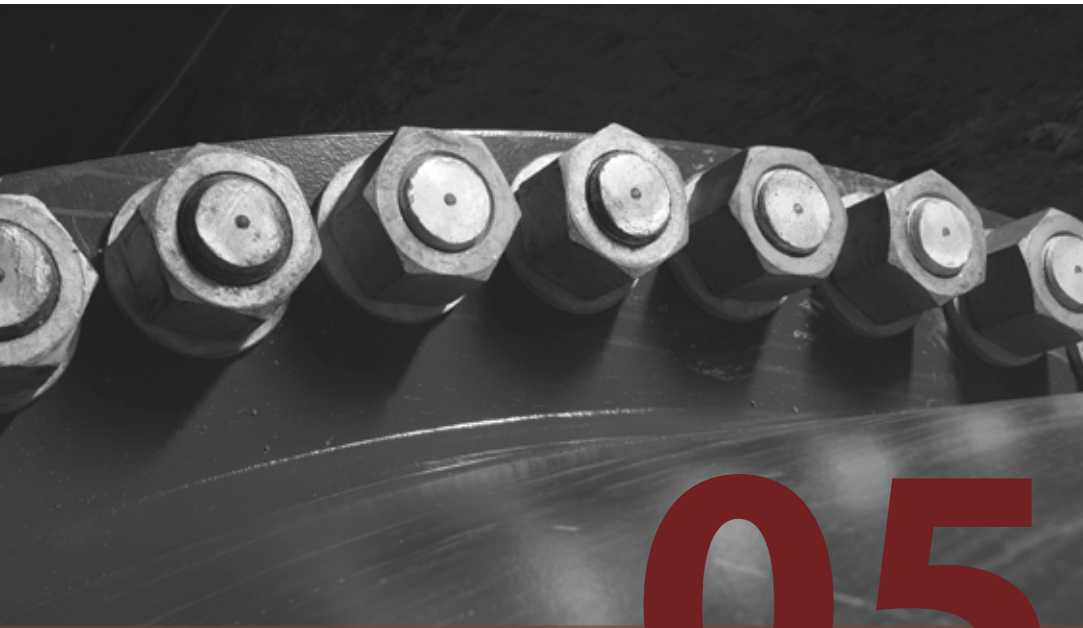


Healthy Catchments
Quality Water

- Always

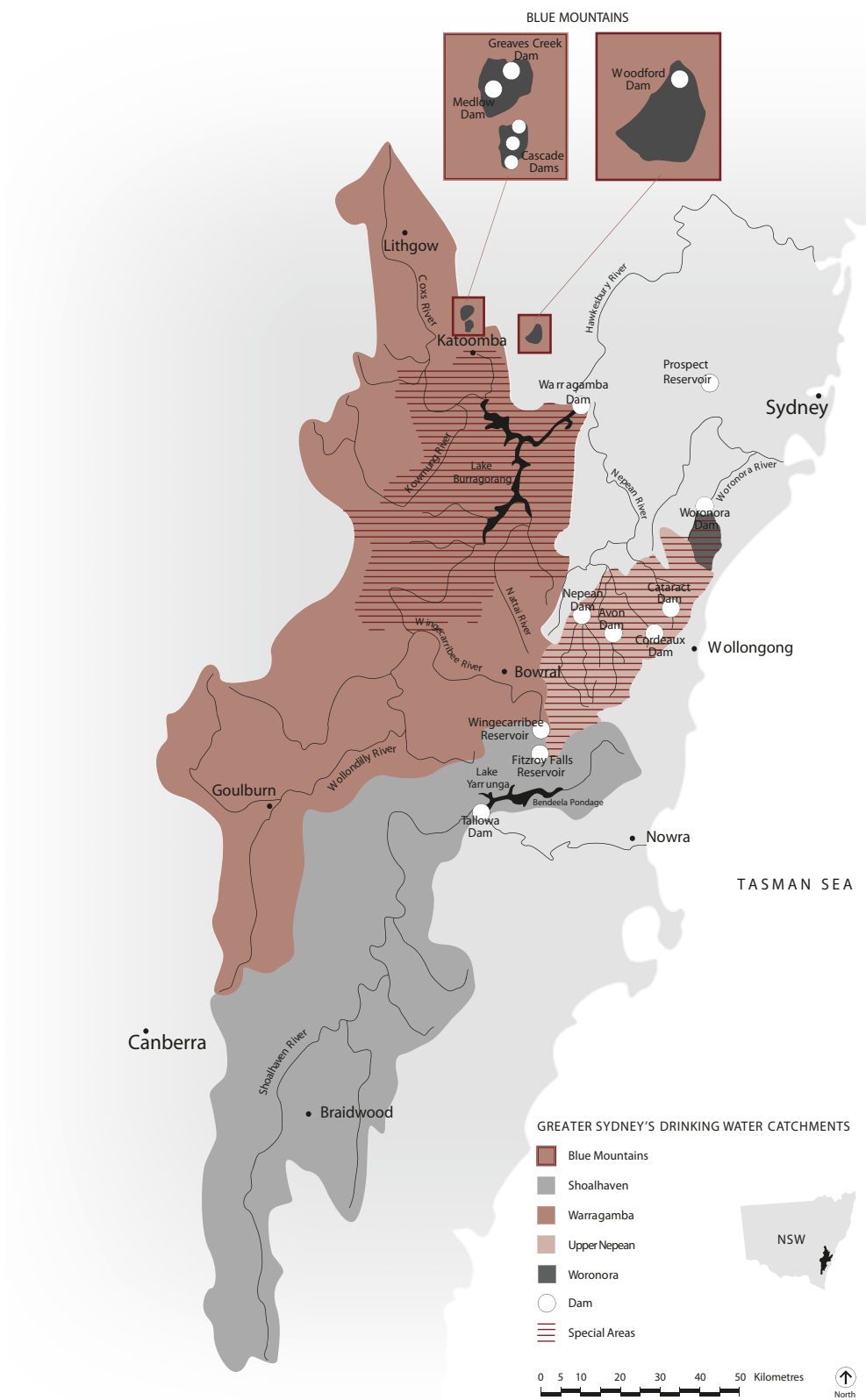
always



Sydney Catchment Authority
ANNUAL REPORT

05 06

GREATER SYDNEY'S DRINKING WATER CATCHMENTS





SYDNEY CATCHMENT AUTHORITY ANNUAL REPORT 2005-06

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About the SCA

the SCA



The 2005-06 annual reports for the Sydney Catchment Authority (SCA) and Sydney Catchment Authority Division of the Government Service (SCA Division) provide details of the organisations' performance over the past year. The reports are organised against the key result areas of the SCA's Business Plan 2002-07.

SYDNEY CATCHMENT AUTHORITY ANNUAL REPORT 2005-2006

The growth and management of water supply infrastructure and other SCA assets are report highlights. The report also features the SCA's management of its drinking water catchments, business and operational processes, and partnerships with our stakeholders. Major stakeholders include the community, industry, business, farmers and other government agencies.

If you would like to know more about any aspect of this annual report or wish to suggest how our future annual reports could improve, please contact the SCA's publications officer by emailing info@sca.nsw.gov.au, by telephoning 1300 722 468, or by writing to the SCA at PO Box 323, Penrith NSW 2751.

This report is available from our website, www.sca.nsw.gov.au, on compact disk and in print. You can obtain either a disk or printed copy of the report by contacting the SCA's publications officer as above.

THE SCA AT A GLANCE

Our role is to protect the 16,000 square kilometres of Sydney's drinking water catchments; to manage our water storages, pipelines and other infrastructure; and to supply our customers with quality raw water. Our customers include Sydney Water, two local councils and, as at 30 June 2006, 61 retail customers.

The SCA collects water from five primary catchments, in which 62 percent of the land is privately owned, 28 percent is owned by the Department of Environment and Conservation, nine percent by the SCA, with the remainder vested in the Crown. The water is stored in 21 storages, which collectively can hold more than 2.6 million megalitres of water. Approximately 4.2 million people, or about 60 percent of NSW's population, use water supplied by the SCA.

Approximately 120,000 people live in the catchments. In addition to the five main urban centres, the catchments also support approximately 200,000 head of cattle, one million sheep and a variety of other livestock.

Our services are diverse and people receiving water from our storages include the people of Sydney, Illawarra, Blue Mountains, Southern Highlands and the Shoalhaven. Our services also benefit people living in our catchments.

Our business plan was developed by the SCA Board and Executive, and incorporates the following principles.

OUR VISION

Healthy catchments, quality water - always.

OUR ROLE

To capture, store and supply quality bulk raw water through responsible management and partnerships with stakeholders.

OUR KEY VALUES

- Being accountable
- Caring for the environment
- Behaving ethically
- Working together
- Acting professionally
- Being respectful
- Ensuring safety

OUR KEY RESULT AREAS

Where our efforts are focused

- Threats to water quality minimised
- Sustainable and reliable water supply
- Commercial success
- Building and sharing knowledge
- Results through relationships
- Quality systems and processes
- A dynamic and supportive workplace

HOW WE ARE FUNDED

SCA activities are funded by the sale of raw water to Sydney Water and other customers at prices determined by the Independent Pricing and Regulatory Tribunal (IPART).

THE SCA DIVISION OF THE GOVERNMENT SERVICE

Changes to the NSW Government's employment legislation, introduced on 17 March 2006, have resulted in the SCA now operating with a controlled entity known as the SCA Division of the Government Service (SCA Division). As a consequence of the *Public Sector Employment Legislation Amendment Act 2006* and the amended *Public Sector Employment Management Act 2000*, the SCA now has additional reporting requirements. The SCA Division's annual report for 2005-06 is located at the end of this document.



Above and opposite: Special Areas surrounding SCA water storages contain significant pristine native ecosystems

KEY AREAS OF PERFORMANCE

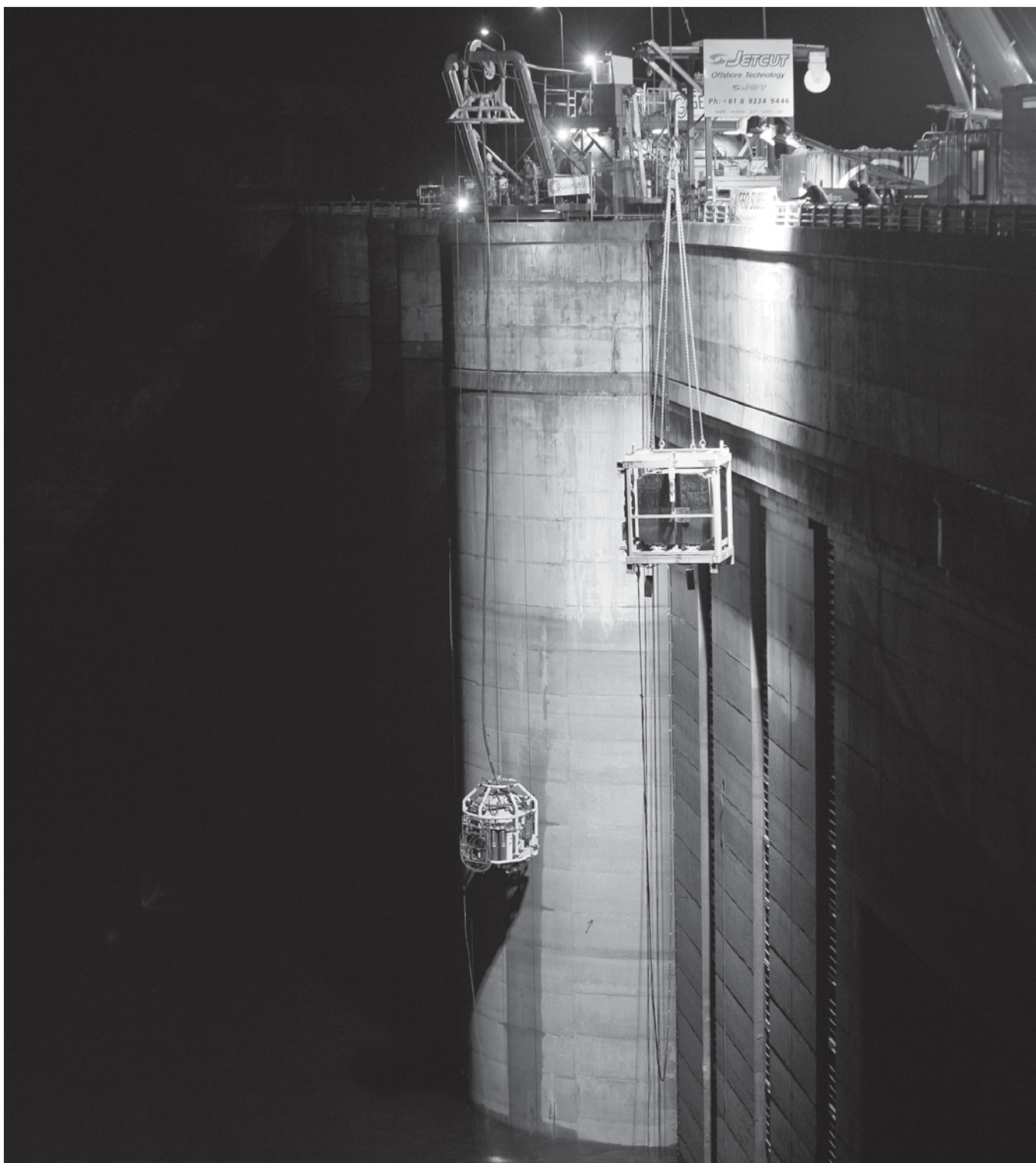
The SCA's business plan sets its direction and guides development of annual work plans and associated budgets. We continue to measure the SCA's performance against the key performance indicators, as identified in our business plan. Performance for 2005-06 is highlighted below.

Key Performance Indicators	Actual 2001-02	Actual 2002-03	Actual 2003-04	Actual 2004-05	Actual 2005-06	Target	Page No.
Operational							
Overall compliance with Bulk Water Supply Agreement with Sydney Water (%)	97.9	98.5	94.1	95.8	99.1	>95	27
Health-related compliance with Australian Drinking Water Guidelines (%)	100	100	100	100	100	100	27
Interruption to water supply (hours)	Nil	Nil	Nil	Nil	Nil	Nil	-
Compliance with Dams Safety Committee requirements and Australian National Committee on Large Dams guidelines (%)	100	100	100	100	100	100	28
Operating licence clauses for which there is full to high compliance (%)	91.5	90	83	73	IPART Audit not complete	100	10 and 58
Environmental							
Environmental release compliance with water management licence (%)	99.8	99.8	98.6	99.9	100	100	10 and 59
\$ catchment management per megalitre of water supplied	38.7	34.7	35.2	42.6	44.3	No target	-
Water use by SCA (billed KL head office)*				7,114	2,938	No target	57
Social							
Hours lost to industrial disputes per employee	0	0	0	0	0	Nil	169
Lost time injuries (number)	6	4	8	10	6	Nil	170
Lost time days (number)	241	140.5	79	216.5	286	Nil	170
Complaints (water supply) from wholesale customers	1	Nil	Nil	Nil	Nil	Nil	25 and 151
Economic							
Earnings before interest and tax (\$m)	37.9	40.3	37.9	34.0	44.0	No target	66
Return on total assets (%)	5.2	5.6	5.1	4.5	5.2	No target	-
Credit rating	A	A	A	A-**	Fitch Ratings not finalised	Investment Grade	36

* New operating licence indicator commenced. Water usage for SCA leased areas is calculated as a proportion of the building's total water use. In 2005-06 a number of tenants vacated the office building resulting in a significant decline in total water use and consequently, in the SCA's share of that water use.

** Rating in consideration of high levels of future capital expenditure and uncertainty regarding the outcomes of IPART's review of the SCA's price path (now complete).

Prior to 2005-06, the SCA's credit rating was assigned by Standard and Poor's. In 2005-06, Fitch Ratings commenced its annual review and the outcome is expected later in 2006. "Sydney Catchment Authority has been assigned a qualified rating indication of A- by Standard and Poor's Rating Services. This is not necessarily the unqualified corporate credit rating that would otherwise apply to Sydney Catchment Authority." (Standard and Poor's March 2005)



In April 2006 a major milestone was reached in the Warragamba Deep Water Access Project with the removal of a two metre square concrete block to create a new low level outlet in the dam wall. Specialist deep water divers worked 80 metres below surface to cut and remove the block. The divers' bell (left) and the block (right) are pictured being winched up the dam wall.

LETTER TO THE MINISTER

Sydney Catchment Authority
Level 2
311 High Street
Penrith NSW 2750

31 October 2006

The Hon Robert Debus MP
Minister for the Environment
Level 36 Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Minister

It gives me great pleasure in submitting the 2005-2006 Annual Report of the Sydney Catchment Authority for presentation to the Parliament of New South Wales.

The report has been prepared in accordance with the *Annual Report (Statutory Bodies) Act 1984*, the *Annual Report (Statutory Bodies) Regulation 1995*, the *Annual Report (Statutory Bodies) Amended Regulation 2003*, the *Annual Report (Statutory Bodies) Amended Regulation 2005*, the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2000*.



GRAEME HEAD
Chief Executive

REPORT FROM THE SCA CHAIRMAN

The past year has been dominated by the worst drought on record faced by the Sydney region, as well as many other areas in Australia. Management of the bulk water supply system in this major drought has been the key priority for the SCA and its Board with four key objectives:

- ensuring reduced water usage to limit demands upon the available water supply
- operating the bulk water supply system as originally intended in drought, by utilising water from the Shoalhaven River
- implementing measures to more fully utilise existing storages with the construction of works to access deep water previously inaccessible in Warragamba and Nepean Dams
- investigation of additional emergency drought supplies from groundwater.

The SCA has continued to play a significant role in delivering drought-related elements of the Government's Metropolitan Water Plan. Notably, over the last 12 months – in partnership with our project managers, the Department of Commerce, and our contractors - the SCA has completed most of the works for the deep water access projects at Warragamba and Nepean Dams.

The Board and the Chief Executive have been driving improvements in the SCA's management of its capital works program. This past year saw capital expenditure of \$138.0 million out of a budget of \$138.9 million – a significant improvement on actual expenditure versus budgeted expenditure when compared to previous years.

The particular focus of the capital expenditure program was on the projects for which the SCA is responsible under the Government's Metropolitan Water Plan. Two major initiatives - access to deep water storage in SCA dams and groundwater investigations - were fast tracked over the year and are now expected to be completed in the latter half of 2006. On 15 April this year, a major milestone was recorded with the creation of a new water access point at the base of Warragamba

Dam. This gave some immediate relief to the pressures of the drought and provided a boost to both our operating storage and the available storage in the dams.

When the deep water projects were first mooted, it was estimated that they could increase the longer-term supply of water from the dams by about 30 billions litres a year. Improvements to the design of the projects have increased that estimate to 40 billion litres a year.

The 2006 Metropolitan Water Plan is both a whole-of-government response to the drought as well as a framework for long-term security of water supplies for the communities of Sydney, Illawarra and the Blue Mountains. The SCA has played a major role, alongside other agencies, in both the development and implementation of the plan. In addition to the deep water projects, the SCA has provided a leading role in developing proposals to change the way water from the Shoalhaven River is used in Sydney's water supply; undertaking major studies and consultation on the use of groundwater as a drought water supply; and providing a significant component of the modelling used to support the development of future water planning.

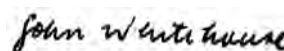
Four other issues have also provided areas of major focus for the work of the Board:

- commencing the process to review the SCA's five-year corporate plan;
- continuing to drive improvements in corporate governance;
- continuing to monitor the organisation's improvements to its asset management systems; and
- ensuring that the SCA's catchment health initiatives respond appropriately to key areas of risk.

The SCA has performed exceptionally well over the past year, particularly given the challenges associated with the drought. The Board and the SCA Executive continue to work together effectively to guide and lead the organisation. I wish to thank my colleagues on the Board for the efforts this year and, in doing so, acknowledge the

significant contribution made by Ms Lisa Corbyn, who left the SCA Board in February this year.

On behalf of the Board, I would like to thank the Chief Executive, Graeme Head, and all of the staff of the SCA for their commitment, enthusiasm and hard work during the year.



John Whitehouse
Chairman

REPORT FROM THE CHIEF EXECUTIVE

YEAR IN REVIEW

The past year has been particularly strong for the SCA in terms of capital investment, improvements to the water supply network and delivery of catchment health programs.

The current drought, and the SCA's pivotal role in delivering key components of the Metropolitan Water Plan, have been the major drivers for a large proportion of our work this year. Completion of the development of the Regional Environment Plan - The Drinking Water Catchments Regional Environmental Plan No.1 - and its gazettal on 9 June 2006, represents a significant milestone in developing the tools used to manage our catchments.

In terms of the SCA's operating licence and water management licence requirements, the focus has been on ensuring that all of our customers are supplied with the agreed quantities and quality of bulk raw water, while making certain that the health of the rivers and their ecosystems remain protected.

We continue to improve our internal operations as the organisation matures. This year, we completed a restructure of a number of our corporate support functions into a single Corporate Services Division.

Another significant event this year was the impact of changes to the Government of NSW's employment legislation, introduced on 17 March 2006. This has resulted in the SCA now operating with a controlled entity known as the SCA Division of the Government Service. The SCA Division provides personnel services to the SCA.

The following achievements, which are grouped under the key result areas of the 2002-2007 business plan, demonstrate some of the highlights of the past year. Highlights for the SCA Division are reflected within our Key Result Area 06 – Dynamic supportive workplace.

Threats to water quality minimised

- We continued to develop and fine-tune programs and supporting tools relating to the Regional Environmental Plan in readiness for the plan's implementation on 1 January 2007.
- The Minister approved the SCA's Water Quality Risk Management Framework in October 2005. The framework guides our programs to protect and enhance catchment health and sound progress was made in its first year of implementation.
- New plans of management for Special Areas were developed for the next five years in partnership with the Department of Environment and Conservation (DEC), our co-sponsor of the Special Areas. The revised arrangements draw upon the strengths of each agency in managing water quality and demonstrate our increased knowledge and improved capacity to manage the Special Areas.
- Pollution in the catchments and illegal access to Special Areas were the focus of our regulatory efforts, with the assistance of DEC, NSW Police and other enforcement agencies. Efforts to raise awareness and pursue compliance matters over the past few years have resulted in a decrease in the number of offences needing to be addressed.
- We continued to work with other agencies to stabilise and control sediment from abandoned mine sites to minimise runoff and damage to water quality. Considerable progress was made on rehabilitating former mine sites at Yerranderie, Oakdale and Black Bobs Creek.

Sustainable and reliable water supply

- Drought-related water supply projects were accelerated, with most of the investigations for possible groundwater supplies being completed with some very positive results. Completion dates for the Warragamba and Nepean-Avon

dams' deep storage projects were brought forward to the end of 2006.

- The year's outcomes for SCA investment in other capital projects included the refurbishment the Warragamba Dam valve house as part of a major ongoing upgrade of the dam. The valve house refurbishment was completed 12 months ahead of schedule and 10 percent under budget.
- A draft discussion paper and supporting documents regarding options to optimise the operation of the Shoalhaven River Transfers Scheme were developed in partnership with the Department of Natural Resources. Options are currently being considered through a consultation with affected communities and interested stakeholders.
- A high standard of performance in dam safety was maintained. Dam deformation surveys were completed and found that our water storages continue to perform satisfactorily with no safety issues identified.

Commercial success

- The SCA met its key commercial targets for the year.
- The SCA's new accounting policy was established and a comprehensive training program for staff implemented in line with our adoption of the Australian Equivalents of the New International Financial Reporting Standards.
- The financial management information system, and its budgeting and KPI reporting system were upgraded to increase their capacity and enhance efficiencies in recording, reporting and stocktaking financial information.
- The SCA's major finance and finance-related systems were reviewed in response to new reporting requirement as a consequence of the *Public Sector Employment Legislation Amendment Act 2006* and the amended *Public Sector Employment Management Act 2002*. It was found that no amendments to the systems were required.

Building and sharing knowledge

- Five strategic science research programs were completed in collaboration with universities within NSW and the CSIRO. The outcomes of the three-year projects greatly benefit SCA objectives for catchment health and sustainable supplies of healthy raw bulk water.
- Further development of the Catchment Information System enhanced our ability to source, record and share quality information about the catchments. The use of satellite imagery, in particular, enabled us to more effectively identify, assess and respond to issues relating to the catchment more promptly and efficiently.
- Grants and sponsorships amounting to almost \$3,700,000 were made to stakeholders for short and longer-term projects aimed at achieving superior outcomes for catchment lands and waterways. Projects included ground works, research, compliance activities, education and industry events.

Results through relationships

- Partnerships with other government agencies continued to strengthen as milestones for the Government's water reform projects were reached ahead of schedule.
- There were more than 460,000 visits to our website over the year. The website, together with SCA publications and the media continued to keep the community informed about matters that affected them. Topics included drought management initiatives, dam levels, progress on water reform projects and the regional environmental plan.
- The SCA continued to consult with the community, farmers and other stakeholders groups, either directly or through committees across the catchments that represent their interests. Members of the Regional Consultative Committees were invited to participate in focus groups sessions to help develop a revised corporate plan for the SCA.
- The SCA continued to have a leadership role on various strategic inter-agency forums that focus on long

term reliability of Sydney's water supply and environmental planning.

- Formal partnerships, established last year with Catchment Management Authorities, facilitated the delivery of catchment management outcomes through aligned and integrated programs. Outcomes were enhanced through the sharing of information and expertise at both executive and operational levels.

Dynamic supportive workplace

Achievements for the SCA Division in providing personnel services to the SCA in 2005-06 included:

- the continued development and review of the SCA Division's policies guidelines and procedures that relate to the welfare of our staff
- a revised code of conduct to be followed by all Division personnel while at work
- revised job evaluation method, which strongly supports the Division's commitment to equity
- new and continued learning and professional development opportunities for staff through a variety of processes
- consultation with staff via an organisation-wide survey to identify and address areas of concern to staff
- successful negotiations with our unions, resulting in the implementation of a new three-year award
- recognition of staff achievement through linking performance to pay, and recognition of staff service through the 2005 long service awards
- highest priority on keeping our staff, contractors and visitors safe through training in OH&S matters and programs to improve safety and staff well being.

Quality systems and processes

- Following a comprehensive end-of-term review of our operating licence, IPART renewed the licence for a further five-year term, effective until June 2010.
- In September 2005 the SCA's Dam Safety Division achieved certification ISO14001 (Environmental Management Systems) and ISO 9001 (Quality Management Systems). The achievements provided an additional framework for meeting the SCA's environmental challenges.

- The draft Environment Plan 2006-10 was prepared and placed on public exhibition in June 2006. The plan will be finalised by 1 September 2006.
- The SCA was awarded a 'five-star' rating for its management of energy, based on Energetics' Rating scheme. This was the highest rating achieved by any organisation in Australia and equivalent to international best practice.
- The upgrade of the SCA's records management system commenced. The improved system integrates the management of electronic information, records and documents in compliance with the *State Records Act 1998*.

THE YEAR AHEAD

In the coming year, the SCA will continue to work with other agencies to achieve the Government's program for Sydney's water supply network. Groundwater investigations will continue and options assessed for operational improvements to the Shoalhaven water transfer scheme. The extent of construction works necessary to support new environmental flow regimes at Upper Nepean dams will be determined. A key part of next year's activities will be the implementation of the Regional Environmental Plan, which replaces SEPP 58. The new planning instrument better equips us to more effectively manage and protect water quality and catchment health according to our regulatory obligations, our operating licence and our business plan.

The SCA has continued to achieve the goals of the current business plan. As the plan enters its final year, the focus will be on achieving the plan's remaining goals. Under the guidance of the Board and the Business Plan Working Group, a new business plan will be developed for the period 2007-12.

It has been a big year. I would like to acknowledge the support of the Board and the Minister. I would also like to thank our very capable staff for their continuing commitment to the SCA's values and goals. The SCA is well placed to build on its achievements and meet the challenges of the year ahead.



GRAEME HEAD
Chief Executive

OUR OPERATING ENVIRONMENT



PRINCIPAL LEGISLATION

The Sydney Catchment Authority is constituted under the *Sydney Water Catchment Management Act 1998* (SWCM Act). The Act sets out the SCA's functions and the role of the SCA Board. The Act provides for financial accountability by the SCA Board to the Minister and the Treasurer through the Statement of Financial Framework. The statement includes the SCA's financial purposes, payment of dividends, tax-equivalents and guarantee fees.

The SCA's operating licence, granted by the Governor under the Act, details the terms and conditions under which we provide, construct, operate, manage and maintain our water supply systems and services. Compliance under the terms and

conditions of the licence are regulated by the Independent Pricing and Regulatory Tribunal (IPART).

We are also subject to a water management licence regulated by the Department of Natural Resources. The licence places conditions on the SCA's management of water, including access to water resources within our area of operations, extraction, and the release of water to rivers.

The SCA is required to enter into arrangements with Sydney Water regarding our supply of water to Sydney Water, and to enter into memoranda of understanding with certain regulatory agencies. The lands adjacent to Sydney's water storages are defined as 'Special Areas'. The Act provides for the SCA's joint management of the Special Area lands with the Department of Environment and Conservation (DEC). This involves preparing plans of management for all Special Areas to maintain ecological integrity and protect water quality. The plans guide the SCA's programs of works in the Special Areas.

PRINCIPAL REGULATIONS

The SCA regulates activities that impact on catchment lands and water quality. It uses regulations made under the SWCM Act and planning instruments made under the *Environmental Planning and Assessment Act 1979*.

The Sydney Water Catchment Management (General) Regulation 2000 allows the SCA to regulate access and activities in its controlled and Special Areas. The Sydney Water Catchment Management (Environment Protection) Regulation 2001 allows us to protect water quality and manage the catchments by exercising certain regulatory functions under the *Protection of the Environment Operations Act 1997* with regard to non-scheduled premises and activities.

Under section 117 of the *Environmental Planning and Assessment Act 1979* the SCA

is able to influence development in the catchments and council amendments to local environmental plans. The purpose is to ensure that the plans contain adequate measures to protect the catchments and water quality.

