	(2016–17)	(2019–20)	(2019–20)	(2019–20)
25	867.59		915.31	2.50085
32	1,421.45		1,499.63	4.09735
40	2,221.02		2,343.18	6.40213
50	3,470.35		3,661.22	10.00333
80	8,884.09		9,372.71	25.60850
100	13,881.39		14,644.87	40.01331
150	31,233.13		32,950.95	90.02992
200	55,525.57		58,579.48	160.05322
250	86,759.38		91,531.25	250.08538
300	124,933.50		131,805.00	360.12295
500	347,037.50		366,125.00	1,000.34153
600	499,734.00		527,220.00	1,440.49180
Deemed sewerage usage charge	167.15		176.34	0.48180
Unmetered	583.60		615.69	1.68221
<b>Stormwater (drainage)</b>				
Stand-alone premises				
Small (200 m <sup>2</sup> or less)	23.34		24.62	0.06727
Medium (201–1,000 m <sup>2</sup> ) or low impact	74.77		78.88	0.21552
Large (1,001 –10,000 m <sup>2</sup> )	435.71		459.67	1.25593
Very large (10,000 –45,000 m <sup>2</sup> )	1,936.52		2,043.03	5.58205
Largest (45,001 m <sup>2</sup> or greater)	4,841.32		5,107.59	13.95516
Multi-premises	23.34		24.62	0.06727
<b>Usage charges (\$/kL)</b>				
<b>Residential premises</b>				
Filtered water	2.00		2.08	2.08
SDP uplift to water usage charge <sup>9</sup>	0.12		0.13	0.13

	IPART-determined price (\$)	Adjustments for DSP and Shoalhaven Transfer by IPART-determined method (\$)	Inflated IPART maximum prices (\$ at the rate of 5.5%)	Sydney Water quarterly prices <sup>a</sup> (\$)
2019–20	(2016–17)	(2019–20)	(2019–20)	(2019–20)
<b>Non-residential properties</b>				
Filtered water	2.00		2.08	2.08
SDP uplift to water usage charge <sup>g</sup>	0.12		0.13	0.13
Wastewater (>0.410 kL/day wastewater discharge) <sup>h</sup>	1.11		1.17	1.17
<b>Rouse Hill recycled water supply services (\$/KL)</b>				
Recycled water usage charge	1.79		1.89	1.89

a. Sydney Water's charges applied from 1 July 2019. Illustrated service charges are charged to customers at a daily rate based on 366 days in the year.

b. 'Metered residential property' means a residential property that is serviced by one or more meters and includes a residential property within a multi premises that is serviced by one or more common meters.

c. Wastewater service charge includes a deemed sewerage usage charge.

d. IPART's maximum determined water service charge for meter sizes not specified in its Determination is calculated using the following formula:  $(\text{meter size})^2 \times 20 \text{ mm charge}/400$ .

e. The prices assume the application of a Discharge Factor (df%) of 100%. The relevant df% may vary from case to case, as determined by Sydney Water. A pro rata adjustment shall be made where the df% is less than 100%.

f. IPART's maximum determined wastewater meter connection charge for meter sizes not specified in its Determination is calculated using the following formula:  $(\text{meter size})^2 \times 20 \text{ mm charge}/400 \times \text{df}\%$ .

g. The SDP uplift to the water usage charge was applied in 2019–20 because the SDP was operating in drought response mode in that period. SDP had been called into operation on 30 January 2019 when verified WaterNSW data confirmed dam storage levels had fallen below 60% on 27 January 2019. We applied the SDP uplift to the water usage price from 1 October 2019, at the end of the eight-month SDP restart period. Dam levels rose above 70% on 11 February 2020, which relieved SDP of its Network Operator's Licence obligation to maximise the production of drinking water. SDP elected to continue producing water until 26 March 2020, as per the 14-month minimum run time allowed under its 2017 IPART price determination. Sydney Water removed the SDP uplift from 27 March 2020.

h. For non-residential properties, the sewerage usage charge will apply when a property's discharge into the wastewater system exceeds 0.410 kL/day

## Notes:

- On 3 June 2020, IPART advised it intended to record a non-compliance against clause 1.7.1 of the Operating Licence, relating to our decision to continue applying the SDP uplift until 27 March 2020. In IPART's opinion, the SDP uplift should have been removed effective from 14 February 2020, the day WaterNSW published verified data showing dam levels rose above 70%. Because all SDP drought-response costs can be recovered from our customers, IPART acknowledged that continuing to apply the SDP uplift did not increase the amount paid by customers and therefore consider this to be a minor non compliance, with no further enforcement action required  
  
Sydney Water considers that our decision to apply the uplift until 27 March 2020 was in the best interests of customers, and therefore consistent with the objectives of our Operating Licence and the *Sydney Water Act 1994*. A minimum of 30 days is needed to test and implement a price change, and customer bills will continue to be issued with the existing prices during the changeover period. The 2016 price determination made no allowance for this timeframe. Removing the SDP uplift from 14 February would therefore have become a retrospective price change, resulting in the need to adjust each bill issued between 14 February and mid-March. We estimate this would have affected around 498,600 bills. The adjustment would then have been reversed as an extra charge in a future bill. Sydney Water judged that this would have created a worse service experience for the affected customers and resulted in additional costs for both Sydney Water and customers
- Other charging arrangements – including Rouse Hill and Kellyville Village stormwater drainage, boarding houses, metered standpipes, trade waste and ancillary charges – were set in accordance with IPART's determined maximum price. Please visit [sydneywater.com.au/ourprices](http://sydneywater.com.au/ourprices) to view this information
- Sydney Water charges one non-residential property in the Rouse Hill stormwater catchment area a low impact stormwater drainage charge instead of the Rouse Hill stormwater drainage charge, as approved by the Treasurer in 2014. This is the only non-residential property in the Rouse Hill area that does not receive the benefit of a land size cap or non-residential low impact charge (which would be applicable if the property was in a declared stormwater catchment area)
- In the 2016 determination, IPART only determined maximum recycled water usage charges for Rouse Hill. It did not determine prices for our other mandated recycled water schemes of Hoxton Park, Colebee, Oran Park and Turner Road, and Ropes Crossing. Rather, it required that Sydney Water set the prices of these schemes in accordance with its Pricing Arrangements for Recycled Water and Sewer Mining 2006. In line with these guidelines, Sydney Water adopted a recycled water charge for the mandated schemes at 90% of the drinking water usage charge.

# Auditor-General's statutory audit report

At the completion of the audit of Sydney Water's financial statements for the year ended 30 June 2020, the Auditor-General provided Sydney Water with a statutory audit report as required under the *Public Finance and Audit Act 1983* (NSW).

No comments were made on any significant matters requiring a response from Sydney Water.

**For more information on our environmental, financial and social performance throughout the year, please visit [sydneywater.com.au/reports](https://sydneywater.com.au/reports).**



# **Sydney Water Corporation**

**Financial Statements  
for the year ended 30 June 2020**

## Contents

Statement of profit or loss and other comprehensive income .....	3
Statement of financial position .....	4
Statement of changes in equity .....	5
Statement of cash flows .....	6
About these Financial Statements .....	7
Notes to the Financial Statements .....	8
Performance for the reporting period .....	8
Note 1. Income .....	8
Note 2. Expenses .....	10
Note 3. Taxation .....	13
Assets and fair values .....	16
Note 4. Property, plant and equipment .....	16
Note 5. Leases .....	24
Note 6. Intangible assets .....	28
Working capital management .....	32
Note 7. Cash and cash equivalents .....	32
(a) Balances at the reporting date .....	32
(b) Notes to the statement of cash flows .....	32
Note 8. Trade and other receivables .....	34
Note 9. Other current assets .....	36
Note 10. Trade and other payables .....	36
Debt Management .....	37
Note 11. Borrowings and other financial liabilities .....	37
Other liabilities .....	40
Note 12. Provisions .....	40
Note 13. Deferred Government grants .....	49
Note 14. Dividends payable .....	49
Equity .....	50
Note 15. Share capital .....	50
Unrecognised Items .....	51
Note 16. Commitments .....	51
Note 17. Contingencies .....	52
Other Notes .....	53
Note 18. Financial risk management .....	53
Note 19. Related party disclosures .....	59
Note 20. Consultants .....	59
Note 21. Auditors' remuneration .....	59
Note 22. Accounting Standards and Accounting Interpretations issued but not yet effective .....	60
Note 23. Events subsequent to reporting date .....	60
Directors' Declaration .....	62
Independent Auditor's Report .....	62

## Statement of profit or loss and other comprehensive income

### for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Revenue	1(a)	2,963,916	2,926,086
Other income	1(b)	2,641	1,529
Finance costs	2(a)	(468,418)	(457,006)
Other expenses	2(b)	(1,889,386)	(1,788,718)
<b>Profit before income tax</b>		<b>608,753</b>	<b>681,891</b>
Income tax expense	3(a)	(181,815)	(203,260)
<b>Profit for the year</b>		<b>426,938</b>	<b>478,631</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain/(loss) on revaluation of property, plant and equipment	4	81,966	344,796
Income tax effect	3(a)	(24,590)	(103,439)
		57,376	241,357
Remeasurement of defined benefit superannuation net liability	12(c)	87,280	(176,570)
Income tax effect	3(a)	(26,184)	52,971
		61,096	(123,599)
<b>Other comprehensive income for the year net of income tax</b>		<b>118,472</b>	<b>117,758</b>
<b>Total comprehensive income for the year</b>		<b>545,410</b>	<b>596,389</b>

This statement should be read in conjunction with the accompanying notes.

# Statement of financial position

as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	7	42,755	34,608
Trade and other receivables	8	413,053	401,132
Other current assets	9	26,080	16,081
Current tax asset		56,313	5,245
		<b>538,201</b>	<b>457,066</b>
Non-current assets classified as held for sale		7,713	4,631
<b>Total current assets</b>		<b>545,914</b>	<b>461,697</b>
<b>Non-current assets</b>			
Property, plant and equipment	4	20,465,114	19,582,746
Right-of-use assets	5	391,985	-
Intangible assets	6	300,470	297,199
<b>Total non-current assets</b>		<b>21,157,569</b>	<b>19,879,945</b>
<b>Total assets</b>		<b>21,703,483</b>	<b>20,341,642</b>
<b>Current liabilities</b>			
Trade and other payables	10	612,625	670,211
Borrowings and other financial liabilities	11	118,221	99,230
Lease liability	5	33,862	-
Dividends payable	14	963,000	320,553
Provisions	12	169,738	186,459
Deferred Government grants	13	206	-
<b>Total current liabilities</b>		<b>1,897,652</b>	<b>1,276,453</b>
<b>Non-current liabilities</b>			
Borrowings and other financial liabilities	11	10,065,674	9,317,522
Lease liability	5	369,345	-
Deferred tax liabilities	3(b)	1,458,250	1,339,219
Provisions	12	806,685	884,981
<b>Total non-current liabilities</b>		<b>12,699,954</b>	<b>11,541,722</b>
<b>Total liabilities</b>		<b>14,597,606</b>	<b>12,818,175</b>
<b>Net assets</b>		<b>7,105,877</b>	<b>7,523,467</b>
<b>Equity</b>			
Share capital	15	3,161,854	3,161,854
Asset revaluation reserve		2,573,520	2,515,607
Retained earnings		1,370,503	1,846,006
<b>Total equity</b>		<b>7,105,877</b>	<b>7,523,467</b>

This statement should be read in conjunction with the accompanying notes.

# Statement of changes in equity

for the year ended 30 June 2020

	Note	Share capital \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total Equity \$'000
<b>Balance at 30 June 2019</b>		3,161,854	2,515,607	1,846,006	7,523,467
Profit for the year		-	-	426,938	426,938
Other comprehensive income		-	57,376	61,096	118,472
<b>Total comprehensive income for the year</b>		-	<b>57,376</b>	<b>488,034</b>	<b>545,410</b>
Transfers between equity items on disposal of assets		-	537	(537)	-
<b>Total transfers between equity items</b>		-	<b>537</b>	<b>(537)</b>	-
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	14	-	-	(963,000)	(963,000)
<b>Total transactions with owners in their capacity as owners</b>		-	-	<b>(963,000)</b>	<b>(963,000)</b>
<b>Balance at 30 June 2020</b>		<b>3,161,854</b>	<b>2,573,520</b>	<b>1,370,503</b>	<b>7,105,877</b>
<b>Balance at 30 June 2018 as originally presented</b>		3,161,854	2,277,625	2,382,119	7,821,598
Changes in Accounting policy – AASB 9		-	-	20,033	20,033
<b>Restated balance at 1 July 2018</b>		<b>3,161,854</b>	<b>2,277,625</b>	<b>2,402,152</b>	<b>7,841,631</b>
Profit for the year		-	-	478,631	478,631
Other comprehensive income		-	241,357	(123,599)	117,758
<b>Total comprehensive income for the year</b>		-	<b>241,357</b>	<b>355,032</b>	<b>596,389</b>
Transfers between equity items on disposal of assets		-	(3,375)	3,375	-
<b>Total transfers between equity items</b>		-	<b>(3,375)</b>	<b>3,375</b>	-
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	14	-	-	(914,553)	(914,553)
<b>Total transactions with owners in their capacity as owners</b>		-	-	<b>(914,553)</b>	<b>(914,553)</b>
<b>Balance at 30 June 2019</b>		<b>3,161,854</b>	<b>2,515,607</b>	<b>1,846,006</b>	<b>7,523,467</b>

This statement should be read in conjunction with the accompanying notes.

# Statement of cash flows

for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts		2,690,114	2,584,514
Cash payments		(1,703,640)	(1,550,115)
Cash generated from operations		986,474	1,034,399
Social programs grants received from NSW Government		145,960	142,620
Other grants received from NSW Government		6,029	-
Grants received from Commonwealth Government		122	60
Contributions paid to Climate Change Fund		(740)	(3,240)
Interest received		28	96
Income tax refunds received		1,123	2,541
Interest paid		(209,597)	(178,031)
Government guarantee fee paid		(152,124)	(149,211)
Income tax paid		(165,750)	(201,179)
<b>Net cash flows from operating activities</b>	7(b)	<b>611,525</b>	<b>648,055</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		2,552	6,472
Other cash contributions received		21,978	25,436
Security and other deposits received		22,062	20,261
Payments for property, plant and equipment		(918,397)	(796,525)
Payments for intangible assets		(43,986)	(90,550)
Security and other deposits released		(16,735)	(23,601)
<b>Net cash flows from investing activities</b>		<b>(932,526)</b>	<b>(858,507)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		696,886	1,147,533
Repayment of borrowings		-	(12)
Payment of principal for lease liabilities related to right-of-use assets		(29,454)	-
Payment of principal for finance lease liabilities		(17,731)	(15,954)
Dividends paid	14	(320,553)	(890,490)
<b>Net cash flows from financing activities</b>		<b>329,148</b>	<b>241,077</b>
<b>Net increase in cash and cash equivalents</b>		<b>8,147</b>	<b>30,625</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>34,608</b>	<b>3,983</b>
<b>Cash and cash equivalents at end of the year</b>	7(a)	<b>42,755</b>	<b>34,608</b>

This statement should be read in conjunction with the accompanying notes.

# About these Financial Statements

## Corporate information

Sydney Water Corporation ('the Corporation') is a NSW statutory state-owned corporation established on 1 January 1999 following the enactment of the *Water Legislation Amendment (Drinking Water and Corporate Structure) Act 1998* and legislative amendments to the *Sydney Water Act 1994*. The address of the Corporation's head office is 1 Smith Street, Parramatta, NSW 2150.

The Corporation provides water and water-related services under its Operating Licence to customers in its area of operations in NSW. It operates under the commercial disciplines of the NSW Government's Commercial Policy Framework and accordingly the directors have determined that it is a for-profit entity for financial reporting purposes. The Corporation's ultimate parent is the NSW Government. Accordingly, the Corporation's financial statements form part of the consolidated NSW Total State Sector Accounts. The Corporation's financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the board of directors on 26 August 2020.

## Basis of preparation

These general purpose financial statements have been prepared in accordance with applicable Australian Accounting Standards (including Australian Interpretations), mandates issued by NSW Treasury including NSW Treasury Directions, NSW Treasury Circulars and NSW Treasury Policy and Guidelines Papers adopted in the Corporation's Statement of Corporate Intent, *Part 3 of the Public Finance and Audit Act 1983* and the associated requirements of the *Public Finance and Audit Regulation 2015*.

The financial statements have been prepared on the historical cost basis, except for the following items:

- Certain classes of property, plant and equipment and intangible assets are stated at fair value;
- Greenhouse trading certificates are held at fair value;
- Non-monetary developer contributions are recognised at current replacement cost;
- Non-current assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell;
- Borrowings are measured at amortised cost;
- Defined benefit superannuation liabilities are stated at the present value of accrued defined benefit obligations less the fair value of fund assets; and
- Other non-current provisions are stated at the present value of the future estimated obligations for the relevant liabilities concerned.

## Performance for the reporting period

The financial statements cover the financial performance and cash flows of the Corporation for the reporting period 1 July 2019 to 30 June 2020, and its financial position as at 30 June 2020.

## Presentation currency

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

## Comparative information

Except when Australian Accounting Standards permit or require otherwise, comparative information is presented in respect of all amounts reported in the financial statements.

## Critical judgements and estimates

The Corporation makes estimates and assumptions concerning the future that are regularly evaluated based on historical experience and other factors. This includes expectations of future events that may have a financial effect on the Corporation and that are believed to be reasonable under the circumstances. Actual results may therefore differ from these estimates. Estimates and judgments that are material to the financial statements are disclosed in the following notes:

- Note 4 Property, plant and equipment;
- Note 6 Intangible assets;
- Note 8 Trade and other receivables; and
- Note 12 Provisions.

## Accounting policies

The accounting policies described in these financial statements are based on the requirements applicable to for-profit entities and have been consistently applied to all reporting periods presented. Significant accounting policies that summarise the basis of recognition and measurement of material items presented in these financial statements are provided in each applicable note about those items.

The Corporation changed its accounting policies following the adoption of AASB 16 *Leases* (AASB 16) on 1 July 2019 but did not apply any retrospective adjustments due to the transition options mandated by NSW Treasury (refer to note 5).

# Notes to the Financial Statements

## Performance for the reporting period

### Note 1. Income

#### (a) Revenue

	Note	Regulated		Non-Regulated		Total	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Revenue from contracts with customers</b>							
Service availability charges (redress rebates)		1,371,463	1,288,477	(5,602)	(6,034)	1,365,861	1,282,443
Usage charges		1,151,102	1,141,857	375	13,988	1,151,477	1,155,845
Ancillary services		9,264	16,198	3,504	3,689	12,768	19,887
Developer contributions	7(b)	72	-	257,702	271,602	257,774	271,602
Sundry revenue		-	-	9,557	7,679	9,557	7,679
<b>Total revenue from contracts with customers</b>		<b>2,531,901</b>	<b>2,446,532</b>	<b>265,536</b>	<b>290,924</b>	<b>2,797,437</b>	<b>2,737,456</b>
<b>Timing of revenue recognition</b>							
Over time		2,522,565	2,430,334	(5,227)	7,954	2,517,338	2,438,288
At a point in time		9,336	16,198	270,763	282,970	280,099	299,168
		<b>2,531,901</b>	<b>2,446,532</b>	<b>265,536</b>	<b>290,924</b>	<b>2,797,437</b>	<b>2,737,456</b>
<b>Other revenues</b>							
NSW Government grants for social programs		149,283	143,160	-	-	149,283	143,160
Other grants from NSW Government		-	-	5,822	10,350	5,822	10,350
Grants from Commonwealth Government		-	-	122	60	122	60
Interest revenue		-	-	633	1,270	633	1,270
Rent revenue from operating leases		5,310	6,090	5,309	6,283	10,619	12,373
Sundry revenue		-	2,176	-	19,241	-	21,417
<b>Total other revenues</b>		<b>154,593</b>	<b>151,426</b>	<b>11,886</b>	<b>37,204</b>	<b>166,479</b>	<b>188,630</b>
<b>Total revenue</b>		<b>2,686,494</b>	<b>2,597,958</b>	<b>277,422</b>	<b>328,128</b>	<b>2,963,916</b>	<b>2,926,086</b>

#### Recognition and measurement

Regulated revenues are revenues subject to Independent Pricing and Regulatory Tribunal New South Wales (IPART) Pricing Determination. All other revenues are non-regulated.

#### Revenue from contracts with customers

The Corporation's revenue streams from contracts with customers each consist of only a single performance obligation and a single transaction price. The transaction price is determined either by IPART (for regulated revenues and for non-regulated monetary developer contributions) or by agreement with the customer (for all other non-regulated revenues). The variability of the consideration for the Corporation's revenue streams can also be easily identified. The conditions for the customer to receive a redress or other rebate, discount or refund can be readily determined.

The Corporation does not have any contracts with customers where the period between the transfer of the promised services or goods and payment from the customer exceeds one year. As a result, transaction prices have not been adjusted for the time value of money.



#### Service availability charges

Service availability charges are a fixed charge to customers to cover the cost of making the Corporation's water, wastewater and stormwater services available. The Corporation transfers control over the availability of the services and recognises revenue evenly over time as customers continue to receive their service connection. The service availability charge revenue is billed in advance to customers at the commencement of each quarter and is progressively released to revenue as each month of the quarter concludes.

Redress rebates are provided to customers who experience interruption to their service. This redress rebate is a part of the Corporation's contract with its customers but is not subject to the IPART Pricing Determination.

#### Usage charges

Usage charges reflect revenue derived from the consumption of the Corporation's water, wastewater and trade waste services. The Corporation transfers control over the services to customers who then simultaneously consume those services, with the transfer and consumption considered to occur over time.

The Corporation recognises revenue based on a right to invoice as this corresponds with the value customers have received to date from their consumption of the services. Consumption is measured through the reading of the Corporation's installed meters. The Corporation recognises an estimate for the accrued revenue earned from unbilled consumption where meters have not been read as at the reporting date (refer to note 8).