State Environmental Planning Policy 58 (SEPP 58) – Protecting Sydney's Water Supply – requires new developments within the catchments to be assessed for potential impacts on water quality. SEPP 58 requires councils and other consent authorities to notify the SCA or seek the SCA's concurrence (or both) in relation to certain developments.

The SCA is managed by the Chief Executive, who reports to the Minister for the Environment.

SCA BOARD

The SCA's Board has the functions of:

- determining the policies and long-term strategic plans of the SCA
- endeavouring to ensure the SCA meets all public health and environmental requirements set out in the operating licence and any relevant instrument
- overseeing the effective, efficient and economical management of the SCA.

The Minister appointed the Board according to section 7 of the SWCM Act. The appointment was made after nominations for membership of the Board were sought from qualified people through advertising in the regional, metropolitan and national press.

The Board currently consists of eight members, including the Chairman, who is also appointed by the Minister. Collectively, members have expertise in the areas of environmental protection, public health, and other areas the Minister considers necessary to enable the SCA to realise its objectives. The Board includes the Chief Executive, an elected councillor from a local government area within the catchments, a nominee from the Nature Conservation Council of NSW, and a nominee from the NSW Farmers Association.

OUR CORPORATE GOVERNANCE



Above: The SCA Board: (left to right) Maggie Deahm, Graeme Head, John Whitehouse, John Asquith, Sara Murray, Andrew Fletcher and Kenneth Wheelwright.

Right: SCA Board member Kerry Chant (absent from group photo)



As at 30 June 2006, the Board comprised the following members:

- John Whitehouse (Chairman)
- John Asquith
- Kerry Chant
- Maggie Deahm
- Andrew Fletcher
- Graeme Head (Deputy Chairman and Chief Executive – Ex Officio)
- Sara Murray
- Kenneth Wheelwright.

Biographies outlining the qualifications and experience of board members are located in Appendix 3, page 143.

ATTENDANCES AT BOARD MEETINGS

The Board usually meets 11 times a year – from February to December. When necessary, the Board also considers matters out of session. In 2005-06, the Board met 12 times.

Details of attendances at Board meetings are found in Appendix 4, Table 14.

Major achievements for the Board, in 2005-06, included the rapid progress of major projects under the Government's Metropolitan Water Plan.

STANDING COMMITTEES

In part, the Board operated through two standing committees in 2005-06: the Audit Committee, and the Business Plan Working Group.

Audit Committee

The Audit Committee consists of four board members and is supported by SCA representatives who have a range of business skills. The committee's main responsibilities are to ensure the SCA's external and internal audit processes are effective, external reporting and corporate governance responsibilities are addressed, and internal control and risk management structures are appropriate. The committee plays a major role in ensuring the SCA's accounting policies and principles are in accordance with the stated financial reporting framework and that the Board is informed of any significant issues raised by the auditors, management, or the Audit Committee members.

Major achievements for the Audit Committee in 2005-06 were overseeing a large internal audit program, and submitting the 2004-05 financial statements. Another key achievement was completing major actions under the Asset Improvement Reliability Program and the Failure Modes, Effects and Criticality Assessment of all water assets.

Business Plan Working Group

The Business Plan Working Group was established in April 2005 to develop the SCA's business plan for 2007-12. The group met in July 2005 for preliminary discussions about the development of the new business plan.

In 2006-07, the working group will control the development of the business plan to ensure that it attunes to the SCA's role, vision and values.

Attendances by board members at board meetings and standing committee meetings are contained in Appendix 4.

ORGANISATION STRUCTURE AND OVERVIEW



Lake Burragorang is the body of water formed by Warragamba Dam

ORGANISATION RESTRUCTURE

On 22 February 2006, the Minister re-appointed Graeme Head as Chief Executive and Deputy Chair of the Board. Lisa Corbyn, Director General, Department of Environment and Conservation (DEC), had been Chief Executive since September 2003.

The dual appointments for Ms Corbyn allowed important linkages to be drawn between the two organisations, particularly in strategic water policy and Special Areas land management. The linkages between the SCA and DEC are expected to continue to the benefit of both agencies.

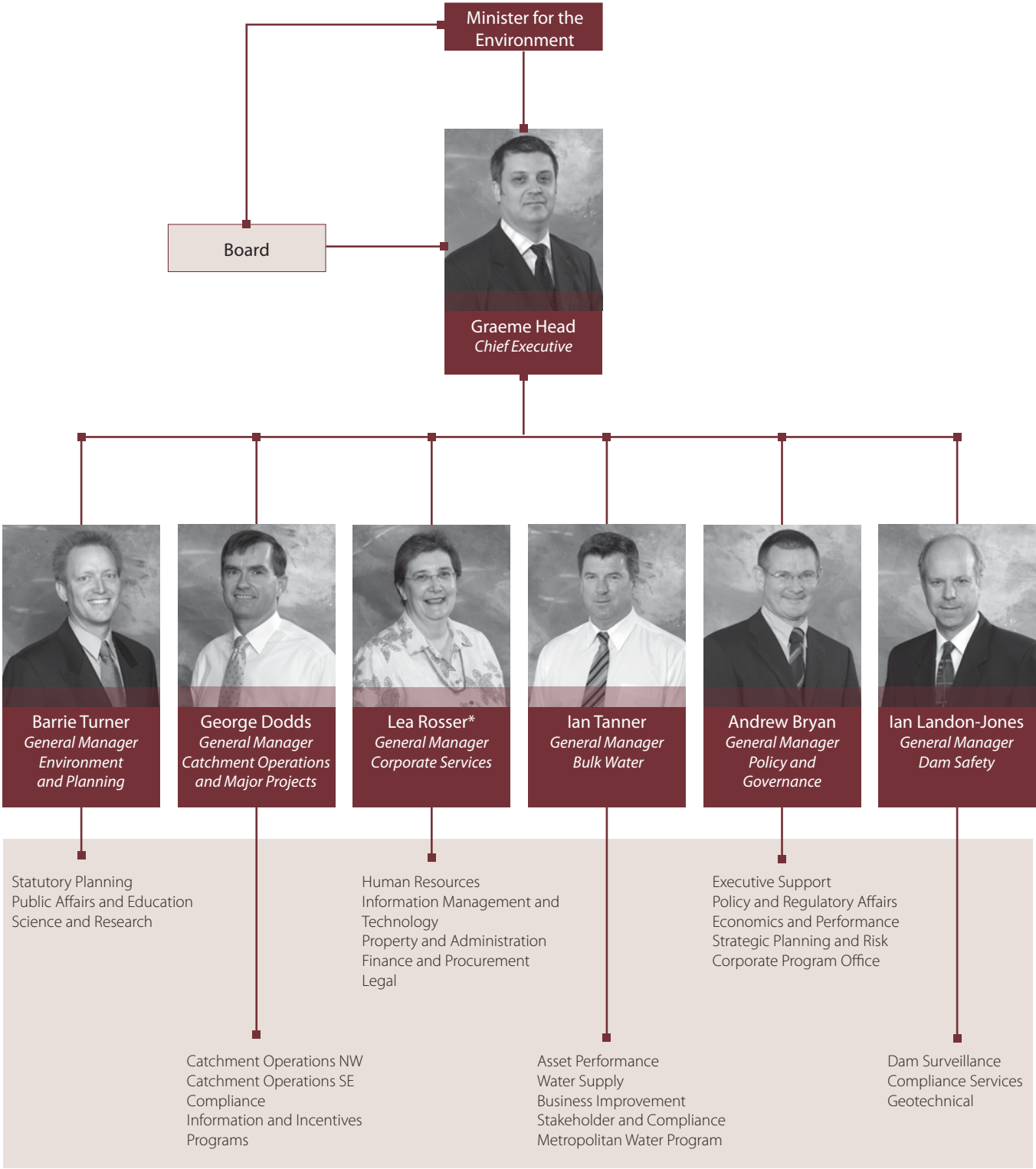
OTHER ORGANISATION CHANGE

On 1 June 2006, the Chief Executive established the SCA's Corporate Services Division, which brings together under a single general manager: legal services, finance and procurement, information management and technology, human resources, and property and administration management. The realignment towards more usual organisational arrangement reflects the maturing of the SCA in delivering these core services.

SCA EXECUTIVE

The qualifications and experience of the Board and Executive combine to provide the SCA with sound governance and management. This enables us to fulfil our responsibilities under the relevant Acts and regulations and deliver the projects required to meet the Government's priority of a sustainable water supply for Sydney and surrounding areas for the longer-term. Details of the Executive members' qualifications are located in Appendix 6.

ORGANISATION STRUCTURE



*The position of General Manager Corporate Services was vacant at 30 June 2006. Lea Rosser took up the role on 11 September 2006.

CODE OF CONDUCT

All SCA staff are obliged to follow the SCA's code of conduct in relation to ethical behaviour at work. The code of conduct is modelled on that of the Premier's Department (2005) and contains the following principles:

- responsibility to the Government of the day and to the Sydney Catchment Authority
- respect for people
- integrity, professionalism and the public interest
- responsive service
- economy and efficiency
- care for the environment.

The SCA Board Protocols set out the framework of responsibilities under which the Board operates. Board members are obliged to adhere to these protocols.

The SCA's code of conduct is available on our intranet.

CORPORATE RISK MANAGEMENT

The main areas of risk the SCA must manage are risk to water quality, risk to infrastructure and water supply, and risk to SCA business. The Australian Standard AS/NZS 4360:2004 is recognized as best-practice risk management. The SCA adheres to this standard's techniques and strategies in managing risk. Other risk management standards such as ANCOLD Guidelines on Risk Assessment (1994), and the NSW Treasury's Best Practice Guidelines for Risk Management and Internal Control are also adhered to where appropriate.

We continued to employ a range of risk management techniques across all our major activities during 2005-06. They included reviewing our corporate risk management framework to ensure it remains current and consistent with the Australian/New Zealand Standard 4360:2004 Risk Management. Management techniques also involved monitoring corporate risks and comprehensively reviewing the corporate risk register. During the year, we began assessing risk interdependencies with other agencies through the NSW Energy and Utilities Critical Infrastructure Protection Working Group. The outcomes are helping us to

better understand the external risks the SCA faces and risks to others that may be influenced by the SCA.

SCA SECURITY MANAGEMENT

The SCA faces security threats to its assets, staff and information. We continue to improve our capability to deter, detect and respond to security issues.

The SCA's security management framework is regularly reviewed. The framework consolidates security arrangements into one comprehensive security program, with a range of dedicated security plans, procedures and guidelines.

The SCA engages with others responsible for protecting critical infrastructure. The SCA is a member of the Commonwealth Trusted Information Sharing Network for Critical Infrastructure Protection, and has two representatives on the Water Sector Infrastructure Assurance Advisory Group. The SCA is also a member of the NSW Energy and Utilities Sector Critical Infrastructure Protection Working Group. We are working towards obtaining certification under the International Standard 27001 for Information Security Management.

INCIDENT MANAGEMENT

The SCA responded to a variety of operational, environmental, safety and security-related incidents during 2005-06. All incidents were managed according to established corporate incident management processes. Exercises were held to test and improve incident management arrangements. They included a successful inter-agency exercise relating to a simulated chemical spill within the catchments. The exercise tested the SCA's operational protocols within the Statement of Joint Intent with the NSW Fire Brigades.

During the reporting year, we completed a review of the SCA's Corporate Incident Management Framework and commenced a review of its associated procedures.

Dam safety emergency plans were updated for all SCA water storages during 2005-06 and staff made familiar with the plans, as relevant.

The SCA has recruited a security, risk and incident coordinator to provide additional specialist skills to manage the SCA's corporate risk.



Warragamba Dam

Threats to water quality minimised

minimised



KEY RESULT AREA **01**

- | | |
|---|----|
| ■ Assessing the impacts of development on water quality | 18 |
| ■ Sustaining catchment health | 19 |
| ■ Relationships with catchment management authorities | 23 |
| ■ Catchment audit 2005 | 23 |

So that we continue to meet agreed water quality criteria in the short and long terms, we will achieve the following outcomes over the period 2002-2007

- threats to water quality will be identified and mitigated according to risk
- sewage discharges to catchment waters will be reduced
- the quality of stormwater and other urban run-off will be improved
- the sediment load on catchment waters will be reduced
- the risk of adverse impact of fires on water quality will be reduced
- new development will have a neutral or beneficial impact on water quality
- storages and infrastructure will be operated to deliver water to agreed quality criteria
- catchment health will be improved through sustainable land use and vegetation management.

Healthy catchments are essential to sustainable, superior quality water supplies. We protect and promote catchment health and minimise threats to water supplies through productive partnerships with landowners, responsible land use, and sound catchment management.

Land within Sydney's drinking water catchments has a diversity of uses, including farming, industry, business, recreation and housing. The catchments also provide significant transport corridors. The SCA's Healthy Catchments Program

and the State Environment Planning Policy (SEPP 58) are the SCA's main vehicles for protecting catchment health and water quality.

The lands immediately surrounding our drinking water sources are Special Areas - the most actively protected lands in the catchments. These lands are managed, in conjunction with the Department of Environment and Conservation (DEC), through special plans of management to protect quality water and ecological values.

In 2005-06 we continued to upgrade and develop operational programs and remote sensing data gathering to enhance catchment health and meet the requirements of our business plan, and the Government's priorities for Sydney's water supplies longer term.

Figure 1 shows the SCA's management arrangements in protecting water quality. It illustrates the links between the various sources of risk to water quality and the SCA's initiatives for managing the risks.

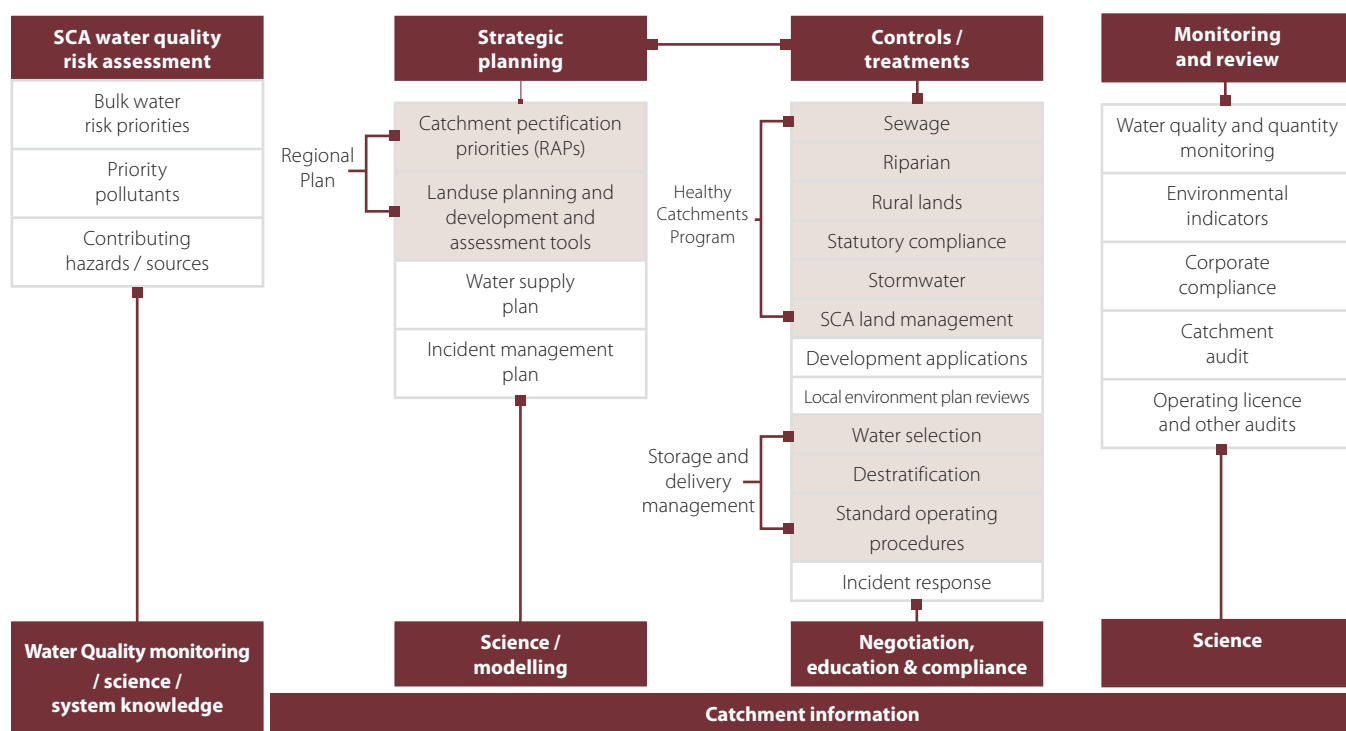


Figure 1: Draft water quality management arrangements

ASSESSING THE IMPACTS OF DEVELOPMENT ON WATER QUALITY

The SCA influences development in the catchments by assessing the impact of proposed development on water quality according to provisions in State Environmental Planning Policy 58 (SEPP 58). In 2005-06, we assessed more than 700 development proposals, 73.6 percent of which were assessed within the statutory timeframes. The outcomes of all completed assessments supported councils giving consent for the developments. Where the SCA recommended a proposal be amended, our concern often related to on-site sewage issues or stormwater management systems.

Development applications are managed with the aid of the SCA's computer-based Development Application Register (DAR), which links the applications to the relevant information within the SCA's Catchment Support System. By 30 June 2006, the DAR had been expanded to improve our management of the full range of planning matters referred to us.

We expect to begin providing councils in the catchments with access to the DAR in 2006-07 to promote a consistent approach to considering development applications and help councils implement the Regional Environment Plan.



Land within the drinking water catchments has a diversity of uses including farming

Guiding development - the Regional Plan

Throughout 2005-06, the SCA continued to lead the inter-agency Regional Plan for the drinking water catchments of Sydney and adjacent regional centres. The main activities centred around refining the revised draft Regional Plan, based on feedback we received during its exhibition in 2004.

The Regional Environment Plan

The Drinking Water Catchments Regional Environmental Plan No.1 (the REP) is a component of the Regional Plan. On 1 January 2007 it will replace SEPP 58 to become the legal instrument controlling activities in the catchments.

The REP has the following key elements:

- setting water quality objectives in line with the Government's priorities for water supplies
- requiring new developments to have a neutral or beneficial effect on water quality
- introducing strategic land and water capability assessments
- developing rectification action plans.

The REP sets water quality objectives for the catchments based on the recommendations of the Healthy Rivers Commission inquiries and national water quality guidelines. The objectives relate

to environmental values for aquatic ecosystems, recreational water, drinking water, and primary industry. They apply to both surface water and groundwater within the catchments.

Requirements for a neutral or beneficial effect on water quality

We continued to develop guidelines and supporting tools for assessing whether developments would have a neutral or beneficial effect on water quality. Guidelines include the use of current recommended practices. Supporting tools include a computer-based stormwater modelling program and further development of the DAR.

In late 2006, the SCA will provide targeted training to local councils and the development industry on assessing development proposals to achieve a neutral or beneficial effect on water quality.

Strategic land and water capability assessments

The SCA is developing strategic land and water capability assessments (SLWCAs) to help councils ensure that future land use in the catchments is consistent with the REP and SCA's water quality objectives.

In 2005-06 we reviewed the methodologies and outcomes of a pilot SLWCA in the Wingecarribee and Nattai sub-catchments. Based on the pilot SLWCA results, at 30 June 2006, the SCA was developing measures for capability assessments. These will be peer reviewed and tested by December 2007, then finalised and rolled out across the catchments. The SLWCA will be used for reviewing council local environment plans.

Rectification action plans

Rectification action planning guides and influences the SCA's Healthy Catchments Program priorities. The priorities reflect the relative significance of pollution sources, the cost effectiveness of actions required to address them, and the recent focus of the Healthy Catchments Program and associated catchment programs.

By June 2006, a decision support system was well progressed. The system maps and ranks the sources of four priority pollutants (suspended solids, total nitrogen, total phosphorus and pathogens). The system

incorporates 12 modules, each dealing with a different type of land use activity or pollution source, including roads, sewage treatment plants and sewers, on-site effluent systems, urban stormwater, industry, mines, landfill sites, horticulture, pasture, intensive animals, forest, gully and stream bank erosion.

Each module assesses the potential for pollution based on the extent and nature of the land use activity and relevant landscape characteristics. Once the community's comments have been obtained on the design of each module, the modules will be fine-tuned and a preliminary set of maps prepared for external review. The maps will inform the preparation of rectification action plans and the Healthy Catchments Program priorities.

SUSTAINING CATCHMENT HEALTH

All major catchment works are rolled out as part of the SCA's Healthy Catchments Program, grouped under water quality issues identified across the catchments.

Water Quality Risk Management Framework

The Water Quality Risk Management Framework identifies pollution sources and assesses their risk to water quality. The framework brings together the strategies and tools to manage risks to our catchments, water storages and water supply delivery networks. The Minister for the Environment adopted the document in October 2005.

In preparing the Water Quality Risk Management Framework, the SCA identified and assessed more than 1,000 sources of pollution relating to a range of industries and sites.

Healthy Catchments Program

Our strategies to address the risks to water quality from pollution relate to the following seven areas of management:

- sewage
- riparian areas
- rural lands
- SCA lands
- stormwater
- compliance (regulation)
- catchment information.

The strategies are delivered by way of incentives, information sharing, education and collaborative programs with key stakeholders. Major stakeholders are catchment management authorities (CMAs), other agencies including local councils, community groups and industry groups. (See KRA 04)

Catchment Protection Scheme

The Catchment Protection Scheme helps landholders address erosion to reduce nutrients and other pollutants entering the water supply. The long-running initiative is in partnership with CMAs and landholders. Hawkesbury Nepean and Southern Rivers CMAs manage the scheme. In 2005-06, \$2.065 million was spent on catchment works under the scheme, with the SCA contributing \$860,000.

Managing sewage

By managing reticulated and on-site sewage within the catchments, we reduce the risk of polluting water supplies. Two SCA initiatives helped councils manage sewage in 2005-06. One enabled them to fast-track new or upgraded municipal sewage treatment plants, and the other helped reduce overflows from reticulated sewage.

Managing reticulated sewage

The Accelerated Sewage Scheme operates in conjunction with the Government's Country Towns Water Supply and Sewerage Scheme. Several catchment communities benefited from the initiative in 2005-06, with the following milestones reached.

- Wingecarribee Shire Council's upgraded plant at Bowral became fully operational and was the first project to be completed under the scheme. Improved effluent quality from the plant is resulting in greatly improved water quality for the Wingecarribee River.
- Council progressed both stages of the Lithgow plant. The first stage of the project to contain sewer outflows was completed and stage 2 to generally improve water quality was well advanced.
- The design for the upgrade of the Wallerawang plant by Lithgow City Council was well advanced.
- Wingecarribee Shire Council had progressed the environmental impact statement for the upgrade of the Bundanoon plant.

- Lachlan Shire Council was assessing the development application for the proposed Taralga scheme.
- Wingecarribee Shire Council had purchased the site for the proposed plant at Robertson and was preparing the environmental impact statement for the plant's development.
- Shoalhaven City Council was assessing options for the proposed plant at Kangaroo Valley.
- Goulburn City Council was reviewing tenders for interim works at the Goulburn plant.

Improving sewage reticulation

We continued our work with local councils to reduce overflows from reticulated sewage schemes and thereby reduce the risk of pollution to our drinking water. The performances of Bowral and Mittagong reticulation systems were evaluated and options for remedial work to improve performance were being developed. Refurbishment of the sewerage scheme for Goulburn's central business district continued.

Managing on-site sewage

There are an estimated 18,000 on-site sewage disposal systems in the catchments. The SCA works with local councils to ensure that systems are effectively managed for catchment health and to minimise risks to water quality. Pilot projects helping the councils assess levels to which on-site sewage systems comply with relevant legislation, guidelines and standards in the Blue Mountains and Wollondilly catchments were completed by December 2005. The projects are enabling councils to take remedial action, where necessary.

In November 2005, the SCA launched its grants program supporting the inspection of on-site sewage systems in the catchments. Grants were offered to councils with more than 100 on-site systems in their area to conduct one full round of inspections. Wingecarribee, Wollondilly, Palerang and Shoalhaven councils received grants. Councils are asked to continue the program on a self-sustained basis once it is established. A special grant of \$20,000 was awarded to City of Lithgow Council to help the council prepare for its on-site sewage inspection program.

Riparian Management Assistance Program

The Riparian Management Assistance Program (RMAP) was introduced into the Riparian Strategy in 2005-06. Previous planning, mapping and setting of priorities created a framework for the program, to be used for the next two to three years. The program is for the management of whole stream lengths in several catchments.

The RMAP program provides financial assistance to property owners in priority stream catchments of Brogers and Barrengarry Creek (Kangaroo Valley), Cullenbenbong and Ganbenang Creeks (Coxs Catchment), Uringalla, Paddys River and Long Swamp (Wollondilly Catchment) and Upper Werriberri Creek to maintain and improve the management of riparian zones for water quality. The program provides funding for:

- fencing
- off stream water supplies and stock shelter
- woody weed control
- minor erosion, and
- revegetation.

This round of the RMAP was introduced into these areas in September 2005. This has been 1st year of program and is still building momentum. Many projects could not be approved until early 2006. As a result, out of \$909,156 committed in the first round in 2005/6, \$500,526 was expensed.

The riparian assistance initiative supports improvements to stream and gully management for water quality. It does so by helping to fund riparian fencing, stock shelters and water supplies, revegetation, weed control and minor erosion control. For major erosion issues, landowners are directed to the Catchment Protection Scheme.

All landowners in the relevant stream catchments were invited via direct mail and local media to apply for SCA funding and the program guidelines. Twenty-seven applications with a total value of more than \$900,000 were approved between October 2005 and June 2006.

Works done so far will result in minimising stock access along 35 km of streams and gullies reducing faecal contamination, nutrient runoff, turbidity and sedimentation. Over 23,000 trees are being planted for improved vegetation cover and stream bank stability. Works will also result in the control of woody weeds such as privet, and minor erosion on five properties.

The program will gradually expand to include other stream lengths within the catchments. Riparian initiatives in other catchments included work in the Coxs River and Kangaroo River catchments.



Support for fencing of riparian zones helps landholders protect and conserve rivers and streams of high importance to water quality



Riparian management has both environmental and water quality benefits

CASE STUDY

Managing riparian lands

Riparian Management Assistance Program

The management assistance initiative began in 2005-06 to help landholders protect and conserve streams that are of high importance for water quality. The initial focus has been on:

- Upper Werriberri Creek in Warragamba Catchment
- Paddys River, Uringall Creek and Long Swamp Creek in Wollondilly Catchment
- Coxs River from Kanimbla to Blue Mountains National Park, Cullenbenbong Creek and Ganbenang Creek in Coxs River Catchment.

Twenty-seven applications, with a total value of more than \$900,000 were approved between October 2005 and June 2006 for riparian works on private property under the assistance program.

Landholders have undertaken to maintain the projects for five years, to ensure the rehabilitation works achieve full potential.

In collaboration with the Southern Rivers and Hawkesbury-Nepean CMAs, we have developed and tested a method of measuring risks to water quality before and after rehabilitation works. This method is helping to evaluate the SCA's riparian investment.

Other riparian initiatives

- Coxs River Catchment - riparian weed control program for Farmers Creek was completed and preparations to fence and replant the riparian area were under way.
- Kangaroo River Catchment – erosion in Brogers Creek was stabilised and the site fenced and replanted with native trees and grasses to improve water quality downstream. Work was in collaboration with Southern Rivers CMA and private landholders.

Special Areas

Special Areas surrounding our water storages filter the water that flows into them. Some Special Area lands have been protected for water supply purposes for more than 100 years and contain significant pristine native ecosystems.

At present 58 percent of the 3,700 square kilometres of Special Area lands have been gazetted under the *National Parks and Wildlife Act 1974*.

Programs within the Special Areas are delivered as part of the SCA Lands Strategy within the Healthy Catchments Program.

Managing Special Areas

The Special Areas Strategic Plan of Management (SASPoM) guides the management of Special Areas. The Wingecarribee Swamp and Special Area Plan of Management (WSSAPoM) is a more specific plan for managing that area. The plans predominantly guide the work of the SCA and DEC, as joint sponsors, to protect catchment health and water quality. The plans are implemented through the agencies' joint management agreement, which came into effect on 1 July 2005.

The SCA funds DEC's activities in Special Areas under our service contract for land management programs and seasonal fire fighting teams. The service contract is valued at more than \$3 million a year. It came into effect on 1 July 2005 and replaces the previous grant agreement. The SASPoM and WSSAPoM were reviewed during 2005-06 as required by our operating licence (see KRA 07). The review included comprehensive stakeholder consultation and peer review. At 30 June 2006, draft revised plans of management were in the final stage of preparation for public exhibition.

Fire management

Effective fire management is crucial to superior water quality and healthy ecosystems. The seasonal fire team for Special Areas, funded by the SCA to the sum of \$1 million per year, responds to outbreaks of wildfire.

By 30 June 2006, the SCA's policy on fire management for water quality and quantity had been drafted and was being peer reviewed. The draft policy is our first major effort at documenting the experience and expertise of our staff in managing fire in natural areas for water quality outcomes. We prepared the policy based on internal expertise and best practice. Results of the peer review are expected to be available by mid 2006-07.

Protecting the catchments through regulation and compliance

The SCA's regulatory role under the Sydney Water Catchment Management (General) Regulation is to protect Special Areas and other parts of the catchments from activities that have the potential to harm water quality.

In 2005-06 the SCA's enforcement programs and initiatives under the general regulation included vehicle, boat and aerial surveillance, and covert surveillance cameras. Joint operations with the NSW Police, NSW Fisheries and the DEC increased our enforcement capabilities. The SCA further increased the effectiveness of our enforcement measures through training we provided for 18 DEC officers on investigation and enforcement practices.

Protecting the Special Areas through compliance

An SCA grant of \$20,000 to NSW Police enabled that agency to purchase two new trail bikes in 2005-06. Their use improved the capacity of joint SCA and Police regulatory operations in Special Areas.