#### Ancillary services

Ancillary services are provided to customers for water, wastewater and stormwater related services including building approvals and the provision of information such as plans and diagrams. Revenue is recognised at a point in time when the control over the services or information is transferred to the customer.

#### Developer contributions

The construction of pipes and other works by developers for the connection of their developments to the Corporation's water, wastewater, stormwater and recycled water infrastructure is certified by the Corporation. This is to ensure that construction meets the Corporation's design and construction standards for quality of service delivery.

The Corporation issues a compliance certificate to the developer upon the completion of certification. In return, the developer contributes the constructed pipes and other works at no cost to the Corporation. The fair value of these non-monetary developer contributions at initial recognition is estimated using current replacement cost. These non-monetary developer contributions are non-regulated revenues.

Certification which involves connection of new developments to the Corporation's recycled water infrastructure have additional monetary developer contributions charged to cover the incremental cost to the Corporation of the connection.

The non-monetary and monetary developer contributions revenues are recognised when the certification process is completed and control over the compliance certificate is transferred at a point in time to the developer being when the Corporation issues the compliance certificate.

#### **Other revenues**

##### NSW Government grants for social programs

The Corporation delivers several non-commercial social programs of the NSW Government. These include pensioner rebates, properties exempt from service and usage charges and expenditures for priority sewerage areas. The Corporation is reimbursed for the full cost of all social programs. Such reimbursements are recognised as revenue on an accrual basis at the same time as the related social program items are recognised in profit or loss.

Where such reimbursements are received in advance, they are recognised initially as deferred income in the statement of financial position and subsequently as revenue when the costs incurred or revenues foregone for which they are intended to compensate are recognised in profit or loss.

#### **(b) Other income**

	Note	2020 \$'000	2019 \$'000
Gain on disposal of property, plant and equipment	7(b)	125	909
Income from sale of greenhouse trading certificates		2,516	620
<b>Total other income recognised in profit or loss</b>		<b>2,641</b>	<b>1,529</b>

## Note 2. Expenses

### (a) Finance costs

	Note	2020 \$'000	2019 \$'000
Interest expense for borrowings at amortised cost		226,707	200,372
Interest expense for lease liabilities related to right-of-use assets		15,144	-
Interest expense for finance lease liabilities		44,443	45,485
Amortisation of deferred discounts on loans	7(b)	47,518	69,917
Total interest expense		<b>333,812</b>	<b>315,774</b>
Government guarantee fee expense – NSW Treasury		167,081	152,120
Indexation of CPI bonds	7(b)	40,429	36,205
Deferred borrowing costs/premiums expensed on refinancing of loans	7(b)	-	10,066
Other		2	10
		<b>541,324</b>	<b>514,175</b>
Less amount capitalised as borrowing costs		(72,906)	(57,169)
<b>Total finance costs recognised in profit or loss</b>		<b>468,418</b>	<b>457,006</b>

### Recognition and measurement

Interest and other borrowing costs are expensed as incurred within finance costs in profit or loss unless they relate to qualifying capital assets, in which case they are capitalised as part of the cost of those assets. Qualifying capital assets are assets that take a substantial period of time (12 months or more) to get ready for their intended use or sale.

Borrowing costs are capitalised where there is a direct relationship between the borrowings and the projects giving rise to qualifying capital assets. Typically, these are projects whose total budgeted expenditure is approximately \$3.0 million or greater.

Where funds are borrowed specifically for the acquisition, construction or production of a qualifying capital asset, the amount of borrowing costs capitalised is net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average.

The Government guarantee fee represents the fee paid by the Corporation to NSW Treasury for the guarantee that the NSW Government provides in relation to the Corporation's borrowings.

The interest expense for the finance lease liabilities is recognised separately to the interest expense for the lease liabilities related to the right-of-use assets. This is as per an NSW Treasury mandated option to not apply AASB 16 to those finance lease assets and liabilities which will be classified as service concession assets and liabilities respectively under AASB 1059 *Service Concession Arrangements: Grantors* from 1 July 2020 (refer to note 5 and note 22).

**(b) Other expenses**

	Note	2020 \$'000	2019 \$'000
<b>Employee-related expenses:</b>			
Total employee-related expenses before amounts capitalised		480,306	454,010
Less amounts capitalised		(93,178)	(86,609)
Total employee-related expenses		<b>387,128</b>	<b>367,401</b>
<b>Non-employee related expenses:</b>			
Availability charges and purchases of bulk water – Water NSW		219,997	217,097
Availability charges and operational costs - Sydney Desalination Plant Pty Ltd		241,358	199,059
Tariff expenses from water filtration plant agreements		84,970	85,623
Maintenance services	2(d)	262,586	243,533
Operational services		159,489	128,812
Materials, plant and equipment		60,539	51,913
Operating leases		-	59,161
Leases of low value assets		67	-
Short-term lease expense		5,723	-
Electricity and other energy		56,466	56,106
Contributions paid to Climate Change Fund		740	3,240
Transport		3,148	2,795
Property including land tax		19,972	25,847
Data management		29,104	24,716
Other expenses from ordinary activities		27,112	49,074
Total non-employee related expenses before amounts capitalised		1,171,271	1,146,976
Less amounts capitalised		(57,926)	(43,456)
Total non-employee related expenses		1,113,345	1,103,520
<b>Depreciation and amortisation expenses:</b>			
Depreciation of property, plant and equipment – assets owned	4	282,460	263,790
Depreciation of property, plant and equipment – right-of-use assets	5	40,676	-
Amortisation of intangible assets	6	41,099	29,447
	7(b)	364,235	293,237
<b>Losses from disposal of:</b>			
Property, plant and equipment	7(b)	13,513	15,279
Intangible assets	7(b)	-	371
		13,513	15,650
<b>Impairment losses expensed (reversed) through profit or loss:</b>			
Receivables	8(c)	(91)	601
Property, plant and equipment	4, 7(b)	5,438	6,430
Intangible assets	6, 7(b)	26	1,879
Inventory		5,792	-
		11,165	8,910
<b>Total other expenses recognised in profit or loss</b>		<b>1,889,386</b>	<b>1,788,718</b>

### (c) Additional information on superannuation expense

	Note	2020 \$'000	2019 \$'000
<b>Superannuation expense recognised in profit or loss</b>			
<b>Defined benefit schemes</b>			
Current service cost	12(c)	8,382	8,884
Net interest on the net defined benefit liability (asset)	12(c)	24,030	25,235
Defined benefit superannuation expense as advised by the Administrator		32,412	34,119
Other movements		(1,719)	(1,773)
Defined benefit superannuation expense before amounts capitalised		30,693	32,346
Less amount capitalised		(4,971)	(4,774)
<b>Defined benefit superannuation expense</b>		<b>25,722</b>	<b>27,572</b>
<b>Defined contribution schemes</b>			
Total defined contribution superannuation expense before amounts capitalised		15,529	13,626
Less amount capitalised		(1,838)	(1,555)
<b>Defined contribution superannuation expense</b>		<b>13,691</b>	<b>12,071</b>
<b>Total superannuation expense recognised in profit or loss</b>		<b>39,413</b>	<b>39,643</b>

### (d) Additional information on maintenance expense

	Note	2020 \$'000	2019 \$'000
<b>Maintenance expenses</b>			
Maintenance related expense included in employee related expenses	2(b)	80,216	65,463
Maintenance services expenses included in non-employee related expenses	2(b)	262,586	243,533
<b>Total maintenance expenses</b>		<b>342,802</b>	<b>308,996</b>

### Recognition and measurement

Expenses are recognised in profit or loss when incurred. Expenses include items that are incurred in the course of ordinary activities as well as various losses that arise from either the disposal of recognised assets or the remeasurement of some items at the reporting date.

Expenses for wages and salaries are recognised on an accrual basis as services are rendered by employees. Expenses for sick leave, which is non-vesting, are recognised when the absences occur.

The Corporation applied the short-term lease recognition exemption under AASB 16 as mandated by NSW Treasury to its short-term leases (where the lease term at commencement is 12 months or less and do not contain a purchase option). The Corporation also applied the lease of low-value assets recognition exemption under AASB 16 as mandated by NSW Treasury to its leases considered to be low value (less than \$10,000). Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Operating lease payments in the previous reporting period were recognised as an operating expense in profit or loss on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

## Note 3. Taxation

### (a) Income tax expense recognised in profit or loss and on other comprehensive income

	2020	2019
	\$'000	\$'000
<b>Current tax expense</b>		
Current tax on profits for the year	111,820	161,681
Adjustments for current tax of prior years	1,738	(673)
	<u>113,558</u>	<u>161,008</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	68,345	41,878
Adjustments for prior years	(88)	374
	<u>68,257</u>	<u>42,252</u>
<b>Total income tax expense in profit or loss</b>	<b><u>181,815</u></b>	<b><u>203,260</u></b>
<b>Reconciliation of income tax expense to prima facie tax payable</b>		
Profit before income tax	608,753	681,891
Tax at the Australian tax rate of 30% (2019: 30%)	<u>182,624</u>	<u>204,567</u>
Tax effect of amounts which are not (taxable) deductible in calculating taxable income		
Research and development concession	(462)	(462)
Sundry items	(1,997)	(546)
	<u>180,165</u>	<u>203,559</u>
Under/(Over) provided in prior year – current tax	1,738	(673)
Under/(Over) provided in prior year – deferred tax	(88)	374
<b>Income tax expense</b>	<b><u>181,815</u></b>	<b><u>203,260</u></b>
<b>Income tax on other comprehensive income</b>		
<b>Deferred tax relating to:</b>		
Revaluation of property, plant and equipment	24,590	103,439
Remeasurement of defined benefit superannuation liability	26,184	(52,971)
<b>Total income tax on other comprehensive income</b>	<b><u>50,774</u></b>	<b><u>50,468</u></b>

### Recognition and Measurement

The Corporation is subject to notional taxation in accordance with the *State Owned Corporations Act 1989*. Notional income tax is payable to the NSW Government through Revenue NSW. The taxation liability is assessed according to the National Tax Equivalent Regime (NTER). The NTER closely mirrors the *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997* (as amended) and is administered by the Australian Taxation Office (ATO).

The income tax expense for the year is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and for adjustments to tax payable or receivable in respect of prior years. The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in equity, in which case the income tax is itself recognised in equity as part of other comprehensive income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Current and deferred tax assets are offset with current and deferred tax liabilities respectively where they relate to income taxes levied by the same taxation authority and the Corporation intends to settle current tax assets and liabilities with that taxation authority on a net basis.

Sydney Water has considered the impact of AASB Interpretation 23 *Uncertainty over Income Tax Treatments* and found the standard was not applicable.

**(b) Deferred tax assets and liabilities****Movements**

	Balance 1 July 2019	Recognised in profit or loss	Recognised in other comprehensive income	Balance 30 June 2020
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment and intangibles	1,652,878	63,544	24,590	1,741,012
Other assets	4,735	6,517	-	11,252
Right-of-use assets	-	(2,887)	-	(2,887)
Employee benefits	(290,129)	(6,245)	26,184	(270,190)
Provisions not currently deductible	(25,645)	8,270	-	(17,375)
Anticipated receipts and accrued expenses	(2,530)	(1,044)	-	(3,574)
Capital grants from NSW Government	-	-	-	-
Greenhouse trading certificates	(90)	102	-	12
<b>Net tax (assets) / liabilities</b>	<b>1,339,219</b>	<b>68,257</b>	<b>50,774</b>	<b>1,458,250</b>

	Balance 1 July 2018	Recognised in profit or loss	Recognised in other comprehensive income	Balance 30 June 2019
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment and intangibles	1,498,999	50,440	103,439	1,652,878
Other assets	4,970	(235)	-	4,735
Right-of-use assets	-	-	-	-
Employee benefits	(232,174)	(4,984)	(52,971)	(290,129)
Provisions not currently deductible	(19,800)	(5,845)	-	(25,645)
Anticipated receipts and accrued expenses	(1,634)	(896)	-	(2,530)
Capital grants from NSW Government	(3,000)	3,000	-	-
Greenhouse trading certificates	(862)	772	-	(90)
<b>Net tax (assets) / liabilities</b>	<b>1,246,499</b>	<b>42,252</b>	<b>50,468</b>	<b>1,339,219</b>

**Carrying amounts**

	Assets		Liabilities		Net	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Property, plant and equipment and intangibles	-	-	1,741,012	1,652,878	1,741,012	1,652,878
Other assets	-	-	11,252	4,735	11,252	4,735
Right-of-use assets	(2,887)	-	-	-	(2,887)	-
Employee benefits	(270,190)	(290,129)	-	-	(270,190)	(290,129)
Provisions not currently deductible	(17,375)	(25,645)	-	-	(17,375)	(25,645)
Anticipated receipts and accrued expenses	(3,574)	(2,530)	-	-	(3,574)	(2,530)
Capital grants from NSW Government	-	-	-	-	-	-
Greenhouse trading certificates	12	(90)	-	-	12	(90)
<b>Tax (assets) liabilities</b>	<b>(294,014)</b>	<b>(318,394)</b>	<b>1,752,264</b>	<b>1,657,613</b>	<b>1,458,250</b>	<b>1,339,219</b>
Set-off of tax	294,014	318,394	(294,014)	(318,394)	-	-
<b>Net tax (assets) / liabilities</b>	<b>-</b>	<b>-</b>	<b>1,458,250</b>	<b>1,339,219</b>	<b>1,458,250</b>	<b>1,339,219</b>

### **(c) Goods and Services Tax (GST)**

Revenue, expenses and assets are recognised excluding any amount of GST, except where the amount of GST incurred by the Corporation as a purchaser is not recoverable from the ATO. In such cases, the GST incurred is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included in other debtors in the statement of financial position (refer to note 8(a)).

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

## Assets and fair values

### Note 4. Property, plant and equipment

#### Movements and carrying amounts

	Market land and buildings	Leasehold property	System assets - Infrastructure including system land	System assets - Infrastructure (finance lease)	Plant and equipment	Computer equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2018 – net carrying amount	118,028	24,370	16,884,372	384,556	50,652	15,501	996,101	18,473,580
Additions to work in progress	-	-	-	-	-	-	804,389	804,389
Additions transferred from work in progress	5,705	104	599,642	-	7,040	19,558	(632,049)	-
Additions – other and adjustments	-	-	245,036	-	-	-	-	245,036
Disposals	-	-	(15,265)	-	(6)	(8)	-	(15,279)
Reclassified as assets held for sale	444	-	-	-	-	-	-	444
Other reclassifications	3,669	-	(3,669)	-	-	-	-	-
Revaluation increments/(decrements) recognised in the asset revaluation reserve	18,405	2,145	323,043	1,203	-	-	-	344,796
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	(1,170)	-	-	-	-	-	(5,260)	(6,430)
Depreciation charge – assets owned	(188)	(2,057)	(225,783)	(8,573)	(12,435)	(14,754)	-	(263,790)
<b>At 30 June 2019 – net carrying amount</b>	<b>144,893</b>	<b>24,562</b>	<b>17,807,376</b>	<b>377,186</b>	<b>45,251</b>	<b>20,297</b>	<b>1,163,181</b>	<b>19,582,746</b>
Additions to work in progress	-	-	-	-	-	-	871,493	871,493
Additions transferred from work in progress	(349)	-	740,783	-	3,449	22,749	(766,632)	-
Additions – other and adjustments	-	-	235,794	-	-	-	-	235,794
Disposals	(1,024)	-	(13,500)	-	(3)	(72)	-	(14,599)
Reclassified from assets held for sale	(4,388)	-	-	-	-	-	-	(4,388)
Other reclassifications	(5,163)	-	2,469	2,694	-	-	-	-
Revaluation increments recognised in the asset revaluation reserve	9,776	3,069	67,768	1,353	-	-	-	81,966
Impairment (losses) or revaluation (decrements) recognised in profit or loss	(59)	-	-	-	-	-	(5,379)	(5,438)
Depreciation charge – assets owned	(182)	(2,458)	(244,605)	(8,617)	(9,996)	(16,602)	-	(282,460)
<b>At 30 June 2020 – net carrying amount</b>	<b>143,504</b>	<b>25,173</b>	<b>18,596,085</b>	<b>372,616</b>	<b>38,701</b>	<b>26,372</b>	<b>1,262,663</b>	<b>20,465,114</b>



	Market land and buildings	Leasehold property	System assets - Infrastructure including system land	System assets - Infrastructure (finance lease)	Plant and equipment	Computer equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2019</b>								
Fair value – Level 3	-	-	-	-	179,176	81,212	1,163,181	1,423,569
Cost	149,136	25,629	-	-	-	-	-	174,765
Fair value – market approach	-	-	17,807,376	377,186	-	-	-	18,184,562
Fair value – income approach	149,136	25,629	17,807,376	377,186	179,176	81,212	1,163,181	19,782,896
Accumulated depreciation	(79)	(867)	-	-	(133,925)	(60,915)	-	(195,786)
Accumulated impairment	(4,164)	(200)	-	-	-	-	-	(4,364)
	(4,243)	(1,067)	-	-	(133,925)	(60,915)	-	(200,150)
<b>At 1 July 2019 – net carrying amount</b>	<b>144,893</b>	<b>24,562</b>	<b>17,807,376</b>	<b>377,186</b>	<b>45,251</b>	<b>20,297</b>	<b>1,163,181</b>	<b>19,582,746</b>
<b>At 30 June 2020</b>								
Fair value – Level 3	-	-	-	-	182,383	103,641	1,262,663	1,548,687
Cost	147,601	26,600	-	-	-	-	-	174,201
Fair value – market approach	-	-	18,596,085	372,616	-	-	-	18,968,701
Fair value – income approach	147,601	26,600	18,596,085	372,616	182,383	103,641	1,262,663	20,691,589
Accumulated depreciation	(77)	(1,222)	-	-	(143,682)	(77,269)	-	(222,250)
Accumulated impairment	(4,020)	(205)	-	-	-	-	-	(4,225)
	(4,097)	(1,427)	-	-	(143,682)	(77,269)	-	(226,475)
<b>At 30 June 2020 – net carrying amount</b>	<b>143,504</b>	<b>25,173</b>	<b>18,596,085</b>	<b>372,616</b>	<b>38,701</b>	<b>26,372</b>	<b>1,262,663</b>	<b>20,465,114</b>
<b>Revalued assets based on cost model</b>								
Cost	39,730	26,745	20,740,371	667,028	-	-	-	-
Accumulated depreciation	(4,496)	(14,484)	(5,196,046)	(303,322)	-	-	-	-
Accumulated impairment	(10,325)	-	-	-	-	-	-	-
	(14,821)	(14,484)	(5,196,046)	(303,322)	-	-	-	-
<b>At 30 June 2020 – net carrying amount</b>	<b>24,909</b>	<b>12,261</b>	<b>15,544,325</b>	<b>363,706</b>				

	Market land and buildings	Leasehold property	System assets - Infrastructure including system land	System assets - Infrastructure (finance lease)	Plant and equipment	Computer equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2018</b>								
Fair value – Level 3	-	-	-	-	172,883	63,924	996,101	1,232,908
Cost	121,455	25,387	-	-	-	-	-	146,842
Fair value – market approach	-	-	16,884,372	384,556	-	-	-	17,268,928
Fair value – income approach	121,455	25,387	16,884,372	384,556	172,883	63,924	996,101	18,648,678
Accumulated depreciation	(78)	(826)	-	-	(122,231)	(48,423)	-	(171,558)
Accumulated impairment	(3,349)	(191)	-	-	-	-	-	(3,540)
	(3,427)	(1,017)	-	-	(122,231)	(48,423)	-	(175,098)
<b>At 1 July 2018 – net carrying amount</b>	<b>118,028</b>	<b>24,370</b>	<b>16,884,372</b>	<b>384,556</b>	<b>50,652</b>	<b>15,501</b>	<b>996,101</b>	<b>18,473,580</b>
<b>At 30 June 2019</b>								
Fair Value – Level 3	-	-	-	-	179,176	81,212	1,163,181	1,423,569
Cost	149,136	25,629	-	-	-	-	-	174,765
Fair value – market approach	-	-	17,807,376	377,186	-	-	-	18,184,562
Fair value – income approach	149,136	25,629	17,807,376	377,186	179,176	81,212	1,163,181	19,782,896
Accumulated depreciation	(79)	(867)	-	-	(133,925)	(60,915)	-	(195,786)
Accumulated impairment	(4,164)	(200)	-	-	-	-	-	(4,364)
	(4,243)	(1,067)	-	-	(133,925)	(60,915)	-	(200,150)
<b>At 30 June 2019 – net carrying amount</b>	<b>144,893</b>	<b>24,562</b>	<b>17,807,376</b>	<b>377,186</b>	<b>45,251</b>	<b>20,297</b>	<b>1,163,181</b>	<b>19,582,746</b>
<b>Revalued assets based on cost model</b>								
Cost	40,642	26,745	19,930,358	678,680	-	-	-	20,297
Accumulated depreciation	(4,069)	(12,187)	(4,929,400)	(295,798)	-	-	-	(20,297)
Accumulated impairment	(10,265)	-	-	-	-	-	-	-
	(14,334)	(12,187)	(4,929,400)	(295,798)	-	-	-	(20,297)
<b>At 30 June 2019 – net carrying amount</b>	<b>26,308</b>	<b>14,558</b>	<b>15,000,958</b>	<b>382,882</b>				

## **(a) Asset classes**

The Corporation has the following asset classes forming property, plant and equipment:

### **System assets**

These are infrastructure assets that deliver water, wastewater and stormwater services to customers through an integrated network of various asset categories. This class also includes system land and water meters. System land is land upon which the various system asset categories are located and which has no other alternative use.

### **Market land and buildings**

These are properties held and owned by the Corporation and that have potential for alternative use.

### **Leasehold property**

This is a property held by the Corporation under a 99-year lease.