Incidents of trespassing and other illegal activity were detected and responded to through warnings, penalty infringement notices, or court action. The range of compliance strategies implemented over the year have resulted in a significant reduction in trespassing.

In addition to the enforcement program, our efforts were directed at maintaining or installing gates, barriers, and warning signs to prevent illegal access in the Special Areas. The ongoing progressive roll out of the SCA's signage program saw signs installed in the Metropolitan and Warragamba Special Areas advising people of their rights and responsibilities regarding these areas.

Our education material also informed the community about the restrictions placed on access and activities within Special Areas. The 'Access to Special Areas' procedure and application form can be found on our website www.sca.nsw.gov.au

Table 1: Compliance activity over four years

A. Sydney Water Catchment Management (Environment Protection) Regulation 2001*				
Type	2002-03	2003-04	2004-05	2005-06
Clean up notices	5	8	19	17
Notices (s192) requiring information / documents	2	4	2	1
Penalty infringement notices	10	7	7	8
Pollution prevention notices	1	-	-	-
Littering reports referred to DEC	28	190	154	45
B. Sydney Water Catchment Management (General) Regulation 2000 **				
Type	2002-03	2003-04	2004-05	2005-06
Penalty infringement notices	69	79	118	61
Warning letters	41	69	105	79
Prosecution	-	1	4	5

* Protection of the Environment Operations Act 1997

** Sydney Water Catchment Management Act 1998

Preventing water pollution through compliance

The SCA's regulatory role, under the Sydney Water Catchment Management (Environment Protection) Regulation 2001 is to protect the drinking water catchments from pollution through the use of powers under the *Protection of the Environment Operations Act 1998* (POEO Act). Compliance issues responded to in 2005-06 included the operation of unlicensed sewage treatment plants, illegal dumping of waste, and illegal land clearing. The SCA also undertook training for our staff, colleagues and partners on compliance matters.

Partnerships with other regulators, including DEC, Department of Natural Resources, and local councils were strengthened during the reporting period with the SCA guiding council staff in drafting and issuing clean up and prevention notices under the POEO Act.

The SCA has put substantial effort into raising the level of compliance awareness and pursuing compliance matters over the past few years. This has resulted in a decrease in the number of littering offences occurring and in the number of penalty infringement notices and warning letters issued as shown in table 1.

Rehabilitating derelict mine sites

The SCA works with other agencies to rehabilitate abandoned coal mining sites. The purpose is to stabilise and control sediment to minimise runoff from the sites, which could damage water quality.

Yerranderie

In 2005-06 soil and water management works were successfully completed at four former coal processing sites: Silver Peaks, Colon Peaks, West of Wollondilly, and Kerrys Shaft. Contaminated sediments and stormwater that had been affecting downstream areas are now captured. The SCA's contribution of \$170,000 to the rehabilitation works at the Silver Peaks and Colon Peaks sites enabled rapid completion of the works. Effective compromise between water quality protection and the preservation of heritage values of the processing sites has been achieved.

Water quality monitoring of Tonalli River, downstream of Silver Peaks, continued. Upgraded equipment is allowing wet-weather events to be monitored and sampled for water quality.

Oakdale

The SCA, in collaboration with the Department of Primary Industry (DPI) as the lead agency, continued with plans to rehabilitate the former Oakdale mining sites. In 2005-06, the SCA reviewed the DPI's rehabilitation plan for the Oakdale 2 site with work expected to begin in 2006-07.

Black Bobs Creek

By 30 June 2006, the rehabilitation plan for the derelict mine site at Black Bobs Creek had been finalised and the environmental assessment approved. Soil conservation works funded by the SCA are expected to take place in early 2006-07.

Managing SCA lands at Braidwood

The SCA owns 67 rural properties in the Braidwood area. Our land management activities help sustain the lands for water quality. In 2005-06, 60 metres of stream bank were rehabilitated in conjunction with Department of Lands. Initially a two-year project, the work was fast-tracked and completed within the reporting period. Hazard reduction burns and slashing along our property boundaries further reduced the risk of water quality being impacted by fire. Our weed and pest control programs targeted serrated tussock, blackberry weeds and feral pigs. Local contractors were employed to upgrade fencing and apply security locks to gates.

Chemical collections

The chemical collection program continued in 2005-06 in collaboration with DEC and five local councils. Householders in the catchments were encouraged to take their unwanted household chemicals to one of five collection points at Braidwood, Crookwell, Goulburn, Picton and Lithgow.

Increased promotion of the program led to increased amounts of chemicals being collected in 2005-06. Overall, 26,532 kilograms (26.5 tonnes) of chemicals were collected compared with 18,530 kilograms in the previous year. The chemicals were disposed of safely, thereby preventing them from seeping into waterways and damaging drinking water. The program is expected to continue in 2006-07.

An SCA grant of \$35,000 contributed to Greater Southern Regional Illegal Dumping Squad funds to enhance the level of the squad's operations.

RELATIONSHIPS WITH CATCHMENT MANAGEMENT AUTHORITIES

The SCA continued to work well with the CMAs during 2005-06 on programs to protect the catchments and enhance water quality. Examples of the collaborative work included:

- Catchment Protection Scheme with Hawkesbury Nepean and Southern Rivers CMAs
- erosion control at Brogers Creek with Southern Rivers CMA and landowners
- riparian works on Werriberri Creek with Hawkesbury Nepean CMA, Wollondilly Shire Council and Landcare
- willow removal in the Lithgow area with Hawkesbury Nepean CMA.

CATCHMENT AUDIT 2005

The SWCM Act requires independent audits of the state of the catchments to be conducted every two years. The fourth catchment audit was undertaken by DEC and its findings were released by the Minister on 21 December 2005.

The audit assessed the state of the 16,000 square kilometres of catchment under the SCA's management, including the Special Areas around storages and the

outer catchment areas. Sixteen indicators (the same as for the 2003 audit) were examined to provide a snapshot of the condition of the catchments for the period 1 July 2003 to 30 June 2005. Changes to catchment health since the previous audit were identified. The report acknowledged that the prolonged drought may have impacted on some of the indicators.

The audit made 25 recommendations in relation to the state of the catchments.

Key findings included:

- parts of the catchments are in good condition particularly around the Special Areas
- Wingecarribee, Kangaroo and Wollondilly river sub-catchments are subject to the most pressure with poor conditions for some indicators
- the presence of pathogens and incidence of algal blooms are of concern at some locations
- better data is needed to determine the catchment condition for surface and groundwater extraction, soil erosion, dry-land salinity, fish communities, and condition of riparian and native vegetation

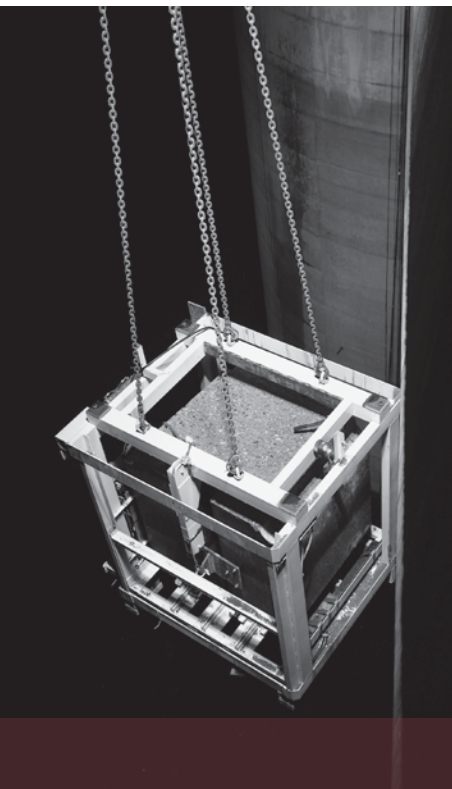
- integration of catchment monitoring programs may improve the potential to establish links between cause and catchment condition.

The SCA is coordinating a whole-of-government response to the findings of the catchment audit.



Vehicle, boat and aerial surveillance, and covert surveillance cameras, are key to the SCA's compliance program

Sustainable and reliable water supply



KEY RESULT AREA 02

■ Supply of quality bulk water to customers	25
■ Changing dam levels	26
■ Releasing water to the environment	26
■ Rainfall	26
■ Water quality monitoring program	27
■ Helping other water supply agencies secure supply	27
■ Dam safety	28
■ Securing Sydney's water supply	28
■ Managing water supply assets	30
■ Mining beneath SCA infrastructure	33

So that the security of supply is assured now and in the long term, we will achieve the following outcomes over the period 2002-2007

- catchment strategies will be informed by an understanding of the relationship between catchment activities and yield
- environmental flows specified in the SCA water management licence will be achieved
- agreed water deliveries will be met
- an agreed long-term demand management strategy will be in place
- our dams and delivery systems will be efficient, safe and well maintained.

Throughout 2005-06, we continued to manage and upgrade our water supply network to meet our water supply obligations to our customers and protect river health. We worked extensively on water reform projects under the Government's Metropolitan Water Plan. Rapid development of these water reform measures was highlighted through our strengthening partnerships with other government agencies and the private sector. Progress included increases in the amount of water available from our water storages, work to transfer stored water, investigations into the potential for alternative water supplies, and work to sustain river health through enhanced environmental flows.

During 2005-06 we have continued to work with other agencies to address the challenges posed by the drought.

The Drought Executive Committee has met regularly during the drought to oversee appropriate operational responses of agencies responsible for urban water management. The Committee is chaired by

Sydney Water and has representatives from the SCA, the Cabinet Office, NSW Health and the Department of Natural Resources. The committee met on 11 occasions during 2005-06. The committee coordinated its activities with the Metropolitan Water Chief Executive Officers Committee to ensure smooth coordination with wider urban water management, driven by the Metropolitan Water Plan.

SUPPLY OF QUALITY BULK WATER TO CUSTOMERS

The SCA supplied 526,414 million litres of raw water to its customers during 2005-06. Mandatory water restrictions continued throughout the reporting period and Sydney Water's total consumption was 522,464 million litres.

Of the water supplied by the SCA, 99.2 percent went to Sydney Water, 0.7 percent went to Shoalhaven City and Wingecarribee Shire councils, and the rest went to the SCA's retail customers as shown in table 2.

Table 2: Bulk raw water supplied to SCA customers over five years

	2001-02	2002-03	2003-04	2004-05	2005-06
Customers	Millions of litres of water supplied				
Sydney Water	625,378	631,395	555,649	518,771	522,464
Wingecarribee Shire Council	3,406	4,186	3,442	3,337	3,594
Shoalhaven City Council [#]	82	91	85	74	78
Direct users - Upper Canal	221	218	209	179	174
Direct users - Warragamba Pipeline	67	74	78	70	74.5
Others	55	50	106	42	29.5
Total	629,209	636,014	559,569	522,473	526,414

[#]Includes water supplied to Kangaroo Valley Only. Water released from Tallowa Dam for use by Shoalhaven City Council is not charged for and not included in these figures.



Above and opposite: A two metre square concrete block was removed from Warragamba Dam wall during the deep water storage access project

CHANGING DAM LEVELS

As Figure 2 shows, available storage, in SCA dams, on 30 June 2006 was 41.7 percent. This was a net increase of 3.4 percent over the reporting period. On 15 April 2006, a new water supply access point was created at the base of Warragamba Dam. As a result, both operating and available storage were increased. Figure 2 shows the increase in operating storage and corresponding increase in available storage.

RELEASING WATER TO THE ENVIRONMENT

Our water management licence sets out the minimum environmental and riparian flows we are required to release from our water storages. Throughout 2005-06, we met our environmental release requirements 100 percent of the time.

As a result of the worsening drought and water restrictions, we negotiated with the Department of Natural Resources (DNR) to suspend the licence condition requiring high flow contingency release (800 million litres per day for three days) from Woronora Dam. Also, environmental and riparian flow releases in the Hawkesbury-Nepean River were halved, effective from 1 June 2005, and reduced releases from the Upper Nepean dams and weirs and Wingecarribee Dam continued. Table 3 shows the water released from SCA water storages for all purposes during the year.

RAINFALL

Table 4 shows amounts of rainfall in the SCA catchments throughout 2005-06. Figure 3 compares actual rainfall against average and typical rainfall in the catchments over five years.

In 2005-06, the water supply catchments received 15 percent less rainfall than in 2004-05, and 30 percent less rainfall than for the long-term average. The lower than average rainfall was attributed to the El Niño phenomenon which dominated for most of the year.

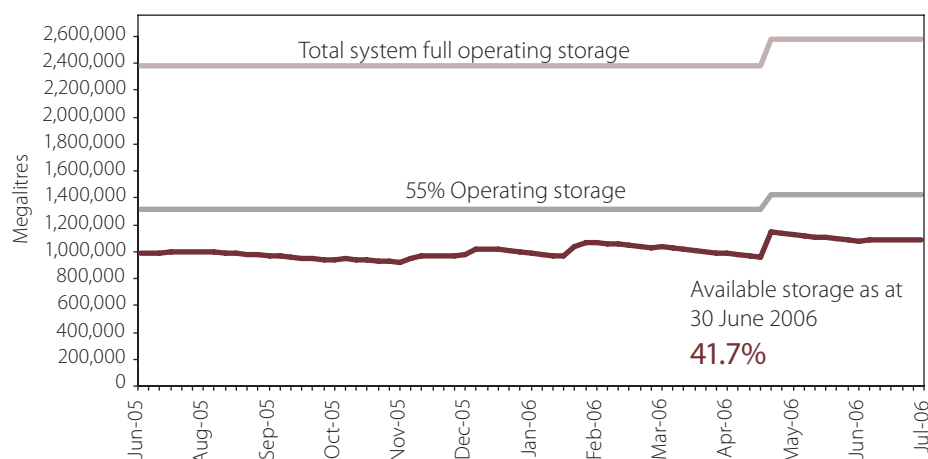


Figure 2: Available storage as at 30 June 2006

Table 3: Water released from SCA water storages for all purposes 2005-06 (ML)[#]

Source	Customer extractions and releases*	Environmental / Riparian	Other	Not controlled	Total
Cataract Dam	18,718	237	0	0	18,955
Cordeaux Dam	13,876	347	0	0	14,223
Avon Dam	40,437	0	0	0	40,437
Nepean Dam	104,409	803	0	0	105,212
Woronora Dam	14,382	2,145	0	0	16,527
Warragamba Dam	336,576	6,205	1,825	0	344,606
Prospect Reservoir	0	0	0	0	0
Wingecarribee Reservoir	141,529	548	183	0	142,260
Fitzroy Falls Reservoir	150,475	664	3,871	0	155,010
Tallowa Dam	145,322	30,611	14,741	149,170	339,844
Medlow Dam, Greaves Creek Dam, Cascades dams (spills excluded)	5,231	0	0	N/A	5,231
Pheasants Nest Weir (spills excluded)	0	2,005	0	N/A	2,005
Broughtons Pass Weir (spills excluded)	131,062	310	0	N/A	131,372

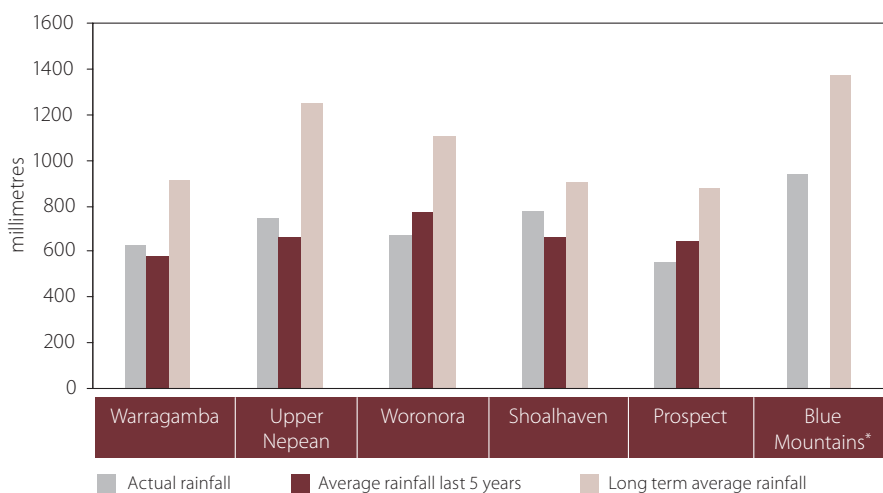
* Includes interbasin transfers

[#] All figures rounded to nearest megalitre

Table 4: Rainfall in the catchments in millimetres (mm) 2005-06*

	Warragamba	Upper Nepean	Woronora	Shoalhaven	Prospect	Blue Mountains
Jul 05	59	107	69	115	29	85
Aug 05	15	5	5	16	3	11
Sep 05	73	68	51	58	40	76
Oct 05	72	84	60	80	44	95
Nov 05	120	189	136	161	122	173
Dec 05	36	34	28	25	21	48
Jan 06	127	115	100	108	109	264
Feb 06	39	33	81	34	70	28
Mar 06	20	20	21	27	37	56
Apr 06	3	4	5	7	4	9
May 06	14	28	32	49	14	30
Jun 06	49	62	85	99	63	65
Total	625	748	672	780	554	941

*All figures rounded to the nearest millimetre



* Five year rainfall figures not available for Blue Mountains

Figure 3: Actual, average and typical (median) rainfall in Sydney's water supply catchments

WATER QUALITY MONITORING PROGRAM

Our water quality monitoring program focuses on catchment streams, storages and our water supply network. As required by the operating licence, we developed a new five-year water quality monitoring program in 2005-06. The program was endorsed by the Department of Environment and Conservation (DEC), NSW Health, and DNR. It commenced on 1 November 2005.

The new system of calculating the level to which we conform with our bulk water supply agreement with Sydney Water was introduced on 1 July 2005. The system weights the various considerations of the agreement, such as acidity (pH), hardness and alkalinity. This gives a far better indication of the SCA's performance against the agreement.

HELPING OTHER WATER SUPPLY AGENCIES SECURE SUPPLY

The SCA worked with the Department of Natural Resources to develop new conditions for our water management licence agreement with Shoalhaven City Council. The new licence conditions ensure that Tallowa Dam will continue to provide for the Shoalhaven community's water supply needs in the longer-term.

The SCA has an agreement with the Fish River Scheme that sees the SCA receive an allocation of 3,650 million litres of water each year (10 million litres a day) during normal supply situations. The agreement provides for the allocation to be reduced during drought conditions. In 2005-06, the SCA only took 82 percent of its quota under the Fish River agreement and was able to 'bank' the unused portion. By 30 June 2006, the SCA had 'banked' 770 million litres of water.

DAM SAFETY

The safety of SCA water storages is critical to the security of our water supply. The SCA manages 21 water storages that are prescribed by the NSW Dams Safety Committee under the *Dams Safety Act 1978*. Dam deformation surveys were completed in 2005-06 to ensure the water storages continue to perform as predicted. There were no major dam safety issues and the dams exhibited no unusual behaviour as they continued to perform satisfactorily throughout the year.

Progressive updating of the SCA's five-year Dam Safety Management Program ensured that our water storages continue to comply with the latest Australian National Committee on Large Dams guidelines and NSW Dams Safety Committee requirements.

The five-year surveillance report for Broughton Pass Weir was prepared, as required by the Dams Safety Committee. The committee reviewed the report and accepted it as meeting its requirements. Surveillance reports for Avon and Nepean dams were near complete by 30 June 2006. The required annual inspections were carried out for all SCA prescribed dams.

A review of the Spillway Gate Reliability Assessment was completed and an extensive investigation into peat management options progressed for the Wingecarribee Dam Safety Risk Assessment.

New technology for collecting data from dams was trialled at Warragamba Dam with positive results. The technology will be tested at Wingecarribee Dam and if successful, used at all our water storages. Dam safety emergency plans for all water storages were updated and will be tested as part of an emergency exercise in the later part of 2006.

In addition to our own dam safety program, we completed our annual program of surveillance work for Sydney Water's 18 prescribed water storages to provide a high level of dam safety for the delivery of water to the community.

The SCA continues to maintain a high standard of performance in dam safety. The Dam Safety Division is committed to the standards ISO9001 for Quality

Management and ISO14001 for Environmental Management, and interacts with similar organisations and technical committees both within Australia and internationally. The SCA, through the Australian National Committee on Large Dams, is represented on two international working groups that are preparing international guidelines on dam safety. As a result we are able to ensure the organisation's practices and procedures are benchmarked against, and in line with, world good practice.

SECURING SYDNEY'S WATER SUPPLY

Metropolitan Water Plan

The SCA continued to make considerable progress on its water supply projects under the Metropolitan Water Plan. Within its wider urban water management function, the plan provides for a whole-of-government response to the drought including actions by the SCA.

To boost Sydney's water supply in the current drought, the SCA continued with:

- deep storage access projects at Warragamba, Nepean and Avon dams
- groundwater investigations and preliminary borefield development activities at priority groundwater sites.

Deep storage projects

Projects to access water stored deep in SCA water storages are a priority in the Metropolitan Water Plan. Construction of the projects has been accelerated, with both projects on track for completion in 2006.

When the Government's Metropolitan Water Plan was first released in 2004, it was estimated that access to deep storage would increase the amount of water that could be supplied over the long term by around 30 billion litres a year. Improvements in the final design of the Warragamba project have now increased the estimated long-term supply capability to 40 billion litres a year. The total volume of additional water available during a severe drought is 199 billion litres, or around six months of additional water supply for use in the present drought.

Warragamba deep storage access

Warragamba Dam holds over 2,000 billion litres when full, but the bottom 170 billion litres could not be accessed as they were below the current gravity-fed outlets in the dam. The Warragamba Deep Storage Access Project consisted of cutting through a concrete wall deep in the dam to access a low level pipe. Redundant equipment has been removed from an existing but abandoned underground pumping station cavern that formed part of the original emergency scheme built



Building the deep water pumping station at Nepean Dam has helped secure water supplies for the Illawarra

during the 1930s and the cavern has been enlarged. New pumps, pipes and valves have been installed to deliver one billion litres of water a day to Prospect Reservoir.

The low level outlet in the dam wall was reinstated on Saturday 15 April 2006. The reinstated outlet represents the major engineering milestone in the deep storage projects. Since that date, storage volumes have been reported on the basis of the increased storage capacity.

At the end of June 2006, all pumps were installed, and pipe work was almost completed. Connection of electrical cabling from the pump station in the cavern to the control room on the surface was nearing completion. The date for practical completion of the pump station is scheduled for the end of September 2006, and the project is within the approved budget.

Nepean and Avon deep storage access

Under normal conditions, an outlet and pumping station on the upper reaches of Avon Dam is the sole source of supply to the Illawarra region. Avon Dam is linked to Nepean Dam by a tunnel, so Nepean Dam is kept close to full whenever possible to allow water to be transferred to Avon Dam to supply the Illawarra.

Building a deep water pumping station at Nepean Dam allows water to be transferred to Avon Dam even when the level of in Nepean Dam is lower than in Avon Dam. The objective is to maintain water levels in Avon Dam above the operating level of its gravity-fed outlet.

At 30 June 2006, the Nepean project was on track for practical completion in August 2006, with Avon works expected to be complete by September 2006. The forecast cost remained within budget.

Investigating groundwater

The SCA is leading a government investigation into groundwater that may be used to supplement water supply during severe drought. Seven priority sites are being investigated, as is the possibility of drawing water from underground mines. Most of the initial investigations were completed in 2005-06. Table 5 identifies the status of groundwater investigations at each of the SCA's priority sites as at 30 June 2006.

Table 5: Status of groundwater investigations at priority sites at 30 June 2006

Drilling site	Status	Further investigations	Borefield prospects for drought contingency supplies
Area 1 - Avon and Nepean Dam	Drilling and testing complete	No	Avon Dam area is not prospective. Nepean Dam area is marginal. Development not warranted at this time
Area 2 - Upper Canal (Appin)	Drilling and testing complete	No	Local area is not prospective
Area 3 - Upper Nepean Catchment, near Kangaloon	Drilling and testing complete; Pilot testing complete	Yes	Local and regional area is prospective for large borefield. More environmental assessments being undertaken
Area 4 - Megalong Valley	Drilling and testing complete	No	Local area is not prospective
Area 5 - Western Sydney (Leonay)	Drilling and testing complete; Pilot testing just commenced	Yes	Local and regional area is prospective for moderate-large borefield. More assessments being undertaken
Area 6 - Illawarra (Kembla Grange)	Drilling and testing complete	No	Local area is not prospective
Area 7 - Warragamba and Wallacia	Drilling and testing under way	Yes	Encouraging results at the Wallacia site. Local and regional area prospective

Upper Nepean Catchment

An area near Kangaloon was the first potential water resource identified in the initial drilling program.

Investigations in the Upper Nepean Catchment involved drilling 28 bores and monitoring the volume and quality of water that would be available on a sustainable basis for drought relief.

The studies found the volume of underground water in the area was large (in the order of hundreds of billions of litres) and the water was of good quality, being low in salinity and metals. The target groundwater is not connected to other shallow water tables in the area, so pumping would not affect shallow farm bores in the area. The report also found that high rainfall in the area would allow the groundwater to be recharged after a drought, and that borefields for the resource could be developed quickly.

More environmental assessments are under way.

Western Sydney

Initial drilling and testing at Leonay in Western Sydney had been completed with investigations finding that large volumes of groundwater exist in the area and the water is suitable as a raw water supply source. Water quality is good although iron concentrations are higher than in the Upper Nepean area.

The SCA will continue its groundwater investigations and environmental assessments in 2006-07.

Consultation on groundwater investigations

Community consultations

The SCA released two reports in June 2006 informing the community about the progress of groundwater investigations, and seeking comment on the borefield



Under the Metropolitan Water Plan the SCA is leading investigations into groundwater as a potential water supply during severe drought

development proposals for water supply during severe drought. One report summarises the investigations and the proposals for borefield development. The other is a technical overview, which summarises the main technical and environmental studies that have been completed for the Upper Nepean Catchment.

During the year, the SCA distributed general information about groundwater and potential borefield development, including fact sheets, questions and answers fact sheets, newsletters, advertisements, media releases, and website material.

Upper Nepean Groundwater Community Reference Group

The reference group comprises 11 members, representing various groups with an interest in groundwater investigations. Wingecarribee Shire Council, Hawkesbury Nepean CMA, NSW Farmers Association, local environmental groups, landowners and irrigators are represented on the group.

Transfers from Tallowa Dam and environmental flows

Under the Metropolitan Water Plan, the Government is reviewing the current use of water supply from Tallowa Dam. The purpose is to supplement supply to Sydney, the Illawarra, and the Southern Highlands while guaranteeing security of supply for the Shoalhaven community and improving the health of the Shoalhaven River downstream of the dam through the use of environmental flows.

We continued to consult with the community to develop options to optimise the operation of Tallowa Dam. The dam wall will not be raised as proposed under the original Metropolitan Water Plan and new environmental flow releases from Tallowa Dam will be implemented. Operational changes to the existing transfer scheme will be examined to increase the longer-term available water supply to greater Sydney by around 30 billion litres per year. The SCA is also looking at options to mitigate the impacts of using rivers as conduits for the transfer of water through the Southern Highlands. A Shoalhaven Community Reference Group appointed by the Minister for the Environment has been meeting with SCA and DNR for more than 12 months. The broader community will be consulted about these options.

The SCA and DNR are developing a draft discussion paper and supporting document on proposed new environmental flows, Tallowa Dam operations, and transfer options through the Southern Highlands. The options include:

- environmental flow regimes that release low flows and a proportion of medium flows to the Shoalhaven River downstream
- options for operating Tallowa Dam, including pumping triggers and levels
- options for transferring water through the Southern Highlands, all of which include raising Pheasants' Nest Weir.

The public consultation period for these options will extend from August to October 2006.

Environmental flows from Upper Nepean dams

Under the 2006 Metropolitan Water Plan, some of the additional water gained through projects to increase supply

will be returned to the environment as environmental flows. New environmental flow regimes will be implemented progressively for each of the Upper Nepean dams. Each of the dams will need to be modified to allow variable volumes to be released to better mimic natural flows in the river and to allow selection of appropriate water quality.

The assessment for Avon Dam, where new release works are under construction, also identified the need for additional protective works in the river at the release points. Works at Avon Dam are on track to be completed by the end of 2006.

Further investigations will establish the most effective measures to optimise the required environmental flows. This process involves discussion with DNR on the adequacy of a proposed range of flow releases.

MANAGING WATER SUPPLY ASSETS

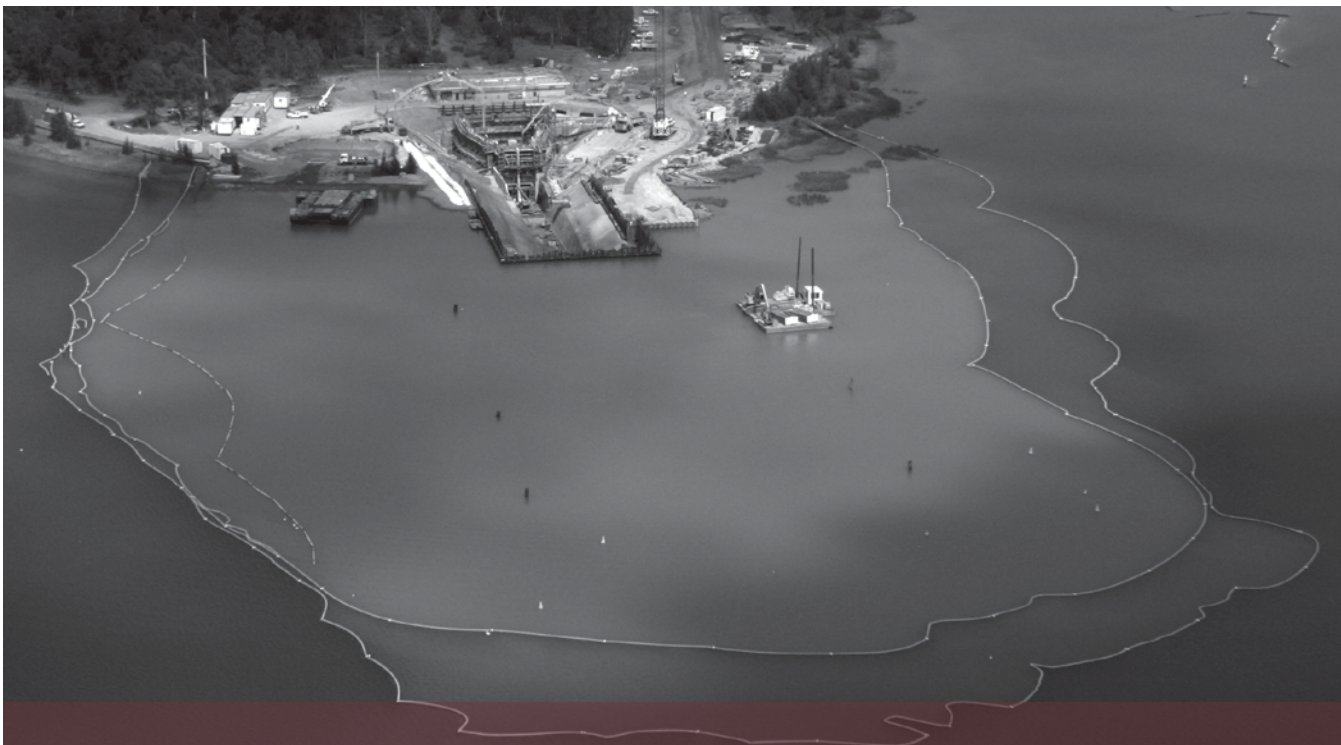
Improving asset maintenance

The Water Services Association of Australia (WSAA) Asset Management Benchmarking study conducted in 2004 identified a need for improved asset and maintenance management systems. The MAXIMO computerised maintenance management system was upgraded in 2005-06 along with enhancements to screens, access and reporting functions.