### **Plant and equipment**

These are assets that comprise vehicles, office equipment and operating plant and machinery.

### **Computer equipment**

These are assets that comprise computer hardware, such as servers, desktop computers, laptops and other associated computer peripherals.

## **(b) Acquisitions and capitalisation**

Property, plant and equipment assets are recognised initially at the cost of acquisition, which includes costs directly attributable to bringing the relevant asset to the location and condition necessary for it to operate as intended.

Items costing \$5,000 or more individually and having a minimum expected working life of three years are capitalised. In the case of system (pipeline) asset categories that work together to form an entire network, all expenditures are capitalised regardless of cost.

For system assets constructed by the Corporation for its own use, the initial cost capitalised includes the cost of construction including direct labour, materials, contractors' services costs, inspection costs, capital support costs and borrowing costs. These costs are capitalised initially as work in progress and then reclassified as completed assets when the asset becomes operational.

Inspection costs are capitalised when incurred and are depreciated over the period until the next inspection. Restoration costs are also capitalised when a decision to decommission the asset has been made. This also gives rise to the recognition of a corresponding liability as a provision (refer to note 12(d)).

Where system assets are handed over by developers free of charge, they are initially recognised at fair value using the cost approach (refer to note 4(d)) based on an estimate of the sub-contractor's cost, which in effect represents their replacement cost as at the date of acceptance.

## **(c) Asset revaluations**

After initial recognition, each class of property, plant and equipment is stated at fair value less any accumulated depreciation and accumulated impairment losses. Adoption of the revaluation model, rather than the cost model, is required under NSW Treasury mandates for NSW public sector entities.

For system assets, market land and buildings and leasehold properties, remeasurement to fair value is undertaken by way of an asset revaluation. For these asset classes, revaluation increments are recognised in other comprehensive income and credited to an asset revaluation reserve within equity in the statement of financial position.

Plant and equipment, computer equipment and work in progress are not subject to revaluations as their carrying amounts closely approximate their fair value.

Where a revaluation decrement or an impairment loss reverses a previous revaluation increment within the asset revaluation reserve, the revaluation decrement or impairment loss is debited to that reserve until the original credit is extinguished. Any excess debit above the original credit is recognised as an expense in profit or loss.

Revaluation increments and decrements are offset against one another on an 'individual asset' basis.

For system assets (including right-of-use assets similarly classified), the 'individual asset' is considered to be the entire system asset network at the whole of entity level. This is because all the system asset categories work together as an integrated network to provide services to customers and to generate cash flows, rather than individually. For market land and buildings and the leasehold property (including right-of-use assets similarly classified), the 'individual asset' is considered to be each individual land parcel together with any building improvements on the land parcel.

When revaluing system assets, market buildings and leasehold property to fair value, any accumulated depreciation or amortisation is netted against the gross carrying amount and the resulting balance is then increased or decreased by the revaluation adjustment. Upon disposal of assets that have been revalued, any asset revaluation reserve balance relating to the disposed assets is transferred to retained earnings.

#### (d) Fair value approaches and hierarchy levels

Fair value is defined as '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.' There are three approaches to calculating fair value:

- the market approach, where fair value is determined using prices and other relevant information generated by market transactions involving identical or comparable assets or groups of assets;
- the income approach, where fair value is determined by converting future cash flows to a single current (discounted) amount; and
- the cost approach, where fair value is determined by calculating the current replacement cost of an asset, which represents the amount that would be required currently to replace the service capacity of an asset.

Fair value measurement is classified into three levels of a hierarchy based on the inputs used:

- Quoted prices in active markets (level 1);
- Other observable inputs (level 2); and
- Unobservable inputs (level 3).

Due to the unique nature of the Corporation's property, plant and equipment assets, while level 2 observable inputs are considered, the inputs used to determine fair value include unobservable inputs, and so are considered level 3 valuations. This also applies to intangible assets (refer to note 6).

#### (e) Fair value measurement of asset classes

The relevant valuation technique used for each asset class of property, plant and equipment is as follows:

##### **System assets – income approach**

The income approach is used to value system assets, as there is generally no active market for assets of such a specialised nature. The income approach is considered more relevant to a market participant than the estimated depreciated current replacement cost of these assets.

The income approach calculates fair value using the stream of future net cash flows (discounted to their present value) from the whole, integrated network of system assets held by the Corporation. Determining fair value under this approach is highly dependent on the assumptions used to estimate the future net cash flows (refer note 4(f)).

The Corporation aligns its approach to determining the future cash flows with the pricing methodology applied by IPART. In addition to the cash flows for regulated assets under this approach, the Corporation's fair value calculations also include estimated cash flows from non-regulated assets, which are not included in IPART's methodology.

System assets are assessed as an integrated network because of the interdependent nature of their operations, and they are grouped at a whole of entity level because the IPART pricing methodology assesses future cash flows at that level.

The fair value of system assets is determined by initially calculating the total value of all Sydney Water assets that contribute to the generation of future cash flows. The fair value of system assets is then derived by deducting asset classes that are shown separately and have been valued (at fair value) using a market or cost approach.

##### **Market land and buildings, and leasehold property – market approach**

Fair value is measured based on valuations of the open market value of the property by independent valuers, after (where applicable) considering community expectations, government directives and heritage aspects concerning the future use of the property being valued.

Inputs to the valuations are sale prices of similar properties in the same or comparable localities, rental income and applicable lease terms. Where land is environmentally contaminated and the Corporation has an obligation to remediate the land, a separate provision is raised where reliable estimates of remediation costs have been determined. Estimates of the costs to sell are regarded as an impairment to the realisation of fair value and are deducted from the independent market valuations when determining their recoverable amount (as an impairment to fair value).

Independent comprehensive market valuations are obtained every three years, unless market conditions necessitate an earlier valuation. During the interim years between comprehensive valuations, an index based valuation adjustment (determined by independent valuers) is applied to each property. Market land and buildings acquired between valuations are stated at directors' valuation for the reporting period and revalued at the next valuation date, unless there is a specific need to obtain an independent valuation earlier. At each reporting date, a review of the property market is undertaken to see if there has been a material change in the fair values of market land and buildings since the revaluation date. Where there has been a material change, the carrying amounts in the statement of financial position are adjusted accordingly.

##### **Plant and equipment, computer equipment and work in progress – cost approach**

Depreciated historical cost is considered an acceptable surrogate for a market-based fair value for plant and equipment and computer equipment. Cost is considered the most accurate fair value measurement of assets under construction and within work in progress.

## (f) Fair value model

A discounted cash flow model is used to determine the total fair value of all the Corporation's asset classes, including market land and buildings, leasehold property, system assets, plant and equipment, computer equipment and intangible assets (refer to note 6). Fair value is calculated based on discounting the future cash flows derived from the IPART methodology for regulated assets and including estimated cash flows from non-regulated assets. For the current reporting period, future revenues were estimated as follows:

- For future years where IPART has set prices in their last Pricing Determination (from 1 July 2020 to 30 June 2024 – the current 'Price Path'), the revenue requirement determined by IPART was used. This is for the 4 years following the 30 June 2020 balance date (2019: the remaining 1 year on the previous 'Price Path' per the 1 July 2016 to 30 June 2020 Pricing Determination from IPART). Adjustments were made (where required) for changes in water demand/usage and customer growth.
- For future years (after 30 June 2024), the methodology applied by IPART was used. This involves determining a regulatory asset base (RAB) for the purpose of calculating an 'annual revenue requirement', and therefore the future cash flows, that will be generated by the Corporation's assets. The 'annual revenue requirement' is the revenue needed to pay for the Corporation's investment in its assets ('return of' capital), obtain an investment return ('return on' capital) and pay for operating expenses. It also covers an allowance for a theoretical income tax amount and working capital.

The major assumptions used in the Corporation's fair value model are outlined below:

Assumptions	Approach used to determine fair value and impact on fair value measurement
<b>Discount rate</b>	Post-tax WACC 'nominal' discount rate of 5.05% (2019: 5.65%). The rate was determined after a market assessment of rate parameters. The asset value would increase with a reduction in the discount rate.
<b>CPI rate for future years after the current 'Price Path'</b>	The adjusted RAB above is then escalated using a CPI rate of 2.5% (2019: 2.5%) for determining the annual revenue requirement beyond the current 'Price Path', for future years in the forecast after 30 June 2024. The asset value would increase/decrease with CPI.
<b>Period of discounting</b>	The discounting incorporates cash flows over a ten-year period and an estimate of 'terminal value' using the Gordon's Growth Model. Asset values would be slightly lower if the period of discounting was reduced as future earnings would be based on a reduced and more recent time period and would not include future earnings that may be derived from additional capital investment in the outer years.
<b>Service and usage revenue cash inflows</b>	Estimates of future revenue earnings were drawn from the Corporation's Statement of Corporate Intent and were based on: <ul style="list-style-type: none"> <li>- IPART's June 2020 Pricing Determination and expected earnings rates over succeeding pricing periods,</li> <li>- the RAB determined by IPART from the June 2020 Pricing Determination and rolled forward thereafter, and</li> <li>- capital spending over the future forecast / discount period.</li> </ul> <p>The asset value would be higher if future revenues were considered higher.</p>
<b>Other non-regulated revenue cash inflows</b>	Cash flows from non-regulated recycled water assets are added to future regulated income streams. Investment and interest income are excluded. The asset value would be higher if non-regulated revenue (including developer charges on non-regulated recycled water assets) was higher.
<b>Operating expenditure cash outflows</b>	Operating expenditures were drawn from the Corporation's Statement of Corporate Intent, excluding non-cash items such as depreciation and impairment expenses. The asset value would be higher if operating expenditure was lower than that incorporated into prices over the current 'Price Path' and no effect thereafter as it is assumed that operating expenditure would be fully funded ('passed through') in future IPART Pricing Determinations.
<b>Capital expenditure cash outflows</b>	Capital expenditure over the 10-year forecast period. The asset value would be higher if capital expenditure was higher.
<b>Cash flows from franking credits</b>	Benefits accruing from franking credits that could accompany future dividends paid by the Corporation to a hypothetical investor (in the private sector) were included in future cash flows.

## Sensitivity analysis

Discount rate	Rate Applied %	If higher +0.2%	If lower -0.2%
Nominal post-tax rate	5.05%	5.25%	4.85%
Calculated fair value of property, plant and equipment (\$'000)	20,857,099*	19,363,099	22,574,099
Resulting change (\$'000)		(1,494,000)	1,717,000

Estimated future service and usage revenue	Rate Applied %	If higher +1.0%	If lower -1.0%
Statement of Corporate Intent 2020-21	100%	101%	99%
Calculated fair value of property, plant and equipment (\$'000)	20,857,099*	21,601,099	20,121,099
Resulting change (\$'000)		744,000	(736,000)

Terminal value growth rate (CPI)	Rate Applied %	If higher +0.25%	If lower -0.25%
Terminal value growth rate	2.25%	2.50%	2.00%
Calculated fair value of property, plant and equipment (\$'000)	20,857,099*	22,516,099	19,475,099
Resulting change (\$'000)		1,659,000	(1,382,000)

\*The sensitivity analysis is calculated inclusive of right-of-use assets

## (g) Depreciation and amortisation

Items of property, plant and equipment (excluding freehold land) that are either owned or under a finance lease are depreciated or amortised on a straight-line basis over their estimated useful lives, making allowance where appropriate for residual values. The lives are reviewed annually, considering assessments of asset condition, commercial and technical obsolescence and expected normal wear and tear. Work in progress is not depreciated until the assets are brought into service and are available for use. The normal life expectancies of major asset classes and categories of property, plant and equipment when initially installed are as follows for 2020 and 2019:

	Number of Years
<b>System asset network categories:</b>	
Dams (non-catchment) and stormwater wetlands infrastructure	200
Canals, tunnels and weirs	100
Major pipelines (above ground)	140
Water mains, wastewater mains / aqueducts	55 to 150
Stormwater drains and basins	80 to 150
System buildings	20 to 50
Water, sewage and stormwater pumping stations	15 to 100
Water and sewage treatment plants and water filtration plants under a finance lease	15 to 100
Reservoirs	15 to 150
Integrated control systems	3 to 15
Water meters	8 to 20
Right-of-use assets (for 2020 only)	Lease term
<b>Other classes:</b>	
Market buildings	20 to 40
Leasehold property	99
Plant and equipment	5 to 12
Computer equipment	3 to 12
Right-of-use assets (for 2020 only)	Lease term

For wastewater gravity mains greater than 100mm in diameter, the hole/cavity component is considered to be non-depreciable as these mains are capable of being repeatedly relined in the future (rather than being entirely replaced through excavation) and hence only the pipe conduit component for these mains shown above under the category of wastewater mains is considered to be depreciable.

#### **(h) Finance lease assets**

The Corporation applied AASB 117 *Leases* (AASB 117) up until 30 June 2019 to classify leases as either finance leases or operating leases. Finance leases transferred from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets. All other leases were treated as operating leases.

AASB 16 from 1 July 2019 removes for lessees the concept of finance leases and operating leases. However, the Corporation continues to recognise the lease assets and lease liabilities related to the Blue Mountains Sewage Transfer scheme and the water filtration agreements as finance lease assets and finance lease liabilities post 1 July 2019. This is to meet an NSW Treasury mandated option to not apply AASB 16 to those finance lease assets and finance lease liabilities which will be classified as service concession assets and service concession liabilities respectively under AASB 1059 *Service Concession Arrangements: Grantors* from 1 July 2020 (refer to note 5 and note 22).

Finance leases are capitalised at the inception of the lease at the fair value of the leased asset or at the present value of the minimum lease payments, whichever is lower. Any initial direct costs incurred, or amounts received as a condition precedent are included in fair value. A finance lease liability is also established at inception, at the present value of the future minimum lease payments. Each lease payment thereafter is allocated between the liability in the statement of financial position and finance costs in profit or loss.

Capitalised finance lease assets that are reasonably certain to be acquired at the end of the lease term are depreciated on a straight-line basis over the expected useful life of the asset. If there is no reasonable certainty of acquisition, it is depreciated over the shorter of the lease term and the useful life.

#### **(i) Classification as assets held for sale**

Assets classified as held for sale are assets that are expected to be recovered primarily through sale rather than use. These are shown under current assets in the statement of financial position. Immediately before classification as held for sale, the measurement of the asset is updated consistent with the revaluation policies for property, plant and equipment.

On initial classification as held for sale, the asset is measured at the lower of its carrying amount and its fair value less costs to sell. Any subsequent impairment losses of assets held for sale are recognised as an expense in profit or loss.

Any reversals of impairment are also recognised in profit or loss, but not exceeding the amount of impairment losses previously recognised as an expense before the asset was classified as held for sale. Once a depreciable asset is classified as held for sale, depreciation ceases for that asset.

#### **(j) Impairment testing**

At each reporting date, the carrying amount of property, plant and equipment assets is reviewed to determine whether there is an indication of impairment. If any indication of impairment exists, an estimate of the recoverable amount of the assets affected is made. Recoverable amount is determined as the higher of fair value less costs to sell, and value in use. Value in use is also determined by discounting future cash flows generated by the Corporation's assets using the IPART regulatory pricing methodology.

Impairment losses occur when the carrying amount of an asset within a cash-generating unit, or of the cash-generating unit taken as a whole, exceeds the recoverable amount for that asset or cash-generating unit respectively. Impairment losses are recognised as an expense in profit or loss, unless the impairment loss can be applied to a revaluation increment that exists for the asset in the asset revaluation reserve.

Impairment losses for a cash-generating unit taken as a whole are allocated to reduce the carrying amount of each asset in the cash-generating unit on a pro rata basis, except for those assets that have a separately determinable recoverable amount. The Corporation has a single cash-generating unit at the whole of entity level.

Impairment losses are reversed if there has been a change in the estimates used to determine recoverable amount or if an event or significant changes have occurred during the reporting period that have led, or will lead, to a benefit to the Corporation because of the manner in which the asset is expected to be used. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Note 5. Leases

### (a) Impact of adoption on 1 July 2019

(i) AASB 16 requires the Corporation to recognise, as a lessee, right-of-use assets and lease liabilities for most operating leases at the inception of the lease. The lease payments are discounted using the interest rate implicit in the lease. If that rate could not be readily determined, which is generally the case for most of the Corporation's leases, the incremental borrowing rate of the Corporation (as lessee) is used, being the rate that the Corporation 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 and conditions. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.69%. The Corporation's incremental borrowing rate also includes the government guarantee fee charged by NSW Treasury.

Lease payments are dissected into a principal portion and an interest portion, with the principal portion reducing the lease liability over time. The previous operating lease expense under AASB 117 has been replaced by the depreciation of the recognised right-of-use asset and the interest expense incurred on the lease liability under AASB 16.

#### Practical expedients applied

The Corporation has adopted the transition options for AASB 16 as mandated by NSW Treasury in TC18-05 AASB 16 *Leases Transition Elections*. These include:

- The Corporation adopted AASB 16 on 1 July 2019 through the application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 always applied. The comparatives for the year ended 30 June 2019 were not restated;
- The Corporation adopted the practical expedient whereby the fair value of the right-of-use asset will be the same as the lease liability on 1 July 2019;
- The Corporation adopted the practical expedient to not recognise a right-of-use asset and a corresponding lease liability for all operating leases where the lease term is less than 12 months or where these are of low value (i.e. less than \$10,000);
- The Corporation adopted the practical expedient to exclude the non-lease components of leases from determining the right-of-use asset and the corresponding lease liability. These non-lease components include items such as outgoings and maintenance;
- The Corporation adopted the practical expedient not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead for contracts entered into or before the transition date the Corporation relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*;
- The Corporation adopted hindsight in determining the lease term where the contract contained options to extend or terminate the lease; and
- The Corporation adopted the practical expedient to exclude the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The change in accounting policy increased property, plant and equipment and lease liabilities related to right-of-use assets by \$414.417 million. The net impact on retained earnings on 1 July 2019 was nil.

#### Measurement of lease liabilities

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

	1 July 2019
	\$'000
Operating lease commitments as at 30 June 2019 (exclusive of GST)	568,668
(Less): Discounted using the lessee's incremental borrowing rate as at 1 July 2019	(112,727)
(Less): Low-value leases not recognised as a liability	(156)
(Less): Levy for leasehold properties	(3,505)
(Less): Indexation of future payments included in operating leases commitment	(37,863)
<b>Lease liabilities related to right-of-use assets recognised as at 1 July 2019</b>	<b>414,417</b>



## (ii) Amounts recognised in the statement of financial position on adoption

The balance sheet shows the following amounts related to leases:

	Note	On adoption \$'000
<b>Right-of-use assets:</b>		
Market land and buildings		206,574
System asset – Infrastructure including system land		184,705
Plant and equipment		16,109
Computer equipment		7,029
<b>Total right-of-use assets</b>		<b>414,417</b>
<b>Lease Liabilities</b>		
Current		29,485
Non-current		384,932
<b>Total lease liabilities</b>		<b>414,417</b>

## (iii) Amounts recognised in the statement of comprehensive income for the current reporting period

	Note	2020 \$'000	2019 \$'000
Depreciation charge – right-of-use assets	2(b)	40,676	-
Interest expense on lease liabilities	2(a)	15,144	-
Leases of low value assets expense	2(b)	16	-

The net impact on profit before tax as a result of the implementation of AASB16 during the current year is \$11.2 million.

## (iv) Amounts recognised in the statement of cash flows for the current reporting period

The statement of cash flows for 30 June 2020 includes cash outflows for lease payments of \$29.4 million within 'cash flows from financing activities' and lease interest of \$15.1 million within 'cash flows from operating activities.' The Corporation had total cash outflows for leases of \$44.5 million for the current financial year. The cash flows for the year ended 30 June 2019 have not been restated, with the cash outflow associated with lease payments included in 'payments to suppliers and employees' within 'cash flows from operating activities.'

### Property leases

The Corporation leases properties to conduct its operations. Leases for property generally have terms of one to ten years' duration with option periods following, ranging up to 15 years. Where no option periods exist under these leases, it is necessary to negotiate a new lease with the owner, who has the right to require vacant possession. Where there are option periods, the option to continue occupation rests with the Corporation alone. The leasing of the head office building at 1 Smith Street, Parramatta is by way of a lease of 15 years (ending in May 2024) with two 5-year option periods. The following factors are relevant when considering the option to extend the property lease term:

- If any leasehold improvements are expected to have a significant remaining value, the Corporation is typically reasonably certain to extend; and
- The Corporation considers the historical lease durations, the costs and business disruption required to replace the leased properties.

Most extension options in the property leases have been included in the lease liability because the Corporation could not replace the asset without significant cost or business disruption.

### Recycled water infrastructure lease

The Corporation has a lease agreement to obtain recycled water from a plant that is owned and operated by an external party in the Rosehill/Camellia area. A lease arises for the Corporation in relation to the payments made to obtain the recycled water which is subsequently sold to a small number of foundation customers for industrial and irrigation purposes. The lease agreement is for a term of 20 years, extending to 2031-32. There is no option to extend.

### Computer equipment leases

The Corporation holds two leases to rent server capacity at two NSW Government Data Centre facilities. Each lease is for a three-year term with no option for extension.

### Plant and other equipment

The Corporation leases motor vehicles and other plant and equipment. These leases are predominantly for terms between two and five years. There is an option to extend the lease liability however these have not been included because the Corporation can replace the asset without significant cost i.e. commence a new lease liability.

## (b) Right-of-use assets

### Recognition and measurement of right-of-use assets

The Corporation assesses at contract inception whether a contract is, or contains, a lease. A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation 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 low-value lease assets.

The Corporation recognises right-of-use assets at the commencement date of the lease. This is the date the underlying lease assets are available for use. Right-of-use assets are initially measured at the amount of the initial measurement of the lease liability adjusted by any lease payments made at or before the commencement date, any lease incentives, initial direct costs incurred and the estimated costs of dismantling and removing the asset (refer to note 5(a)).