In February 2006, field works began under the new civil mechanical and electrical contract. This marked the implementation of a preventative maintenance plan using criticality ratings determined as part of the Asset Improvement and Reliability Program. The new criticality ratings are used to focus maintenance efforts where they are most needed.

Other improvements to asset maintenance processes in 2005-06 included:

- establishing a dedicated maintenance team that is better positioned to deal with asset and maintenance issues
- further developing and refining asset management procedures
- expanding predictive analysis techniques using vibration monitoring



Stringent environmental controls are in place across the Prospect Raw Water Pumping Station construction site adjacent to Prospect Reservoir

Prospect Reservoir Raw Water Pumping Station

Prospect Raw Water Pumping Station provides the SCA with flexibility in planning its water supply system operations. The pumping station allows us to draw water from Prospect Reservoir in the event of a major water quality incident or infrastructure failure. Constructing the pumping station is a key risk management initiative.

Designed with a capacity of up to 1,400 million litres per day, the pumping station will draw water from within the reservoir and pump it via an underground pipeline to the adjacent Prospect Water Filtration Plant. In addition to the significant engineering challenges, the project is located in an extremely sensitive environment, adjacent to Prospect Reservoir, and is being conducted in important natural heritage areas.

Construction of the \$56 million facility began in late 2005. The SCA has engaged the Department of Commerce (DOC) to provide project management services.

Through the combined efforts of the SCA, DOC and the contractor, progress on the project is well ahead of schedule. By June 2006, a series of milestones had been achieved. Site preparations were complete and stringent environmental controls were in place across the site – particularly where work is being undertaken to excavate the inlet to the reservoir. Excavation of the pump station (which will be below ground) was substantially complete, as were construction of the underground pipeline and a range of ancillary works.

Major equipment items, including power transformers, pumps and electric drive components, are being manufactured overseas and are due for delivery in late 2006.

Throughout the project, extensive stakeholder consultation has ensured the design and construction processes address all potential issues and concerns. These have included audits of safety, environmental and engineering controls and their effectiveness.

Work will continue during 2006-07. It will include completing the pipeline and inlet structure, constructing the pumping station and control building, and installing electricity supply for the pumps and complex control equipment. In the absence of wet weather, equipment delays, or other unforeseen circumstances, the site works are expected to be completed by June 2007.

The facility will substantially enhance the SCA's ability to manage risks associated with the supply of water to most of the people of Sydney.

CASE STUDY

- implementing an approach to collecting asset information from contractors
- implementing life cycle analysis techniques to aid decision making for major maintenance works.

Investing in capital improvement at Warragamba Dam

Warragamba Dam major outlet valves upgrade

Warragamba Dam is undergoing a major upgrade. The outlet works of the dam were constructed in the 1950s and the original valves no longer operated effectively or safely. The other components in the valve house were also aging. The contract to design and construct the works was let to John Holland Pty Ltd in February 2004. Sydney Water was engaged as project manager.

After the successful installation and commissioning of the first of the four valves, the progress, risk management, and lessons learnt were reviewed. As a result, the original four-year program was accelerated. This enabled the SCA to coordinate other major works at the dam site, particularly the construction of the deep water pumping station. All major site works were completed by December 2005. The \$10 million project

provided for a complete overhaul and refurbishment of the valve house some 12 months ahead of schedule and 10 percent under budget. One of the many achievements for the project was the production of comprehensive operations and maintenance manuals (including a video) for training current and future staff.

Investing in other capital improvements

Clay core water supply – Prospect Dam

The Prospect Reservoir wall has a 2,200 metre-long trench along the entire length of the crest. The trench is kept full of water to prevent shrinkage cracks occurring in the clay core and jeopardising the safety of the dam wall. Water for the trench has historically been supplied from Sydney's treated drinking water supply, purchased from Sydney Water. The average annual water usage is 60 million litres and the cost of purchasing treated water from Sydney Water is \$45,000 per year.

In 2005-06, it was identified that water could be sourced directly from the dam by installing two small pumps, potentially saving the SCA tens of thousands of dollars and stopping the use of drinking water for industrial purposes.

The total cost of the project was \$100,000 with an annual operating cost of \$2,000. This equates to an annual saving to the SCA of \$43,000 and a reduction in the use of drinking water by 60 million litres per year. The connection to the treated water supply remains in place as back-up in the event of maintenance work or power blackouts.

Cascade Deep Water Pumping Station

Should the SCA not be able to source water from the Fish River Scheme, our five small Blue Mountains dams would be the only source of supply to areas of the Blue Mountains above Wentworth Falls.

In 2005-06, work began on installing a new raw water pumping station to access deep water storage in Upper Cascade Dam. The inaccessible storage of 600 million litres represents 22 percent of the total storage in Blue Mountains dams. In times of drought deep water will provide additional security of supply to the Blue Mountains. In the absence of supply from the Fish River Scheme, and with a 20 percent reduction in demand for water, 600 million litres would be sufficient to supply areas above Wentworth Falls for three months.

Tallowa Dam aeration project

The aeration system at Tallowa Dam was commissioned on 31 October 2005. Sampling sites were established to monitor the effectiveness of the aeration, and probes that constantly measure temperature and dissolved oxygen were installed near the dam wall.

This aerator has already proven itself by mixing the deeper, colder water with the warmer surface water, increasing the temperature of the released water by 10°C. Similarly, dissolved oxygen contents in the deeper section of the lake were significantly higher in January 2006 than for the corresponding month in previous years.

With the commissioning of the aerator, detected concentrations of manganese were significantly lower in the summer of 2005-06. Very similar results were also reported for the variations of iron at the top and the bottom layers of the water column.



Work under way on the new raw water pumping station to access deep water in Upper Cascade Dam, in the Blue Mountains

Shoalhaven monitoring system upgrade

In 1999 the SCA upgraded the Shoalhaven SCADA (Supervisory Control, Automation and Data Acquisition) system to be more modern and user friendly. Stage 1 of the project, the design and installation of the monitoring system at Wingecarribee Dam, was completed in 2000.

Stage 2 of the project included monitoring several river gauging stations and the monitoring and control of the outlet works at Wingecarribee, Fitzroy Falls and Tallowa dams. This allowed the operators to manage discharges to the river system in accordance with the SCA's licensing and environmental obligations. The SCADA monitors 22 sites, ranging from remote river gauging stations, through water treatment works and large storage reservoirs, to major pumping stations and generators. The system controls assets at four SCA sites in the Shoalhaven. Sydney Water's System Operation Centre monitors SCA sites 24 hours a day, seven days a week, and notifies SCA staff of any alarms that occur. The system was commissioned in May 2006.

Augmentation of hydrometric and water quality monitoring network

The design and construct contract for the installation of eight new flow and water quality monitoring stations in the Metropolitan catchments was awarded in December 2005. Of the eight sites, two are located in the Avon Catchment, two in the Woronora Catchment, three in the Cordeaux Catchment and one in the Cataract Catchment.

The sites provide instantaneous water characteristic data and collect water samples for laboratory testing. The information helps us determine both the quality and quantify of inflows, which is necessary in determining environmental flow releases as required by our water management licence. Practical completion is expected by mid-August 2006.

Roadworks

Upgrades and maintenance of SCA roads continued in 2005-06 through our service level agreement with the Roads and Traffic Authority. The access road to Pheasants Nest Weir was upgraded at a cost of \$3 million (\$750,000 under budget). The work has greatly improved vehicular access to the weir. The access road to Avon Dam was upgraded at a cost of \$2 million and this has improved safety for SCA staff and visitors to the dam.

The SCA routinely inspects and maintains the roads it manages in the catchments. Maintenance roadwork was accelerated to improve the safety and stability of Warragamba pipeline bridges and the access road to Medlow Dam.

Data collected from safety audits of SCA roads will inform the SCA's road upgrade program. In addition, the SCA funded DEC to undertake emergency road works and general road maintenance on Warragamba and Blue Mountains fire trails. Maintenance of fire trails is critical to ensure safe and ready access for fire management including bushfire response.

MINING BENEATH SCA INFRASTRUCTURE

The SCA continues to work closely with other government agencies and the mining industry to avoid or mitigate mining-related impacts and to protect SCA assets. The SCA is represented as a major stakeholder on the inter-agency Subsidence Management Plan Review Committee. As a priority, the committee reviews subsidence management plans and asset protection plans of collieries. Where necessary, conditions recognising the need to protect SCA assets are attached to subsidence management plans and mining approvals. The relevant mining companies reimburse the SCA for all expenses it incurs in association with mining protective works.

Monitoring impacts of underground mining

The SCA continuously monitors the stability of its infrastructure. In 2005-06 no adverse or unexpected impacts from mining were found on SCA assets. The latest computer technology and monitoring techniques were used to assess and interpret the impact of mining-induced movement on SCA assets and the water supply. The continuous review and upgrading of works to protect SCA assets ensure the assets maintain their structural integrity and perform well during and following mining impacts.

Developing master agreements with collieries

To avoid any financial loss to the SCA as a result of mining impacts, we enter into agreements with collieries that have the potential to impact on the SCA. The purpose of the master agreements is to ensure that the SCA does not incur any cost or liability as a result of potential mining impacts. The agreements also ensure that all necessary works are undertaken to protect our infrastructure from potential mining impacts. The agreements are regularly updated when new mining approvals are granted to the collieries.

Mining in the catchments

In addition to the work of the Subsidence Management Plan Review Committee, the SCA's Mining Working Group continued to work with other agencies and mining companies to ensure that all mining related matters were dealt with in a manner that was consistent with the *Sydney Water Catchment Management Act 1998*, our operating licence, and the SCA's other regulatory and business plan commitments. The collaborative approach led to conditions being incorporated into mine applications, with actions and guidelines to safeguard SCA's area of operations, infrastructure and water quality.

Commercial success

success



KEY RESULT AREA 03

■ Performance against financial targets	35
■ Review of water prices	36
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■ Procurement	36
■ Introduction of Australian equivalents to International Financial Reporting Standards (AIFRS)	37
■ Upgrade of finance and finance related systems	37
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So that we fulfil our statutory, commercial and contractual obligations we will achieve the following outcomes over the period 2002-2007

- targets outlined in the Statement of Financial Framework will be met
- statutory and commercial obligations will be reflected in the actions of all staff
- asset investments will be based on a sound economic and risk framework
- risks will be systematically identified, addressed and managed.

The SCA benefited from a record level of investment in its capital works program in 2005-06. All financial activities are within relevant governance frameworks and achieve transparent, accountable and full disclosure of financial outcomes. We continued to meet our obligations regarding the sale of quality raw water to customers at a price determined by the Independent Pricing and Regulatory Tribunal (IPART). The SCA's credit rating remains high and we continue to employ best practice procurement and financial planning.

PERFORMANCE AGAINST FINANCIAL TARGETS

Statement of Financial Framework

Under section 34 of the *Sydney Water Catchment Management Act 1998* (SWCM Act), the Board prepares the Statement of Financial Framework for adoption by the Minister and the Treasurer. The 2005-06 statement was prepared to satisfy section 34 of the Act.

Commercial success outcomes

The SCA Business Plan 2002-2007 and the 2005-06 Statement of Financial Framework identify the SCA's financial targets. Table 6 shows the agency's commercial achievements for 2005-06.

Improving capital expenditure

The SCA achieved significantly improved results in delivery of its capital expenditure program for 2005-06. The past year saw capital expenditure of \$138.0 million against a budget of \$138.9 million.

Table 7 lists the SCA's capital projects and expenditure for the year.

A substantial proportion of the expenditure related to our projects under the Metropolitan Water Plan - the deep water storage access projects at Warragamba, Nepean and Avon dams, and further investigations of groundwater supplies in the Upper Nepean.

Noteworthy progress was also achieved with other projects within our capital expenditure program. They included construction of Prospect and Upper Cascade raw water pumping stations, upgrades to Pheasant Nest and Avon Dam access roads, and the upgrade of major outlet valves at Warragamba Dam. They also included the installation of the Shoalhaven water monitoring system (Supervisory Control Automation and Data Acquisition (SCADA)), and the augmentation hydrometric and water quality monitoring network (see KRA 02).

These outcomes have been helped through the agency maturing in project management. The SCA's revised total asset management framework, including the asset and service delivery strategies, together with improved capital processes, also supported delivery of capital projects during 2005-06.

Table 6: Performance in relation to commercial success

Sydney Water	Budget \$Million	Actual \$Million	Variance \$Million	Variance (%)	Reasons for variance
Revenue	137.2	139.6	2.4	1.7	Higher than target, with sales to Sydney Water higher than forecast
Operations/services expenditure	84.1	79.8	4.3	5.1	Lower than target due to superannuation adjustment
Other areas of expenditure	34.7	31.5	3.2	9.2	Lower than target due to lower financing and depreciation charges
Dividend and tax equivalent expense	18.0	27.7	9.7	53.9	Higher than target due to higher water sales, superannuation adjustment and lower financing charges
Debt to total value ratio (%)	37.4	38.2	-0.8	-2.1	Higher than target due to higher than forecast debt

REVIEW OF WATER PRICES

The SCA supplies bulk raw water as a government monopoly service under the *Independent Pricing and Regulatory Tribunal Act 1992*. IPART determines the prices the SCA is able to charge for water. Specifically, the price path sets out our prices for water supplied by the SCA to Sydney Water, Shoalhaven City Council, Wingecarribee Shire Council and our other customers.

In September 2005 IPART determined a new price path for SCA's water charges from 1 October 2005 to 30 June 2009. The SCA's fixed availability charge to Sydney Water is \$5.124 million per month (plus Consumer Price Index). The volumetric charge increased to \$155.34 per megalitre in 2005-06 and will further increase to \$203.27 per megalitre (plus CPI) by 2008-09.

UPDATED CREDIT RATING

Each year, the Government requires statutory authorities, such as the SCA, to be reviewed by a credit rating agency as part of an overall assessment of the Government's financial position. The process is designed to improve the financial and economic performances of government businesses. At 30 June 2006, the SCA's credit rating by Standard and Poor's was 'A-'. Fitch Ratings is conducting the 2006 annual review and the outcome is expected in late August 2006.

FINANCIAL REPORTING

Projected 2006-07 total revenue

The SCA's projected total revenue for 2006-07 is \$156.8 million. Of this, the sale of raw water accounts for \$153.2 million (with Sydney Water accounting for 99.2 percent of supply). Other income is derived from the supply of SCA services.

2006-07 budget

In its budget for the 2006-07 financial year, the SCA does not anticipate any major change in total revenue and expenditure (see Figure 4). The drought may continue to have two significant effects on financial performance - lower than projected water sales and higher than expected operating costs due to the need to pump from Tallowa Dam. These matters will continue to be monitored closely.

PROCUREMENT

The SCA uses government service level agreements and the panel system of procurement to continuously improve our management of contracts and accounts.

Managing service level agreements

Our service level agreements with other agencies promote a whole-of-government approach to healthy catchments and sustainable water supplies. Service agreements include our agreement with the Department of Environment and Conservation (DEC) for the management of Special Areas (see KRA 01).

New agreements developed over 2005-06 with Sydney Water will be finalised in 2006. Agreements with Department of Commerce and with Department of Lands will be reviewed in 2006-07. We are also at the final stage of developing a service agreement with the Conservation Volunteers of Australia.



The SCA's service level agreement with the Department of Commerce has supported the acceleration of the Nepean and Avon dams deep storage access project

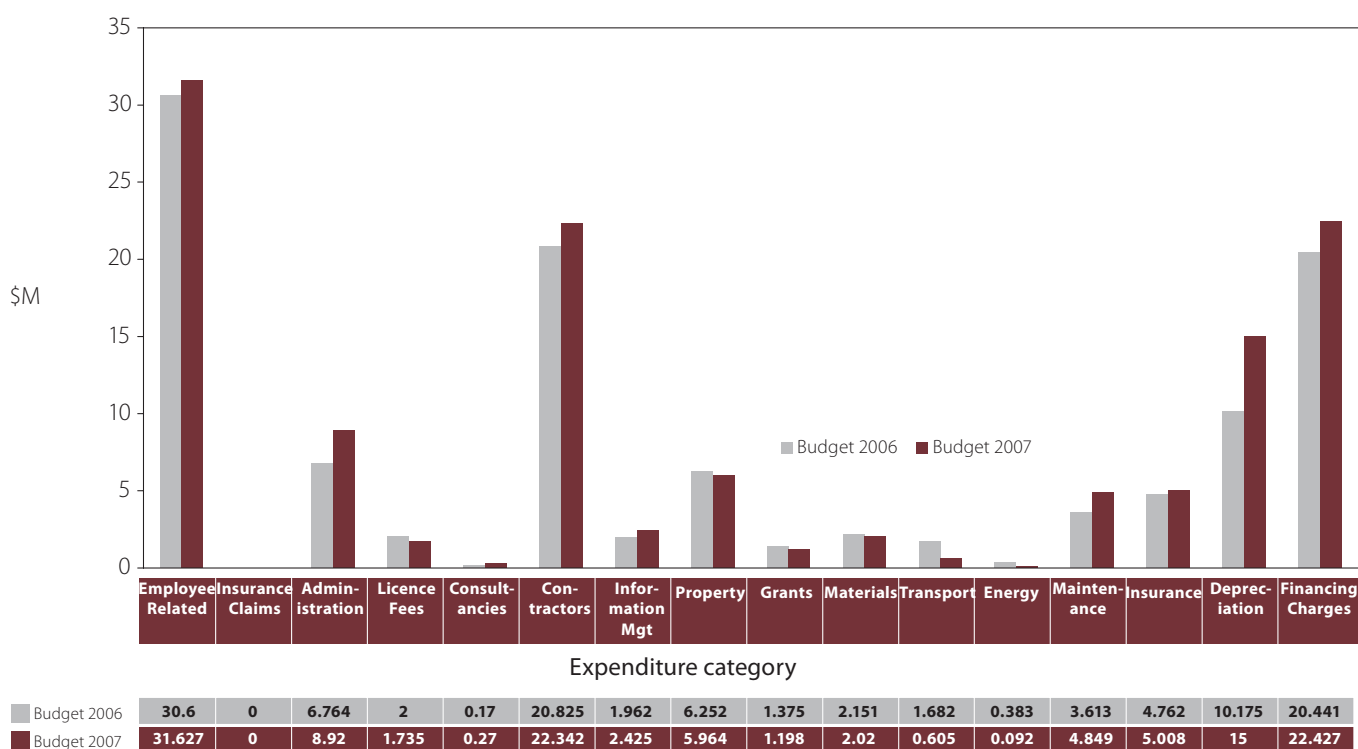


Figure 4: Expenditure budget comparison 2005-06 to 2006-07

Managing panel contracts

Procurement of minor works and legal services has been streamlined with our use of two contract panels: the Panel for Minor Works and the Legal Panel. Contracts under the minor works panel have a value of up to \$10,000. We also use the panel in response to incidents and emergencies. In 2005-06 our call for tenders for a new minor works panel was advertised via our website and local media. The contract is expected to be in place by October 2006.

The Legal Panel consists of service providers in the areas of environment and planning, property, work place relations, litigation, construction law, and tendering and procurement. In 2005-06, the SCA used the panel for conveyancing, tendering and procurement, and litigation matters.

Working with consultants

For reporting purposes, a consultant is a person or organisation engaged under contract, on a temporary basis, to recommend or provide higher level specialist or professional advice to help management make decisions. Generally it is the advisory nature of the work that differentiates a consultant from other contractors. In 2005-06, the SCA did not engage any consultants.

INTRODUCTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The SCA has undertaken a comprehensive project to meet NSW Treasury requirements for the introduction of Australian Equivalents to International Financial Reporting Standards. Progress was monitored through the Audit Committee. As a result, the Board reviewed its debt management policy and established a compliant accounting policy. This led to the training of all staff in their financial requirements and accountabilities under the new accounting framework.

The SCA's finance and finance related systems (SUN, MAXIMO and COGNOS) were reviewed in 2005-06 to ensure compatibility with the new reporting requirements. It was found that no amendments were required to the system structures.

All financial statements and management reports were redesigned for compliance, and key performance indicators reassessed to cater for the changes in classifications

of the accounting information. The SCA's financial reports were produced under the new requirements from 1 July 2005.

UPGRADE OF FINANCE AND FINANCE-RELATED SYSTEMS

The SUN financial management information system is the SCA's core system for the operation of its finance and finance-related processing. The most recent release of SUN version 5 was introduced during the year. This was a major upgrade taking five months to complete and involved:

- total review and revision of internal system security structures to meet the needs of the SCA
- total review and revision of finance staff internal operating procedure documents for the maintenance and operation of SUN
- complete testing of all interfaces within the finance and finance related systems to ensure compatibility with the new version of SUN
- retraining of all SUN users to ensure that new procedures were well understood by all who use the system.

A new training database was included in the package that allows staff to be trained using live test data and to test operating processes prior to their use in the live database.

The COGNOS budgeting and key performance indicator (KPI) reporting system was also upgraded incorporating higher degrees of user functions for budget preparation. Staff are now able to upload budgeting data directly from business planning spreadsheets into the COGNOS system saving both time and effort while increasing the accuracy of input.

A major review of COGNOS user acceptance was undertaken during the last quarter of 2006. This has resulted in a plan for further user training and the review of COGNOS use at other sites with a view to benchmarking output with other users and, where appropriate, improving performance of the system within the SCA.

The incorporation of the mobile auditor function within MAXIMO was completed in 2005-06 and will be rolled out to SCA sites for use in 2006-07. This facilitates stocktaking of financial assets and attractive items by way of bar coding through a portable device that then electronically updates both locations and custodian identification directly to the MAXIMO database. This is a major improvement to MAXIMO functions.

Table 7: Capital works expenditure in 2005-06

Project	2005-06 \$
Environmental flows - Nepean, Warragamba and Woronora Dams	6,493.47
Warragamba Dam access deep storage	45,168,681.50
Avon Dam access deep storage	6,965,107.76
Groundwater investigation	2,032,981.10
Increased Shoalhaven transfers	4,511,523.24
Nepean Dam access deep storage	34,525,217.59
Groundwater pilot test and borefield development	1,813,332.81
Warragamba Dam Spillway Project	488,361.98
Warragamba Dam stopboards	23,845.44
Warragamba Dam stopboards storage	3,153.17
Warragamba Dam upgrade major outlet valve	1,748,964.63
Warragamba Dam electrical upgrade	241,628.69
Warragamba Dam upgrade lifts	43,716.63
Warragamba Dam crest crane upgrade	80,692.70
Warragamba Dam spillway gates and visitors' centre	87,800.00
Warragamba Dam replace valves and ancillary equipment with surge tank	5,552.00
Warragamba Dam spare pipes and fitting	23,165.36
Warragamba Pipeline install access platforms	1,001.94
Fish River water supply transformer	8,885.92
Upper Cascade Dam modifications to outlet	983,112.34
Blue Mountains / Cascade scour valve	8,834.35
Blue Mountains trunnion system replacement	2,380.09
Metropolitan Dams floating booms	51,931.04
Upper Avon installation turbidimeter	117,744.61
Woronora/Nepean stopboards	1,661.03
Upper Canal stoplogs and trashracks	876.89
Upper Canal drainage upgrade	13,520.22
Upper Canal fish biomonitor	9,945.48
Upper Canal chlorination upgrade	5,772.21
Upper Canal fencing	221,218.28
Prospect Raw Water Pumping Station	24,452,240.53
Prospect Reservoir embankment stabilisation	52,555.71
Prospect Reservoir upgrade scours	70,320.04
Prospect Reservoir - clay core water supply	42,623.85
Shoalhaven System upgrade SCADA	1,317,934.34
Burrawang pump cooling system	4,510.78
Shoalhaven batteries	8,594.24
Wingecarribee Dam safety upgrade	211,903.45
Braidwood fencing	120,725.95
Land acquisition	401,170.63
Upgrade of Avon Tower	159,386.20
Special Area fencing	361,015.10

Project	2005-06 \$
Augmentation of hydrometric and water quality monitoring systems	596,092.36
Hydromatic network renewals program	397,012.41
Satellite telemetry Lake Burragorang	34,162.40
Dam access road upgrades	3,523,760.11
Upgrade reticulation system and fire hydrant	223,348.59
Infrastructure and regulatory signage	350,889.83
Mini hydro generation	2,000.00
Site office fitouts	11,470.00
Office accommodation Penrith	36,821.59
Dam cottages upgrade	4,839.68
Braidwood cottages upgrade	259,452.19
Conference facilities upgrade	99,334.11
Penrith Head Office relocation	93,672.95
Office fitouts	163,152.31
Information technology system upgrades	1,138,409.19
Replacement front end loader	490,681.64
Category 7 fire tanker	75,535.47
Satellite phones and two-way radios	61,402.59
Mobile water quality monitoring equipment	17,668.50
Motor vehicle fleet for SCA	3,830,450.62
Working plant and equipment and general minor projects	218,384.56
Total	138,038,624.39

INTERNAL AUDITS

Findings of internal audit reviews help the SCA strengthen our business by improving our practices and procedures. In 2005-06 PricewaterhouseCoopers, the SCA's internal auditor, completed a comprehensive suite of audit reviews of the following business areas:

- procurement
- financial integrity controls – budgeting and forecasting
- asset management / fixed assets
- SCA access to DRIVES Roads and Traffic Authority database
- delegations
- contract management
- application of regulatory role
- database and system management
- systems assurance testing – Development Assessment Register
- payroll
- occupational health and safety
- management information and Board reporting
- follow up reviews.

Audit recommendations are being addressed with progress monitored and reported to the Board's Audit Committee quarterly.

Building and sharing knowledge

Knowledge



KEY RESULT AREA 04

■ Science and research	41
■ Understanding Sydney's climate	44
■ Environmental flows	44
■ Pathogen research	44
■ How we build and share catchment knowledge	45
■ Grants and Incentives	46
■ Education	46

So that decision making by the SCA, other public authorities and the community is based on robust scientific, ecological, socio-economic and financial knowledge and information, we will achieve the following outcomes over the period 2002-2007

- we will put key data sets in place relevant to the SCA's role
- our decisions and advocacy will reflect the use of available information and knowledge
- stakeholders will be able to readily access relevant information and its interpretation
- communities will be able to access and provide input to our capacity building initiatives.

We continually upgrade our knowledge of the catchments and share the knowledge with others whose operations support our work. Doing so optimises our management of catchment lands, waterways and water supply infrastructure according to the terms of the *Sydney Water Catchment Management Act 1998* (SWCA Act), our operating licence, and our water management licence.

We build our knowledge through science and social research. We use our knowledge to develop and implement desktop and operational programs to enable us to undertake our statutory functions efficiently. We share our knowledge to enhance the effectiveness of our operations. We do this through a collaborative approach with other researchers and through grants.

SCIENCE AND RESEARCH

Using science in the catchments

Managing the catchments for reliable supplies of quality raw water to our customers requires sound scientific knowledge on which to base decisions. The SCA's Science Program conducts research at both strategic (long-term) and operational (short-term) levels.

For the most part, strategic research is conducted collaboratively with other government agencies, universities, Cooperative Research Centres (CRCs), the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and other national and international research providers. Operational research is usually conducted using in-house resources and external contractors.

Tailoring science to SCA needs

The Strategic Plan for Science, endorsed by the Board in June 2005, strongly aligns to our business needs and government priorities. The plan is organised around five science disciplines that help protect water quality and support the delivery of the business plan's intended outcomes. The disciplines are:

- pathogens
- nutrients, sediments and pollutants
- climate variability and extreme events
- ecology
- hydrology.

The strategic plan ensures that research projects exchange knowledge using appropriate tools such as models, workshops, publications and expert advice.

Our operating licence requires us to identify the percentage of SCA research and science projects that have a focus on catchment management and planning. For 2005-06, the rate of such projects was 54 percent.

Working with external researchers

The Collaborative Research Program addresses key science questions that are best answered through one-on-one collaboration with other researchers. We continually review the projects, which are generally of three years duration, to ensure that the research objectives are being met.

The program began in 2003 with 14 collaborative projects to which the SCA allocated approximately \$3.1 million over three years. Four of the projects also



Above and opposite: Water quality monitoring is an important component of the SCA's science program

attracted funding through the Australian Research Council's (ARC) Linkage Grant Scheme.

Twelve of the projects were in collaboration with universities within NSW and two with the CSIRO. Five of the projects were completed in 2005-06, with the reports expected in the latter part of 2006. Expenditure on the program in 2005-06 was \$0.9 million. A second round of projects was advertised in December 2005 as part of the Grant and Incentive Program. The projects will begin rolling out in July 2006.

Table 8 identifies the first round of collaborative projects. It includes the timeframe and SCA budget for each project and SCA funding for 2005-06.

Research outcomes benefit programs discussed in other sections of this report, particularly in KRAs 01 and 02.

Table 8: Collaborative science programs

Science Project	Research Provider	Time Frame	Budget (\$'000)	Funding 2005-06 (\$'000)
Pathogens				
Pathogen budgeting for prioritisation of land uses and rectification actions to reduce public health risks from pathogens	University of New South Wales (NSW)	2003-06	162	15
Molecular methods for tracing faecal bacteria and bacteriophages in the catchment	University of NSW	2003-06	189	38
Molecular methods for tracing faecal viruses in the catchment	University of NSW	2003-06	189	38
Native animals as potential sources of human pathogens in SCA catchments.	Macquarie University	2003-06	164	55
Prevalence of <i>Cryptosporidium</i> oocysts and anti-Cryptosporidium antibodies in animals in SCA catchments	Macquarie University	2003-06	178	20
<i>Cryptosporidium</i> in the Warragamba catchment: genotypes and cell culture infectivity	Macquarie University	2003-06	238	53
Using molecular tools to understand and control the transmission of <i>Cryptosporidium</i> (ARC)	Murdoch University	2005-08	60	20
Novel molecular markers for the historical source tracing of faecal contamination in urban water catchments (ARC)	University of NSW	2005-07	40	20
Total			1,220	259
Nutrients, sediments and pollutants				
Integrated water quality planning - least cost pollution control	University of Technology Sydney	2003-06	145	12
Sediment budgeting: Metropolitan catchments	University of Wollongong	2003-06	200	107
Nutrient budgeting: Evaluation and enhancement of tools for nutrient budget construction and prioritisation of land uses and abatement actions to reduce nutrient loadings	University of Western Sydney	2003-06	240	90
Identification of major sediment and nutrient sources in Sydney's drinking water catchments	CSIRO	2003-06	340	84
Cover crops to decrease phosphorus transport from agricultural soils *	Australian National University	2003-06	30	10
Nutrient generation from rural land and delivery to streams in the Sydney Drinking Water Catchments *	University of Western Sydney	2005-08	50	20
Total			1,005	323
Climate variability and extreme events				
Impact on water quality by post-wildfire erosion and nutrient release	CSIRO	2003-06	180	60
Catastrophic events and Holocene sedimentation through the Special Areas	Macquarie University	2003-06	176	59
Climate forecasting – multi-site probabilistic forecasting for the SCA water supply catchments and its use in reservoir operations	University of NSW	2003-06	173	58
Methods of forecasting SCA inflows on multiple timescales using simple indices of climate	University of Newcastle	2003-06	180	60
Multi-site probabilistic streamflow forecasting for water management applications *	University of NSW	2004-06	61	21
A stochastic downscaling framework for catchment scale climate change impact assessment *	University of NSW	2006-08	63	30
Derivation for long-term hydroclimatic sequences for water resources engineering, management and planning (ARC)	University of Newcastle	2005-08	60	20
Total			893	308

* Projects with additional funding through Australian Research Council's Linkage Grant Scheme

Building research alliances

National and international alliances

The SCA is a member of national and international research alliances, including the Water Services Association of Australia and the American Water Works Association Research Foundation (AwwaRF). Membership allows us to keep abreast of the latest developments in science and research and to keep watch on emerging water quality issues internationally. Membership also allows us to collaborate with national and international water industries on significant research projects.

The Cooperative Research Centre for Water Quality and Treatment

Membership of the CRC for Water Quality and Treatment links the SCA to the Global Water Research Coalition. The coalition is an international research alliance which includes major research agencies in the USA and Europe.

The eWater Cooperative Research Centre

The SCA is a participant in the eWater CRC, which aims to be the national and international leader in the development, application, and sale of products for integrated water cycle management. Throughout 2005–06 we played a lead role in drafting the centre's research program and proposed products. The SCA will participate in a variety of eWater projects, such as regional-scale urban assessment, restoration planning, surface-groundwater interactions and integrated monitoring and assessment.

The American Water Works Association Research Foundation

The SCA has a lead role in the research project, 'Fate and Transport of Surface Water Pathogens in Watersheds'. The three-year project follows an earlier project to develop a mathematical model for predicting and evaluating quantities and concentrations of pathogens in the catchments in wet and dry weather.

The project continues to gather data from catchments around the world to test and refine the model and link it to other hydrological models. This is enabling us to better understand the sources of pathogens and their potential levels in our storages under different conditions, such as drought and flood.

The project incorporates the SCA's Rectification Action Planning (see KRA 01) and Healthy Catchments Program (KRA 01).

Research alliance programs

Table 9 shows area of focus of each alliance and the SCA's annual contribution to the projects. Project outcomes benefit many of the programs discussed under KRAs 01 and 02 of this report.



A researcher using global positioning technology (GPS) to track kangaroos in the SCA's catchments

Table 9: Research alliance programs

Organisation	Area of focus	Financial contribution per year	Full time equivalent staff contribution per year
Water Services Association of Australia	<ul style="list-style-type: none"> • Drinking water • Wastewater • Catchment management • Asset management and regulation 	\$50,000	Nil
American Water Works Association Research Foundation	<ul style="list-style-type: none"> • Drinking water quality and treatment • Public health • Catchment management 	\$30,000	Nil
CRC for Water Quality and Treatment	<ul style="list-style-type: none"> • Water treatment and distribution • Catchments and Reservoirs Public Health • Water quality frameworks and management 	\$200,000	0.6
eWater CRC	<ul style="list-style-type: none"> • Catchment management • Management of surface and groundwater resources • Management of ecosystems 	\$350,000	1.6

UNDERSTANDING SYDNEY'S CLIMATE

Droughts and floods are natural elements of Sydney's climate. In 2005-06, the SCA embarked on innovative collaborative projects to determine short-term (six to 12 months) and longer-term (years to decades) climate patterns for the Sydney region.

The short-term forecasting projects are in collaboration with the University of New South Wales and the University of Newcastle. The projects provide one-year forecasts of rainfall and stream flows, based on ocean temperatures and circulations off Eastern Australia.

The longer-term projects are in collaboration with the University of New South Wales, CSIRO and the University of Newcastle. The projects are determining local climatic conditions for the last 1,000

years and the likely impact of climate change on rainfall and run-off under various greenhouse gas emission scenarios.

The projects will inform our operations in the delivery of sustainable supplies of quality bulk, raw water for greater Sydney.

ENVIRONMENTAL FLOWS

Our water management licence requires us to release environmental flows from our water supply storages (see KRA 02). Data collected by monitoring releases from Woronora Dam since 2002 has been inconclusive with respect to the impact of flow changes. A major review of the monitoring program will continue into 2006-07.

A new approach to testing and assessing the impact of environmental flows was developed in 2005-06.

A water-sampling project was completed in preparation for environmental flow releases from Avon Dam (see KRA 02). The outcomes will help with the design of the biological and water quality components of a monitoring program for environmental releases. The project will provide key information for similar monitoring for revised environmental flow releases for Nepean and Cordeaux dams in 2009.

PATHOGEN RESEARCH

Research into health risks posed by large populations of Eastern Grey kangaroos in the Warragamba Catchment's Special Area is progressing well. Three research projects, commissioned in 2003, are in collaboration with Macquarie University. Two of the projects are expected to be completed in early 2006-07.

Stalagmites and floodplains

The SCA has embarked on a research project with the University of Newcastle to determine long-term rainfall patterns in the Sydney region. The project is a component of the Metropolitan Water Plan.

The research uses techniques that look for evidence of natural wetting and drying cycles over 1,000 years and investigates stalagmites from the Wombeyan Caves in the Warragamba catchment and on floodplain sediments from sites in the middle and lower Hawkesbury-Nepean Catchment.

Stalagmites are highly responsive to variations in climate. The composition of the drip waters that feed them alters with changes in regional temperature, biological activity and rainfall. The physical characteristics of sediment that builds up on river floodplains (such as changes in particle size) can show the history and magnitude of past floods.

The studies are a breakthrough for the SCA in predicting climate for the Sydney region over the long term. Until now, the difficulty has been that written records of rainfall and river heights were available only from when farmlands, towns and the like were established.

In 2005-06, the SCA established the stalagmite and floodplain project objectives. Research began with initial field work on stalagmites at Wombeyan Caves and on floodplain sediments in the Hawkesbury-Nepean Catchment.

Project findings are not expected until 2009. The outcome will be a more accurate understanding of the likelihood, duration and severity of droughts and floods. This will inform the Government's priorities in planning for Sydney's water needs for the longer term.



Dr Janece McDonald and colleagues from the University of Newcastle are studying stalagmites at Wombeyan Caves to help the SCA understand climate patterns and change

CASE STUDY

The research has found that Eastern Grey kangaroos do not carry types of *Cryptosporidium* that can cause illness in humans. Research into native animals, generally, as potential sources of human pathogens is expected to be complete in mid 2007.

The collaborative research programs are helping to refine our understanding of the risks of *Cryptosporidium* from animals in the catchments. They are also helping us identify cost-effective methods of controlling potential inputs of pathogens in our water supplies.

HOW WE BUILD AND SHARE CATCHMENT KNOWLEDGE

SCA Catchment Information System and geographical data

Previous years have seen the delivery of a number of catchment and spatial information systems that collectively form the SCA's Catchment Information System. In 2005-06, we focused on embedding those systems into our business, increasing

the data available within them, producing new high quality information, and designing solutions to fill the gaps. In particular we have worked closely with the Catchment Management Authorities (CMAs) to establish catchment information sharing projects, two of which will result in the sharing of systems during 2006-07.

Satellite imagery

The use of satellite imagery helps us to assess sites and establish priorities for work under the Riparian Management and Assistance Program (see KRA 01).

Mapping the extent of willow

Willow trees are aggressive, noxious weeds that can destabilise stream banks and degrade water quality. The SCA has developed a method for mapping the extent of willow using satellite imagery. So far, more than 20,000 kilometres along catchment streams have been mapped for willow.

Mapping gully erosion using satellite imagery

A major source of sedimentation in the catchments is the erosion of stream banks and gullies. A new dataset developed within our Catchment Information System identifies active gully erosion across the

catchments. Prior to this, erosion had been mapped through interpretation of aerial photography captured in 1971.

Hazard maps for SCA water storages

In late 2005 the SCA commissioned the production of hazard maps for all SCA water storages. The maps of the four storages that had been surveyed between 1997 and 2005: Nepean, Prospect, Warragamba and Wingecarribee, were to include bathymetric surveys (water depth data).

The first part of the process collected hazard information for the dams. The types of hazards collected included stumps, rocks, sandbars, buoys, thermistors, water quality sampling points, and pontoons.

The next step modelled the hydrographic survey data to form a bathymetric map for each of the four dams. A bathymetric map is a colour map graded to show water depth, with each colour representing a different depth range (usually three or five metre separations). The process involved taking the raw water depth data, and producing a wireframe solid model of the water body. The reason was to fill in any gaps in the data, and produce a dam-wide water depth model.



Computer-based geographic information systems (GIS) are integral to a range of mapping activities that help the SCA manage the catchments and reservoirs



Grants programs help landholders protect waterways by installing off-stream stock watering and riparian fencing

GRANTS AND INCENTIVES

Ninety-five percent of gains in catchment health are achieved through working in partnerships with landowners and other stakeholders. The SCA's grants and incentives schemes are directed towards improving the condition of the 91 percent of land and waterways within the catchments that are not owned by the SCA.

In 2005-06, two established grant programs and four new grant programs helped the SCA minimise threats to water quality. The programs build and share knowledge about the catchments with a variety of stakeholders and foster projects designed to enhance catchment health and good quality water. Overall funding for the grant programs was almost \$3.7 million.

Established programs

Catchment Protection and Improvements Grants for Community Groups

Community groups undertaking projects to protect the catchments and restore environmental health benefit from this program. Twelve projects were awarded grants in 2005-06, bringing the total number of grants to 118 since the program was established in 1999 (see KRA 01).

Catchment Protection Scheme

The Catchment Protection Scheme (CPS) helps landholders address erosion to reduce nutrients and other pollutants entering the water supply (see KRA 01). The knowledge gained and shared from SCA science collaborations inform best-practice in CPS on-ground projects.

New programs

Collaborative Research Program for Universities and Research Organisations

The SCA accesses and uses leading-edge technology and scientific expertise through this program. In return it gives both established and new water industry researchers the chance to work with a catchment and bulk water management organisation. Research topics of critical relevance are water quality, water quantity and catchment management. In 2005-06, three grants were awarded under the program for research into animal movements in riparian areas, risks to water quality from sewage treatment plants, and *Cryptosporidium* in feral animals. (See above for details).

On-site Sewage Management Grants

Through this program, councils in the catchments are encouraged to identify, inspect and assess all on-site sewage systems in their area. The program offers up to 50 percent of costs associated with one full round of inspections. The program aims for all on-site sewage systems within the catchments to be inspected and data recorded by 2010.

In 2005-06, four councils were granted funding to achieve this goal (see KRA 01).

Riparian Management Assistance Program for Landholders

Private landholders and local councils are eligible for funding under this initiative. The program protects and conserves stream catchments and, by maintaining healthy riparian areas, reduces the risk of pathogens and nutrients moving into creeks. The program began in September 2005 and since then 23 projects have been awarded grants to undertake riparian works to improve water quality (see KRA 01).

Special Purpose Grants

This category considers projects that contribute to the priorities of the SCA and are not eligible for other SCA grant programs. In 2005-06 seven projects were awarded grants under this program. They included reconstruction of sewage pumping stations at Braidwood, sewer refurbishment in the Goulburn Mulwaree area, preparatory work for the on-site sewage inspection program at Lithgow, and road sealing works to address erosion and silt. Eradication of outbreaks of willow, a training video on pesticide use, and the purchase of two trail bikes to support SCA compliance activities were the other beneficiaries of the program.

Sponsorships

Quality events and activities that are consistent with and further the SCA's mission, values and goals are able to apply for SCA sponsorship. Sponsored activities are mainly for water industry events, such as conferences. Other sponsored activities offer educational outcomes within communities or projects that benefit water quality.

In 2005-06 the SCA developed guidelines to formalise client accountability and maximise the benefits of the sponsorship initiative. Of the eight sponsorships awarded, four were to assist with conferences and one with an interactive multi-media catchment management display. A resource book for science teachers, a Streamwatch event, and an indigenous history of the Burragorang Valley were the other sponsorship recipients.

EDUCATION

The SCA influences the knowledge, skills and behaviour of individuals and organisations as they relate to water issues and catchment health. During 2005-06 we conducted 21 education activities. Our education activities interact with other strategies such as compliance, on-ground works, incentives, and regulation.

The Warragamba Education Program engages with school students and teachers, mainly on-site at Warragamba Dam. We increasingly reach this audience online at the SCA website.

The Community Education Program works with adults in local communities and includes work with farmers, householders and other government agencies, including local councils.

All SCA education programs are informed by best-practice environmental education principles and practice, and targeted research. In 2005-06, we achieved the following results working with the education sector and the community.

Education sector

Working with the education sector included:

- continuing our partnership with the Department of Education and Training to develop and trial the computerised professional development resource for teachers - Water Quality: HSC Chemistry. The final version will be released in across New South Wales in December 2006

- hosting more than 6,500 primary and secondary school students on excursions at Warragamba Dam to study water quality issues.

Community education

Working with the community included:

- contributing to the inter-agency Metropolitan Water Plan Education Group, which manages the Water for Life Education Program
- developing the Rural Living Education program in partnership with local councils. The program informs landholders of their rights and responsibilities when buying rural residential land
- supporting Goulburn Mulwaree Council in the development of its water quality education program
- working with landowners and other stakeholders on water related matters

- responding to more than 250 telephone and email enquiries from the community about water quality and quantity matters
- managing the Streamwatch program to support water quality monitoring in local waterways by schools and community members.

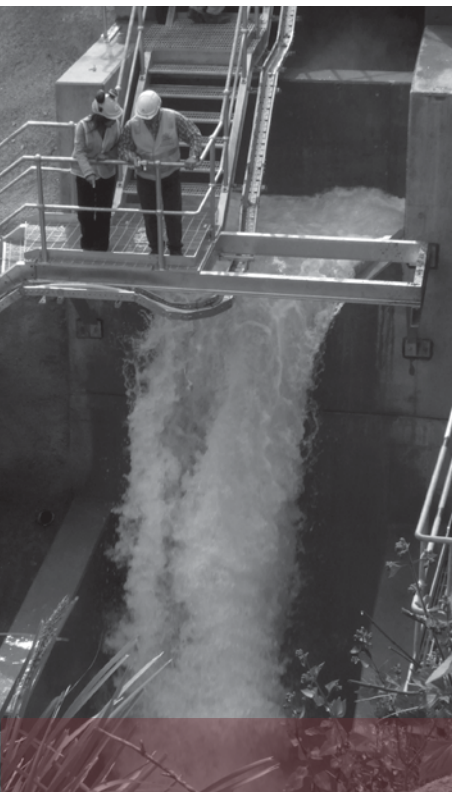
Streamwatch

The SCA supports 40 Streamwatch groups who collect water quality data from approximately 80 sites. In 2005-06 two more groups joined the program. Data gathered is quality assured and feeds into the SCA's water quality monitoring system. Streamwatch groups help their broader communities to identify and act on local water quality issues.



A member of the Friends of the Katoomba Falls Creek Valley Bushcare Group conducting Streamwatch testing in a local waterway. SCA Streamwatch works extensively with community groups throughout the catchments.

Results through relationships



KEY RESULT AREA **05**

- | | |
|--|----|
| ■ Consultation to make the best decisions | 49 |
| ■ Working across government and the water industry | 49 |
| ■ Keeping stakeholders informed | 52 |
| ■ Complaints | 52 |

So that we collaborate effectively and creatively with our partners, customers and the wider community we will achieve the following outcomes over the period 2002-2007

- agreed outcomes and targets of joint projects will be achieved
- customer service agreements will be to the satisfaction of the SCA and our customers
- relevant decisions and work planning will be informed by community views
- SCA and government partners will have agreed priorities and responsibilities for delivering outcomes.

The SCA manages the catchments to balance catchment health and the needs of the water supply network and ecology against the range of community demands made on the catchment lands and waterways. We work closely with government, councils, industry and community groups to achieve our goals. The relationships promote the best possible outcomes for our water supply and catchments and for the communities that depend on them.

CONSULTATION TO MAKE THE BEST DECISIONS

Engaging with the community and other stakeholders helps us know their views about important SCA matters that affect them. Consultation is either directly with our stakeholders or through committees that represent their interests. The outcomes of the consultation processes are incorporated into our decision making processes.

Progress on SCA projects relating to the Metropolitan Water Plan were central to our consultation activities with community groups, industry and local councils in 2005-06. A comprehensive report and community newsletters advised stakeholders of the findings of our investigations into groundwater. Findings of our investigations into water transfers were also made available to stakeholders via newsletters (see KRA 02).

Table 10 summarises the SCA's formal stakeholder and community consultation processes and outcomes on key corporate documents.

Regional Consultative Committee

The term of the regional consultative committee expired on 31 December 2005.

In June 2006, the consultative committee processes and mechanisms were reviewed in response to amended provisions for consultation in our new operating licence. In 2006-07, the SCA Board will consider recommendations by the consultative committee on the principles and framework for future SCA community and stakeholder engagement.

Consultative committee members have also been invited to participate in focus groups to help develop the SCA's new five-year corporate plan.

Local Government Reference Panel

In February 2006, a fresh charter was drafted for the Local Government Reference Panel in response to provisions in the new operating licence. The reference panel is a forum for matters in which local councils and the SCA share an interest. Most of the 15 councils in the catchments are represented on the panel, which is chaired by the SCA.

In 2005-06 priorities for the reference panel were two major enterprises. One was the SCA's role in delivering the Metropolitan Water Plan (see KRA 02) and its implications for councils in the catchments. The other was the development of the Regional Plan for the Drinking Water Catchments (see KRA 01). The outcomes of the discussions are expected to lead to a smoother implementation of these major government initiatives.

Community response to key SCA strategies

The SCA sought formal stakeholder and community feedback on a range of key strategic issues in 2005-06. Table 10 outlines the consultation processes and outcomes.



Above and opposite: A partnership approach with the Department of Commerce and key contractors has supported the SCA's deep water access projects

WORKING ACROSS GOVERNMENT AND THE WATER INDUSTRY

Subsidence Management Plan Review Committee

This inter-agency committee, established by the Department of Primary Industry, consists of agencies with a stake in the coal mining industry. In 2005-06, the committee assessed subsidence management plans submitted by mining companies as part of their applications for coal extraction. Several applications had the potential to impact on SCA infrastructure, catchments and water supply. As a result, the SCA sought to have conditions included in mining approvals. The process has led to heightened environmental awareness by mining industry stakeholders and improved monitoring for environmental impacts from mining.

Table 10: Formal stakeholder and community consultation processes and outcomes on key corporate documents

Issue	Date	Mode of consultation	SCA response
Renewal of the Bulk Water Supply Agreement with Sydney Water	May - October 2005	Liaison with Sydney Water	Comments from NSW Health, Sydney Water, Nature Conservation Council and the community were considered and incorporated into the agreement, where appropriate. A representations report was prepared and forwarded to Sydney Water, IPART, Treasury and the Minister for the Environment. Once finalised, all community members who made representations were given a copy of the representations report and the agreement.
	August-September 2005	Public exhibition - notice in the Sydney Morning Herald and catchment newspapers. Notice and draft agreement on the website	
	August-September 2005	Letters to stakeholders – Department of Natural Resources, Department of Energy, Utilities and Sustainability, NSW Health, Eraring Energy, IPART, Treasury, Hawkesbury Nepean CMA, Southern Rivers CMA, Sydney Metropolitan CMA, Shoalhaven and Wingecarribee Councils, and environment groups	
Revised SCA 2006-2010 Environment Plan	May 2006	Discussion paper - SCA Local Government Reference Panel	Comments from Hawkesbury Nepean CMA, Goulburn Mulwaree Council, Sutherland Shire Council, DEC and the community were considered and incorporated where appropriate. A representations report was prepared and will be forwarded to IPART. Once finalised, a copy of the representations report and the plan will be provided to those who made submissions.
	May 2006	Letters to stakeholders – Department of Natural Resources, DEC, Department of Primary Industry, Department of Energy, Utilities and Sustainability, catchment Councils, Hawkesbury Nepean CMA, Southern Rivers CMA, Sydney Metropolitan CMA, Friends of the Earth, Nature.net, Total Environment Centre, and Nature Conservation Council	
	June-July 2006	Public exhibition - notice in Sydney Morning Herald and catchment newspapers. Notice and draft plan on the website	
Renewal of the Memorandum of Understanding with NSW Health	April-May 2006	Liaison with NSW Health	No comments were received. A representations report was prepared and forwarded to NSW Health and IPART.
	June 2006	Discussion paper - Strategic Liaison Group (SCA, NSW Health and Sydney Water)	
	June-July 2006	Public exhibition - notice in the Sydney Morning Herald and draft memorandum of understanding on the website	

Metropolitan Water Chief Executive Officers Committee

The SCA's Chief Executive is a member of the Metropolitan Water Chief Executive Officer's Committee chaired by the Cabinet Office. The committee oversees urban water management issues including the development and delivery of the Metropolitan Water Plan.

Water Chief Executive Officers Committee

The SCA is a member of the Water Chief Executive Officers Committee, which brings together chief executives of organisations responsible for water management in NSW. Of matters discussed in 2005-06, of particular consideration for the SCA were those relating to water sharing plans, algal management, and river health.

Inter-agency consultation

Partnerships with Department of Natural Resources and Department of Commerce continued to strengthen in 2005-06 as milestones for the Metropolitan Water Plan projects were reached ahead of schedule (see KRA 02). The whole-of-government approach to the projects led to extensive consultation with Sydney Water and NSW Treasury.

Catchment Management Authorities

The SCA continued to strengthen its ties with the Hawkesbury Nepean and Southern Rivers Catchment Management Authorities (CMAs) under the auspices of memoranda of understanding, entered into during 2004-05. Strategic links were formed and information shared at both executive and operational levels. Joint SCA and CMA objectives were supported by their aligned and integrated programs, such as the Brogers Creek Riparian project (see KRA 01).

Dams Safety Committee

The Dams Safety Committee is a government committee established under the *NSW Dams Safety Act 1987*. Its role is to formulate measures to ensure the safety of dams and to maintain a surveillance of prescribed dams. The SCA continued to nominate a candidate for the committee and supply resources for several of its sub-committees.

Water Services Association of Australia

The SCA's Chief Executive is a member of the board of the peak body of the Australian urban water industry, Water Services Association of Australia. The board provides a forum for debate and is a focal point for communicating the industry's views on issues of importance to the urban water industry.



SCA and the Department of Environment and Conservation (DEC) staff inspect major repairs to a fire road in the Warragamba Catchment. The works were undertaken by DEC under the SCA-funded services contract for delivering Special Areas land management

Table 11: Visits to the SCA website over five years

Year	Visits
2001-02	56,708
2002-03	64,427
2003-04	164,331
2004-05	367,163
2005-06	462,284

WaterAid Australia

The SCA's Chief Executive was elected to the Board of WaterAid Australia in April 2006. WaterAid Australia is the Australian water industry's international charity dedicated to helping some of the world's poorest people escape the stranglehold of poverty and disease caused by living without safe water and sanitation. Through the Chief Executive's membership of the WaterAid Board, the SCA is chiefly seeking to promote WaterAid's activities in New South Wales.

KEEPING STAKEHOLDERS INFORMED

Communicating through the media

Media coverage continues to be one of our most effective communication tools. During 2005-06 we responded to more than 400 media enquiries, consistent with the number of enquiries in 2004-05. The interest was reflected in the media coverage of major issues such as progress under the Metropolitan Water Plan. Rainfall, dam levels and drought continued to be a focus in the media.

The Government continued to announce major events through media, such as milestones reached in the deep storage project at Warragamba Dam, the release of the Metropolitan Water Plan progress report, and the launch of the 2006 Metropolitan Water Plan. Water conservation messages and strategies, such as the 2006 'Water for Life' community education campaign, were delivered through the media as a joint enterprise with partnering agencies.

Metropolitan newspapers continued to inform the community about water quality and catchment management issues and increase people's awareness of the SCA's role to manage the drinking water catchments.

Media relations also played a key role for the SCA in incident management. We continued to work closely with Sydney Water and NSW Health to refine communication plans to manage incidents, particularly those associated with water quality.

Publishing information

Our publications inform the community about our activities, responsibilities and the nature of the lands that we manage. The SCA produced the following key publications in 2005-06:

- Annual Report 2004-2005
- Annual Water Quality Monitoring Report 2004-2005
- Compliance Fact Sheets
- Application for Consent to Enter the SCA Special or Controlled Areas.

Other publications released in 2005-06 were associated with public exhibition and community consultation activities, and education programs.

We continued to raise the level of electronic publishing, both on CD Rom and on the SCA website. Electronic publishing reduced costs, paper use and storage requirements. It also provided fast and easy access to information for Internet users, including other government agencies and educational institutions. All SCA publications are available for download from the Internet. Where documents are too large for easy download they are available on CD Rom. The trend towards electronic publishing will continue, particularly for educational resources.

All the SCA's publications, including those published only on the website, are available on request as a printed copy. A full list of publications is featured in Appendix 18. SCA publications are available by contacting our offices or by visiting our website at www.sca.nsw.gov.au.

SCA website

The SCA website features information about the catchments including dam levels, water transfers and SCA operations. The website also provides access to SCA publications and education resources. Dam level data is updated weekly and catchment rainfall data is updated on weekdays. Visitors to the website have increased by 26 percent in the past year. Table 11 shows the number of visitors to the website over the past five years.

Photography

The SCA commissioned photographic assignments to comprehensively document the progress of the SCA's Metropolitan Water Plan projects and other major capital works. The photography informs the community about our work and provides a technical and historical record of the projects.

COMPLAINTS

Thirty-five complaints to the SCA were actioned during 2005-06, one of which had been carried over from the previous year. Of the complaints received, 28 were resolved and six were carried over to 2006-07. The unresolved complaints were received towards the end of the reporting period.

An increase in the number of complaints in 2005-06 was the result of construction works at Warragamba Dam. The works created noise and increased traffic issues, particularly heavy vehicles, and 15 complaints related to those works. By 30 June 2006, the causes of many of the problems associated with Warragamba projects had been resolved. Five other complaints related to the SCA's picnic areas and their management, and four related to various property matters.

Appendix 13 provides a full account of complaints to the SCA over 2005-06 and the actions taken to resolve them.



The SCA has comprehensively documented its major infrastructure projects to inform the community and provide a technical and historical record

Dynamic, supportive workplace

supportive



KEY RESULT AREA **06**

- Our staff 168
- Occupational health, safety and rehabilitation 170

So that we are able to meet the challenges facing the organisation both now and in the future, we will achieve the following outcomes over the period 2002-2007

- the SCA will provide a safe, healthy workplace and facilities
- comprehensive workforce planning and management will support the SCA
- SCA staff will contribute to and work within the business planning framework
- the SCA will be a fair and equitable workplace that reflects our values.