The right-of-use assets are depreciated on a straight-line basis over their lease term as this is considered to be shorter than the right-of-use assets' estimated useful lives. The normal life expectancy of these assets when initially installed can be seen in note 4(g). After the commencement date, the right-of-use asset should be measured using a cost model.

	Market land and buildings	System assets - Infrastructure including system land	Plant and equipment	Computer equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Adoption of AASB 16 at 1 July 2019	206,574	184,705	16,109	7,029	414,417
Additions	-	2,320	15,962	-	18,282
Disposals	-	-	(38)	-	(38)
Depreciation charge	(15,138)	(15,083)	(8,112)	(2,343)	(40,676)
<b>At 30 June 2020 – net carrying amount</b>	<b>191,436</b>	<b>171,942</b>	<b>23,921</b>	<b>4,686</b>	<b>391,985</b>

## (c) Lease liabilities related to right-of-use assets

### Recognition and measurement of lease liabilities

At the commencement date of the lease, the Corporation recognises lease liabilities related to right-of-use assets measured at the present value of lease payments to be made over the lease term. Lease payments include:

- 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 any purchase options reasonably certain to be exercised by the Corporation; and
- Payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising the option to terminate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate could not be readily determined, which is generally the case for most of the Corporation's leases, the incremental borrowing rate of the Corporation (as lessee) is used, being the rate that the Corporation 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 and conditions. The Corporation's incremental borrowing rate also includes the government guarantee fee charged by NSW Treasury.

After the commencement date, the amount of lease liabilities is increased to reflect the accumulation of interest expense and reduced for the lease payments made. The carrying amount of the lease liabilities is also remeasured if there is a modification, a change in the lease term, a change in the lease payments due to a change in the CPI index or another index/rate used to determine such lease payments or a change in the assessment of an option to purchase the underlying asset.

Where the Corporation is exposed to potential future increases in variable lease payments based on the CPI index or another index/rate, these are not included within the lease liability until they take effect. When the adjustments take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions including option extensions. The lease agreements do not impose any covenants. The leased assets are not used as security for borrowing purposes. The Corporation does not provide residual value guarantees in relation to leases.

Extension and termination options are included in most of the property leases. These terms are used to maximise operational flexibility in terms of managing contracts. All extension and termination options held are exercisable only by the Corporation and not by the respective lessor. In determining the lease term, management considered all facts and circumstances that create an economic incentive to exercise an extension option, or to not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Corporation as lessee.

	Note	2020 \$'000	2019 \$'000
<b>Current:</b>			
Lease liabilities related to right-of-use assets		33,862	-
<b>Total current liabilities related to right-of-use assets</b>		<b>33,862</b>	<b>-</b>
<b>Non-current</b>			
Lease liabilities related to right-of-use assets		369,345	-
<b>Total non-current liabilities related to right-of-use assets</b>		<b>369,345</b>	<b>-</b>

#### **Finance leases under AASB 117 where the Corporation is the lessee**

The Corporation still applies the principles of accounting for finance leases as per AASB 117 for its system assets - infrastructure finance leases. This is to comply with a NSW Treasury mandate that AASB 16 not apply to any finance lease assets and finance lease liabilities that will be classified as service concession assets and service concession liabilities under AASB 1059 *Service Concession Arrangement: Grantors* from 1 July 2020.

#### **(d) Lessor accounting**

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. The Corporation as lessor will continue to classify leases as either operating or finance leases using the similar principles set out in AASB 117. The Corporation did not need to make any adjustments to the accounting for operating leases held as lessor as a result of the adoption of AASB 16. The Corporation does not hold any finance leases as lessor.

## Note 6. Intangible assets

### Movements and carrying amounts

	Computer software \$'000	Easements and other rights of access \$'000	Work in progress \$'000	Total \$'000
At 1 July 2018 – net carrying amount	65,527	13,575	156,530	235,632
Additions to work in progress	-	-	94,068	94,068
Additions transferred from work in progress	196,913	2,672	(199,585)	-
Additions – other	-	(805)	-	(805)
Disposals	(370)	-	-	(370)
Reclassifications	-	-	-	-
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	-	360	(2,239)	(1,879)
Amortisation charge	(29,447)	-	-	(29,447)
<b>At 30 June 2019 – net carrying amount</b>	<b>232,623</b>	<b>15,802</b>	<b>48,774</b>	<b>297,199</b>
Additions to work in progress	-	-	44,396	44,396
Additions transferred from work in progress	35,188	243	(35,431)	-
Additions - other	-	-	-	-
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	-	(26)	-	(26)
Amortisation charge	(41,099)	-	-	(41,099)
<b>At 30 June 2020 – net carrying amount</b>	<b>226,712</b>	<b>16,019</b>	<b>57,739</b>	<b>300,470</b>

	Computer software \$'000	Easements and other rights of access \$'000	Work in progress \$'000	Total \$'000
<b>At 1 July 2019</b>				
Fair value – Level 3				
Cost	644,776	32,581	48,774	726,131
Accumulated amortisation	(412,153)	-	-	(412,153)
Accumulated impairment	(412,153)	(16,779)	-	(16,779)
<b>At 1 July 2019 – net carrying amount</b>	<b>232,623</b>	<b>15,802</b>	<b>48,774</b>	<b>297,199</b>
<b>At 30 June 2020</b>				
Fair value – Level 3				
Cost	679,963	33,153	57,739	770,855
Accumulated amortisation	(453,251)	-	-	(453,251)
Accumulated impairment	(453,251)	(17,134)	-	(17,134)
<b>At 30 June 2020 – net carrying amount</b>	<b>226,712</b>	<b>16,019</b>	<b>57,739</b>	<b>300,470</b>

	Computer software \$'000	Easements and other rights of access \$'000	Work in progress \$'000	Total \$'000
<b>At 1 July 2018</b>				
Fair value – Level 3	515,985	30,117	156,530	702,632
Cost				
Accumulated amortisation	(450,458)	-	-	(450,458)
Accumulated impairment	(450,458)	(16,542)	-	(16,542)
<b>At 1 July 2018 – net carrying amount</b>	<b>65,527</b>	<b>13,575</b>	<b>156,530</b>	<b>235,632</b>
<b>At 30 June 2019</b>				
Fair value – Level 3	644,776	32,581	48,774	726,131
Cost				
Accumulated amortisation	(412,153)	-	-	(412,153)
Accumulated impairment	(412,153)	(16,779)	-	(16,779)
<b>At 30 June 2019 – net carrying amount</b>	<b>232,623</b>	<b>15,802</b>	<b>48,774</b>	<b>297,199</b>

### (a) Asset classes

Intangible assets are identifiable non-monetary assets without physical substance. The Corporation has the following asset classes forming intangible assets:

#### Computer application software

Computer application software that is not an integral part of any related hardware is classified as an intangible asset. Software that is an integral part of related hardware is incorporated within the relevant class of physical assets, such as computer equipment or system assets under property, plant and equipment.

#### Easements and other rights of access

Easements or licences are entered into to allow the Corporation to access system assets situated on or under land owned by other parties.

### (b) Acquisition and capitalisation

Intangible assets are capitalised initially at cost. Costs incurred on incomplete intangible assets that are being progressively acquired are recognised as work in progress at the reporting date. These assets are reclassified as completed intangible assets when the assets are fully acquired and are operational or available for use.

### (c) Measurement of asset classes

The relevant valuation technique used for each asset class of intangible assets is as follows:

#### Computer application software – cost approach

The fair value of computer software is based on the cost approach as it is considered that there is no active market that can be referenced to obtain a market-based fair value. In this case, amortised historical cost is considered an acceptable surrogate for depreciated replacement cost under the cost approach.

#### Easements and other rights of access – income approach

The fair value of easements and other rights of access is determined using the income approach as part of the fair value model used for system assets, as the easements are directly related to those assets (refer to notes 4(e) and 4(f)). Easements and other rights of access are included in the calculation of the fair value of the system assets. Any valuation adjustment that is applied to system assets is also applied to easements and other rights of access.

### (d) Amortisation

Computer application software has a finite life and accordingly it is amortised on a straight-line basis over its expected useful life.

Easements have indefinite lives, as there is no finite period over which their use is fully consumed, and so they are not amortised. Other rights of access that have a defined licensing period are amortised over that period on a straight-line basis.

Easements are only derecognised when a management decision has been made to relocate the relevant system asset component and the need for the easement no longer exists.

Work in progress intangible assets with finite lives are not amortised until the assets are brought into service and are available for use.

The normal life expectancies of intangible asset classes are as follows:

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Intangible assets subject to amortisation	Number of Years
Computer application software	3 to 9

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## Working capital management

### Note 7. Cash and cash equivalents

#### (a) Balances at the reporting date

	2020 \$'000	2019 \$'000
Cash at bank	42,755	34,608

#### Recognition and measurement

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with a maturity period of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Corporation does not hold any cash equivalents (2019: \$Nil).

#### Cash balance not recognised

Under the terms of an agreement between City of Parramatta Council (Council) and the Corporation, the Corporation is contributing to the overall development of the Civic Place public domain at Parramatta. At the reporting date, an amount of \$3.864 million (2019: \$3.842 million) is currently placed in an interest-bearing bank account administered by the Corporation in accordance with the agreement.

The balance of cash in this bank account has not been recognised by the Corporation as an asset because officers of Council are also signatories to the account and restrict its use so that the cash is not able to be used for any other purpose by the Corporation. Funds can only be released from the bank account when Council provides to the Corporation certification of public domain works procured by Council in relation to the Civic Place development. At that time, the Corporation must hand over to the Council 14.3 per cent of the certified value of the public domain work completed. Any funds remaining unexpended in the bank account as at the end of the agreement will return to the Corporation's normal cash management activities and restrictions over the use of this cash will cease.

#### (b) Notes to the statement of cash flows

	Note	2020 \$'000	2019 \$'000
<b>Reconciliation of profit to net cash flows from operating activities</b>			
<b>Profit for the year</b>		<b>426,938</b>	<b>478,631</b>
<b>Adjustments for:</b>			
Gain on disposal of property, plant and equipment	1(b)	(125)	(909)
Loss on disposal of property, plant and equipment	2(b)	13,513	15,279
Loss on disposal of intangible assets	2(b)	-	371
Developer contributions	1(a)	(257,774)	(271,602)
Depreciation and amortisation	2(b)	364,235	293,237
Amortisation of deferred discounts on loans	2(a)	47,518	69,917
Indexation of CPI bonds	2(a)	40,429	36,205
Deferred borrowing costs/premiums expensed on refinancing of loans	2(a)	-	10,066
Impairment loss recognised for property, plant and equipment	2(b), 4	5,438	6,430
Impairment loss (reversed) recognised for intangible assets	2(b), 6	26	1,879
Government grants for investing activities recognised in income		-	(10,000)
<b>Net movement in statement of financial position items applicable to operating activities:</b>			
Other current assets		(13,848)	3,657
Trade and other receivables		(58,858)	(51,567)
Trade and other payables		14,868	14,524
Provisions		11,771	47,665
Income tax assets and liabilities		17,187	4,622
Deferred Government grants		207	(350)
<b>Net cash flows from operating activities</b>		<b>611,525</b>	<b>648,055</b>



### Non-cash financing and investing activities

Acquisition and disposal of right-of-use assets and assets handed over at no cost by developers are not included in the statement of cash flows as these are regarded as non-cash.

The amount capitalised during the current reporting period relating to the acquisition of right-of-use assets following a change in accounting policy required by AASB 16 (refer to note 5) was \$18.282 million and \$0.038 million was disposed from right-of-use assets during the current reporting period.

The amount capitalised during the current reporting period in respect of assets handed over at no cost by developers to the Corporation was \$235.794 million (2019: \$245.036 million).

### Reconciliation of changes in liabilities arising from financing activities (from cash flows and non-cash flows)

	Other advances	Borrowings - NSW Treasury Corporation	Blue Mountains Sewage Transfer Scheme finance lease	Lease liabilities related to right-of- use assets	Finance lease liabilities	Dividends payable	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	12	7,760,537	49,039	-	359,355	296,490	8,465,487
Cash flows	(12)	1,147,533	(2,607)	-	(13,347)	(890,490)	241,077
Non-cash amortisation of deferred premiums	-	69,917	-	-	-	-	69,917
Non-cash indexation of CPI indexed bonds	-	36,205	-	-	-	-	36,205
Deferred borrowing costs/premiums expensed on refinancing of loans	-	10,066	-	-	-	-	10,066
Dividends payable	-	-	-	-	-	914,553	914,553
<b>Balance at 1 July 2019</b>	<b>-</b>	<b>9,024,258</b>	<b>46,486</b>	<b>-</b>	<b>346,008</b>	<b>320,553</b>	<b>9,737,305</b>
Adjustment for change in accounting policy – note 5	-	-	-	414,417	-	-	414,417
<b>At 30 June 2019 - adjusted net carrying amount</b>	<b>-</b>	<b>9,024,258</b>	<b>46,486</b>	<b>414,417</b>	<b>346,008</b>	<b>320,553</b>	<b>10,151,722</b>
Cash flows	-	696,886	(2,773)	(29,454)	(14,958)	(320,553)	329,148
Non-cash acquisition – lease liabilities related to right-of-use assets	-	-	-	18,282	-	-	18,282
Non-cash amortisation of deferred premiums	-	47,518	-	-	-	-	47,518
Non-cash indexation of CPI indexed bonds	-	40,429	-	-	-	-	40,429
Disposal of lease liability related to right-of-use assets	-	-	-	(38)	-	-	(38)
Deferred borrowing costs/premiums expensed on refinancing of loans	-	-	-	-	-	-	-
Dividends payable	-	-	-	-	-	963,000	963,000
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>9,809,091</b>	<b>43,713</b>	<b>403,207</b>	<b>331,050</b>	<b>963,000</b>	<b>11,550,061</b>

## Note 8. Trade and other receivables

### (a) Balances at the reporting date

	2020 \$'000	2019 \$'000
<b>Current assets</b>		
<b>Trade receivables from contracts with customers</b>		
Outstanding service availability and usage charges	131,066	105,367
Loss allowance	(867)	(1,181)
	<u>130,199</u>	<u>104,186</u>
Accrued unbilled usage charges on unread meters:		
Water	153,238	181,346
Sewer	11,546	9,083
Other	1,716	5,996
	<u>166,500</u>	<u>196,425</u>
Other trade debtors	19,198	18,423
Loss allowance	-	(98)
	<u>19,198</u>	<u>18,325</u>
<b>Total trade receivables from contracts with customers</b>	<b><u>315,897</u></b>	<b><u>318,936</u></b>
<b>Other receivables</b>		
Other debtors and accrued revenue	75,188	71,845
Prepayments	21,968	10,351
<b>Total other receivables</b>	<b><u>97,156</u></b>	<b><u>82,196</u></b>
<b>Total current trade receivables from contracts with customers and other receivables</b>	<b><u>413,053</u></b>	<b><u>401,132</u></b>

### Recognition and measurement

Trade and other receivables are amounts receivable for services to customers prior to the end of the reporting period and that are yet to be collected.

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. The Corporation holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

Accrued unbilled usage charges on unread meters comprises estimates for accrued revenue for water usage, sewer usage, trade waste and recycled water charges where meters have not been read as at the reporting date. The Corporation estimates the accrual based on consumption data and other inputs. These charges are billed to customers with actual consumption once meters are read. The estimation is inherently uncertain due to the continuous consumption of water and the time delay in water meter readings and billings to the customer (generally one quarter in arrears to consumption). Consumption patterns also vary between customers and seasons, adding estimation complexity.

Outstanding trade receivables for service availability and usage charges are required to be settled within 21 days. Other trade debtors are generally required to be settled within 14 days. All other current receivables are expected to be realised within 12 months of the reporting date.

**(b) Ageing analysis of trade receivables from contracts with customers**

	Gross Amount	Allowance for Impairment	Net amount	Gross Amount	Allowance for Impairment	Net amount
	2020	2020	2020	2019	2019	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Outstanding service and usage charges</b>						
Not past due	37,442	-	37,442	5,587	-	5,587
Past due 22 - 30 days	9,658	-	9,658	14,357	-	14,357
Past due 31 - 60 days	16,999	-	16,999	18,768	-	18,768
Past due 61 - 90 days	14,174	-	14,174	10,583	-	10,583
Past due 91 - 180 days	24,342	-	24,342	38,349	-	38,349
Past due 181 - 365 days	14,142	(867)	13,275	9,607	(1,181)	8,426
Past due > 365 days	14,309	-	14,309	8,116	-	8,116
	<b>131,066</b>	<b>(867)</b>	<b>130,199</b>	<b>105,367</b>	<b>(1,181)</b>	<b>104,186</b>
<b>Other trade debtors</b>						
Not past due	5,683	-	5,683	9,733	-	9,733
Past due 15 - 30 days	801	-	801	1,748	-	1,748
Past due 31 - 60 days	2,549	-	2,549	1,145	-	1,145
Past due 61 - 90 days	2,215	-	2,215	807	-	807
Past due 91 - 180 days	2,379	-	2,379	1,123	-	1,123
Past due 181 - 365 days	3,617	-	3,617	1,645	-	1,645
Past due > 365 days	1,954	-	1,954	2,222	(98)	2,124
	<b>19,198</b>	<b>-</b>	<b>19,198</b>	<b>18,423</b>	<b>(98)</b>	<b>18,325</b>

All other balances within trade receivables and other receivables are not past due and are expected to be realised at the amounts carried in the statement of financial position when due.

**(c) Movement in loss allowance**

	Outstanding service and usage charges		Other trade debtors		Total	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the year	(1,181)	(646)	(98)	(98)	(1,279)	(744)
Charge for impairment reversal (loss allowance)	-	(601)	91	-	91	(601)
Amounts written off	314	66	7	-	321	66
<b>Carrying amount at end of the year</b>	<b>(867)</b>	<b>(1,181)</b>	<b>-</b>	<b>(98)</b>	<b>(867)</b>	<b>(1,279)</b>

The Corporation applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables (refer to note 18(b)).

## Note 9. Other current assets

	2020 \$'000	2019 \$'000
Stock, stores and materials - at cost	26,080	15,781
Greenhouse trading certificates – at fair value	-	300
<b>Total other current assets</b>	<b>26,080</b>	<b>16,081</b>

### Recognition and measurement

#### Stock, stores and materials at cost

Inventories include a variety of items on hand including stock, stores and materials for operational and maintenance purposes. These items have been measured by actual count or weight and are valued at the lower of cost and net realisable value using the 'weighted average' basis of valuation for the purposes of determining cost. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Water that resides in the Corporation's infrastructure assets at the reporting date is not recognised as inventory. This water is under the control of the Water Administration Ministerial Corporation.

## Note 10. Trade and other payables

	2020 \$'000	2019 \$'000
<b>Current</b>		
Trade payables	135,858	102,683
Non-trade payables	48,561	95,408
Income in advance	11,276	7,932
Government guarantee fee payable	167,082	152,124
Interest expense payable	49,775	46,366
Accrued expenses	200,073	265,698
<b>Total trade and other payables</b>	<b>612,625</b>	<b>670,211</b>

### Recognition and measurement

Trade accounts payable and accrued expenses (other than for interest on loans and the government guarantee fee) are normally settled within 30 days. Accrued interest on loans and advances is generally payable within a maximum period of six months. Other non-trade payables are payable at various times throughout the reporting period. Trade and other payables are not secured against the assets of the Corporation. Trade accounts payable and accrued expenses are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## Debt Management

### Note 11. Borrowings and other financial liabilities

	Note	2020 \$'000	2019 \$'000
<b>Current</b>			
<b>Borrowings:</b>			
Come and Go borrowings – NSW Treasury Corporation		98,500	81,500
Greenhouse trading certificates		41	-
<b>Other financial liabilities</b>			
Blue Mountains Sewage Transfer Scheme finance lease liability		2,951	2,772
Water filtration plant agreements finance lease liabilities		16,729	14,958
<b>Total current borrowings and other financial liabilities</b>		<b>118,221</b>	<b>99,230</b>
<b>Non-current</b>			
<b>Borrowings:</b>			
Long-term borrowings – NSW Treasury Corporation		9,710,591	8,942,758
<b>Other financial liabilities</b>			
Blue Mountains Sewage Transfer Scheme finance lease liability		40,762	43,714
Water filtration plant agreements finance lease liabilities		314,321	331,050
<b>Total non-current borrowings and other financial liabilities</b>		<b>10,065,674</b>	<b>9,317,522</b>

### Recognition and measurement

#### (a) Borrowings

Interest-bearing borrowings obtained by the Corporation from NSW Treasury Corporation are recognised initially at the fair value of the consideration received, which incorporates any transaction costs associated with the borrowings. Subsequent to initial recognition, they are stated at amortised cost using the effective interest method. This includes capital indexed bonds whose carrying amount is restated at each reporting date by way of an indexation adjustment based on CPI. Amortised cost is calculated by considering any differences between the initial fair value and the final redemption value of the borrowings, such as discounts or premiums. These differences are amortised to profit or loss as part of finance costs over the period of the borrowings on an effective interest basis. Indexation adjustments on CPI indexed bonds are also recognised as part of finance costs in profit or loss.

Interest-bearing borrowings are classified as current liabilities only if the borrowing is due to be settled within 12 months after the reporting date and there is no discretion on the part of the Corporation to extend or refinance the obligation on a long-term basis with the respective lender. All other interest-bearing borrowings are classified as non-current liabilities, including those in which the Corporation has the discretion to refinance or roll over the borrowings for at least 12 months after the reporting date even if they are due to mature within a shorter period.

#### Greenhouse trading certificates

Greenhouse trading certificates are traded in energy markets and are required by energy retailers to meet greenhouse gas emissions or renewable energy targets. Greenhouse trading certificates can either be held for trading purposes or surrendered to the regulators that administer them to demonstrate the achievement of carbon neutral initiatives. The Corporation can purchase these certificates or generate them through energy saving initiatives, such as installing water saving devices in customers' properties or constructing co-generation facilities to produce renewable energy at several of its treatment plants.