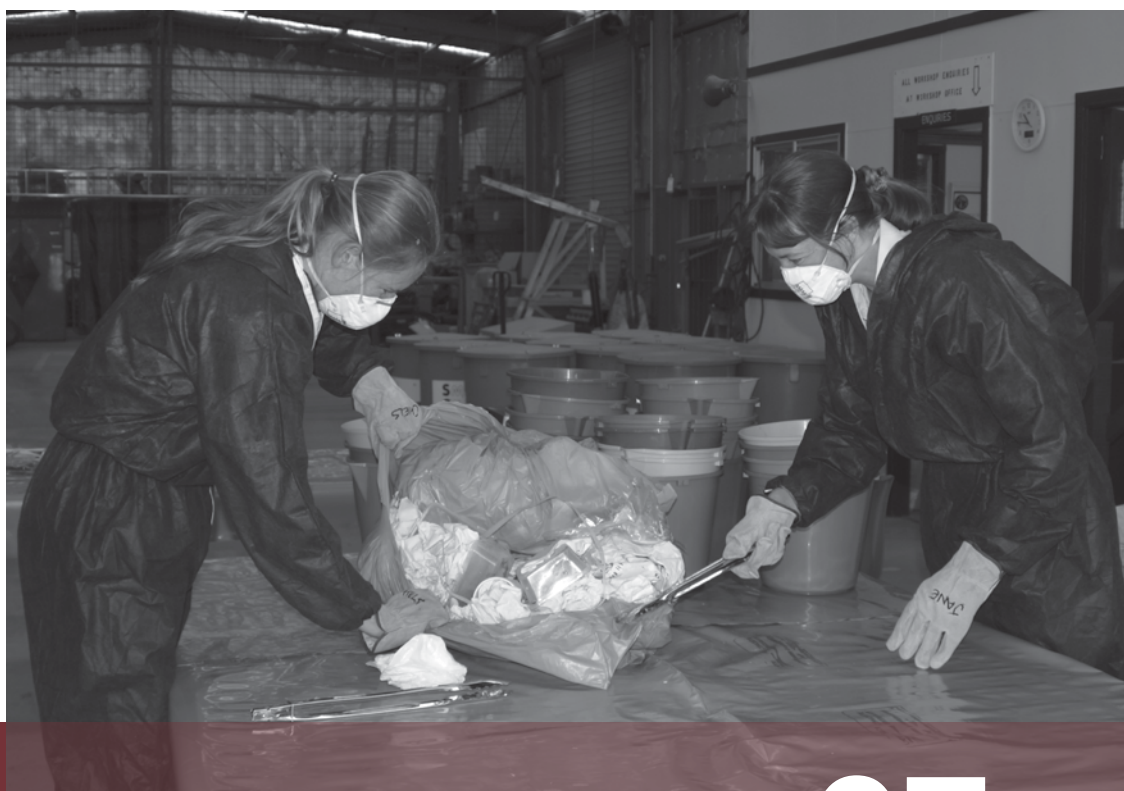
The SCA Division of the Government Service (SCA Division) provides personnel services to the SCA. These services reflect our sixth Key Result Area – Dynamic supportive workplace.

For all personnel services details see the Annual Report of the SCA Division (page 163).



The deep water access project at Nepean Dam posed some significant OH&S challenges for staff, project managers and contractors

Quality systems and processes



KEY RESULT AREA **07**

■ Achievements in environmental performance	57
■ Developments in our regulatory framework	58
■ Process improvement	59
■ Managing SCA property	60
■ Fleet management	60
■ Managing information and technology	60

So that we get it right the first time, we will achieve the following outcomes over the period 2002-2007

- the SCA will comply with relevant statutory and regulatory requirements
- an agreed corporate governance framework will inform decision making within the SCA
- the SCA will consistently apply standardised business processes.

Meeting our obligations and achieving enhanced and sustainable outcomes for our business plan requires us to maintain quality processes and business systems. In 2005-06 we continued to develop, review and update our policies, processes and procedures to ensure they remain relevant to the SCA. Our commitment to our stakeholders and staff through these practices is that they may sustain a high level of confidence in the SCA.

ACHIEVEMENTS IN ENVIRONMENTAL PERFORMANCE

Environment plan

The SCA's Environment Plan acknowledges that, in September 2005, the SCA's Dam Safety Division achieved certification to ISO14001 (Environmental Management Systems) and ISO 9001 (Quality Management Systems). This provides the SCA with an additional framework for meeting environmental challenges and energy innovations.

The draft Environment Plan 2006-10 was prepared as required by the SCA's renewed operating licence. The emphasis is on environmental impacts of the SCA's business activities. Unlike the previous environment plan, the new plan does not include the SCA's catchment management and protection activities, which have separate reporting provisions under the new operating licence. The draft plan was placed on public exhibition in June 2006. The operating licence requires that it be finalised by 1 September 2006.

The new environment plan has five key objectives: water conservation, energy efficiency, waste minimisation, heritage management, and environmental audits of SCA activities. Outcomes of many of the plan's initiatives are documented elsewhere in this report including in information on waste management (Appendix 14) and heritage conservation (Appendix 17).

Water conservation

The SCA worked with Sydney Water and our other customers to deliver consistent messages about water conservation. Sydney Water's billing notices for customers and our billing notices for our retail customers, for example, provide a mechanism for the delivery of water conservation messages.

We also continued to support the Metropolitan Water Plan 'Water for Life' education program, both financially, and as part of the inter-agency group that oversees the development, delivery and evaluation of multimedia education campaigns and community education projects. In 2005-06, this included support for the production of a series of TV, radio and print advertisements aimed at encouraging water conservation.

Using energy efficiently

The SCA achieved a 'five-star' rating for its management of energy in 2005-06, based on Energetics' companies rating scheme. This was the highest rating achieved by any organisation in Australia and equivalent to international best practice. To help reduce our use of energy we maximized the use of green power, adopted two hybrid electric vehicles into the fleet, and invested in the most energy efficient electrical equipment available for the SCA's needs. Energy management clauses are included in all contracts.

We continued to implement the strategies and actions contained within our Energy Management Plan 2001-06, with most of the improvement initiatives being implemented during the life of the plan. The SCA's Energy Management Plan 2006-10 will be finalised in early 2006-07.

Energy consumption

In 2005-06 the SCA consumed 1,093,588 gigajoules of total energy (electricity, fuel and gas). Total electricity used in 2005-06 was 300,448,181 kilowatt hours, 21.61 percent more than for the previous year.



Above: The SCA works with Sydney Water and government agencies to deliver multimedia water conservation education

Opposite: Waste audits at our offices help the SCA improve our environmental performance

The increase was mainly due to increased volumes of water pumped from Tallowa Dam to Warragamba and Nepean dams to manage the water supply during the drought (294 gigawatt hours in 2005-06 compared with approximately 242 gigawatt hours in 2004-05).

Total energy used for water supply infrastructure was 4,973,585 kilowatt hours. Pumping from the Shoalhaven Scheme accounted for 97.9 percent of total electricity use. Electricity used in our office buildings increased by 31 percent due to additional office space in Penrith. Table 12 compares energy consumption figures for the past four years.

Motor vehicle fuel

Motor vehicle fuel decreased by 5.9 percent and the number of motor vehicles over the corresponding period fell by 15 percent. Procurement and procedures were updated to make our use of the fleet more efficient.

Table 12: Energy consumption over past four years

	Electricity use kilowatt hours			
	2002-03	2003-04	2004-05	2005-06
Office buildings	704,206	778,841	713,742	934,985
Public buildings	201,103	152,428	167,748	147,115
Other facilities	129,831	145,722	142,302	124,136
Water supply infrastructure	4, 428, 809	3,977,518	3,898,908	4,973,585
Shoalhaven drought transfers	55,959,821	220,015,892	242,111,812	294,246,232
Infrastructure roadways	21,395	21,587	21,629	22,128
Total electricity	61,445,166	225,091,988	247,056,141	300,448,181

Table 13: Greenhouse gas emissions (GHGE) comparisons 2004-05 and 2005-06

Energy Type	GHGE (carbon dioxide tonnes equivalent)		GHGE %		% Change in GHGE
	2005-06	2004-05	2005-06	2004-05	2005-06
Electricity	287,237	235,769	99.71	99.64	21.83
Petrol	302	319	0.10	0.13	-5.56
Auto distillate (diesel)	462	492	0.16	0.21	-6.14
Wood	67	30	0.02	0.01	120
Gas	3	8	0.00	0.00	-59.43
Total	288,070	236,619	100.00	100.00	21.74

Green electricity

More than 10 percent of the SCA's electricity purchases (excluding water supply pumping from the Shoalhaven to other storages) was green power in 2005-06. In addition, the SCA generated 960 kilowatt hours of green energy from solar cells. We are rearranging our green power purchase in light of new rates from negotiated electricity purchase agreements. This will save a further \$14,000 annually in our electricity costs.

Greenhouse gas emissions

The SCA achieved all its targets in relation to the Premiers' Memorandum 2004-05 (Greenhouse Performance of Government Office Buildings and Rental Properties). By implementing energy efficient projects and purchasing green power, the SCA achieved a 4.5 star rating for all major tenancies with an area greater than 1,000 square metres.

Table 13 shows greenhouse gas emissions for 2005-06 compared to 2004-05.

Environment audit program outcomes

As a key activity of the SCA's environment plan, in 2005-06 the SCA conducted its annual environmental audit program. Findings of the audit are used to improve the environmental performance of SCA projects and activities.

DEVELOPMENTS IN OUR REGULATORY FRAMEWORK**Renewal of SCA operating licence**

The functions of the SCA's operating licence are detailed under section 25 of the *Sydney Water Catchments Management Act 1998* (SWCM Act). Following a comprehensive end of term review by the Independent Pricing and Regulatory Tribunal (IPART), the licence was renewed for a further five year term and is effective until June 2010.

Several of the SCA's reporting obligations under the new operating licence have been satisfied within this annual report. The items include progress against the environment plan (KRA 07), community consultation (KRA 05), complaints to the SCA (KRA 05 and Appendix 13), some catchment and environmental performance indicators (KRA01 and KRA 05), SCA activities regarding demand management (KRA 07) and water supply augmentation (KRA 02).The operating licence can be found on our website at www.sca.nsw.gov.au under publications.

Operating licence audit

The operating licence is subject to annual audits. The SWCM Act requires IPART to report to the Minister on the audit and for the Minister to furnish the report to Parliament. The report was tabled in Parliament on 22 March 2006.

The report found that: 'The SCA has performed at a generally high to full level of compliance with the operating licence with some minor exceptions'. Of the 64



The SCA's water management licence regulates our access to water sources, including the release of water to rivers as environmental flows. New environment flow rules are being developed for Tallowa Dam.

clauses audited, 74 percent were assessed as having high to full compliance, 19 percent as having achieved moderate compliance, and seven percent as having achieved low compliance'. We are continuing to work towards improving performance in areas of moderate or low compliance.

The 2003-04 audit resulted in a ministerial requirement relating to the completion of the SCA's Water Quality Risk Management Framework. The requirement was assessed by the 2004-05 audit as having achieved full compliance.

Water management licence

The SCA was granted a water management licence under the *Water Act 1912*. The licence regulates our access to water resources by authorising the SCA to take and use water from water sources and water management works, and to

extract and release water to rivers. The licence, which has a 20-year term, must be reviewed within six months of being issued and before the end of every five-year period. The five-year review of the licence began during 2005-06 with the Department of Natural Resources inviting written submissions from the public on the operation of the licence.

Processing freedom of information requests

The SCA received eight requests for information under the *Freedom of Information Act 1982* in 2005-06. Seven of the requests were processed and one request was withdrawn. Of the seven processed, two were granted in full and five were refused. Further information relating to requests under the *Freedom of Information Act 1982* is located in Appendix 7.

PROCESS IMPROVEMENT

Two areas of systems improvement across the SCA during 2005-06 were our redesigned intranet and new business management system.

The new look intranet

The SCA's intranet was given a new look in March 2006. A 'What's New' section was introduced to keep staff fully informed of the SCA's policies, procedures and business. The intranet site continues to be the principal medium through which the SCA communicates policies and procedures to staff.

Business management system

Our updated intranet site also contains our business management system, which documents key policies and procedures and other information used by staff on a day-to-day basis. Launched in September 2005, the user-friendly system brings a consistent approach to the many common functions across the organisation. In the spirit of continuous improvement, the business system will be regularly updated and expanded.

The updated intranet site and the business management system better enable us to conduct our business in line with best practice.

Enhancing project management

To improve the administration and outcomes of SCA projects, the SCA's approach to project management was further refined in 2005-06. Various tools and templates were developed and implemented to support the approach, which is designed to suit the range of SCA projects.

A comprehensive training package in the use of project management methods, tools and templates was rolled out for all staff who manage SCA projects. The project management initiative is helping staff adopt best practice in delivering SCA projects.

MANAGING SCA PROPERTY

Accommodation

In line with the Government's Total Asset Management Guidelines, the SCA submitted the annual revision of its office accommodation strategy to NSW Treasury and the Department of Commerce.

The SCA Board endorsed the concept design for the construction of a new visitor information centre and office accommodation at Warragamba, with construction expected to begin in 2007. Staff from our offices at Kenny Hill and Cordeaux will relocate to Campbelltown in 2007.

Land management

In 2005-06, after extensive community consultation and tender processes, the SCA leased 11 of its properties in the Braidwood area. The project is expected to continue over the coming years with up to 50 more properties being offered for lease.

Documentation relating to the lease and licence of SCA lands was finalised. The new documentation ensures the protection of catchment lands and water quality.

Land acquisition strategy

The SCA has a policy of acquiring land in Special Areas for two major purposes. One is to ensure that SCA assets are protected and managed efficiently and to facilitate the creation of new operational assets. The other is to reduce threats to water quality.

In 2002, the SCA compulsorily purchased 55 hectares of Crown land in the Katoomba Special Area for the protection and management of SCA assets. The land cost \$400,443 and was paid for in November 2005.

A review of all vacant Crown land and private holdings in the Special Areas is enabling the SCA to determine priorities for land purchases. The review is evaluating all properties with a priority one classification to enable the SCA to move quickly in the event that such properties come onto the market.

Disposals

The SCA did not dispose of any land during 2005-06.

FLEET MANAGEMENT

In 2005-06 the SCA signed a new contract for the purchase of its motor vehicle fleet. Extensive research and consultation with stakeholders is ensuring that the most appropriate 'fit for purpose' vehicles will be purchased. A new fleet management policy and procedures were developed to complement the new procurement arrangements.

MANAGING INFORMATION AND TECHNOLOGY

In 2005-06, the SCA's management of information and technology encompassed the management of records, the SCA library, and information technology.

Records

During the reporting period the SCA embarked on two major projects as part of our records management program. The SCA is upgrading its records management system to integrate the management of electronic information, records and documents in compliance with the *State Records Act 1998*. In addition, a records disposal authority is being developed to govern the retention and disposal of the SCA's functional records. To support this activity, and to achieve efficiencies and cost savings, the SCA entered into a long-term arrangement with the Government Records Repository for the storage and archiving of SCA records.

SCA library

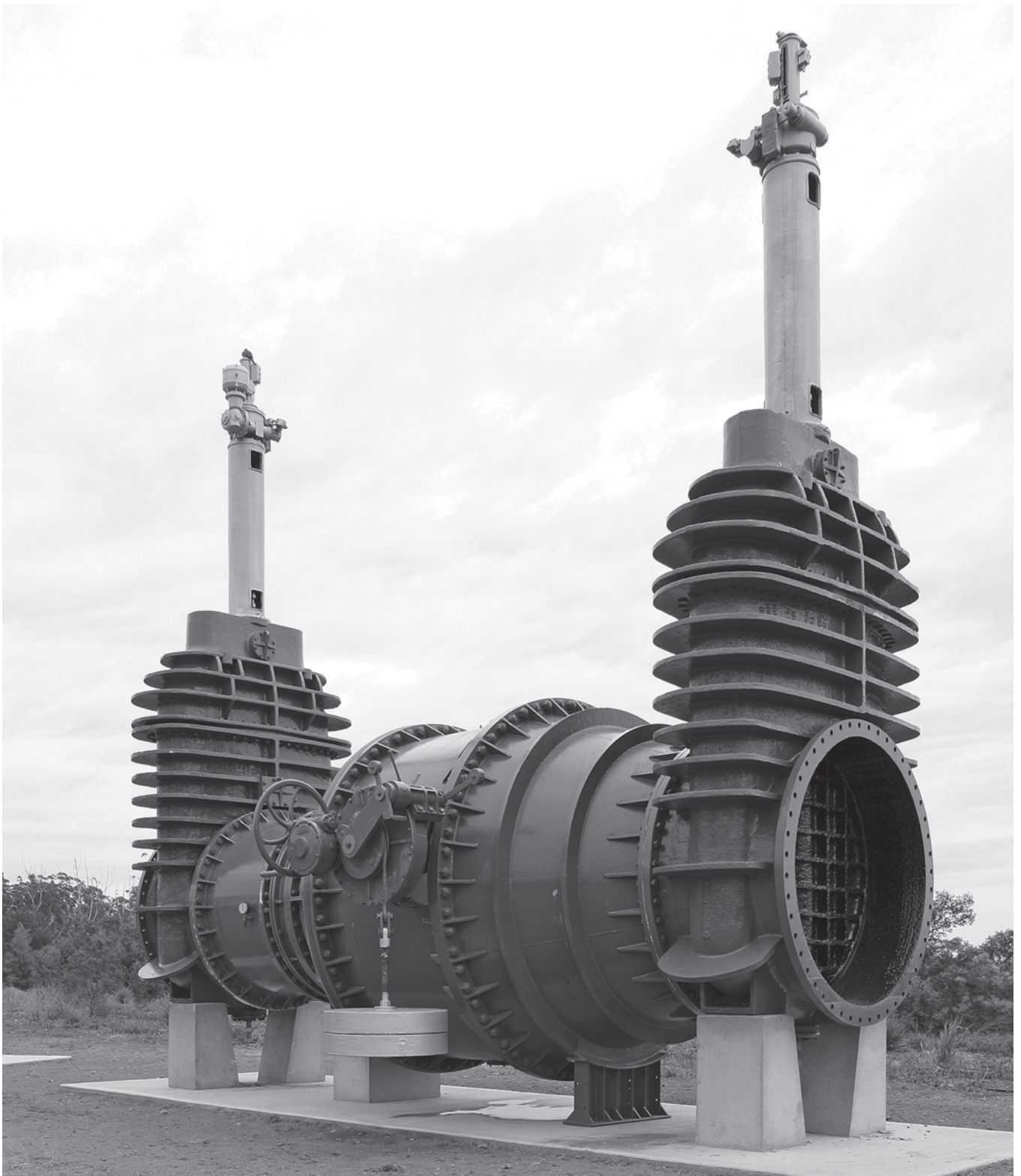
In 2005-06, the SCA library introduced two new specialist databases to help our staff in their work. Standards On-Line Select is a web-based service providing 24 hour access to Australian and international standards. Current Contents Connect provides web access to scientific and environmental citations. In 2006-07 further work will extend access into electronic journal articles (e-Journals).

Information technology

During 2005-06 upgrades to hardware and software infrastructure were installed and maintained for an array of SCA application and business systems. The upgrades included the Maximo procurement and asset management system, the Sun System's general ledger, Geographical information System upgrades for our High Street and Henry Street offices in Penrith, and revision to the SCA's intranet system.

The major hardware project during 2005-06 was to replace all old notebook and desktop personal computers in the SCA. This was successfully completed by 30 June 2006.

Complementing this activity was the 99.8 percent availability of the SCA's combined data network, hardware and software for users, and continued development of our capacity to recover and backup data stored on our network.



One of four 1950's valve sets removed from Warragamba Dam during the valve replacement program has been preserved for display as a heritage item. For a full listing of the SCA's heritage assets see Appendix 17.

Financial reporting



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GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

SYDNEY CATCHMENT AUTHORITY

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of Sydney Catchment Authority (the Authority):

- presents fairly the Authority's and the consolidated entity's (defined below) financial position as at 30 June 2006 and their performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act), and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and the Board's Responsibility

The financial report comprises the balance sheets, income statements, statements of changes in equity, cash flow statements and accompanying notes to the financial statements for the Authority and consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises the Authority and the entities it controlled during the year.

The Board of Sydney Catchment Authority is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Board in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Authority or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



J Kheir B Ec, FCPA
Director, Financial Audit Services

SYDNEY
31 October 2006

In my opinion the Board Members of the Sydney Catchment Authority

a) the Financial Statements:

- i) exhibit a true and fair view of the financial position of the Authority as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date;
 - ii) comply with applicable accounting standards, Urgent Issues Group consensus views, the Public Finance & Audit Regulation 2000, the Treasurer's Directions and other mandatory professional and statutory requirements where applicable.
- b) I am not aware of any circumstances that would render any particulars in the financial statements to be misleading or inaccurate.

John Whitehouse
20 Oct 2006.
John Whitehouse
Chairperson

Graeme Head
19.10.2006
Graeme Head
Chief Executive

SYDNEY CATCHMENT AUTHORITY
INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

		Consolidated entity	Sydney Catchment Authority	
	Note	2006 \$'000	2006 \$'000	2005 \$'000
Revenues	2	139,606	139,606	123,248
Expenses, excluding finance costs	3	(95,620)	(95,620)	(98,443)
Operating profit before finance costs		43,986	43,986	24,805
Net finance costs	4	(15,702)	(15,702)	(12,320)
Profit before income tax expense		28,284	28,284	12,485
Income tax expense	5a(i)	(11,191)	(11,191)	(3,426)
Profit after related income tax expense		17,093	17,093	9,059

The accompanying notes form part of these financial statements

SYDNEY CATCHMENT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

Consolidated entity

	Accumulated Funds	Asset Revaluation Reserve	Total Equity
	2006 \$'000	2006 \$'000	2006 \$'000
Balance at the beginning of the Financial Year	496,020	17,686	513,706
Profit for the year	17,093	-	17,093
Dividends	(16,581)	-	(16,581)
Gain/(loss) on property revaluation	-	-	-
Income tax on items taken directly to equity	-	-	-
Total	512	-	512
Balance at the end of the Financial Year	496,532	17,686	514,218

Sydney Catchment Authority

	Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at the beginning of the Financial Year	496,020	502,348	17,686	-	513,706	502,348
Profit for the year	17,093	9,059	-	-	17,093	9,059
Dividends	(16,581)	(15,387)	-	-	(16,581)	(15,387)
Gain/(loss) on property revaluation	-	-	-	25,266	-	25,266
Income tax on items taken directly to equity	-	-	-	(7,580)	-	(7,580)
Total	512	(6,328)	-	17,686	512	11,358
Balance at the end of the Financial Year	496,532	496,020	17,686	17,686	514,218	513,706

The accompanying notes form part of these financial statements

SYDNEY CATCHMENT AUTHORITY
BALANCE SHEETS
AS AT 30 JUNE 2006

		Consolidated entity 2006 \$'000	Sydney Catchment Authority 2006 \$'000	2005 \$'000
	Note			
Current assets				
Cash and cash equivalents	6	484	484	7,465
Other financial assets	6, 20	9,492	9,492	6,495
Trade and other receivables	7, 20b	19,829	19,365	16,164
Other assets	9	366	366	184
Total current assets		30,171	29,707	30,308
Non current assets				
Property, plant and equipment	10	868,308	868,308	742,388
Deferred tax asset		4,252	4,252	7,379
Total non current assets		872,560	872,560	749,767
TOTAL ASSETS		902,731	902,267	780,075
Current liabilities				
Trade and other payables	11, 20a	35,592	47,785	35,271
Short-term borrowings	12a, 20a	45,801	45,801	36,135
Short-term provisions	13a	26,637	16,983	24,289
Current tax payable	5b	(1,494)	(1,494)	844
Total current liabilities		106,536	109,075	96,539
Non current liabilities				
Long-term borrowings	12b, 20a	270,308	270,308	151,429
Long-term provisions	13b	3,003	-	9,114
Deferred tax liabilities		8,666	8,666	9,287
Total non current liabilities		281,977	278,974	169,830
TOTAL LIABILITIES		388,513	388,049	266,369
NET ASSETS		514,218	514,218	513,706
EQUITY				
Accumulated funds		496,532	496,532	496,020
Asset revaluation reserve		17,686	17,686	17,686
TOTAL EQUITY		514,218	514,218	513,706

The accompanying notes form part of these financial statements

SYDNEY CATCHMENT AUTHORITY
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

		Consolidated entity	Sydney Catchment Authority	
		2006	2006	2005
	Note	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows				
Cash receipts Sydney Water Corp.		135,669	135,669	120,387
Cash receipts insurance claims	14	165	165	260
Cash receipts GST		19,949	19,949	-
Cash receipts other	2b	82	82	5,120
Interest received		827	827	929
		156,692	156,692	126,696
Outflows				
Payments to suppliers and employees		(110,754)	(110,754)	(73,303)
Borrowing costs		(14,264)	(14,264)	(12,895)
Insurance claims expenditure	14	-	-	(75)
Income tax paid	5	(11,023)	(11,023)	(7,723)
		(136,041)	(136,041)	(93,996)
Net cash provided by operating activities		20,651	20,651	32,700
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows				
Proceeds from sale of property, plant and equipment	3g, 10f	388	388	145
Outflows				
Purchases of property, plant and equipment	10	(138,108)	(138,108)	(30,725)
Net cash used in investing activities		(137,720)	(137,720)	(30,580)
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows				
Proceeds from borrowings		165,211	165,211	13,273
Outflows				
Dividends		(15,387)	(15,387)	(18,354)
Repayment of borrowings		(36,114)	(36,114)	(13,597)
Payments of finance lease liabilities		(948)	(948)	(1,156)
Net cash used in financing activities		112,762	112,762	(19,834)
Net increase/(decrease) in cash held		(4,307)	(4,307)	(17,714)
Opening cash and cash equivalents		13,542	13,542	31,256
CLOSING CASH AND CASH EQUIVALENTS	19	9,235	9,235	13,542

The accompanying notes form part of these financial statements

SYDNEY CATCHMENT AUTHORITY
NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

PRINCIPAL ACTIVITIES

Sydney Catchment Authority (SCA) is a NSW statutory body constituted under the *Sydney Water Catchment Management Act 1998* (the Act).

The Act conferred and imposed upon the SCA certain functions with respect to the protection and management of certain catchment areas, with respect to the supply of water to Sydney Water Corporation (SWC) and other bodies, and with respect to other matters; it made provision for the protection of public health and public safety and for the protection of the environment; it made consequential amendments to the *Water Board (Corporatisation) Act 1994* and certain other acts. It was assented to on 14 December 1998.

The parts of the Act that concern the setting up of the SCA came into effect on 8 January 1999. The setting up of the SCA was conducted under the auspices of The Cabinet Office and reported in its financial statements for the year 1998-1999 as "Administered Activities".

The operations of the SCA are not considered to have started until the transfer of assets, liabilities and staff from SWC. This took place on 2 July 1999.

The *Sydney Water Catchment Management Amendment Act 2001* (the Amendment Act) that was passed by the NSW Parliament and received Royal Assent on 25 October 2001 amended the *Sydney Water Catchment Management Act 1998*. As per s2 of the Amendment Act, the Amendment Act is taken to have commenced on 8 January 1999.

The Amendment Act clarified the financial powers of the SCA by creating a Catchment Management Fund and identifying those items for which the SCA could receive and spend monies. The financial statements referred to in these Notes are the financial statements of the Sydney Catchment Authority Catchment Management Fund.

A further amendment to the Act has been made, known as the *Sydney Water Catchment Management Amendment Act 2003 No 70* which received assent and was effective from 20 November 2004. This amendment:

- extended the definition of *catchment infrastructure works* in s3 to include hydro-electric plants or associated infrastructure or works,
- Included as *special functions* in s16 to generate and supply hydro-electricity and undertake any associated activities, whether on the Authority's own account or with others, and
- extended the *Payments into Fund* in s24B to include any money received by the Authority from the generation and supply of hydro-electricity

This amendment provided for the possibility of the SCA building small hydro-electricity plants as part of its catchment infrastructure works, to generate and supply green power and receive money for the sale of any surplus capacity to the SCA.

As required under s75 of the Act, a full review of the Act must be undertaken five years after the inception of the Act. This review was undertaken in 2004, a report of this review was tabled in Parliament by the Minister for the Environment on 9 December 2004. Negotiation is currently being prepared to give effect to the outcomes of the review. The SCA has considered draft amendments submitted by the Parliamentary Counsel and is currently in a process of liaising with the Parliamentary Counsel as to the form of the proposed amendments.

Under the *Public Sector Employment Legislation Amendment Act 2006* (the "PSELAA"), which came into effect from Saturday 17 March 2006, existing staff of SCA became employed by the Government in the Service of the Crown instead of being employed by the SCA.

PRINCIPAL ACTIVITIES (continued)

The employment related implications for the SCA are as follows:

- The *Public Sector Employment and Management Act 2002* is amended to allow staff to be employed by the Crown in Divisions.
- The employing entity is now the Sydney Catchment Authority Division, a division of the Government Service of New South Wales (SCA is listed as a Division in Part 2 of Schedule 1 of the PSELAA). The SCA Division is considered to be a special purpose entity that is controlled by the SCA.
- All SCA staff are now covered by this legislation.
- The SCA no longer has the power to employ staff directly with all staff employed by the Government Service of NSW.
- SCA staff remain covered by the NSW Industrial Relations jurisdiction.
- SCA staff do not become public servants but remain employed by the SCA Division.
- Current Pay and Conditions of employment remain the same under the existing SCA Award.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

The SCA is a reporting entity. These financial statements have been authorised for issue by the Chief Executive on 20 October 2006 and endorsed by the Board.

b) Basis of Preparation

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

- applicable Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Consensus Views; and
- the requirements of the *Public Finance and Audit Act 1983* as amended and the *Public Finance and Audit Regulation, 2000*.

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

In the absence of a specific Accounting Standard, or other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* is considered. Property, plant and equipment, assets (or disposal groups) held for sale and financial assets held for trading and available for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention. The accounting policies have been consistently applied, except where stated.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

All amounts are rounded to the nearest one thousand dollars and are presented in Australian currency.

c) Statement of Compliance

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

This is the SCA's first financial report prepared based on AIFRS and the comparatives for the year ended 30 June 2005 have been restated accordingly, unless otherwise permitted.

In accordance with AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards and Treasury Mandates, the date of transition to AASB132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* has been deferred to 1 July 2005 and, as a result, comparative information for these two Standards is presented under the previous Australian Accounting Standards which applied during the year ended 30 June 2005.