Greenhouse trading certificates that are generated by the Corporation for a nominal registration fee and which are held for potential trading purposes are initially recognised at fair value based on the market price at the time. Their carrying amount is subsequently restated at each reporting date to the fair value based on the prevailing market price at that time, with any gains or losses recognised in profit or loss. The inputs used to determine the fair value are based on a quoted price in an active market and so are level 1 valuations.

#### (b) Finance lease liabilities

Finance lease liabilities comprise liabilities for the Corporation's obligations under the Blue Mountains Sewage Transfer Scheme agreement and under the water filtration plant agreements. As per note 4(h), the Corporation continues to recognise the lease liabilities to meet an NSW Treasury mandated option to not apply AASB 16 to finance lease liabilities which will be classified as service concession liabilities from 1 July 2020.

### Blue Mountains Sewage Transfer Scheme agreement

The Corporation has a service agreement with the legal owner of a sewage tunnel in the Blue Mountains for the transfer of sewage to a sewage treatment plant owned by the Corporation. The term of the agreement is for 35 years, with the Corporation having an option to extend to 50 years. A tariff is payable to the legal owner on a quarterly basis, separated into principal and interest, and the legal title of the tunnel will transfer to the Corporation at the end of the agreement.

The Corporation considers that, in substance, it presently controls the tunnel and that the future payments to be made to the legal owner are, in substance, for the acquisition of the tunnel over the term of the agreement. Accordingly, the Corporation has capitalised the cost of the tunnel asset as an item of property, plant and equipment and has recognised a liability in the statement of financial position for the obligation to make future tariff payments to the legal owner.

### Water filtration plant agreements

The Corporation has contractual arrangements with the owner/operators of water filtration plants at Prospect, Macarthur, Illawarra and Woronora for the filtration of bulk water. These are summarised below:

Agreement	Conditions precedent satisfied	Takes effect from	Extended to	Tariff component includes		Legal title transfers at end
				Service element	Capital cost	
Macarthur	March 2011	1 March 2011	8 September 2030	Yes	Yes	Yes
Illawarra	September 2015	1 October 2015	30 November 2036	Yes	Yes	Yes
Woronora	September 2015	1 October 2015	30 November 2036	Yes	Yes	Yes
Prospect	June 2016	1 July 2016	30 November 2035	Yes	Yes	Yes

The capital components of the tariffs that are specifically related to the acquisition of the plants over the terms of the agreements meet the criteria of a finance lease and accordingly finance lease assets (refer to note 4(h)) and finance lease liabilities have been recognised in the statement of financial position. The service element components of the tariff are recognised as an expense within profit or loss. The interest rate used for discounting the payment stream of lease payments under these agreements is a 'real' pre-tax discount rate of 7.5% per annum, which is equivalent to a nominal rate of 10.19% per annum. This is the rate implicit in these agreements.

### (c) Borrowing facilities

The Corporation holds the following borrowing facilities as at 30 June:

Financing facilities	Utilised	Not	Total	Utilised	Not	Total
	2020	Utilised	Facility	2019	Utilised	Facility
	\$'000	2020	2020	\$'000	2019	2019
		\$'000	\$'000		\$'000	\$'000
Bank overdraft facility	-	15,000	15,000	-	15,000	15,000
Purchase credit card facility	150	2,350	2,500	272	2,228	2,500
Guarantee facility	18,181	11,819	30,000	19,273	10,727	30,000
Come and Go short-term borrowing facility	98,500	1,500	100,000	81,500	18,500	100,000
Long-term borrowing facility	9,710,591	2,789,409	12,500,000	8,942,758	1,472,242	10,415,000
	<b>9,827,422</b>	<b>2,820,078</b>	<b>12,647,500</b>	<b>9,043,803</b>	<b>1,518,697</b>	<b>10,562,500</b>

#### Bank overdraft facility

The Corporation has a bank overdraft facility with its corporate banker. Overdraft interest is charged based on the corporate banker's debit rate that is calculated daily and applied to any overdrawn balances.

#### Purchase credit card facility

The Corporation has a purchase credit card facility with its corporate banker. The purchase credit card facility is used by the Corporation only as an efficient means for staff to purchase low value non-monetary items for the Corporation.

#### Guarantee facility

The Corporation has the NSW Treasurer's approval for obtaining a total guarantee facility from either the Corporation's corporate banker, NSW Treasury Corporation or a combination of both. This facility is predominantly used by the Corporation to provide a guarantee to Insurance and Care NSW in respect of the Corporation's remaining self-insurance workers' compensation liability. The facility can also be used from time to time whenever a guarantee is required, in lieu of security deposits, under contractual arrangements with external parties.

#### Come and Go short-term borrowing facility

The Corporation has a Come and Go short-term borrowing facility in place with NSW Treasury Corporation. The Come and Go facility is used extensively as part of the Corporation's daily cash management function.

**Long-term borrowing facilities**

The Corporation has the NSW Treasurer's approval to obtain long-term borrowing facilities from NSW Treasury Corporation. The Corporation cannot borrow in its own name from the market without the NSW Treasurer's approval. Accordingly, both new loans and the refinancing of maturing loans are arranged via NSW Treasury Corporation.

NSW Treasury Corporation loans are negotiated with either a floating interest rate, in which case the rate is reset periodically, or at a fixed rate where interest is paid half-yearly in arrears or on maturity.

NSW Treasury Corporation also provides CPI indexed bonds and resettable loans to the Corporation. CPI indexed bonds are either restated by an indexation adjustment based on CPI on a quarterly basis, or they require payment of the CPI indexation semi-annually along with the interest payment. Resettable loans are loans where the interest rate resets in line with the regulatory Pricing Determination period. These loans are usually refinanced at maturity. Fixed rate loans currently have maturities up to 21 years (2019: 22 years) for the Corporation. CPI indexed bonds have a maximum term to maturity of 15 years to 2035 (2019: 16 years to 2035). None of these facilities are secured against the assets of the Corporation.

## Other liabilities

### Note 12. Provisions

	2020 \$'000	2019 \$'000
<b>Current</b>		
<b>Short-term provisions:</b>		
Annual leave	33,393	29,050
Termination benefits	1,602	7,780
Employee benefits on-costs	1,848	1,677
Road restoration	8,821	12,124
<b>Total short-term provisions</b>	<b>45,664</b>	<b>50,631</b>
<b>Current portion of long-term provisions:</b>		
Long service leave	95,930	95,484
Employee benefits on-costs	5,228	5,204
Superannuation	426	279
Workers' compensation self-insurance	1,416	1,384
General insurance	1,292	1,291
Restoration of leased premises	976	-
Restoration costs from decommissioning and maintaining system asset network components	18,806	32,186
<b>Total current portion of long-term provisions</b>	<b>124,074</b>	<b>135,828</b>
<b>Total current provisions</b>	<b>169,738</b>	<b>186,459</b>
<b>Non-current</b>		
<b>Long-term provisions:</b>		
Employee benefits for long service leave	7,905	6,804
Employee benefits on-costs	431	371
Post-employment benefits from superannuation	753,866	820,444
Workers' compensation self-insurance	17,329	18,759
General insurance	2,080	2,081
Restoration of leased premises	11,605	11,364
Restoration costs from decommissioning and maintaining system asset network components	13,469	25,158
<b>Total non-current provisions</b>	<b>806,685</b>	<b>884,981</b>
<b>Employee benefits and related on-costs</b>		
Employee benefits – current	129,323	124,534
Employee benefits on-costs – current	7,076	6,881
Employee benefits – non-current	7,905	6,804
Employee benefits on-costs – non-current	431	371
<b>Aggregate employee benefits and related on-costs</b>	<b>144,735</b>	<b>138,590</b>

The annual leave and the unconditional entitlements to long service leave (where employees have completed the required period of service or where employees are entitled to pro-rata payments in certain circumstances) are presented as current liabilities. The Corporation does not have an unconditional right to defer settlement for any of these obligations. However, based on experience, the Corporation does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The Corporation expects to make payments totalling \$27.900 million (2019: \$28.340 million) for annual leave, and payments totalling \$11.610 million (2019: \$11.790 million) for long-service leave in the next reporting period. All other provisions under current liabilities are expected to be paid in the next reporting period for the amount recognised.



## Recognition and measurement

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

If the obligation is to be settled greater than 12 months after the reporting date and the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. This is usually the risk-free rate on Government bonds that most closely matches the timing of the expected future payments, except where noted below. If the obligation is due to be settled less than 12 months after the reporting date, the provision is stated at the best estimate available and is not discounted.

### (a) Employee benefits provisions

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled less than 12 months after the reporting date in which the employees render the related service. They include wages, salaries and annual leave. All short-term employee benefits that are payable at the reporting date are measured on an undiscounted basis at the nominal amount expected to be paid. Liabilities for wages and salaries are included within trade and other payables (refer to note 10).

#### Termination benefits

Termination benefits for the Corporation refers specifically to redundancy benefits payable to employees as a result of organisational restructures. Provisions for restructuring are recognised only when the Corporation has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main details to those affected.

The liability for termination benefits for specific employees that have accepted an offer of termination benefits is measured at the calculated entitlement that will be paid to those employees. When specific employees are not known, an estimate for a provision is calculated based on the number of employees expected to accept an offer of termination benefits in accordance with the termination plan. The liability for termination benefits is usually settled in the following reporting period and thus is not discounted.

#### Long service leave liabilities

Long service leave liabilities represent the present value of the future benefits that employees have earned in return for their service in the current and prior reporting periods. The discount rate used is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating to the terms of these obligations.

The liabilities and expenses for long service leave are recognised when employees render service that increases their entitlement to future benefits. The expense in each case is recognised as one net amount that encompasses several components, such as current service cost and the interest cost from discounting. Unconditional entitlements to long service leave benefits are classified as current liabilities in the statement of financial position, while conditional and pre-conditional entitlements are classified as non-current liabilities.

#### Employee benefit on-costs

Costs that are a consequence of employment but which are not employee benefits themselves, such as payroll tax, are recognised as liabilities and expenses when the employment to which they relate has occurred. Payroll tax payable at the reporting date in relation to wages and salaries paid during the previous month is recognised as part of trade and other payables, consistent with the classification of any recognised liability for wages and salaries. Payroll tax payable in respect of annual leave, long service leave or termination benefits to be made in the future is recognised as part of provisions, consistent with the classification of any recognised liabilities for these employee benefits.

### (b) Post-employment benefits - Defined contribution superannuation schemes

Contributions to these schemes are recognised as an expense in profit or loss as incurred. The liability recognised at the reporting date represents the contributions to be paid to these schemes in the following month. The Corporation contributes to the First State Superannuation Scheme and other private schemes nominated by employees to a lesser extent.

### (c) Post-employment benefits - Defined benefit superannuation schemes

The Corporation's net obligation in respect of defined benefit schemes is actuarially calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods. That benefit is discounted to determine its present value, and the fair value of any scheme assets is deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating to the terms of the Corporation's obligations. Calculations are performed by the Pooled Fund's actuary using the projected unit credit method and they are advised to individual agencies for recognition and disclosure purposes in their financial statements. Where the present value of the defined benefit obligation in respect of a scheme exceeds the fair value of the scheme's assets, a liability for the difference is recognised in the statement of financial position. Where the fair value of a scheme's assets exceeds the present value of the scheme's defined benefit obligation, an asset is recognised in the statement of financial position.

Any superannuation asset recognised is limited to the total of any unrecognised past service cost and the present value of any economic benefits that may be available in the form of refunds from the schemes or reductions in future contributions to the schemes, as advised by the Pooled Fund's actuary. The Corporation discloses defined benefit superannuation liabilities or assets as non-current as this best reflects when the Corporation expects to settle (realise) the liabilities (assets). Remeasurements of the net defined benefit liability or asset are recognised in other comprehensive income (directly through retained earnings) in the reporting period in which they occur. Such remeasurements include actuarial gains or losses, the return on plan assets (excluding amounts included in net interest on the defined benefit liability or asset) and any change in effect of the asset ceiling (excluding amounts included in net interest on the defined benefit liability or asset).

The Corporation contributes to three defined benefit superannuation schemes in the NSW public sector Pooled Fund. The schemes are:

- State Superannuation Scheme (SSS);
- State Authorities Superannuation Scheme (SASS); and
- State Authorities Non-contributory Superannuation Scheme (SANCS).

The Pooled Fund holds in trust the investments of these schemes. The following disclosures in relation to these schemes have been provided by SAS Trustee Corporation (STC).

#### **Nature of benefits provided by the Pooled Fund**

As these schemes are defined benefit schemes, at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. These schemes are closed to new members.

#### **The regulatory framework**

The above schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *State Authorities Non-Contributory Superannuation Scheme Act 1987*, and their associated regulations. The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the NSW Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth Government's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The NSW Government prudentially monitors and audits the Pooled Fund and the STC Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the STC Board and internal processes that monitor the STC Board's adherence to the principles of the Commonwealth Government's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2018. The next actuarial investigation is to be carried out as at 30 June 2021.

#### **Other entities' responsibilities for the governance of the Pooled Fund**

STC is responsible for the governance of the Pooled Fund. STC has a legal obligation to act solely in the best interests of the Pooled Fund beneficiaries. STC has the following roles:

- Administration of the Pooled Fund and payment to the beneficiaries from Pooled Fund assets when required in accordance with the Pooled Fund rules;
- Management and investment of the Pooled Fund assets; and
- Compliance with the Trust Deed and other applicable regulations.

#### **Risks**

There are several risks to which the Pooled Fund exposes the Corporation. The more significant risks relating to the defined benefits are:

- Investment risk – The risk that investment returns will be lower than assumed and the Corporation will need to increase contributions to offset this shortfall;
- Longevity risk – The risk that pensioners live longer than assumed, increasing future pensions;
- Pension indexation risk – The risk that pensions will increase at a rate greater than assumed, increasing future pensions;
- Salary growth risk – The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions; and
- Legislative risk – The risk that legislative changes could be made which increase the cost of providing the defined benefits.

The Pooled Fund assets are invested with independent fund managers and have a diversified asset mix. The Pooled Fund has no significant concentration of investment risk or liquidity risk.

#### **Significant events**

There were no scheme amendments, curtailments or settlements during the reporting period.

#### **Net defined benefit liability movement**

The Pooled Fund actuary calculates the defined benefit obligations based on two separate methodologies, an Accounting basis and the Funding basis:

- Under the Accounting basis (used for financial reporting purposes), the Pooled Fund's actuary determines the present value of the defined benefit obligations by discounting the future benefits payable to members at the yield on high quality corporate bonds of a similar maturity at the end of the reporting period.
- Under the Funding basis, the Pooled Fund's actuary determines the value of the accrued benefits as the value of future benefits payable to members (allowing for future salary increases), discounted using the expected rate of return on the assets to fund the benefits.

The Funding basis is used to determine the level of employer contributions needed to be provided by each employer to meet the defined benefit obligations. The net underfunded shortfall calculated using the Funding Basis at 30 June 2020 is \$108.733 million (refer to note 12(c)(i)).

	SASS		SANCS		SSS		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Reconciliation of the net defined benefit liability</b>								
Net defined benefit liability at beginning of the year	114,168	90,996	41,097	35,674	665,180	491,530	820,445	618,200
Current service cost	4,286	4,438	1,282	1,344	2,814	3,102	8,382	8,884
Net interest on the net defined benefit liability (asset)	3,293	3,640	1,073	1,443	19,664	20,152	24,030	25,235
Actual return on Fund assets less interest income	954	(6,811)	47	74	5,799	(37,542)	6,800	(44,279)
Actuarial (gains) losses arising from changes in demographic assumptions	-	183	-	54	-	(359)	-	(122)
Actuarial (gains) losses arising from changes in financial assumptions	(2,633)	21,371	184	2,581	(72,908)	207,981	(75,357)	231,933
Actuarial (gains) losses arising from liability experience	(5,486)	5,238	(483)	1,069	(12,756)	(17,269)	(18,725)	(10,962)
Employer contributions	(5,082)	(4,887)	(9,446)	(1,143)	2,819	(2,415)	(11,709)	(8,445)
<b>Net defined benefit liability at end of the year</b>	<b>109,500</b>	<b>114,168</b>	<b>33,754</b>	<b>41,096</b>	<b>610,612</b>	<b>665,180</b>	<b>753,866</b>	<b>820,444</b>
<b>Reconciliation of the fair value of fund assets</b>								
Fair value of fund assets at beginning of the year	180,342	179,871	1,042	6,168	950,507	933,951	1,131,891	1,119,990
Interest income	4,905	6,847	53	122	26,932	36,978	31,890	43,947
Actual return on Fund assets less interest income	(954)	6,811	(47)	(74)	(5,799)	37,543	(6,800)	44,280
Employer contributions	5,082	4,887	9,446	1,143	(2,819)	2,414	11,709	8,444
Contributions by participants	2,337	2,434	-	-	1,215	1,736	3,552	4,170
Benefits paid	(37,805)	(20,833)	(6,334)	(6,227)	(66,773)	(68,813)	(110,912)	(95,873)
Taxes, premiums and expenses paid	(1,866)	325	(804)	(90)	2,267	6,698	(403)	6,933
<b>Fair value of fund assets at end of the year</b>	<b>152,041</b>	<b>180,342</b>	<b>3,356</b>	<b>1,042</b>	<b>905,530</b>	<b>950,507</b>	<b>1,060,927</b>	<b>1,131,891</b>
<b>Reconciliation of the defined benefit obligation</b>								
Present value of defined benefit obligations at beginning of the year	294,510	270,867	42,139	41,842	1,615,687	1,425,481	1,952,336	1,738,190
Current service cost	4,286	4,438	1,282	1,344	2,814	3,102	8,382	8,884
Interest cost	8,198	10,487	1,126	1,565	46,596	57,130	55,920	69,182
Contributions by fund participants	2,337	2,434	-	-	1,215	1,736	3,552	4,170
Actuarial (gains) losses arising from changes in demographic assumptions	-	183	-	54	-	(359)	-	(122)
Actuarial (gains) losses arising from changes in financial assumptions	(2,633)	21,371	184	2,581	(72,908)	207,981	(75,357)	231,933
Actuarial (gains) losses arising from liability experience	(5,486)	5,238	(483)	1,069	(12,756)	(17,269)	(18,725)	(10,962)
Benefits paid	(37,805)	(20,833)	(6,334)	(6,227)	(66,773)	(68,813)	(110,912)	(95,873)
Taxes, premiums and expenses paid	(1,866)	325	(804)	(90)	2,267	6,698	(403)	6,933
<b>Present value of defined benefit obligations at end of the year</b>	<b>261,541</b>	<b>294,510</b>	<b>37,110</b>	<b>42,138</b>	<b>1,516,142</b>	<b>1,615,687</b>	<b>1,814,793</b>	<b>1,952,335</b>
<b>Adjustment for effect of asset ceiling</b>								
<b>At beginning/end of the year</b>	-	-	-	-	-	-	-	-

The adjustment for the effect of any asset ceiling is determined based on the maximum economic benefit available to the Corporation in the form of reductions in future employer contributions.

#### Fair value of Pooled Fund assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers. Assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund:

Asset category	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Percentage invested in each asset class
<b>As at 30 June 2020:</b>					
Short term securities	4,096,298	1,889,511	2,206,787	-	10.2
Australian fixed interest	1,066,448	-	1,066,448	-	2.7
International fixed interest	1,909,423	30,408	1,879,015	-	4.8
Australian equities	7,294,211	6,901,927	392,284	-	18.1
International equities	11,950,330	11,487,308	463,022	-	29.7
Property	3,352,466	644,805	16,266	2,691,395	8.3
Alternatives	10,522,833	23,408	4,337,075	6,162,350	26.2
<b>Total</b>	<b>40,192,009</b>	<b>20,977,367</b>	<b>10,360,897</b>	<b>8,853,745</b>	<b>100.0</b>
<b>As at 30 June 2019:</b>					
Short term securities	4,042,116	2,135,561	1,906,555	-	9.6
Australian fixed interest	2,294,672	4,993	2,289,679	-	5.4
International fixed interest	1,968,094	6,827	1,952,396	8,871	4.7
Australian equities	8,368,928	7,818,302	547,571	3,055	19.8
International equities	11,387,439	8,795,299	2,592,132	8	27.0
Property	3,588,230	698,607	717,079	2,172,544	8.5
Alternatives	10,558,182	327,329	5,758,095	4,472,758	25.0
<b>Total</b>	<b>42,207,661</b>	<b>19,786,918</b>	<b>15,763,507</b>	<b>6,657,236</b>	<b>100.0</b>

Level 1 – quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares and listed unit trusts.

Level 2 – inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash, notes, government, semi-government and corporate bonds, unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 – inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property, unlisted shares, unlisted infrastructure, distressed debt and hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such, managers make limited use of derivatives.

The fair value of the Pooled Fund's total assets as at the reporting date include \$36.9 million (2019: \$99.5 million) in NSW Government bonds. Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$340.0 million (2019: \$316.0 million); and
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$343.0 million (2019: \$331.0 million).

## Significant actuarial assumptions at the reporting date

	2020	2019
Discount rate	2.97% pa	2.95% pa
Salary increase rate (excluding promotional increases):		
2017-18 to 2018-19	2.70% pa	2.70% pa
2019-20 to 2020-21	3.20% pa	3.20% pa
2021-22 to 2024-25	3.20% pa	3.20% pa
2025-26	3.20% pa	3.20% pa
Thereafter	3.20% pa	3.20% pa
Rate of CPI increase		
2018-19	1.75% pa	1.75% pa
2019-20	1.00% pa	1.75% pa
2020-21	0.25% pa	2.00% pa
2021-22	1.50% pa	2.25% pa
2022-23	1.25% pa	2.25% pa
Thereafter	2.25% pa	2.50% pa

Pensioner mortality: The pensioner mortality assumptions are as per the 2018 Actuarial investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from STC's website. The report shows the pension mortality rates for each age.