Reconciliations of AIFRS equity and profit or loss for 30 June 2005 to the balances reported in 30 June 2005 financial report are detailed in Note 21. The reconciliations are only provided in respect of the parent entity as the consolidated entity only arose during the current period.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the SCA. Control exists when SCA has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The subsidiary of the SCA is SCA Division, a special purpose entity established under the PSELAA. SCA Division was established on 17 March 2006. SCA exercised control over SCA Division from this date. The consolidated financial statements comprise the results of SCA (the parent entity) for the entire year and the results of SCA Division from the date control commenced. As there were no controlled entities in the prior year, no comparatives consolidated entity balances have been disclosed. Any balance would be the same as the balances reported in the SCA parent entity comparative period information.

e) Employee Benefits

(i) Wages and salaries, compensated absences and on costs

Liabilities for wages & salaries (including non monetary benefits) and annual leave that are expected to be settled wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

The SCA has long-term annual leave benefits and will measure these benefits at present value in accordance with the requirements of AASB 119 *Employee Benefits*. Market yields on government bonds of 5.88% are used to discount long-term annual leave.

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

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

(ii) Long service leave

The SCA's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate of 5.88% is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the SCA's obligations.

This obligation includes applicable payroll tax workers compensation insurance premiums and superannuation.

(iii) Superannuation

The SCA's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the SCA's obligations.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Employee Benefits (continued)

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

All actuarial gains and losses as at 1 July 2004, the date of transition to AEIFRS, were recognised. All actuarial gains and losses that arise subsequent to 1 July 2004 are recognised immediately in the income statement.

Where the calculation results in a benefit to the SCA, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The determination of the present value of defined benefit obligations was performed by an independent actuary using the Projected unit credit method. This valuation requires judgement and estimation of a number of assumptions. These assumptions have been set out in Note 16.

f) Derivative Financial Instruments

Current period policy

SCA uses derivative financial instruments managed by NSW Treasury Corporation (TCorp) to hedge its exposure to interest rate risks arising from operational, financing and investment activities. SCA does not hold or issue derivative financial instruments for trading purposes. Currently SCA's derivatives do not qualify for hedge accounting and are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

SCA has applied AASB139 *Financial Instruments: Recognition and Measurement* for the first time from 1 July 2005 in accordance with NSW Treasury mandate. The application of this standard has not resulted in any change to the accounting for derivatives instruments used by SCA.

(i) Comparative period policy

The SCA is exposed to changes in interest rates from its activities. The SCA uses interest rate futures managed by TCorp to hedge this risk. The fair value of derivatives is recognised on the balance sheet with movements recognised immediately in the profit and loss. Futures deposits and calls are recognised on the balance sheet as an asset or liability.

g) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's mandate to general government sector agencies.

h) Insurance

The Insurance Brokers, Marsh Pty. Limited who were appointed in March 2004, have placed the SCA's insurance coverage with various domestic, London, European and North American Underwriters.

All of the SCA's insurances were renewed by Marsh Pty Limited as at 31 May 2006 for the year to 31 May 2007, except for workers' compensation, and provide insurance coverage in relation to the following matters:

- Industrial Special Risks (Property);
- Public & Product and Professional Indemnity Liability;

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Insurance (continued)

- Motor vehicle;
- Group personal accident and travel;
- Personal Accident: Employees, Trustees and voluntary workers;
- Aircraft Non-Owned Liability;
- Fine arts insurance;
- Directors and Officers Liability and Company Reimbursement;
- Statutory liability; and
- Directors and Officers Supplementary Legal Expenses.

The SCA's Workers Compensation Insurance has been placed with QBE and was renewed as at 28 March 2006 for a period of one year.

i) Inventories

The SCA does not hold any inventories. Supplies used by the SCA are expensed as acquired. The SCA has adopted the policy of expensing low value items used in maintenance and the operation of the conference centre at Warragamba Dam. High volume chemicals used in the preliminary treatment of water are also expensed.

j) Property, Plant and Equipment

(i) Acquisition and capitalisation

All items of property, plant and equipment are recorded initially at the cost of acquisition. Cost is determined as the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Where payment for an item is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

In respect of system assets constructed by the SCA, cost includes materials used in construction, direct labour and directly attributable overheads. These assets are capitalised as completed assets as they become operational and available for use.

(ii) Asset valuation

Assets valued at \$647 million were transferred from Sydney Water Corporation to the SCA on 2 July 1999. The value of \$647 million was agreed to by PricewaterhouseCoopers, IPART, and Sydney Water Corporation. The value fell between the historical net book value of \$480 million and the revaluation net book value of \$1,653 million.

The SCA's asset project involving the determination of asset values on a segmented basis was completed in June 2001. During the 2002 year, a new class of asset was created to cater for the segmentation of Furniture and Fittings from Leasehold Improvements. Asset classes and effective lives based on a condition assessment have been identified, and depreciation rates have been based on the effective life of the respective assets, refer Note i (viii)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Property, Plant and Equipment (continued)

(ii) Asset valuation (continued)

The SCA has two classes of physical non current assets. These are *Specialised Assets* comprising of facility assets, work in progress, land & buildings, and *Non-Specialised Assets* comprising of operational equipment, furniture & fittings, motor vehicles, office equipment, computer hardware, office amenities and leasehold improvements. When measuring assets at fair value, all the assets in a class of asset (as defined above) are considered to be one asset for the purposes of offsetting revaluation increments and decrements in the asset revaluation reserve.

Each class of physical non current asset is revalued at least every five years and with sufficient regularity to ensure that the carrying value of each asset in the class does not differ materially from its fair value at reporting date.

The *fair value* of specialised assets where a market value could not be established was attributed to facility assets, work in progress, land and buildings in accordance with the requirements of Treasury Policy Paper 05/3. The class of assets was then tested for impairment to determine the *fair value* and recorded at their recoverable amount of \$718.5 million. The SCA revalued its specialised assets on 1 July 2004 resulting in the creation of an asset revaluation reserve of \$25.265 million (refer Notes 8 & 21). In accordance with accounting standards, the tax effect of the revaluation of \$7.580 million is netted against the reserve yielding a net reserve of \$17.686 million.

The fair value of facility assets was determined by a specialist independent valuer in conjunction with the Department of Commerce and SCA. The valuation was performed using the Optimised Depreciated Replacement Cost (ODRC) method. This involved establishing the cost of constructing the existing SCA facility assets using current construction costs and yielded a replacement cost of \$3,551.624 million (refer Note 10a). This value was then depreciated back to the date the existing asset was originally constructed. The accumulated depreciation was \$1,662.911 million. This resulted in a total value for specialised assets of \$1,888,713 million.

A recoverable amount assessment was then performed on the total specialised assets using discounted cash flow methodology. A pre tax weighted average cost of capital was used to discount the pre-tax cash flows of SCA over the remaining estimated useful life of the facility assets.

In respect of facility assets, this resulted in a reduction in the ODRC value, known as an impairment, of \$1,218.529 million. The *fair value net of impairment* after the revaluation on 1 July 2004 was determined to be \$670.184 million, a net increase of \$113.114 million (refer Notes 8 & 21).

The *fair value* of Work in Progress assets was determined as a percentage of the total value of specialised assets and attributing that percentage to the total recoverable amount of \$718.5 million. This resulted in Work in Progress assets being impaired by \$18.997 million (refer Notes 8, 10 & 21).

The *fair value* of Land assets was determined as a percentage of the total value of specialised assets and attributing that percentage to the recoverable amount of \$718.5 million. This resulted in Land assets being impaired by \$66.101 million (refer Notes 8 & 21).

The *fair value* of Building assets was determined as a percentage of the total value of specialised assets and attributing that percentage to the recoverable amount of \$718.5 million. This resulted in Building assets being impaired by \$2.751 million (refer Notes 8 & 21).

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

When revaluing physical non current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

Revaluation increments are credited directly to the asset revaluation reserve, except to the extent that an increment reverses a revaluation decrement in respect of that asset previously recognised as an

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Property, Plant and Equipment (continued)

(ii) Asset valuation (continued)

expense in the surplus/deficit, the increment is recognised immediately as revenue in the surplus/deficit.

Revaluation decrements are recognised immediately as expenses in the surplus/deficit, except to the extent that a credit balance exists in the asset revaluation reserve in respect of the same asset, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are only offset against one another within total specialised assets. Increments and decrements in respect of other assets are not offset.

Where an asset that has been previously revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

In accordance with AASB136 requires an entity to assess at each reporting date whether there is any indication that the cash generating unit may be impaired. As at 30 June 2006, the SCA performed a recoverable amount test (RAT) on the assets within the cash generating unit using discounted cash flow methodology. A pre tax weighted average cost of capital was used to discount the pre-tax cash flows of SCA over the remaining estimated useful life of the facility assets. The results of this analysis showed that the present value of the discounted cash flows exceeded the carrying value of the assets.

(iii) Asset valuation under the historic cost principle

In accordance with AASB116 s77(e), the written down value (WDV) based on the historic cost principle of the SCA's property, plant and equipment as at 30 June 2006 is shown in the table below:

Property, Plant and Equipment Class	Historic Cost WDV @ 30/6/2006 \$'000	Historic Cost WDV @ 30/6/2005 \$'000
a) Facility assets	573,322	559,571
b) Work in progress at cost	154,631	47,731
c) Land	104,257	102,456
d) Buildings	4,078	4,166
e) Operational equipment	2,545	1,796
f) Motor vehicles	3,691	222
g) Office equipment	972	346
h) Computer equipment	1,495	282
i) Office amenities	69	83
j) Furniture & fittings	64	222
k) Leasehold improvements	44	103
Total Property, Plant and Equipment Historic Cost WDV	845,168	716,978

(iv) Impairment of property, plant and equipment

The carrying amount of the SCA's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Property, Plant and Equipment (continued)

(iv) Impairment of property, plant and equipment (continued)

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of the previous revaluation with any excess recognised through profit or loss.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is 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.

(v) Assets under construction

Under AASB 116 *Plant, Property & Equipment* interest costs on borrowings specifically financing assets under construction can be capitalised up to the date of completion of each asset to the extent those costs are recoverable. However NSW Treasury mandates that these borrowing costs are to be expensed rather than capitalised.

(vi) Major inspection costs

The labour costs of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied. AASB 116 requires that major inspection costs are to be capitalised. However the SCA considers that its inspection costs of major assets to be insignificant and they will be expensed as incurred.

(vii) Restoration costs

AASB 116 requires the cost and fair value of property, plant and equipment to be increased to include the present value of the estimated dismantling obligations under lease obligations, where a provision for dismantling costs are recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. These dismantling costs must be depreciated and the unwinding of the provision for dismantling costs must be recognised as a finance expense. The provision for restoration is reviewed at least annually and any change is adjusted against the carrying value of the restoration cost asset.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Property, Plant and Equipment (continued)

(viii) Depreciation of non current assets

Depreciation is provided for on a straight-line basis against all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the SCA. The useful lives of SCA assets in the current year and prior years are set out below.

Non current Asset Classification	Life in years
Dams	100 to 150
Reservoirs	75 to 100
Canals & tunnels	100
Major pipelines (above ground)	150
Weirs	100
Water mains	50
System buildings	40 to 100
Water pumping stations	45
Water treatment plants	45
Working plant & equipment	2 to 14
Operating equipment	3 to 20
Motor vehicles	7
Office equipment	4 to 10
Computer equipment	5
Furniture and fittings	5
Office amenities	7 to 20
Leasehold improvements	Over the remaining period of the lease or life of the improvements whichever is shorter.

k) Interest Bearing Liabilities

The SCA borrows through the TCorp in the form of liquid and marketable TCorp stocks.

(i) Current accounting policy

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

SCA has applied AASB139 *Financial Instruments: Recognition and Measurement* for the first time from 1 July 2005 in accordance with NSW Treasury mandate. The application of this standard has not resulted in any change to the accounting for financial instruments used by SCA.

(ii) Comparative period policy

Interest bearing liabilities are recognised at their principal amount. Interest expense is accrued at the contracted rate.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense. The fair value of the asset is depreciated over the term of the lease.

Operating lease payments are charged to the Income statement on a straight line basis in the periods in which they are incurred.

AASB137 requires restoration obligations under lease obligations to be provided for over the life of the lease.

m) Maintenance and Repairs

The costs of maintenance and repairs are charged as expenses as incurred except where they relate to the replacement of a component of an asset in which case the costs are capitalised and depreciated.

During the 2006 financial year, the SCA has reviewed its policy and procedures relating to the creation of assets and guidelines for identifying Maintenance Expenditure on assets.

n) Financial Assets

(i) Current Period Policy

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement. The SCA held no such assets during the financial year. The SCA has not designated any other financial assets or liabilities as measured at fair value through profit or loss.

Other than the TCorp Hour-glass investment facilities discussed below, the SCA has no financial assets that have been designated as being "designated at fair value through the income statement at inception".

Other financial instruments held by the SCA are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss recognised directly in equity, except for any impairment losses. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement. The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

Financial assets include Cash, Hour Glass Investment Facilities, and Receivables.

(a) Cash

Cash comprises cash on hand and bank balances with a commercial bank. Interest has been earned at the prevailing rates.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Financial assets (continued)

(b) Hour-glass investment facilities

The SCA has investments in TCorp's *Hour-Glass* facilities. The SCA's investments are represented by a number of units of a managed investment pool, with each particular pool having different investment horizons and being comprised of a mix of asset classes appropriate to that investment horizon. TCorp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines.

The TCorp Hour-Glass Investment facilities are unit trust investment funds, catering for NSW public sector agencies' investment needs from short term working funds to long term growth investments. In accordance with Treasury mandate, the TCorp Hour-Glass Investment Facilities are recognised at 'fair value through profit or loss', based on the second leg of the AASB 139 fair value option of AASB 139.9(b)(ii). Changes in the fair value are included in finance income.

(c) Receivables

Receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Short term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the SCA will not be able to collect all amounts due. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off as incurred.

(ii) Comparative Period Policy

As set out in Note 21(ii) AASB 132 and 139 have been applied for the first time in 2006, and therefore the comparative information for 2004/5 for financial instruments has been presented in accordance with previous GAAP. The application has not resulted in a change in measurement of these financial assets.

o) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable.

(i) Bulk water sales and ancillary services

Revenue from the sale of goods (bulk water) is recognised as revenue when SCA transfers the significant risks and rewards of ownership of the assets. Revenue from ancillary services is recognised when SCA's right to receive payment is established.

(iii) Investment income

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

(iii) Rent revenue

Rent revenue is recognised in accordance with AASB 117 *Accounting for Leases* on a straight line basis over the lease term.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Income Recognition (continued)

(iv) Rendering of services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

p) Payables

Liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out by Treasury. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Government guidelines allow for the Chief Executive or delegate to award interest for late payment.

q) Taxation

An *equivalent* or *notional income tax* is payable to the NSW Government through the Office of State Revenue. Taxation liability is assessed according to the National Tax Equivalent Regime of the NSW Treasury, which proposes as far as practicable the adoption of the Commonwealth *Income Tax Assessment Act 1936* (as amended) as the basis for determining taxation liability and, therefore, the adoption of tax-effect accounting, refer Note 5. By virtue of Treasury Circulars TC 06/13 and TC 06/17, the SCA Division is not permitted to mark-up the employment services provided to the SCA and therefore no tax liability will accrue against the SCA Division.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

From 1 July 2001, the State Tax Equivalent Regime was replaced by the National Tax Equivalent Regime (NTER). During the current financial year, the requirements of the NTER prevailed.

The SCA Division has been grouped with the Department of Environment and Conservation for the purposes of Fringe Benefits Tax as required by Treasury Circular TC 06/07. The SCA Division is required to assess its Fringe Benefits Tax obligations in accordance with the directions issued by NSW Treasury from time to time.

As required by Treasury Circulars TC 06/13 and TC 06/17, the SCA Division is the reporting entity of the Group for the Payroll Tax purposes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Dividend payable to State Government

The Dividend payable to the State Government is established in the SCA's Statement of Financial Framework. The dividend payable to the State Government is negotiated by reference to the after tax earnings of the SCA in the context of the financial health of the SCA and capital expenditure requirements.

The dividend has been calculated on the basis of 97% of profit after tax (2005: 97%), refer Note 13(a). The dividend payable is recognised after a resolution is passed by the Board.

s) Accounting for Goods and Services Tax

In relation to the Goods and Services Tax (GST), revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred by the SCA as a purchaser is not recoverable from the Australian Taxation Office. In such cases, the GST is recognised as part of the acquisition of an asset or as part of an item of expense. Accrued receivables and payables are stated inclusive of GST. The SCA and SCA Division are grouped for GST purposes and therefore any inter-entity charges do not include an amount in respect of GST.

t) Bushfire Insurance Claim

The SCA suffered losses predominantly to its Warragamba site, during the bushfire incident which occurred in the December 2001/January 2002 period.

Whilst insurance coverage was sufficient to cover the loss of both assets and equipment, additional operating expenditure mainly in the area of additional employee-related and incident management costs which occurred as a result of the declaration of a S44 Incident by the Rural Fire Service, were recovered under the provisions of the *Rural Fires Act, 1997*.

A summary of the identified financial losses, additional operational costs, plans for reinstatement or replacement of assets and recoverable amounts from both insurance and legislative provisions are shown in Note 14.

u) Intangibles

(i) Research & development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as it is incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and SCA has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and directly attributable overheads. Other development expenditure is stated at cost less accumulated amortisation and impairment losses.

v) Grants

SCA has not received revenue grants. Grants are paid by the SCA as part of its business operations. AASB 120 Accounting for Government Grants and Disclosure of Government Assistance requires for-profit entities to recognise grant expense proportionally over a period consistent with the grantee incurring expenditure associated with the grant. Any cash paid prior to this is recognised as a prepayment.

w) Accounting estimates and judgments

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) Accounting estimates and judgments (continued)

reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed below.

(i) Key sources of estimation uncertainty

Determination of fair values of property, plant and equipment

The basis of determining fair values determined under the Optimised depreciated replacement cost (ODRC) approach is set out in Note 1(i) (ii). The ODRC valuation used to determine the fair value of the property, plant and equipment was performed by an independent expert. This valuation involves judgment and estimation in determining the replacement cost, using engineering estimates of the current construction cost of existing SCA assets and assessing their remaining useful life for the purpose of determining depreciation from the previous acquisition date up to the date of the valuation.

Further, the SCA's assets are carried at their recoverable amount where this is lower than the ODRC value. The recoverable amount involved estimating the present value of the cash flows the assets would generate from its use. In this calculation, estimates are made of both future cash flows and the discount rate of the business.

Leasehold property

The cost of leasehold property includes a provision for the estimated cost of make good of the property. This requires estimation of the future costs expected to be incurred and an appropriate discount rate.

Superannuation plan assumptions

The SCA has used actuarial assumptions in the determination of its defined benefits obligation in relation to the superannuation plans for which it accounts on behalf of the Crown. The assumptions as provided by the actuary are set out in Note 16.

(ii) Critical accounting judgements in applying the accounting policies

Determination of for profit or not for profit

SCA management has applied its judgement in assessing whether it meets the definition of a for profit or not for profit entity for the purposes of the accounting standards. SCA has concluded that the business is a for profit entity.

Determination of provisions

Accounting judgement has been applied in the determination of the provision for doubtful trade debtors, provisions for employee entitlements and other provisions. Judgement has been applied by management in estimating the likely loss and/or obligation in relation to each provision. Judgement has been based on past experience adjusted for current circumstances. The accounting policies associated with the measurement of these balances are set out in the significant accounting policies.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) Accounting estimates and judgments (continued)

(ii) Critical accounting judgements in applying the accounting policies (continued)

Operation of SCA and SCA Division under the PSELAA

The SCA Division was established under the *Public Sector Employment Legislation Amendment Act 2006 (PSELAA)* effective 17 March 2006. A Memorandum of Understanding between the SCA and the SCA Division, substantially in line with the precedent provided in Treasury Circular TC 06/17, was not formally executed until after the end of the financial year. However the Board of the SCA and the Head of SCA Division consider that intentions of the Memorandum of Understanding have been constructively adhered to by both entities over the period from 17 March 2006 to year end. SCA has exercised its judgement in determining and concluding that intentions of the arrangements have been constructively complied with and accordingly the consolidated financial statements present a true and fair view of the arrangement.

x) Issued standards early adopted

The SCA, in accordance with NSW Treasury mandate has elected to early adopt AASB 2005-4 *Amendments to Australian Accounting Standards (June 2005)* amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 1023 *General Insurance Contracts*, AASB 1038 *Life Insurance Contracts*. This Amending Standard operates to restrict the circumstances where entities can on initial recognition designate financial instruments at 'fair value through profit and loss'.

The SCA, in accordance with NSW Treasury mandate has elected to early adopt AASB 2005-6 *Amendments to Australian Accounting Standards (June 2005)* amending AASB 3 *Business Combinations*. The amendment operates to exclude business combinations involving businesses or entities under common control from the scope of AASB3. Accordingly equity transfers between NSW public sector agencies continue to be accounted for under NSWTC 01/11 *Contributions by owners made to wholly owned public sector entities*.

y) Issued standards not early adopted

The following standards and amendments were available for early adoption but have not been applied in these financial statements in accordance with NSW Treasury Mandate:

- AASB 119 *Employee Benefits (December 2004)* – application date 1 January 2006;
- AASB 2004-3 *Amendments to Australian Accounting Standards (December 2004)* amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements*, AASB 124 *Related Party Disclosures* – application date 1 January 2006.
- AASB 2005-1 *Amendments to Australian Accounting Standards (May 2005)* amending AASB 139 *Financial Instruments: Recognition and Measurement* – application date 1 January 2006.
- AASB 2005-3 *Amendments to Australian Accounting Standards (June 2005)* amending AASB 119 *Employee Benefits (December 2004)* – application date 1 January 2006.
- AASB 2005-5 *Amendments to Australian Accounting Standards (June 2005)* amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004) and AASB 139 *Financial Instruments: Recognition and Measurement* – application date 1 January 2006.
- UIG 4 *Determining whether an Arrangement contains a Lease* – application date 1 January 2006.
- AASB 7 *Financial instruments: Disclosure (August 2005)* replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

y) Issued standards not early adopted (continued)

- AASB 2005-10 *Amendments to Australian Accounting Standards (September 2005)* makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and
- AASB 2005-9 *Amendments to Australian Accounting Standards (September 2005)* amending AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, AASB 132 *Financial Instruments: Disclosure and Presentation*, and AASB 139 *Financial Instruments*.
- AASB 2006-1 *Amendments to Australian Accounting Standards (January 2006)* amending AASB 121 *The Effects of Changes in Foreign Exchange Rates (July 2004)*.

SCA is finalising its analysis of the impacts of each new standard in preparation for their respective first time application date.

2. REVENUES

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
a) Revenue from Core Activities			
Bulk water sales to Sydney Water Corporation at fixed prices	62,214	62,214	64,392
Rebate of operating costs allowed to Sydney Water Corporation	(300)	(300)	(1,200)
Bulk water sales to Sydney Water Corporation at variable prices	76,268	76,268	60,307
Sydney Water Corporation – water quality rebate	(800)	(800)	(3,200)
Other bulk water sales	675	675	585
Revenue from Core Activities	138,057	138,057	120,884
b) Revenue from other than Core Activities			
Contracting out	193	193	1,348
Rental income	273	273	311
Conference centre hire	66	66	129
Gross insurance recoveries	165	165	259
Other	852	852	317
Revenue from other than Core Activities	1,549	1,549	2,364
Total revenues	139,606	139,606	123,248

3. EXPENSES EXCLUDING FINANCE COSTS

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
a) Employee Related Expenses			
Salary and wages (including recreation leave and redundancies)	23,849	16,814	20,402
Superannuation	(4,145)	(2,722)	3,490
Long service leave	1,252	984	972
Workers compensation insurance	670	477	588
Payroll tax and fringe benefits tax	1,788	1,301	1,600
Employee Related Expenses	23,414	16,854	27,052
b) Contractors Expenses			
Agency hire of staff	2,526	2,526	2,319
Employment specialist services	223	223	222
Payments to SCA Division for employment services	-	6,560	-
Water quality and monitoring	6,051	6,051	6,504
Environmental planning and management	3,397	3,397	1,911
Dam safety and mining protection (1)	733	733	6,970
Operating licence compliance	190	190	-
Bulk water purchases	1,246	1,246	1,179
Integrated management systems	411	411	245
Contractors – general	796	796	953
Contractors Expenses	15,573	22,133	20,303
c) Property and Materials Expenses			
Repairs and maintenance – buildings	1,027	1,027	848
Grounds maintenance	4,307	4,307	1,121
Security	2,172	2,172	2,131
Materials	552	552	441
Rent & rates	1,345	1,345	1,273
Other	81	81	13
Property and Materials Expenses	9,484	9,484	5,827

(1) This includes \$957,582 of cost recoveries billed by SCA for reimbursement of costs incurred conducting maintenance activities on behalf of other entities.

3. EXPENSES EXCLUDING FINANCE COSTS (Continued)

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
d) Other Operating Expenses			
Advertising	254	254	156
Auditor's remuneration	173	173	145
Internal & other audit fees	415	415	343
Insurance claims expenditure – gross	-	-	75
Committee fees and expenses	5	5	107
Research and development	1,065	1,065	1,114
Energy	527	527	360
Energy – drought pumping	8,480	8,480	6,814
Maintenance on assets and equipment	9,396	9,396	922
Grants and sponsorships (2)	997	997	9,548
Information management	2,602	2,602	1,767
Insurance premiums	4,766	4,766	4,672
Memberships and subscriptions	714	714	707
Telephone and fax	496	496	556
Transport	1,300	1,300	933
Preparation of plans and reports	723	723	1,279
Printing and stationery	393	393	227
Training courses	477	477	411
Other	927	927	711
Other Operating Expenses	33,710	33,710	30,847

(2) Grants and sponsorships comprise only those arrangements meeting the accounting definition of a grant. Previously arrangements now classified as a fee for service were disclosed in this line. Fee for service arrangements are now classified within the various expense categories, primarily contracting expenses.

3. EXPENSES EXCLUDING FINANCE COSTS (Continued)

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
e) Depreciation Expense			
Facility assets	9,743	9,743	9,842
Buildings	38	38	33
Operational equipment	383	383	329
Furniture & fittings	158	158	218
Motor vehicles	334	334	103
Office equipment	117	117	68
Computer hardware	234	234	44
Office amenities	14	14	12
Leasehold improvements	129	129	443
Finance lease assets	687	687	1,457
Depreciation Expense	11,837	11,837	12,549
f) Licence Fees	1,639	1,639	1,866
g) Loss on sale/write off on Non current Assets	(37)	(37)	(1)
Expenses excluding Finance Costs	95,620	95,620	98,443

4. NET FINANCE COSTS

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
Interest expense	15,992	15,992	12,487
Interest differential – government guarantee fee	1,355	1,355	916
Amortisation of premium/discount on interest bearing liabilities	(646)	(646)	(297)
Net interest expense under amortised cost approach	16,701	16,701	13,106
Finance leases interest charges	72	72	109
Unwinding of discounting	13	13	13
Net loss on debt management	-	-	21
Finance Costs	16,786	16,786	13,249
Interest income	(827)	(827)	(929)
Net gain on debt management	(257)	(257)	-
Finance income	(1,084)	(1,084)	(929)
Net Finance Costs	15,702	15,702	12,320

5. INCOME TAX

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
(a) Income tax expense			
(i) Recognised in the income statement			
Current tax expense			
Current year	6,198	6,198	7,021
Adjustments for prior years	2,487	2,487	39
	8,685	8,685	7,060
Deferred tax expense			
Origination and reversal of temporary differences	2,506	2,506	(3,634)
Total income tax expense in income statement	11,191	11,191	3,426
(ii) Numerical reconciliation between tax expense and pre-tax net profit			
Prima facie tax expense at 30% of surplus from ordinary activities (2005: 30%)	8,485	8,485	3,745
Increase in income tax expense due to:			
Non-deductible expenses	-	-	1
Non deductible depreciation	-	-	-
Non deductible entertainment	-	-	-
Decrease in income tax expense due to:			
Net difference between accounting and tax depreciation	-	-	-
Research and development concession	(1,370)	(1,370)	(322)
Recognition of temporary differences	1,589	1,589	(37)
Under / (over) provided in prior years	87	87	39
Adjustments for prior years	2,400	2,400	-
Income tax expense on pre-tax net profit	11,191	11,191	3,426
b) Current Tax payable			
Opening Balance of Tax Provision	844	844	1,507
Income Tax Provided for during the Year	6,198	6,198	7,021
Tax Refunds	154	154	298
Prior year adjustments	2,487	2,487	39
Payment – Instalments	(11,177)	(11,177)	(8,021)
Current Tax payable at year end	(1,494)	(1,494)	844

5. INCOME TAX (Continued)

(c) Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Consolidated entity	Sydney Catchment Authority	
	2006 \$000	2006 \$000	2005 \$000
Property, plant and equipment	(7,948)	(7,948)	(8,020)
Prepaid grants	(401)	(401)	(319)
Doubtful debts provision	7	7	7
Accelerated sewerage program	3,750	3,750	1,200
Employee entitlements	-	-	2,557
Unfunded superannuation	-	-	2,710
Other items	178	178	(43)
Net tax assets / liabilities	(4,414)	(4,414)	(1,908)

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which the consolidated entity can utilise the benefits.

There are no deferred tax assets that have not been recognised.