### Sensitivity analysis

The Corporation's total defined benefit obligation as at the current reporting date under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at the current reporting date. Scenarios A to F relate to sensitivity of the total defined benefit obligation of the Pooled Fund to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	2.97%	2.47%	3.47%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Defined benefit obligation (\$'000)	1,814,793	1,933,919	1,706,702
	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	As above	As above	As above
Rate of CPI increase	As above	Above rates plus 0.5% pa	Above rates less 0.5% pa
Salary inflation rate	As above	As above	As above
Defined benefit obligation (\$'000)	1,814,793	1,928,673	1,710,542
	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	Above rates plus 0.5% pa	Above rates less 0.5% pa
Defined benefit obligation (\$'000)	1,814,793	1,821,901	1,807,961
	Base case	Scenario G Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation (\$'000)	1,814,793	1,842,107	1,795,145

\* Assumes the short-term pensioner mortality improvement factors for years 2019-2023 also apply for years after 2023.

\*\* Assumes the long-term pensioner mortality improvement factors for years post 2023 also apply for years 2019 to 2023.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

#### Asset – Liability matching strategies

STC monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset-liability matching strategy is used by STC.

#### Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2018. Contribution rates are set after discussions between the employer, STC and NSW Treasury. Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

#### (i) Surplus/deficit

The following is a summary of the 30 June 2020 and 30 June 2019 financial position of the Schemes calculated in accordance with AASB 1056 *Superannuation Entities*.

	SASS		SANCS		SSS		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued benefits *	202,371	225,238	27,068	29,850	940,221	934,353	1,169,660	1,189,441
Net market value of fund assets	(152,041)	(180,342)	(3,356)	(1,042)	(905,530)	(950,507)	(1,060,927)	(1,131,891)
<b>Net (surplus) deficit</b>	<b>50,330</b>	<b>44,896</b>	<b>23,712</b>	<b>28,808</b>	<b>34,691</b>	<b>(16,154)</b>	<b>108,733</b>	<b>57,550</b>

\* There is no allowance for a contribution tax provision in the accrued benefits figure. Allowance for contribution tax is made when setting the contribution rates

#### (ii) Contribution recommendations

Recommended contribution rates for the Corporation are:

	SASS		SANCS		SSS	
	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%
Multiple of member contributions	1.9	1.9	-	-	1.6	1.6
Percentage of member salary	-	-	2.5	2.5	-	-

#### (iii) Economic assumptions

The economic assumptions adopted for the AASB 1056 *Superannuation Entities* as at 30 June 2020:

##### Weighted Average Assumptions:

Expected rate of return on Fund assets backing current pension liabilities	7.0% pa
Expected rate of return on Fund assets backing other liabilities	6.0% pa
Expected salary increase rate (excluding promotional salary increases)	3.2% pa
Expected rate of CPI increase	2.0% pa

In light of the current environment due to COVID-19, there is increased volatility in terms of the expected rates of return on Fund assets especially in the short to medium term. The information above on sensitivities provides a guide to how this could affect the defined benefit obligation under AASB 119.

For AASB 1056, the one assumption that differs substantially compared with AASB 119 is the expected rate of return on the Fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on Fund assets in current financial conditions, the sensitivities to this assumption for the AASB 1056 results are shown in the table below (results for 2019 shown for comparative purposes).

## AASB 1056 Accounting Standard “Superannuation Entities”

Scenarios A and B relate to sensitivity of the Total Accrued Benefits figure shown in the AASB 1056 results.

### 30 June 2020

	Base Case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	7.0% pa	6.5% pa	7.5% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.0% pa	5.5% pa	6.5% pa
Rate of CPI increase	2.0% pa	as base case	as base case
Salary inflation rate	3.2% pa	as base case	as base case
<b>Accrued Benefits (A\$)</b>	<b>\$1,169,659,896</b>	<b>\$1,216,915,411</b>	<b>\$1,125,870,500</b>

### 30 June 2019

	Base Case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	7.4% pa	6.9% pa	7.9% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.4% pa	5.9% pa	6.9% pa
Rate of CPI increase	2.2% pa	as base case	as base case
Salary inflation rate	3.2% pa	as base case	as base case
<b>Accrued Benefits (A\$)</b>	<b>\$1,189,440,793</b>	<b>\$1,236,743,479</b>	<b>\$1,145,656,735</b>

### Expected contributions to be paid in the next reporting period

	SASS		SANCS		SSS		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Expected employer contributions	5,402	4,441	8,406	1,050	-	1,944	13,808	7,435

### Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12.5 years (2019: 12.1 years).

## (d) Other provisions

### Movements and carrying amounts

	Road restoration	Workers' compensation self-insurance	General insurance	Restoration of leased premises	Restoration costs of decommissioning and maintaining system asset network components
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Carrying amounts at beginning of the year</b>					
Current	12,124	1,384	1,291	-	32,186
Non-current	-	18,759	2,081	11,364	25,158
	<b>12,124</b>	<b>20,143</b>	<b>3,372</b>	<b>11,364</b>	<b>57,344</b>
<b>Movement during the year</b>					
Provisions made	22,174	(51)	11,731	1,040	(2,344)
Provisions used	(25,477)	(1,347)	(11,875)	-	(22,929)
Unwinding of discount	-	-	144	177	204
	<b>(3,303)</b>	<b>(1,398)</b>	<b>-</b>	<b>1,217</b>	<b>(25,069)</b>
<b>Carrying amounts at end of the year</b>					
Current	8,821	1,416	1,292	976	18,806
Non-current	-	17,329	2,080	11,605	13,469
	<b>8,821</b>	<b>18,745</b>	<b>3,372</b>	<b>12,581</b>	<b>32,275</b>

#### Road restoration

This provision recognises obligations for payment of road restoration costs to councils. Such obligations arise where roads need to be restored to their original condition at the completion of construction or maintenance activity. There is uncertainty in relation to the amount and timing of payment and the Corporation's estimates are based on past experience of works undertaken. Road restoration costs are capitalised as part of the cost of an asset that is constructed. Where no asset is created and road restoration costs are incurred, the costs are expensed in profit or loss.

#### Workers' compensation self-insurance and general insurance

The workers' compensation self-insurance provision recognises the Corporation's remaining self-insurance liability for workers' compensation injury claims prior to 1 March 2007. The general insurance provision recognises the Corporation's remaining self-insurance liability claims relating to damage, costs, goodwill payments, loss or injury (other than workers' compensation).

The provisions are actuarially calculated on a discounted cash flow basis, using information including estimates of the probable cost of each claim, the type of injuries and claims, potential recoveries and industry wide experience. The provisions also include an estimate for incurred but not reported claims based on past experience and is based on a likelihood of adequacy of 50%. There is uncertainty with some factors such as probable costs, discount rates, settlement period, the likelihood of adequacy and estimations of future claims, and claims incurred and not yet reported.

#### Restoration of leased premises

This provision recognises the Corporation's obligation to pay restoration costs for leased premises where the Corporation must restore the premises back to their original state at the end of the lease term. Estimates of restoration costs are discounted using the yield on government bonds. The main uncertainty is in relation to the actual restoration costs that will ultimately be incurred. Restoration costs are separately capitalised against assets that have been acquired as part of leasing the premises, such as fit outs. Where the Corporation has not incurred expenditure to acquire assets as part of leasing the premises, the restoration costs are expensed in profit or loss.

#### Restoration costs of decommissioning and maintaining system asset network components

This provision recognises the Corporation's obligation for restoration costs of decommissioning and/or maintaining system asset network components, including costs of dismantling, decommissioning, removing a system asset network component and restoring the site on which it was located. It also includes constructive obligations for rectification works where safety issues have been identified, such as electrical cabling repairs and asbestos removal. Estimates are made in relation to the period over which the system asset network component will be decommissioned or the constructive obligation is expected to be settled. The liability is calculated on a discounted cash flow basis.



### Note 13. Deferred Government grants

	2020 \$'000	2019 \$'000
<b>Current</b>		
NSW Government grant for water efficiency and savings	206	-
<b>Total current deferred Government grants</b>	<b>206</b>	<b>-</b>

#### Recognition and measurement

Conditional Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received, and that the Corporation will comply with the conditions attaching to them. They are then transferred to profit or loss as revenue as the conditions are fulfilled, unless they are of a material amount that compensates the Corporation for the cost of a specific identifiable asset or assets, in which case they are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset or assets.

### Note 14. Dividends payable

	2020 \$'000	2019 \$'000
<b>Dividends payable at the beginning of the year</b>	320,553	296,490
<b>Movement during the year</b>		
Dividend recognised on ordinary shares at 30.46 cents per share (2019: 28.92 cents per share)	963,000	914,553
Dividends paid on ordinary shares at 10.14 cents per share (2019: 28.16 cents per share)	(320,553)	(890,490)
	<b>642,447</b>	<b>24,063</b>
<b>Dividends payable at the end of the year</b>	<b>963,000</b>	<b>320,553</b>

#### Recognition and measurement

A liability for dividends payable is recognised in the reporting period in which the dividend is declared. Dividends are regarded as declared when they are appropriately authorised as no longer at the discretion of the Corporation. This occurs through a formal process whereby the Board recommends the dividend to its voting shareholder Ministers and the final agreed dividend is accepted and approved by the voting shareholder Ministers prior to the end of the reporting period.

Under the NTER, the Corporation is not required to maintain a dividend franking account.

## Equity

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### Note 15. Share capital

#### Carrying amounts and movements

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	2020 \$'000	2019 \$'000
Issued and fully paid up share capital	3,161,854	3,161,854
<b>Total share capital</b>	<b>3,161,854</b>	<b>3,161,854</b>
<b>Balance at beginning and at the end of the year:</b>		
3,161,854,000 (2019: 3,161,854,000) ordinary shares	<b>3,161,854</b>	<b>3,161,854</b>

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The Corporation's two shareholders are:

- the Treasurer; and
- the Minister for Finance, Services and Property.

Each shareholder holds 1,580,927,000 (2019: 1,580,927,000) ordinary shares non-beneficially on behalf of the NSW Government. The shares entitle the NSW Government to a dividend from the Corporation. The amount of the dividend is determined as part of the annual process of negotiating and agreeing the Corporation's Statement of Corporate Intent with the shareholder Ministers.

Any changes to the Corporation's share capital can only be undertaken in accordance with the Corporation's constitution and with the agreement of its shareholder Ministers.

## Unrecognised Items

### Note 16. Commitments

#### (a) Capital expenditure commitments

	2020 \$'000	2019 \$'000
<b>Capital expenditure commitments</b>		
Not later than one year	735,432	622,289
Later than one year and not later than five years	486,733	195,622
Later than five years	83,790	99,235
	<b>1,305,955</b>	<b>917,146</b>

Contractual commitments for capital expenditure covers both property, plant and equipment and intangible assets. Amounts disclosed for these commitments include total GST of \$118.723 million (2019: \$83.377 million).

#### (b) Finance lease commitments

	Note	2020 \$'000	2019 \$'000
<b>Payable as lessee</b>			
Future minimum lease payments:			
Not later than one year		62,844	62,227
Later than one year and not later than five years		239,397	242,012
Later than five years		496,376	557,947
		<b>798,617</b>	<b>862,186</b>
Future finance costs		(423,854)	(469,692)
Finance lease liabilities – present value		<b>374,763</b>	<b>392,494</b>
Current		19,680	17,730
Non-current		355,083	374,764
<b>Financial lease liabilities in statement of financial position</b>	11	<b>374,763</b>	<b>392,494</b>

These finance lease commitments represent the future payments arising from finance leases (refer to note 11(b)). Amounts disclosed for these commitments do not include GST as they are comprised of principal and interest payments. A one-year exemption is applicable to retaining finance leases as is, instead of applying AASB 16. This is due to the application of AASB 1059 to these arrangements next year.

### (c) Other lease commitments

The Corporation leases a recycled water infrastructure facility, various properties, motor vehicles and other plant and equipment leases. For details as to the terms and conditions of the leases refer to note 5. From 1 July 2019, the Corporation has recognised right-of-use assets for these leases, except for short-term and low-value leases (refer to note 5).

	2020 \$'000	2019 \$'000
<b>Payable as lessee</b>		
Future lease rentals:		
Not later than one year	-	48,573
Later than one year and not later than five years	-	183,196
Later than five years	-	407,622
	-	<b>639,391</b>
Representing:		
Cancellable leases	-	-
Non-cancellable leases	-	639,391
	-	<b>639,391</b>

	2020 \$'000	2019 \$'000
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#### Receivable as lessor

Future rentals:		
Not later than one year	11,329	11,465
Later than one year and not later than five years	20,167	16,404
Later than five years	109,833	80,423
	<b>141,329</b>	<b>108,292</b>

Leases are non-cancellable and are mainly in respect of residential, commercial and industrial properties, open space and space for telecommunication towers. Leases are for terms ranging from less than one year to 50 years. Lease rentals are generally reviewed annually. Amounts disclosed for these commitments include total GST of \$12.848 million (2019: \$9.845 million)

## Note 17. Contingencies

### (a) Contingent liabilities

A contingent liability is a possible obligation that may become payable depending on a future event or a present obligation that is not probable to require payment or cannot be reliably measured. A provision is not recognised for contingent liabilities. The Corporation is a party to various legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such claims cannot be reliably measured at this time. In the directors' opinion, disclosure of any further information would be prejudicial to the interests of the Corporation.

#### Guarantees provided

Under the *Workers' Compensation Act 1987*, as the Corporation was a self-insurer until 1 March 2007 and as a state-owned corporation was deemed to not have government employer status, the Corporation is required to provide a guarantee to Insurance and Care NSW that secures the Corporation's remaining self-insurance workers' compensation liability. The value of the guarantee at the reporting date was \$18.181 million (2019: \$19.273 million) (refer to note 11(d)).

### (b) Contingent assets

The Corporation is seeking to recover costs incurred under contractual arrangements through litigation. It is also seeking to settle several outstanding insurance claims and recover costs or losses from insurers. In the directors' opinion, disclosure of any further information about these claims would be prejudicial to the interests of the Corporation and cannot be reliably measured at this time.

## Other Notes

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### Note 18. Financial risk management

#### (a) Financial instruments and financial risk factors

The Corporation has the following financial instruments:

- cash and cash equivalents (refer to note 7);
- trade and other receivables (refer to note 8);
- greenhouse trading certificates (refer to note 9);
- trade and other payables (refer to note 10);
- borrowings (refer to note 11);
- finance lease liabilities (refer to note 11); and
- lease liabilities related to right-of-use assets (refer to note 5).

These financial instruments expose the Corporation to a range of financial risks in its normal course of business operations. These risks include liquidity risk, credit risk, interest rate risk and regulatory risk. The Corporation does not have any material exposure to price risk or foreign currency risk.

#### (b) Financial risk exposures

##### Liquidity risk

During the current and previous reporting periods, there were no defaults or breaches on any borrowings payable. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed low based on previous reporting periods' data and current reassessment of risk. Liquidity risk is managed by the Corporation through the maintenance of extensive short-term and long-term cash flow forecasting models, and through the availability of borrowing facilities approved by the NSW Treasurer under the *Government Sector Finance Act 2018* (GSF Act) (refer to note 11(d)).

The objective is to maintain a balance of funding and flexibility in ensuring cash is available each day to meet the Corporation's financial obligations, whilst maintaining a daily bank balance with minimum surplus funds.

Whilst current liabilities are greater than current assets, the Corporation continues to operate as a going concern. The Corporation derives most of its revenue from the operation of its infrastructure assets, generating positive cash flows and also has access to significant committed borrowing facilities (refer note 11(d)).

##### Credit risk

Exposures to credit risk for the Corporation are primarily in relation to cash and cash equivalents and trade and other receivables. At the reporting date, the maximum exposure to credit risk for the Corporation is represented by the carrying amount of cash and cash equivalents and trade and other receivables in the statement of financial position (refer to notes 7 and 8).

##### Cash and cash equivalents

The Corporation only deals with creditworthy counterparties and recognised financial intermediaries as a means of mitigating the risk of financial losses from defaults. Policies are in place to monitor the credit ratings of counterparties and to limit the amount of funds placed with those counterparties, depending on their credit rating.

##### Trade and other receivables

The Corporation monitors balances outstanding on an ongoing basis and has policies in place for the recovery or write-off of amounts outstanding. The Corporation applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the lifetime expected credit losses, trade and other receivables were grouped based on:

- whether the trade and other receivables related to service availability and/or usage charges or related to sundry charges; and
- shared credit risk characteristics including whether the outstanding debtor is subject to legal recovery.

The expected loss rates are based on the payment profiles of revenues over the ten-year period prior to the reporting date and the related historical credit losses experienced over the same period. The historical loss rates were then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation identified the NSW gross domestic product rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on the expected change in this factor.

##### Interest rate risk

The Corporation is exposed to changes in market interest rates, primarily from the Corporation's portfolio of interest-bearing short-term and long-term borrowings. The Corporation manages this exposure by implementing various treasury management policies and controls approved by the Board that are designed to ensure debt maturities are spread across the yield curve. These controls include approved parameters specifying the minimum and maximum percentages of debt issuance in maturity bands, approved parameters limiting the maximum exposure to floating interest rate debt products, weighted average life management targets and approved trading bands.

Long-term fixed rate and CPI indexed bonds with maturities to 2041 have been issued in order to maintain a high weighted average life of the debt portfolio over time. At the reporting date, the debt portfolio was comprised of 70% of fixed rate bond debt and 30% CPI indexed debt (2019: 68% of fixed rate bond debt and 32% CPI indexed debt).

The Corporation's Treasury Management Policy has been approved by the Board, allowing debt management strategies to manage the financial impact of regulatory risks that occur in the current regulatory pricing environment (refer to 'Regulatory risk' below).

The table below details the carrying amounts of financial assets and financial liabilities, including their weighted average interest rates, that are exposed to interest rate risk at the reporting date:

	Note	Weighted average interest rate		Carrying amount	
		2020 %	2019 %	2020 \$'000	2019 \$'000
<b>Financial assets</b>					
<b>At amortised cost:</b>					
Cash	7	0.15	1.15	42,755	34,608
				<b>42,755</b>	<b>34,608</b>
<b>Financial liabilities</b>					
<b>At amortised cost:</b>					
Borrowings:					
Come and Go Facility	11	0.25	1.35	98,500	81,500
NSW Treasury Corporation loans	11	3.01	3.17	9,710,591	8,942,758
Other financial liabilities:					
Blue Mountains Sewage Transfer Scheme finance lease liability	11	6.25	6.25	43,713	46,486
Water filtration plant agreements finance lease liabilities	11	10.19	10.19	331,050	346,008
Lease liabilities related to right-of-use assets	11	3.69	-	403,207	-
				<b>10,587,061</b>	<b>9,416,752</b>

### Sensitivity analysis

The table below shows the effect on profit after tax and equity at the reporting date if nominal interest rates had been 100 basis points (that is, one percentage point) higher or lower than current levels, with all other variables being held constant and taking into account all underlying exposures and related hedges if any.

Based on the value of the Australian short-term interest rates (one month Bank Bill Swap Rate – BBSW) at the reporting date of 0.09% (2019: 1.22%), a 100 basis points increase would increase the rate to 1.09% (2019: 2.22%) and a 100 basis points decrease would reduce the rate to -0.91% (2019: 0.22%). This is broadly representative of recent interest rate increases and decreases within a certain range, which is reasonably possible given historical movements in official interest rates by the Reserve Bank of Australia. Historically, the Reserve Bank of Australia official cash rate has fluctuated between 0.25% and 2.00% over the past five years.

	Interest Revenue Higher (lower)		Post Tax Profit Higher (lower)		Equity Higher (lower)	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Judgement of reasonably possible events</b>						
Interest rates 100 basis points higher	428	346	300	242	300	242
Interest rates 100 basis points lower	(428)	(346)	(300)	(242)	(300)	(242)

For the current reporting period shown above, the sensitivity to changes in interest rates at the reporting date relates to the bank account balance only, as no debt was subject to changes in interest rates at the reporting date.

### Regulatory risk

Regulatory risk is the risk that the Corporation's actual cost of debt will not be fully compensated through the methodology employed by IPART in determining the Corporation's prices to be charged to customers. The main components of regulatory risk are real interest rate risk, debt margin risk and inflation risk.

Regulatory risk is managed by the Corporation through policies and strategies to hedge the components of regulatory risk. These include strategies that align the debt portfolio structure to IPART's cost of debt determination methodology.

The objective of managing regulatory risk is to ensure that the Corporation's actual cost of debt does not vary significantly from the cost of debt included by IPART in its Pricing Determination, and so that this does not impact negatively on financial ratios and the Corporation's corporate credit rating.

### (c) Financial risk management policies, objectives and reporting

The risks outlined above are managed in accordance with treasury management policies approved by the Board. These policies provide a framework of strict controls to manage the impact of these exposures, within the overall framework of the GSF act. The policies cover several aspects such as:

- approved delegation levels and segregation of duties for dealing, authorising and settling treasury management transactions;
- approved credit limits for dealing with counterparties;
- the types of treasury transactions, including derivatives, that the Corporation can enter into;
- approved limits for hedging foreign exchange exposures;
- the structure of debt and investment portfolios; and
- approved benchmarks for managing performance.

Treasury and financial risk management performance is reported to a designated sub-committee of the Board on a bi-annual basis. Treasury management strategies and performance are also reported on and reviewed on a bi-monthly basis by a Treasury Committee of senior finance managers.

### (d) Capital management

The Corporation's objective when managing capital is to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide appropriate returns for its shareholders and benefits for the community within its area of operations. This is achieved by maintaining an optimal capital structure that aims to minimise or reduce the cost of capital, whilst at the same time ensuring the Corporation's operations and capital works objectives are achieved. The capital structure of the Corporation is monitored based on key performance indicators, which include:

- the level of gearing for the Corporation; and
- its debt to equity ratio.

In determining appropriate prices for the Corporation to charge its customers, IPART has adopted a standard gearing assumption of 60 per cent for the purposes of determining the Corporation's weighted average cost of capital (WACC). The WACC is a key input in IPART's regulatory pricing methodology in which a regulated asset base is used to determine the Corporation's 'annual revenue requirement' (and ultimately prices to be charged to customers) based on the efficient use of resources and an appropriate rate of return on capital invested. The table below shows the level of capital employed at the reporting date for the Corporation, as well as financial ratios used in the management of capital based on the definitions within NSW Treasury's Commercial Policy Framework.

	Note	2020 \$'000	2019 \$'000
<b>Interest-bearing debt</b>			
Come and Go Facility		98,500	81,500
NSW Treasury Corporation loans		9,710,591	8,942,758
<b>Total interest-bearing debt</b>		<b>9,809,091</b>	<b>9,024,258</b>
<b>Other interest-bearing liabilities</b>			
Blue Mountains Sewage Transfer Scheme finance lease liability		43,713	46,486
Water filtration plant agreements finance lease liabilities		331,050	346,008
Lease liabilities related to right-of-use assets		403,207	-
<b>Total other interest-bearing liabilities</b>		<b>777,970</b>	<b>392,494</b>
<b>Total interest-bearing liabilities</b>		<b>10,587,061</b>	<b>9,416,752</b>
Total equity		7,105,877	7,523,467
<b>Total capital employed</b>		<b>17,692,938</b>	<b>16,940,219</b>
		%	%
Gearing ratio (Interest-bearing debt / Interest-bearing debt + Total equity)		57.99	54.53
Debt to equity ratio (Total interest-bearing liabilities / Total equity)		148.99	125.17

**(e) Maturity analysis of financial assets and financial liabilities recognised in the statement of financial position.**

The following tables reflect the maturity bands for settlement of the carrying amounts of financial assets and financial liabilities recognised in the statement of financial position at the reporting date.

	Note	Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	Repricing or maturing in:				Total \$'000
					3 to 4 years \$'000	4 to 5 years \$'000	More than 5 years \$'000		
<b>2020</b>									
<b>Financial assets</b>									
Cash	7	42,755	-	-	-	-	-	-	42,755
Trade and other receivables *		357,687	-	-	-	-	-	-	357,687
		<b>400,442</b>							<b>400,442</b>
<b>Financial liabilities</b>									
Trade and other payables *		599,508	-	-	-	-	-	-	599,508
Borrowings:									
NSW Treasury Corporation Loans and Come and Go Facility	11	1,546,214	1,223,838	1,172,670	1,313,517	1,077,577	3,475,275	9,809,091	
Other financial liabilities:									
Blue Mountains Sewage Transfer scheme finance lease liability	11	2,951	3,140	3,341	3,554	3,782	26,945	43,713	
Water filtration plant agreements finance lease liabilities	11	16,729	14,206	15,013	16,590	18,233	250,279	331,050	
Lease liabilities related to right-of-use assets	5	33,862	31,302	28,292	27,844	27,757	254,150	403,207	
		<b>2,199,264</b>	<b>1,272,486</b>	<b>1,219,316</b>	<b>1,361,505</b>	<b>1,127,349</b>	<b>4,006,649</b>	<b>11,186,569</b>	
<b>2019</b>									
<b>Financial assets</b>									
Cash	7	34,608	-	-	-	-	-	-	34,608
Trade and other receivables *		359,451	-	-	-	-	-	-	359,451
Greenhouse trading certificates	9	300	-	-	-	-	-	-	300
		<b>394,359</b>							<b>394,359</b>
<b>Financial liabilities</b>									
Trade and other payables *		649,798	-	-	-	-	-	-	649,798
Borrowings:									
NSW Treasury Corporation Loans and Come and Go Facility	11	1,299,993	1,332,856	818,072	531,138	783,382	4,258,817	9,024,258	
Other financial liabilities:									
Blue Mountains Sewage Transfer scheme finance lease liability	11	2,772	2,951	3,139	3,341	3,554	30,729	46,486	
Water filtration plant agreements finance lease liabilities	11	14,958	16,729	14,206	15,013	16,590	268,512	346,008	
Lease liabilities related to right-of-use assets	5	-	-	-	-	-	-	-	-
		<b>1,967,521</b>	<b>1,352,536</b>	<b>835,417</b>	<b>549,492</b>	<b>803,526</b>	<b>4,558,058</b>	<b>10,066,550</b>	

\* These balances differ from the statement of financial position as they exclude prepayments and statutory taxes receivable in the case of trade and other receivables, and income in advance and statutory taxes payable in the case of trade and other payables. These items are out of scope in relation to these disclosures.



### (f) Contractual maturities of all cash flows from financial liabilities

The following tables reflect the maturity bands for all undiscounted contractual payments for settlement, including repayments of principal and interest, resulting from recognised financial liabilities as at the reporting date. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at the reporting date.

	Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	Repricing or maturing in:			Total \$'000
				3 to 4 years \$'000	4 to 5 years \$'000	More than 5 years \$'000	
<b>2020</b>							
<b>At amortised cost:</b>							
Trade and other payables *	599,508	-	-	-	-	-	599,508
Borrowings:							
NSW Treasury Corporation Loans and Come and Go Facility	1,744,224	1,403,242	1,379,945	1,452,259	1,173,937	4,183,940	11,337,547
Other financial liabilities:							
Blue Mountains Sewage Transfer scheme finance lease liability	14,594	15,165	15,759	16,376	17,017	111,603	190,514
Water filtration plant agreements finance lease liabilities	48,250	44,182	43,593	43,712	43,593	384,773	608,103
Lease liabilities related to right-of-use assets	40,449	40,289	37,386	37,195	36,729	304,502	496,550
	<b>2,447,025</b>	<b>1,502,878</b>	<b>1,476,683</b>	<b>1,549,542</b>	<b>1,271,276</b>	<b>4,984,818</b>	<b>13,232,222</b>
<b>2019</b>							
<b>At amortised cost:</b>							
Trade and other payables *	649,798	-	-	-	-	-	649,798
Borrowings:							
NSW Treasury Corporation Loans and Come and Go Facility	1,545,442	1,510,811	991,410	747,913	924,382	5,041,942	10,761,900
Other financial liabilities:							
Blue Mountains Sewage Transfer scheme finance lease liability	14,122	14,678	15,257	15,858	16,482	129,581	205,978
Water filtration plant agreements finance lease liabilities	48,105	48,250	44,182	43,593	43,712	428,366	656,208
Lease liabilities related to right-of-use assets	-	-	-	-	-	-	-
	<b>2,257,467</b>	<b>1,573,739</b>	<b>1,050,849</b>	<b>807,364</b>	<b>984,576</b>	<b>5,599,889</b>	<b>12,273,884</b>

\* These balances differ from the statement of financial position as they exclude income in advance and statutory taxes payable. These items are out of scope in relation to these disclosures.

**(g) Fair values of financial assets and financial liabilities**

The following table details the carrying amounts, their fair values and the basis for determining the fair value at the reporting date for all financial instruments:

	Basis of fair value	Note	Carrying amount		Fair Value	
			2020	2019	2020	2019
			\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>						
Cash	Carrying amount	7	42,755	34,608	42,755	34,608
Trade and other receivables *	Carrying amount		357,687	359,451	357,687	359,451
Greenhouse trading certificates	Quoted price in active market	9	-	300	-	300
			<b>400,442</b>	<b>394,359</b>	<b>400,442</b>	<b>394,359</b>
<b>Financial liabilities</b>						
Trade and other payables *	Carrying amount		599,508	649,798	599,508	649,798
Borrowings:						
NSW Treasury Corporation Loans	DCF** using interest rates from independent market source	11	9,710,591	8,942,758	10,527,365	9,802,185
Come and go Facility	DCF using interest rates from independent market source	11	98,500	81,500	98,500	81,500
Other financial liabilities:						
Blue Mountains Sewage Transfer Scheme finance lease liability	DCF using interest rate swap rate from independent market source	11	43,713	46,486	160,069	168,495
Water filtration plant agreement finance lease liabilities	DCF using interest rates from independent market source	11	331,050	346,008	490,040	515,453
Lease liabilities related to right-of-use assets	Carrying amount	5	403,207	-	394,987	-
			<b>11,186,569</b>	<b>10,066,550</b>	<b>12,270,469</b>	<b>11,217,431</b>

\* These balances differ from the statement of financial position as they exclude prepayments and statutory taxes receivable in the case of trade and other receivables, and income in advance and statutory taxes payable in the case of trade and other payables. These items are out of scope in relation to these disclosures.

\*\* Discounted cash flows

There were no financial instruments at either the current reporting date or the previous reporting date that were carried in the statement of financial position at fair value determined by any of the three valuation methods defined in note 4(d) except for the greenhouse trading certificates which are determined using level 1 valuation inputs.

## Note 19. Related party disclosures

The Corporation has related party relationships with key management personnel and with entities that belong to the NSW Total State Sector consolidated group controlled by the NSW Government.

### (a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. This comprises all directors, whether executive or non-executive, senior executives who lead the various divisional groups of the Corporation, the Corporation's two shareholder Ministers and its Portfolio Minister.

Compensation is shown below for the directors and the senior executives only. The NSW Legislature pays compensation to Ministers and this is not reimbursable from the Corporation.

	2020 \$'000	2019 \$'000
Short-term employee benefits	4,333	3,671
Post-employment benefits	295	279
Other long-term benefits	29	38
Termination benefits	1,213	194
	<b>5,870</b>	<b>4,182</b>
This comprises compensation relating to:		
Directors:		
Executive	964	807
Non-executive	737	620
	1,701	1,427
Senior executives	4,169	2,755
	<b>5,870</b>	<b>4,182</b>

The above disclosures for senior executives are based on actual payments made for employee benefits during the reporting period.

### (b) Other transactions with key management personnel and related entities

From time to time, key management personnel may purchase goods or services from the Corporation. These purchases are on the same terms and conditions as those entered into by other customers and are trivial in nature. There were no related party transactions during either the current or previous reporting periods with other entities related to the Corporation's directors and senior executives.

### (c) Other related party transactions

The Corporation is both a lessor and a lessee to several peppercorn leases where the other party is a member of the NSW Total State Sector consolidated group. The peppercorn leases are held to help further the strategic objectives of the NSW Government. The fair value of these leases is not quantified as the costs to obtain valuations would outweigh any benefits of providing such disclosure.

The Corporation also provides unmetered water for urban and bush firefighting free of charge to NSW Fire and Rescue and the NSW Rural Fire Service.

## Note 20. Consultants

The total amount paid or payable to consultants engaged by the Corporation during the reporting period was \$2.699 million (2019: \$1.179 million).

## Note 21. Auditors' remuneration

The audit fee (exclusive of GST) for the audit of the financial statements by the Audit Office of NSW is \$0.480 million (2019: \$0.455 million).

## Note 22. Accounting Standards and Accounting Interpretations issued but not yet effective

At the reporting date, several Accounting Standards and Accounting Interpretations have been issued that are not yet effective and which have not been early adopted by the Corporation. These Accounting Standards and Accounting Interpretations are not expected to have a material impact on the financial results of the Corporation in the reporting period when they become operative, except for AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059), AASB 2018-5 *Amendments to Australian Accounting Standards – Deferral of AASB 1059* (AASB 2018-5) and AASB 2019-2 *Amendments to Australian Accounting Standards – Implementation of AASB 1059 [AASB 16 and AASB 1059]* (AASB 2019-2) which are all effective from 1 July 2020.

AASB 1059 will require the Corporation (as a grantor) to recognise the service concession assets it controls. A service concession arrangement involves an external operator providing public services related to a service concession asset on behalf of a public-sector grantor for a specified period and managing at least some of those services. The grantor controls the service concession asset if it controls or regulates the services an external operator must provide with the service concession asset, to whom it must provide them and at what price, and if it controls any significant residual interest in the asset at the end of the service concession arrangement term. A service concession asset shall be measured at current depreciated replacement cost as defined by the cost approach to fair value under AASB 13 *Fair Value Measurement*.

The impact for the Corporation is that the existing Prospect, Macarthur, Illawarra and Woronora water filtration plant assets, the Blue Mountains Sewage Tunnel assets, the Gerringong Gerroa Sewage Treatment Plant and the St Mary's Advanced Water Treatment Plant assets all meet the definition of service concession assets. These assets will be reclassified from system assets to service concession assets (within property, plant and equipment). Further, the impact of a change in valuation from the existing income approach to the cost approach will result in an increase in value of the afore-mentioned assets of approximately \$750 million. This increase will be recorded as an increase to retained earnings from the date of initial application. The increase in value is expected to lead to a net increase in depreciation expense of approximately \$15 million per annum.

There will also be a corresponding decrease to the value of system assets on that date, via the asset revaluation reserve, as the overall fair value of all assets held by the Corporation under the income approach does not change because of AASB 1059. The only impact is to the allocation of value between the two asset classes of 'system assets' and 'service concession assets' and not to the overall value of property, plant and equipment. The Corporation will adopt the partial retrospective transition option to apply AASB 1059 under the expected mandatory direction from NSW Treasury. This involves the following requirements:

- The Corporation will measure the cost of a service concession asset (including an existing asset of the grantor reclassified as a service concession asset) at fair value (current depreciated replacement cost) at the date of initial application. The date of initial application for the Corporation is 1 July 2020;
- The Corporation will measure the liabilities associated with a service concession arrangement at their fair value as at the date of initial application. The lease liabilities associated with the Blue Mountains Sewage Transfer Scheme and the water filtration plant agreements will increase by approximately \$433 million with a corresponding decrease to retained earnings. The Corporation will use the discount rates with a similar term to maturity for the liabilities and with similar credit ratings to that held by the lessors;
- The Corporation will recognise any net adjustments to the amounts of the service concession assets and liabilities as an adjustment to the opening balance of retained earnings at the date of initial application.

AASB 2018-5 deferred the introduction of AASB 1059 by one year from 1 July 2019 to 1 July 2020.

## Note 23. Events subsequent to reporting date

On 2 July 2020, Sydney Water received a \$750 million equity injection from the NSW Government. The equity injection was paid to maintain Sydney Water's capital structure consistent with the requirements of NSW Treasury's TPP 16-03 "Capital Structure Policy for Government Businesses."

### Impacts of COVID-19

The global COVID-19 pandemic and the subsequent restrictions imposed by Australian governments have caused disruption to businesses and economic activity. Sydney Water has managed, and continues to actively manage, the risks arising from COVID-19 and has implemented a number of initiatives in response to the pandemic. These initiatives include measures to protect the safety and wellbeing of our customers and our employees. Measures have also been put in place to maintain the quality of water and wastewater services.

In relation to our customers, we have recognised the financial hardship associated with the pandemic and have implemented a number of initiatives to support our customers, including the extension of contact centre hours to manage higher call volumes, waivers of late payment fees and interest charges on late payments, and a reduction in debt recovery activities.

For our employees, our initial priority was to protect vulnerable employees by isolating them from site. Employees who were not considered to be providing location-critical services have been enabled to work from home. Additional measures were implemented to protect the health and safety of those employees whose roles required them to work at company locations. We have also provided wellbeing resources and access to assistance to our staff to help them manage the uncertainty that prevails.

Operationally, measures have been taken in relation to ensuring the ongoing availability of critical supplies, conducting testing on wastewater for COVID-19 markers and adjustments to our capital program to ensure the implementation of COVID-19 safety plans.

Sydney Water has not experienced any material financial impact from COVID-19. There has been some increase in the level of customers not paying their bills by the due date and some minor costs associated with implementation of the measures discussed above. These issues have not had a material impact on these financial statements and are not expected to materially impact the financial position of the Corporation in the coming year. As the ongoing impacts of COVID-19 are difficult to predict, the Corporation will continue to monitor the risks and react accordingly.

## End of audited financial statements


# Directors' Declaration

In the opinion of the Directors of the Corporation:

- (a) the accompanying Financial Statements and notes thereto:
  - (i) exhibit a true and fair view of the financial position of the Corporation as at 30 June 2020 and of its financial performance, as represented by its transactions for the year ended on that date;
  - (ii) comply with applicable Australian Accounting Standards (including Australian Accounting Interpretations) and other mandatory and statutory reporting requirements, including Part 3 of the *Public Finance and Audit Act 1983* and the associated requirements of the *Public Finance and Audit Regulation 2015*.
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.
- (c) we are not aware of any circumstances at the date of this declaration that would render any particulars included in the accompanying Financial Statements and notes thereto to be misleading or inaccurate.

Signed in accordance with section 41C(1C) of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Directors:

  
.....  
Director

  
.....  
Director

Date: 26 August 2020



## INDEPENDENT AUDITOR'S REPORT

### Sydney Water Corporation

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Sydney Water Corporation (the Corporation), which comprise the Statement of profit or loss and other 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 Corporation 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 Corporation 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.

## Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2020. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
<p><b>Fair value of system assets</b></p> <p>At 30 June 2020, the Corporation’s statement of financial position reported \$19.0 billion in system assets measured at fair value. System assets are highly specialised and account for 92.7 per cent of the total property, plant and equipment balance.</p> <p>I consider this to be a key audit matter because the:</p> <ul style="list-style-type: none"> <li>• system assets are financially significant to the statement of financial position</li> <li>• discounted cash flow (DCF) model used to value the system assets is complex and involves significant judgements and assumptions</li> <li>• changes in assumptions, such as the discount rate, terminal value, demand growth expectations, price and cost assumptions, can significantly affect the fair value.</li> </ul> <p>Further information on the valuation techniques, inputs and sensitivity of the reported balance for system assets is disclosed in Note 4.</p>	<p>Key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• obtained an understanding of the Corporation’s approach to estimating the fair value of system assets</li> <li>• reviewed whether the DCF model incorporated all key assumptions and inputs relevant to valuing system assets of a water entity and met the requirements of Australian Accounting Standards</li> <li>• reviewed the reasonableness of all the key assumptions and sensitivity of the conclusions to changes in the assumptions</li> <li>• reviewed the model’s mathematical accuracy</li> <li>• assessed the adequacy of the financial statement disclosures against the requirements of the Australian Accounting Standards.</li> </ul>
<p><b>Valuing of defined benefit superannuation liabilities</b></p> <p>At 30 June 2020, the Corporation’s statement of financial position reported defined benefit net superannuation liabilities totalling \$754 million. This liability balance was provided to the Corporation by the Administrator of the SAS Trustee, based on an independent actuarial assessment.</p> <p>I consider this to be a key audit matter because:</p> <ul style="list-style-type: none"> <li>• the defined benefit superannuation liability is financially significant to the statement of financial position</li> <li>• the underlying liability valuation model (the model) is complex due to the significant degree of judgement required to determine key assumptions used to value the liability</li> <li>• the value of the liability is sensitive to minor changes in valuation inputs.</li> </ul> <p>Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 11.</p>	<p>Key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• obtained an understanding of the processes and key controls in place supporting the defined benefit superannuation liability calculation</li> <li>• assessed the completeness and accuracy of the membership data used in the model</li> <li>• with the assistance of actuarial experts, reviewed the methodology and key assumptions for reasonableness</li> <li>• assessed qualifications, competence and objectivity of actuarial experts</li> <li>• evaluated the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasury Directions.</li> </ul>

## Key Audit Matter

## How my audit addressed the matter

### Accrued unbilled water usage charges

At 30 June 2020, the Corporation's statement of financial position reported \$153 million accrued unread revenue accrual for customer water usage. At year end, many customers had water usage which had not been subject to a meter read.

I consider this to be a key audit matter because there is significant judgement and uncertainty involved in calculating this accrual, such as the:

- amount of water loss in transit between the dam and the end customer
- different rates and product offerings for residential and commercial customers
- complexity in estimating water usage across a large customer base, which can be influenced by many factors including weather and individual circumstances.

Further information on recognition and measurement for accrued unbilled usage charges is disclosed in Note 7.

Key audit procedures included the following:

- obtained an understanding of the processes and key controls the Corporation has in place to determine the estimated unbilled usage charges
- reviewed reasonableness of the key assumptions for water loss factors, sales volume and rates used to determine unbilled water usage charges
- assessed the historical accuracy of the estimate against subsequent billings.

## Other Information

The Corporation'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 directors of the Corporation are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Directors' Declaration.

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.

## Director's Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the PF&A Act and the *State Owned Corporations Act 1989*, and for such internal control as the directors 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 directors are responsible for assessing the Corporation'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/ar6.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar6.pdf). The description forms part of my auditor's report.

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

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



Karen Taylor  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

7 September 2020  
SYDNEY



Sydney  
WATER



We're a future-ready workforce.  
We care for one another, the environment and the community.



# 05

## Appendices

# Appendix 1: Government Information (Public Access) Act 2009

In 2019–20, applications to Sydney Water under the *Government Information (Public Access) Act 2009* (GIPA Act) were managed by the Corporate Compliance team. A dedicated page on the Sydney Water website covers all reporting and publication requirements of the GIPA Act. The webpage also includes information on how to make an access application under the GIPA Act and the application form for formal access applications.

Sydney Water reports on GIPA applications each year, which is tabled in Parliament as required by Part 7 of the GIPA Act. This information is also provided to the Information and Privacy Commission NSW (IPC).

For the period 1 July 2019 to 30 June 2020, Sydney Water:

- received 136 valid formal access applications under the GIPA Act
- received 11 informal applications
- decided 132 formal access applications (including six applications carried over from 2018–19), of which 130 were decided within the required statutory timeframe
- had three access applications withdrawn by applicants
- had seven access applications carried over to 2020–21 (in accordance with statutory timeframes).

We aim to proactively make information publicly available on our website. We do this by:

- identifying categories of information often sought
- publicising initiatives, developments or projects that we want the public to know about
- identifying important information we've produced since a previous review
- providing information that it would be in the public interest for us to disclose.

You can learn more about what information is available and how to access it at [sydneywater.com.au/GIPA](https://sydneywater.com.au/GIPA).

**Table A: Number of applications by type of applicant and outcome<sup>32</sup>**

Applicant	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	3	2	0	0	0	0	0	0
Members of Parliament	2	1	2	0	0	0	0	0
Private sector business	23	0	0	1	1	0	0	0
Not-for-profit organisations or community groups	2	0	0	0	0	0	0	0
Members of the public (application by legal representative)	27	0	2	2	1	1*	0	0
Members of the public (other)	56	0	2	3	1	0	0	3

\* Failure to pay advance deposit for processing charges.

**Table B: Number of applications by type of application and outcome**

Applicant	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications <sup>33</sup>	3	0	0	1	0	0	0	0
Access applications (other than personal information applications)	109	3	5	5	3	1	0	3
Access applications that are partly personal information applications and partly other	1	0	1	0	0	0	0	0

<sup>32</sup> We may make more than one decision regarding an access application. If so, we record each decision made. This also applies to Table B.

<sup>33</sup> A **personal information application** is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

**Table C: Invalid applications**

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	1
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	1
Invalid applications that subsequently became valid applications	0

**Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to GIPA Act**

	Number of times consideration used <sup>34</sup>
Overriding secrecy laws	0
Cabinet information	4
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

**Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of GIPA Act**

	Number of occasions when application not successful
Responsible and effective government	4
Law enforcement and security	0
Individual rights, judicial processes and natural justice	2
Business interests of agencies and other persons	3
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

<sup>34</sup> More than one public interest consideration may apply in relation to an access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

**Table F: Timeliness**

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	130
Decided after 35 days (by agreement with applicant)	2
Not decided within time (deemed refusal)	0
Total	132

**Table G: Number of applications reviewed under Part 5 of the GIPA Act (by type of review and outcome)**

	Decision varied	Decision upheld	Total
Internal review	0	1	1
Review by Information Commissioner <sup>35</sup>	1	0	1
Internal review following recommendation under section 93 of Act	0	0	0
Review by NSW Civil Administrative Tribunal	0	0	0
Total	1	1	2

**Table H: Applications for review under Part 5 of the GIPA Act (by type of applicant)**

	Number of applications for review
Applications by access applicants	1
Applications by persons to whom the information 'subject to access' relates (see section 54 of the GIPA Act)	0

**Table I: Applications transferred to other agencies**

	Number of applications transferred
Agency-initiated transfer	0
Applicant-initiated transfer	0

<sup>35</sup> The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

# Appendix 2: Public interest disclosures

**Table 34: Public interest disclosures, 2019–20**

Public interest disclosures	Number of disclosures <sup>36</sup>
Number of public interest disclosures received by Sydney Water	45
Number of public officials who made public interest disclosures to Sydney Water	45
Number of public interest disclosures received, relating to:	
• corrupt conduct	43
• maladministration	2
• serious and substantial waste	0
• government information contravention	0
• local government pecuniary interest contravention	0
Number of public interest disclosures (completed this period)	40

We have an established internal policy of reporting to the Managing Director and Internal Audit Group. We also maintain an independent corruption hotline for employees and the public to report corrupt behaviour, serious waste of resources or any other suspicious matters.

The accounting firm, KPMG manages Sydney Water’s independent corruption hotline. KPMG is advised that employees who have requested to remain anonymous can receive protection under the *Public Interest Disclosures Act 1994 (NSW)* should they wish to come forward with their identity. All confidentiality will be maintained.

We raise employee awareness through:

- the annual e-learning program
- a quarterly integrity update on current issues
- awareness articles in the weekly employee newsletter, e-News
- face-to-face training for teams, including new employees during their induction.

<sup>36</sup> Reporting aligns with the NSW Ombudsman’s definition, which includes contractors, subcontractors and instances where anonymous disclosures could reasonably be believed to have been made by employees, contractors or subcontractors.



## Appendix 3: Annual Report external production costs

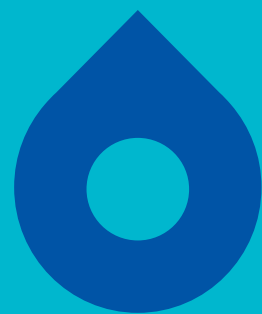
We have outsourced production of some elements of this year's Annual Report due to limitations with internal capabilities and resources. The total estimated cost of producing the Annual Report 2019–20 is \$11,400 (excluding GST).<sup>37</sup>

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<sup>37</sup> Estimated figure correct at time of publication.



The Small Change Shop travelled to shopping centres, festivals and events last summer to engage with the community, successfully changing how people use and save water at home.



# 06

## Glossary and index

# Glossary

## A

### **Audit and Risk Committee (ARC)**

### **Australian Institute of Company Directors (AICD)**

### **Average**

The sum of scores divided by the total number of results.

## B

### **BillAssist®**

Sydney Water's Customer Assistance Program to help customers with payment difficulties and/or growing debt.

### **Biosolids**

Nutrient-rich, organic waste products that can be used in agriculture, composting and land rehabilitation.

### **Bypass**

Partially treated wastewater discharged from a wastewater treatment plant.

## C

### **Catchment**

An area of land surrounding a dam or water storage, or the area served by a wastewater treatment plant.

Rain falling over a water catchment drains to a dam and may contain nutrients, minerals and contaminants collected from the land surfaces.

Waste is collected from homes and businesses in wastewater pipes within a wastewater catchment and drains by gravity or is pumped to a specific wastewater plant.

### **Centrelink**

A regular payment arrangement that allows customers receiving income support from Centrelink to pay bills through regular deductions from their Centrelink payment.

### **Conservation**

Resource use, management and protection to prevent degrading, depleting or wasting resources to ensure resources are sustainable for present and future generations.

### **Culturally and linguistically diverse (CALD)**

Customers who speak English as a second language.

### **CxP**

Customer Experience Platform (SAP S/4 HANA)

## D

### **Drinking water**

Water treated to comply with Australian Drinking Water Guidelines 2011 to the satisfaction of NSW Health.

### **DSP**

Development Servicing Plan.

## E

### **EAP**

Employee Assistance Program.

### **EBITDA**

Earnings before interest, tax, depreciation and amortisation.

### **Energy & Water Ombudsman NSW (EWON)**

The NSW Government-approved dispute resolution scheme for NSW electricity, gas and water customers.

## **Environment Protection Authority (EPA)**

An independent body that regulates and responds to activities that can affect the health of the NSW environment and its people.

## **ET**

Equivalent tenement.

## **F**

### **Filtration (water)**

A process for removing particles from water by passing it through a porous barrier – such as a screen, membrane, sand or gravel.

## **G**

### **Government Information (Public Access) Act 2009 (GIPA Act)**

An Act to facilitate public access to government information.

## **I**

### **IICATS**

Integrated instrumentation, control, automation and telemetry system

### **Independent Pricing and Regulatory Tribunal (IPART)**

The independent pricing regulator for the water, public transport, local government, electricity and gas industries, as well as the licence administrator for water, electricity and gas.

### **Information Commissioner**

The Information and Privacy Commission NSW is an independent statutory authority that administers legislation dealing with privacy and access to government-held information in NSW.

## **K**

### **Kilolitre (kL)**

One thousand litres of water or approximately one tonne of water.

## **L**

### **Litre (L)**

A measure of liquid volume.

### **Lost time injury (LTI)**

A work-related injury or illness that results in an individual being unable to work on a subsequent scheduled workday or shift.

### **Lost Time Injury Frequency Rate (LTIFR)**

The main measure of safety performance in many companies in Australia. It is the number of lost-time injuries multiplied by one million divided by the number of hours worked in the reporting period.

## **M**

### **Mass**

A measure of weight.

### **Megalitre (ML)**

One million litres of water or approximately one thousand tonnes of water.

### **Minimum**

The lowest recorded reading.

### **Monitoring**

An ongoing testing program to assess potential changes in circumstances.

## **N**

### **NAIDOC**

National Aboriginal and Islanders Day Observance Committee.

### **NPAT**

Net profit after tax

### **NSW Civil and Administrative Tribunal (NCAT)**

The specialist tribunal service in NSW dealing with a broad and diverse range of matters, including the administrative review of government decisions.

## O

### **Operating Licence**

A licence issued under the *Sydney Water Act 1994* (NSW) that sets many of our performance standards. IPART administers our Operating Licence.

## P

### **Payment Assistance Scheme (PAS)**

The PAS assists customers experiencing difficulties with paying their Sydney Water bill.

### **PlumbAssist®**

A service that helps customers in financial hardship make emergency or essential plumbing repairs.

### **PSSE**

Public Sector Senior Executive.

## R

### **R&I**

Research and innovation.

### **Recycled water**

Highly treated wastewater used in industrial processes, in irrigation for agriculture, in urban parks and landscapes, and in households for flushing toilets, car washing and watering gardens. It is not for drinking or personal use.

### **Recycling**

Collecting and processing a resource so that it can be re-used.

### **Regulators**

Organisations that set regulations and standards. Sydney Water's regulators include IPART, the EPA and NSW Health.

### **Rehabilitate**

To restore to good condition.

### **Renew**

To make new, to restore or to make effective for an additional period.

## **Reservoir**

A man-made water storage area. Water is transferred from dams and treatment plants by gravity or pumping stations to reservoirs, which are usually on high land. The water then flows through a system of mains and smaller pipes to our customers.

## **Risk assessment**

The process of gathering data and making assessments to estimate short- and long-term harmful effects on human health or the environment from exposure to hazards from a particular product or activity.

## S

### **SCADA**

Supervisory control and data acquisition.

### **SDP**

Sydney Desalination Plant.

### **Sewage**

See *Wastewater*.

### **Sewage overflow**

See *Wastewater overflow*.

## **Staff engagement**

The extent to which staff commit to someone or something in their organisation, how hard they work, and how long they stay as a result of that commitment.

## **STEM**

Science, technology, engineering and mathematics.

## **Stormwater**

Rainwater that runs off the land, frequently carrying various forms of pollution such as litter, debris, animal droppings and dissolved chemicals. This untreated water is carried in stormwater channels and discharged directly into creeks, rivers, the harbour and the ocean.

## **Stormwater system**

The system of pipes, canals and other channels used to carry stormwater to bodies of water, such as rivers or oceans. The system does not usually involve treatment.

## T

### **Total Recordable Injury Frequency Rate (TRIFR)**

TRIFR is the sum of all lost time injuries plus the number of work-related injuries or illnesses requiring medical treatment per million hours worked.

### **Trade waste**

Industrial or commercial wastewater with significant potential contaminants, with limits usually set by agreements.

### **Treatment (water)**

The filtration and disinfection process.

## V

### **Volume**

The size, measure or amount of anything in three dimensions.

## W

### **Waste**

Discarded, rejected, unwanted, surplus or abandoned substances. Does not include gas, water, wastewater, beneficially used biosolids and re-used water.

### **Wastewater**

The dirty water that goes down the drains of homes and businesses and into the wastewater system.

### **Wastewater overflow**

A wastewater overflow occurs when wastewater escapes from the wastewater system due to insufficient capacity or a blockage in the pipe.

### **Wastewater system**

The system of pipes and pumping stations for collecting and transporting wastewater from each property to the wastewater treatment plant.

### **Wastewater treatment plant**

The place where we put wastewater through filtration and other treatment processes. Once the waste is treated, we then either discharge it to the environment or recycle it.

### **Water demand**

Total amount of water needed for drinking, agriculture, industry, recreation and gardening. This is seasonal and highly influenced by the weather.

### **Water filtration plant**

A treatment plant that improves water quality by removing impurities through filtration.

### **Water pumping stations**

Stations that house mechanical pumping equipment used to transport water from lower ground to higher ground through pipes.

### **Water quality**

The physical, chemical and biological measures of water.

### **Water Services Association of Australia (WSAA)**

The peak industry body that brings together and supports the Australian urban water industry. Members provide water and wastewater services to more than 16 million Australians and provide services to many of the country's largest industries and commercial enterprises.

### **Waterways**

All streams, creeks, rivers, estuaries, inlets and harbours.

### **Wetlands**

Low-lying areas often covered by shallow water, such as marshes, mangroves, swamps, bogs or billabongs. Rich in biodiversity, they store and filter water and replenish underground water supplies.

# Index of figures, maps and tables

Reference	Title	Page
Figure 1	Our strategy to deliver our vision	10
Figure 2	Goals and measurements	12
Figure 3	Re-imagining water services in the west	16
Table 1	Safety performance, 1 July 2016 to 30 June 2020	20
Table 2	Customer experience performance, 1 July 2017 to 30 June 2020	21
Table 3	Business sustainability performance, 1 July 2016 to 30 June 2020	21
Table 4	Corporate reputation performance, 1 July 2016 to 30 June 2020	22
Table 5	Stakeholder engagement 2018–20	22
Table 6	Organisational culture performance, 1 July 2018 to 30 June 2020	22
Figure 4	Map of our area of operations at 30 June 2020	26
Table 7	Principal statistics, 2019–20	27
Table 8	Major capital works projects completed, 2019–20	29
Table 9	Major capital works in progress as at 30 June 2020	30
Figure 5	Western Sydney growth plan	35
Table 10	R&I investments in 2019–20	38
Table 11	Significant amendments to projects reported for the previous financial year	39
Table 12	Customer satisfaction indicators, 2015–16 to 2019–20	43
Table 13	Social program expenditure, 2015–16 to 2019–20	45
Table 14	CALD initiatives, 2019–20	46
Table 15	Training programs conducted by Sydney Water, 2019–20	50
Figure 6	TRIFR for employees and contractors, 1 July 2018 to 30 June 2020	51
Figure 7	LTIFR for employees and contractors, 1 July 2018 to 30 June 2020	52
Table 16	Trends in the representation of workforce diversity groups	54
Table 17	Trends in the distribution of workforce diversity groups – distribution index	55
Table 18	Workforce numbers, 2015–16 to 2019–20	55
Table 19	Funds granted by Sydney Water, 2019–20	58
Table 20	Decisions made under the Heritage Council of NSW delegation, 2019–20	61
Figure 8	AICD Corporate Governance Framework	64



<b>Reference</b>	<b>Title</b>	<b>Page</b>
Table 21	Board of Directors skills matrix at 30 June 2020	65
Table 22	Directors' meetings, 2019–20	70
Table 23	Organisation as at 30 June 2020	71
Table 24	Summary of enterprise risks associated with our Lifestream strategy, 2019–20	73
Table 25	Profit and loss statement, 2016–17 to 2019–20	78
Table 26	Debt management, 2019–20	80
Table 27	Budget, 2020–21	80
Table 28	Executive remuneration, 2019–20	81
Table 29	Payments to consultants for engagements valued at over \$50,000, 2019–20	81
Table 30	Overseas travel, 2019–20	82
Table 31	Annual reporting exemptions	82
Table 32	Compliance with IPART's Determination No. 8, 2006 – developer charges per equivalent tenement (ET), 2019–20	83
Table 33	IPART pricing table, 2019–20	84
Table A	Number of applications by type of applicant and outcome	157
Table B	Number of applications by type of application and outcome	157
Table C	Invalid applications	158
Table D	Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to the GIPA Act	158
Table E	Other public interest considerations against disclosure: matters listed in the table to section 14 of the GIPA Act	158
Table F	Timeliness	159
Table G	Number of applications reviewed under Part 5 of the GIPA Act (by type of review and outcome)	159
Table H	Applications for review under Part 5 of the GIPA Act (by type of applicant)	159
Table I	Applications transferred to other agencies	159
Table 34	Public interest disclosures, 2019–20	160

## Statutory information index

<b>Annual Reports (Statutory Bodies) Act 1984</b>	
<b>Section 7(1)(a)(i)</b> The financial report prepared in accordance with the requirements of the <i>Public Finance and Audit Act 1983</i> (PF&A Act)	89-148
<b>Section 7(1)(a)(ii)</b> The opinion of the auditor given under Division 3 Part 3 of the PF&A Act	150-153
<b>Section 7(1)(a)(ia)</b> A response from the statutory body to any issue which the Auditor-General or an authorised person raises in a report under section 43(2) of the PF&A Act as being a significant issue	88
<b>Section 7(1)(a)(iii)</b> A detailed budget for the financial year to which the report relates and an outline budget for the next financial year	78-80
<b>Section 9(1)</b> Nature of report of operations: (a) charter (b) aims and objectives (c) access (d) management and structure (e) summary review of operations (f) legal change	Please refer to individual items listed under Schedule 1 within this statutory information index
<b>Section 9A</b> Letter of submission	4
<b>Annual Reports (Statutory Bodies) Regulation 2015</b>	
<b>Regulation 5</b> Identification of audited financial statements	91-148
<b>Regulation 7</b> Detailed budget	78-80
<b>Regulation 8(1)(a)</b> Significant matters	Not applicable
<b>Regulation 8(1)(b)(c)</b> <i>Privacy and Personal Information Protection Act 1998</i>	75
<b>Regulation 8(2)(a)</b> External production costs	161
<b>Regulation 8(2)(b)</b> Internet address	Back page
<b>Regulation 10</b> Comparison of investment performance	80
<b>Regulation 11</b> Comparison of liability management	80
<b>Regulation 12</b> Number and remuneration of senior executive	81
<b>Regulation 14(2)</b> Content index	This table
<b>Regulation 14(2)</b> Table of contents	3
<b>Regulation 17(4)</b> Exemptions from reporting	82
<b>Schedule 1</b> Charter	5
<b>Schedule 1</b> Aims and objectives	5, 10-12, 20-23, 26-27
<b>Schedule 1</b> Access	Back cover
<b>Schedule 1</b> Management and structure	64-72
<b>Schedule 1</b> Summary review of operations	8-9, 13-19, 26-33, 43, 78-80
<b>Schedule 1</b> Funds granted to non-government community organisations	58-60
<b>Schedule 1</b> Social programs	44-45
<b>Schedule 1</b> Legal change	74
<b>Schedule 1</b> Economic or other factors	8-9, 40-41, 78-80
<b>Schedule 1</b> Management and activities	5, 8-9, 13-23, 28-36, 40-41

<b>Schedule 1</b> Research and development	17, 37-39
<b>Schedule 1</b> Human resources	53-55
<b>Schedule 1</b> Consultants	81
<b>Schedule 1</b> Workforce diversity	18, 49, 53-55
<b>Schedule 1</b> Land disposal	79
<b>Schedule 1</b> Promotion – overseas travel	82
<b>Schedule 1</b> Consumer response	43
<b>Schedule 1</b> Payment of accounts	Not applicable
<b>Schedule 1</b> Time for payment of accounts	79
<b>Schedule 1</b> Risk management and insurance activities	72-73
<b>Schedule 1</b> Controlled entities	Not applicable
<b>Schedule 1</b> Multicultural policies and services program	19, 46-48, 53-54
<b>Schedule 1</b> Agreements with Multicultural NSW	Not applicable
<b>Schedule 1</b> Work health and safety	19-20, 22-23, 51-52
<b>Government Information (Public Access) Act 2009</b>	
<b>Section 125</b> Reports to Parliament	156-159
<b>Heritage Act 1977</b>	
<b>Section 169</b> Heritage delegations	61
<b>Independent Pricing and Regulatory Tribunal Act 1992</b>	
<b>Section 18</b> Implementation of price determinations	83-87
<b>Public Interest Disclosures Act 1994</b>	
<b>Section 31</b> Reports to Parliament	160
<b>State Owned Corporations Act 1989</b>	
<b>Section 24A (3)(a)</b> Departures from performance targets in the Statement of Corporate Intent	78-79
<b>Section 24A (3)(b)</b> Reasons for departures from performance targets	78-80
<b>Sydney Water Act 1994</b>	
<b>Schedule 5(2)(a)</b> Detailed budget	78-80
<b>Schedule 5(2)(b)</b> Outline budget for 2019–20	80
<b>Schedule 5(3)(a)</b> Research and development	37-39
<b>Schedule 5(3)(b)</b> Human resources	53-55
<b>Schedule 5(3)(c)</b> Consultants	81
<b>Schedule 5(3)(d)</b> Equal employment opportunity	53-55
<b>Schedule 5(3)(e)(i)</b> Promotion	44
<b>Schedule 5(3)(e)(ii)</b> Overseas travel	82
<b>Schedule 5(3)(f)</b> Consumer response	43
<b>Schedule 5(3)(g)</b> Guarantee of service	42
<b>Schedule 5(3)(h)</b> Time for payment of accounts	79
<b>Schedule 5(4)</b> Comparison of investment performance	80
<b>Schedule 5(5)</b> Comparison of liability management performance	80

# About this report

This is Sydney Water's full Annual Report for 1 July 2019 to 30 June 2020. It covers our:

- statutory information
- financial statements
- other regulatory information.

Visit [sydneywater.com.au/annualreport](http://sydneywater.com.au/annualreport) to read the *Annual Report 2019–20* and previous reports.

If you have any comments or questions about this report, please email [annualreport@sydneywater.com.au](mailto:annualreport@sydneywater.com.au) or write to:

Sydney Water  
Annual Report Project Manager  
Customer, Strategy and Engagement  
PO Box 399  
PARRAMATTA NSW 2124

## Contact us

### By telephone

**Customer enquiries:**

13 20 92 (Monday–Friday, 8.00 am – 7.00 pm)

**Help with leaks and faults:**

13 20 90 (24 hours every day)

**Corruption hotline:**

Freecall 1800 500 965 (24 hours every day)

**Interpreter service:** 13 14 50

**Hearing and speech difficulties:** We offer a free teletypewriter (TTY) service for customers with hearing and speech difficulties. Call the National Relay Service on 13 36 77 and enter the phone number 13 20 90 (24 hours every day).

### By post

Sydney Water  
PO Box 399  
PARRAMATTA NSW 2124

### By email

[customerservice@sydneywater.com.au](mailto:customerservice@sydneywater.com.au)

### On the web



**Website:**

[sydneywater.com.au](http://sydneywater.com.au)



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