Consolidated entity

Movement in temporary differences during the year:

	Balance 1 Jul 04	Recognised in income	Recognised in equity	Balance 30 Jun 05
Property, plant and equipment	(7,992)	(28)	-	(8,020)
Prepaid grants	(2,005)	1,686	-	(319)
Doubtful debts provision	2	5	-	7
Accelerated sewerage program	-	1,200	-	1,200
Employee entitlements	2,249	308	-	2,557
Unfunded superannuation	2,077	633	-	2,710
Other items	127	(170)	-	(43)
	(5,542)	3,634	-	(1,908)

	Balance 1 Jul 05	Recognised in income	Recognised in equity	Balance 30 Jun 06
Property, plant and equipment	(8,020)	72	-	(7,948)
Prepaid grants	(319)	(82)	-	(401)
Doubtful debts provision	7	-	-	7
Accelerated sewerage program	1,200	2,550	-	3,750
Employee entitlements	2,557	(2,557)	-	-
Unfunded superannuation	2,710	(2,710)	-	-
Other items	(43)	221	-	178
	(1,908)	(2,506)	-	(4,414)

5. INCOME TAX (Continued)

(c) Deferred tax assets and liabilities (continued)

Sydney Catchment Authority

Movement in temporary differences during the year:

	Balance 1 Jul 04	Recognised in income	Recognised in equity	Balance 30 Jun 05
Property, plant and equipment	(7,992)	(28)	-	(8,020)
Prepaid grants	(2,005)	1,686	-	(319)
Doubtful debts provision	2	5	-	7
Accelerated sewerage program	-	1,200	-	1,200
Employee entitlements	2,249	308	-	2,557
Unfunded superannuation	2,077	633	-	2,710
Other items	127	(170)	-	(43)
	(5,542)	3,634	-	(1,908)

	Balance 1 Jul 05	Recognised in income	Recognised in equity	Balance 30 Jun 06
Property, plant and equipment	(8,020)	72	-	(7,948)
Prepaid grants	(319)	(82)	-	(401)
Doubtful debts provision	7	-	-	7
Accelerated sewerage program	1,200	2,550	-	3,750
Employee entitlements	2,557	(2,557)	-	-
Unfunded superannuation	2,710	(2,710)	-	-
Other items	(43)	221	-	178
	(1,908)	(2,506)	-	(4,414)

6. OTHER FINANCIAL ASSETS

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
Cash	484	484	7,465
TCorp hour-glass facility	8,751	8,751	6,077
TCorp cash at call	-	-	-
Derivatives at fair value	741	741	418
Other Financial Assets	9,976	9,976	13,960

7. TRADE AND OTHER RECEIVABLES

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
Trade debtors – net of provision for doubtful debts	12,019	12,019	10,471
Other debtors	5,503	5,503	3,302
Prepaid superannuation (Note 16)	-	-	82
Prepaid insurance premiums	56	-	48
Prepaid grants	1,338	1,338	1,065
Prepaid other	505	505	1,196
Prepaid salaries, wages and on-costs	408	-	-
Receivables	19,829	19,365	16,164

8. ASSET REVALUATION RESERVE

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
Balance at the beginning of the Financial Year	17,686	17,686	-
Revaluation - facility assets	-	-	113,114
Impairment – work in progress	-	-	(18,997)
Impairment – land	-	-	(66,101)
Impairment – buildings	-	-	(2,750)
Total of net revaluation	-	-	25,266
Tax effect of above adjustments	-	-	(7,580)
Balance at the end of the Financial Year	17,686	17,686	17,686

The asset revaluation reserve relates to property plant and equipment measured at fair value in accordance with applicable accounting standards.

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
Revaluation - facility assets	79,180	79,180	79,180
Impairment – work in progress	(13,298)	(13,298)	(13,298)
Impairment – land	(46,271)	(46,271)	(46,271)
Impairment – buildings	(1,925)	(1,925)	(1,925)
Revaluation Reserve	17,686	17,686	17,686

9. OTHER ASSETS

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
Insurance claims	366	366	184
Other Assets	366	366	184

10. PROPERTY, PLANT & EQUIPMENT

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
a) Facility Assets			
Opening balance at cost	605,377	605,377	594,069
Revaluation at 1 July 2004	2,957,555	2,957,555	2,957,555
Optimised replacement cost	3,562,932	3,562,932	3,551,624
Depreciation based on optimised replacement cost at 1 July 2004	(1,662,911)	(1,662,911)	(1,662,911)
Impairment at 1 July 2004	(1,218,529)	(1,218,529)	(1,218,529)
Fair value after revaluation at 1 July 2004	681,492	681,492	670,184
Assets capitalised during the year	21,960	21,960	11,127
Asset replacement re bush fires	-	-	181
Accumulated depreciation subsequent to revaluation	(19,586)	(19,586)	(9,842)
Facility Assets Fair Value	683,866	683,866	671,650
b) Work in Progress			
Metropolitan water plan	102,465	102,465	8,761
Warragamba dam spillway upgrade	2,711	2,711	11,368
Warragamba dam general upgrade	4,987	4,987	11,917
Warragamba pipelines upgrade	313	313	2,075
Blue Mountains system upgrade	1,957	1,957	1,074
Metropolitan dams upgrade	127	127	394
Upper canal upgrade	325	325	73
Prospect reservoir upgrade	27,223	27,223	2,605
Shoalhaven system upgrade	3,091	3,091	2,372
Catchments upgrade	1,278	1,278	991
General upgrades	10,154	10,154	6,101
Impairment	(18,997)	(18,997)	(18,997)
Work in Progress Fair Value	135,634	135,634	28,734

10. PROPERTY, PLANT & EQUIPMENT (continued)

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
c) Land			
Opening balance at cost	102,456	102,456	102,456
Land capitalised	1,801	1,801	-
Impairment	(66,101)	(66,101)	(66,101)
Land Fair Value	38,156	38,156	36,355
d) Buildings			
Opening balance at cost	4,782	4,782	4,775
Buildings capitalised	-	-	7
Impairment	(2,750)	(2,750)	(2,750)
Accumulated depreciation	(583)	(583)	(545)
Buildings Fair Value	1,449	1,449	1,487
e) Operational Equipment			
Opening balance at cost	2,802	2,802	2,014
Equipment capitalised	1,133	1,133	788
Accumulated depreciation	(1,390)	(1,390)	(1,006)
Operational Equipment Fair Value	2,545	2,545	1,796
f) Motor Vehicles			
(i) Owned			
Opening balance at cost	535	535	890
Motor vehicles capitalised	3,802	3,802	-
Accumulated depreciation	(580)	(580)	(523)
Disposal of motor vehicles	-	-	(355)
Depreciation written back	-	-	210
Motor Vehicles Owned Fair Value	3,757	3,757	222
(ii) Under Finance Leases			
Motor vehicles at present value at inception	988	988	1,496
Additions under new finance leases	-	-	535
Finance leases expired during period	(950)	(950)	(1,042)
Accumulated depreciation	(32)	(32)	(617)
Motor Vehicles under Finance Leases Fair Value	6	6	372

10. PROPERTY, PLANT & EQUIPMENT (continued)

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
g) Office Equipment			
(i) Owned			
Opening balance at cost	602	602	531
Office equipment capitalised	743	743	71
Accumulated depreciation	(373)	(373)	(256)
Office Equipment Owned Fair Value	972	972	346
(ii) Under Finance Leases			
Office equipment at present value at inception	277	277	287
Additions under new finance leases	-	-	30
Finance leases expired during period.	(46)	(46)	(40)
Accumulated depreciation	(175)	(175)	(163)
Office Equipment under Finance Leases Fair Value	56	56	114
h) Computer Equipment			
(i) Owned			
Opening balance at cost	639	639	432
Computer equipment capitalised	1,448	1,448	207
Accumulated depreciation	(592)	(592)	(357)
Computer Equipment Owned Fair Value	1,495	1,495	282
(ii) Under Finance Leases			
Office equipment at present value at inception	1,428	1,428	1,813
Additions under new finance leases	-	-	224
Finance leases expired during period.	(545)	(545)	(609)
Accumulated depreciation	(689)	(689)	(868)
Under Finance leases Fair Value	194	194	560
i) Office Amenities			
Opening balance at cost	125	125	115
Office amenities capitalised	-	-	11
Accumulated depreciation	(56)	(56)	(43)
Office Amenities Fair Value	69	69	83

10. PROPERTY, PLANT & EQUIPMENT (continued)

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
j) Furniture and Fittings			
Opening balance at cost	1,213	1,213	1,198
Improvements capitalised	-	-	15
Accumulated depreciation	(1,149)	(1,149)	(991)
Furniture and Fittings Fair Value	64	64	222
k) Leasehold Improvements			
Opening balance at cost	1,810	1,810	1,779
Improvements capitalised	-	-	31
Leasehold restoration costs	204	204	195
Accumulated depreciation restoration	(159)	(159)	(133)
Accumulated depreciation	(1,810)	(1,810)	(1,707)
Leasehold Improvements Fair Value	45	45	165
l) Intangible Assets			
Computer software at cost	772	772	772
Accumulated depreciation	(772)	(772)	(772)
Intangible Assets Fair Value	-	-	-
Property, Plant and Equipment	868,308	868,308	742,388

11. TRADE AND OTHER PAYABLES

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
Creditors	4,473	4,350	11,766
Accrued charges	31,119	31,119	22,329
Accrued salaries, wages and on costs	-	-	1,176
Amount owed to other group companies	-	12,316	-
Payables	35,592	47,785	35,271

12. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
a) Current			
Call loans	45,516	45,516	-
Fixed interest loans (TCorp)	-	-	35,462
Premium / (discount) on loans	-	-	(132)
Loans at amortised cost	45,516	45,516	35,330
Finance leases liability	285	285	805
Short-term borrowings	45,801	45,801	36,135
b) Non Current			
Fixed interest loans (TCorp)	269,471	269,471	150,191
Premium/ (discount) on loans	837	837	882
Loans at amortised cost	270,308	270,308	151,073
Finance leases liability	-	-	356
Long-term borrowings	270,308	270,308	151,429

Interest bearing liabilities are fixed loans to other Australian government authorities and are denominated in Australian dollars. The loans are managed by TCorp. The fixed loans have maturity dates ranging from 1 July 2006 to 1 March 2017. The amount in current liabilities comprises the portion of SCA's liabilities payable within one year. The loans are unsecured and bear interest at fixed rates ranging from 5.5% to 8%.

Exposure to credit and interest rate risks arises in the normal course of the SCA's business. Derivative financial instruments are used to hedge exposure to fluctuations in interest rates.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At the balance sheet date the primary credit concentration was with SWC representing 96.6% (2005: 92.4%) of the trade receivables balance. This amount is paid monthly and no significant credit risk has come to SCA's attention in relation to this amount. 98.8% of SCA's revenue (2005: 97.6%) is derived from sales to SWC.

13. PROVISIONS, EXCLUDING INCOME TAX LIABILITIES

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
a) Short-term provisions			
Provisions for employment taxes	57	-	70
Provisions for dividends	16,581	16,581	15,387
Provisions for employee benefits – annual leave	3,599	-	3,116
Provision for employee benefits – long service leave	5,998	-	5,343
Provision for leasehold restoration	402	402	373
Short-term provisions, excl income tax liabilities	26,637	16,983	24,289
b) Long-term provisions			
Unfunded superannuation liability (Note 16)	3,003	-	9,114
Long-term provisions, excl income tax liabilities	3,003	-	9,114
c) Aggregate employee benefits and related on costs			
Provisions – short-term	9,597	-	8,459
Provisions – long-term	3,003	-	9,114
Accrued salaries, wages and on costs (Note 11)	-	-	1,176
Aggregate employee benefits & related on costs	12,600	-	18,749

Reconciliation of provisions

Consolidated entity

	Provisions for Employment Taxes \$'000	Provisions for Dividends \$'000	Provision for Leasehold Restoration \$'000	Total \$'000
Balance at July 2005	70	15,387	373	15,830
Provisions created during the year	265	18,907	29	19,201
Provisions used during the year	(278)	(15,387)	-	(15,665)
Unwind of discount	-	-	-	-
Balance of 30 June 2006	57	18,907	402	19,366
Short-term	57	18,907	402	19,366
Long-term	-	-	-	-

13. PROVISIONS, EXCLUDING INCOME TAX LIABILITIES (Continued)

Reconciliation of provisions (continued)

Sydney Catchment Authority

	Provisions for Employment Taxes \$'000	Provisions for Dividends \$'000	Provision for Leasehold Restoration \$'000	Total \$'000
Balance at July 2005	70	15,387	373	15,830
Provisions created during the year	-	18,907	29	18,936
Provisions used during the year	(70)	(15,387)	-	(15,457)
Unwind of discount	-	-	-	-
Balance of 30 June 2006	-	18,907	402	19,309
Short-term	-	18,907	402	19,309
Long-term	-	-	-	-

	Provisions for Employment Taxes \$'000	Provisions for Dividends \$'000	Provision for Leasehold Restoration \$'000	Total \$'000
Balance at July 2004	44	18,354	333	18,731
Provisions created during the year	304	15,387	25	15,716
Provisions used during the year	(278)	(18,354)	-	(18,632)
Unwind of discount	-	-	15	15
Balance of 30 June 2005	70	15,387	373	15,830
Short-term	-	-	-	-
Long-term	70	15,387	373	15,830

Restoration provision

A provision has been recognised for SCA's obligation to dismantle leasehold improvements and to restore rental properties to their original state and condition at the end of the lease. The provision has been determined by considering independent estimates of such future restoration costs, discounted by rates specific to SCA's assessment of the risk of such work. The provision is estimated and involves judgement in estimating the future costs of the work, discount rates used and the expected date when the costs will be incurred.

Employment Tax provision

The employment tax provision relates to estimated taxation costs related to payroll tax relating to activities that have taken place during the current period.

14. INSURANCE RECOVERIES FROM BUSH FIRES

The Income Statement contains gross revenue of \$0.165 million (2005: \$0.259 million). It also contains gross operational expenditure of \$Nil (2005: \$0.075 million) representing the costs of restoration work and excess labour costs in relation to the s44 *Rural Fires Act 1997* claims. \$0.165 million (2005: \$0.181 million) represents the funding recovered for the replacement of assets.

The Balance Sheet includes fixed assets of \$0.798 million (2005: \$0.633 million) within Property, Plant and Equipment.

15. STATEMENT OF OPERATIONS OF SEGMENTS

The SCA operates predominately in the water industry in the one geographical area of New South Wales in Australia. Its area of operations is wholly within New South Wales.

16. SUPERANNUATION

General description of the type of plans

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the Schemes are now closed to new members. SCA contributes to an accumulated fund, First State Superannuation Fund, for all employees joining the SCA after the above plans were closed to new members, unless otherwise elected by those employees.

2006:

Reconciliation of the assets and liabilities recognised in the balance sheet

	SASS Financial Year to 30 June 2006 \$'000	SANCS Financial Year to 30 June 2006 \$'000	SSS Financial Year to 30 June 2006 \$'000	TOTAL Financial Year to 30 June 2006 \$'000
Present value of defined benefits obligations	11,648	2,389	24,964	39,001
Fair value of plan assets	(11,095)	(2,296)	(22,607)	(35,998)
Surplus in excess of recovery available from schemes	-	-	-	-
Unrecognised past service costs	-	-	-	-
Net (asset)/liability to be disclosed in balance sheet	553	93	2,357	3,003

Movement in net liability/asset recognised in the balance sheet

	SASS Financial Year to 30 June 2006 \$'000	SANCS Financial Year to 30 June 2006 \$'000	SSS Financial Year to 30 June 2006 \$'000	TOTAL Financial Year to 30 June 2006 \$'000
Net (asset)/liability at start of year	(82)	156	8,958	9,032
Net expense recognised in the Income Statement	(465)	(269)	(4,531)	(5,265)
Contributions	1,100	206	(2,070)	(764)
Net (asset)/liability to be disclosed in balance sheet	553	93	2,357	3,003

16. SUPERANNUATION (continued)

Total expense recognised in Income Statement

	SASS Financial Year to 30 June 2006 \$'000	SANCS Financial Year to 30 June 2006 \$'000	SSS Financial Year to 30 June 2006 \$'000	TOTAL Financial Year to 30 June 2006 \$'000
Current service cost	417	144	377	938
Interest on obligation	632	121	1,435	2,188
Expected return on plan assets	(817)	(171)	(1,270)	(2,258)
Net actuarial losses/(gains) recognised in year	(697)	(363)	(5,074)	(6,134)
Total included in "employee benefits expense"	(465)	(269)	(4,532)	(5,266)

Actual Return on Plan Assets

	SASS Financial Year to 30 June 2006 \$'000	SANCS Financial Year to 30 June 2006 \$'000	SSS Financial Year to 30 June 2006 \$'000	TOTAL Financial Year to 30 June 2006 \$'000
Actual return on plan assets	1,587	361	2,911	4,859

The SCA's gross superannuation liability for employees in the above three schemes as at 30 June 2006 was calculated using the assumptions with regard to rates of mortality, resignation, retirement and other demographics as those to be used for the 2006 triennial valuation.

The calculations of SSS, SASS and SANCS liabilities is based on the requirements of AASB 119 Employee Benefits. The financial assumptions that have been applied for the calculations are:

	2005	2006	2007 & thereafter
Discount rate at 30 June	5.2%	5.9%	5.9%
Expected return on plan assets at 30 June	7.3%	7.6%	7.6%
Expected salary increases	4.0%	4%	4%*
Expected rate of CPI increase	2.5%	2.5%	2.5%

*2009 & thereafter, 3.5% pa

16. SUPERANNUATION (Continued)

Arrangements for employer contributions for funding

The following is a summary of the 30 June 2006 financial position of the Fund;

	SASS 30-Jun-06 \$'000	SANCS 30-Jun-06 \$'000	SSS 30-Jun-06 \$'000	Total \$'000
Accrued benefits	11,122	2,248	20,529	33,899
Net market value of Fund assets	(11,095)	(2,296)	(22,607)	(35,998)
Net (surplus)/deficit	27	(48)	(2,078)	(2,099)

Recommended contribution rates for the entity are:

	SASS	SANCS	SSS
	multiple of member contributions	% member salary	multiple of member contributions
	1.90	2.50	0.93

The method used to determine the employer contribution recommendations at the last actuarial review was the *Aggregate Funding* method. The method adopted affects the timing of the cost to the employer.

Under the *Aggregate Funding* method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

16. SUPERANNUATION (Continued)

2005

Reconciliation of the Assets and Liabilities recognised in the Balance Sheet

	SASS Financial Year to 30 June 2005 \$'000	SANCS Financial Year to 30 June 2005 \$'000	SSS Financial Year to 30 June 2005 \$'000	TOTAL Financial Year to 30 June 2005 \$'000
Present value of defined benefits obligations	10,688	2,410	25,768	38,866
Fair value of plan assets	(10,770)	(2,254)	(16,810)	(29,834)
	(82)	156	8,958	9,032
Surplus in excess of recovery available from schemes	-	-	-	-
Unrecognised past service costs	-	-	-	-
Net (asset)/liability to be disclosed in balance sheet	(82)	156	8,958	9,032

Movement in Net Liability/Asset recognised in the Balance Sheet

	SASS Financial Year to 30 June 2005 \$'000	SANCS Financial Year to 30 June 2005 \$'000	SSS Financial Year to 30 June 2005 \$'000	TOTAL Financial Year to 30 June 2005 \$'000
Net (asset)/liability at start of year	2	228	6,695	6,925
Net expense recognised in the income statement	308	78	2,495	2,881
Contributions	(392)	(150)	(232)	(774)
Net (asset)/liability to be disclosed in balance sheet	(82)	156	8,958	9,032

Total Expense recognised in Income Statement

	SASS Financial Year to 30 June 2005 \$'000	SANCS Financial Year to 30 June 2005 \$'000	SSS Financial Year to 30 June 2005 \$'000	TOTAL Financial Year to 30 June 2005 \$'000
Current service cost	404	140	369	913
Interest on obligation	594	126	1,376	2,096
Expected return on plan assets	(687)	(142)	(1,123)	(1,952)
Net actuarial losses/(gains) recognised in year	(3)	(46)	1,873	1,824
Total included in "employee benefits expense"	308	78	2,495	2,881

16. SUPERANNUATION (continued)

Actual Return on Plan Assets

	SASS Financial Year to 30 June 2005 \$'000	SANCS Financial Year to 30 June 2005 \$'000	SSS Financial Year to 30 June 2005 \$'000	TOTAL Financial Year to 30 June 2005 \$'000
Actual return on plan assets	1,196	248	1,993	3,437

Arrangements for employer contributions for funding

The following is a summary of the 30 June 2005 financial position of the Fund calculated

	SASS 30-Jun-05 \$'000	SANCS 30-Jun-05 \$'000	SSS 30-Jun-05 \$'000	TOTAL 30-Jun-05 \$'000
Accrued benefits	9,617	2,062	18,971	30,650
Net market value of Fund assets	(10,770)	(2,254)	(16,810)	(29,834)
Net (surplus)/deficit	(1,153)	(192)	2,161	816

Recommended contribution rates for the entity are:

SASS:	Multiple of member contributions	1.90
SANCA	% member salary	2.50
SSS	Multiple of member contributions	0.93

17. COMMITMENTS

Goods and Services Tax (GST)

All commitments include the Goods and Services Tax (GST) where applicable. The SCA is registered for GST and claims back from the Australian Taxation Office all GST paid on business expenditure as Input Tax Credits. The SCA collects taxes on taxable supplies also where applicable.

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
(a) Capital Commitments			
Capital commitments contracted for at balance date but not provided for:			
Not later than 1 year	44,788	44,788	22,413
Later than 1 year but not later than 5 years	44,022	44,022	4,576
Capital Commitments	88,810	88,810	26,989
(b) Other Expenditure Commitments			
Other expenditure commitments contracted for at balance date but not provided for:			
Not later than 1 year	6,451	6,451	13,230
Later than 1 year but not later than 5 years	616	616	9,735
Other Expenditure Commitments	7,067	7,067	22,965
(c) Operating Lease Commitments			
Operating lease expenditure contracted for at balance date but not provided for:			
Not later than 1 year	1,125	1,125	1,073
Later than 1 year but not later than 5 years	400	400	152
Operating Lease Commitments	1,525	1,525	1,225

Operating leases for rental property are generally for periods of two to five years with options for similar periods. The leases are based on commercial rates and are regularly reviewed to market values.

If office equipment, computers and motor vehicles are retained beyond the expiry of the original finance leases, then the lease extensions are re-classified as operating leases and the lease costs are expensed as incurred.

17. COMMITMENTS (Continued)

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
(d) Finance Lease Commitments			
Minimum lease payment commitments in relation to finance leases payable as follows:			
Not later than one year	251	251	869
Later than one year and not later than five years	67	67	397
Minimum lease payments	318	318	1,266
Less: future finance charges	(33)	(33)	(105)
Present value of minimum lease payments	285	285	1,161
The present value of finance lease commitments is as follows:			
Not later than one year	226	226	805
Later than one year and not later than five years	59	59	356
Present value of minimum lease payments	285	285	1,161
Classified as:			
Current	226	226	805
Non current	59	59	356
Total	285	285	1,161

Finance leases for office equipment are generally for periods of four years at commercial interest rates. The term of the leases generally equate to the economic life of the leased asset.

Finance leases for computer equipment are generally for periods of three or more years at commercial interest rates. The term of the leases generally equate to the economic life of the leased asset.

Finance leases for motor vehicle are periods ranging from one year to four years under a complex leasing arrangement between SWC and Macquarie Bank. The leases are based on commercial interest rates. A feature of the leases is that SCA, through SWC, guarantees the lease residual for each vehicle.

The minimum lease payment commitments above include an amount of \$0.029 million (\$0.115 million:2005) for Goods & Services tax recoverable from the Australian Taxation Office.

18. CONTINGENT LIABILITIES

Other than commitments mentioned elsewhere in these notes, the SCA is not aware of any contingent liabilities associated with its operations.

a) Native Title Claims

Two native title claims have been made by the Gundungurra people over lands that were previously owned by the SCA but are now owned by National Parks.

18. CONTINGENT LIABILITIES (Continued)

b) The Warragamba Dam Auxiliary Spillway Project

i) Folly Creek Claim

Abigroup commenced legal proceedings against the SCA in the New South Wales Supreme Court seeking damages to compensate it for the loss that it claims to have suffered as a result of the need to excavate from Folly Creek a significantly greater amount of fill than it had been able to estimate from tender documentation provided to it by Sydney Water Corporation (Sydney Water).

The allegation against Sydney Water/SCA was that it had engaged in misleading and deceptive conduct within the meaning of section 52 of the *Trade Practices Act 1974*.

This conduct was that, at the time of tender, Sydney Water/SCA had in its possession, plans that showed the rock levels in Folly Creek, prior to the construction of the Warragamba Dam, to be significantly different to those represented to Abigroup during the tender process. Abigroup claim that those plans ought to have been disclosed to it.

The matter was heard between 17 June 2002 and 12 July 2002 by Mr Morton Rolfe, QC, sitting as a Referee. The Referee delivered his report on 8 August 2002 and recommended in his report, that a verdict be entered in favour of the SCA.

The Referee's Report was adopted by Mr Justice Nicholas on 23 July 2003. Abigroup filed an appeal against this decision. The appeal was heard on 29 and 30 March 2004.

On 9 August 2004 the Court of Appeal delivered a judgement upholding Abigroup's appeal. The significant orders made by the Court of Appeal were that the orders made by Justice Nicholas on 23 July 2003 be set aside and that the Referee's Report be rejected in its entirety.

The SCA sought clarification from the Court of Appeal on what was, in effect, an interpretation of the orders that the court had made.

The decision of the Court of Appeal on the clarification of the orders that it made on 9 August 2004 was delivered on 15 December 2004. The court "corrected itself" and revoked the order that the report of the Referee should be rejected in full. The substantial orders made by the Court of Appeal were that the orders made by Nicholas J on 23 July 2003 be revoked and that the matter be referred back to the Supreme Court for directions.

The effect of these orders was that the findings of the Referee are preserved however, the adoption application before the Supreme Court has to be reheard.

At a Directions Hearing on 17 December 2004 the court set the matter down for rehearing of the adoption application on 23 May 2005.

Mediation of Abigroup's claim was attempted on 17 May 2005, before Mr R L Hunter, a former Supreme Court Judge. The mediation proved to be a failure.

Justice McDougall heard the rehearing of the adoption application of the referees report on 23 May 2005 to 26 May 2005. Judgement in favour of the SCA was handed down on 11 July 2005.

On 28 September 2005 the SCA was informed that Abigroup had appealed against the decision of Justice McDougall. The appeal was listed for call-over on 20 October 2005 and heard by the Court of Appeal on 8 and 9 March 2006. The Court has reserved its decision pending the handing down of a judgment which is not yet to hand.

A worst case scenario is that the SCA, if unsuccessful in the Court of Appeal, would have to meet 20% of any verdict awarded against it that exceeds the \$5M primary layer.

19. RECONCILIATION OF SURPLUS FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Consolidated entity	Sydney Catchment Authority	
	2006	2006	2005
	\$'000	\$'000	\$'000
Cash and cash equivalents			
Cash	484	484	7,465
Financial assets – TCorp	8,751	8,751	6,077
	9,235	9,235	13,542
Profit after related Income Tax expense	17,093	17,093	9,059
Add: Non cash items			
Depreciation and assets written off	11,800	11,800	12,549
Assets charged to expenditure	-	-	-
Add/(Subtract) Amounts classified as financing activities			
Payments made under finance leases	72	72	1,156
Add/(Subtract) Net Movement in assets and liabilities applicable to operating activities			
Unfunded superannuation	(6,029)	(6,029)	5,619
Prepaid grants	(272)	(272)	3,853
Suppliers and employees	(634)	(634)	3,868
Finance costs	2,179	2,179	354
Receivables	(3,727)	(3,727)	540
Income tax	169	169	(4,298)
Net Cash provided by Operating Activities	20,651	20,651	32,700

20. FINANCIAL INSTRUMENTS

The SCA's principal financial instruments are outlined below. These financial instruments arise directly from SCA's operations or are required to finance SCA's operations. SCA does not enter into or trade financial instruments for speculative purposes. SCA does not use financial derivatives.

a) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The SCA's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrecognised, at the Balance Sheet date are as follows:

2006

	Non Interest Bearing	Floating Rate <1 Year	Fixed Rate 1-5 Years	Fixed Rate >5 Years	Total	Annualised Client Rtn
	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial Assets						
Cash	4	480	-	-	484	5.43%
TCorp	-	8,751	-	-	8,751	5.84%
TCorp – Derivatives at fair value	-	741	-	-	741	N/A
Receivables	19,829	-	-	-	19,829	N/A
Total Financial Assets	19,833	9,972	-	-	29,805	

	Non Interest Bearing	Fixed Rate <1 Year	Fixed Rate 1-5 Years	Fixed Rate >5 Years	Total	Annualised Client Rtn
	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial Liabilities						
Borrowings (TCorp)	-	45,516	178,739	90,732	314,987	6.28%
Accounts payable	35,592	-	-	-	35,592	N/A
Total Financial Liabilities	35,592	45,516	178,739	90,732	350,579	

2005

	Non Interest Bearing	Floating Rate <1 Year	Fixed Rate 1-5 Years	Fixed Rate >5 Years	Total	Annualised Client Rtn
	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial Assets						
Cash	4	7,461	-	-	7,465	5.29%
TCorp	-	6,077	-	-	6,077	5.77%
TCorp – Derivatives at fair value	-	418	-	-	418	N/A
Receivables	16,164	-	-	-	16,164	N/A
Total Financial Assets	16,168	13,956	-	-	30,124	

	Non Interest Bearing	Fixed Rate <1 Year	Fixed Rate 1-5 Years	Fixed Rate >5 Years	Total	Annualised Client Rtn
	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial Liabilities						
Borrowings (TCorp)	-	35,462	45,474	104,717	185,653	6.63%
Accounts payable	32,408	-	-	-	32,408	N/A
Total Financial Liabilities	32,408	35,462	45,474	104,717	218,061	

20. FINANCIAL INSTRUMENTS (Continued)

b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation there under. The SCA's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Balance Sheet.

	Government \$'000	Other \$'000	Total \$'000
2006			
Receivables	11,644	8,185	19,829

	Government \$'000	Other \$'000	Total \$'000
2005			
Receivables	13,029	3,135	16,164

c) Net Fair Value

All financial instruments are carried at Net Fair Value, with the exception of interest bearing liabilities which are recognised at amortised cost.

Loans at amortised cost:

Interest bearing liabilities	2006		2005	
	Carrying value \$'000	Market value \$'000	Carrying value \$'000	Market value \$'000
Current				
Call loan*	45,693	45,685	-	-
Fixed interest loans (TCorp)*	-	-	35,844	36,128
	45,693	45,685	35,844	36,128
Non current				
Fixed interest loans (TCorp)*	273,898	273,247	152,672	159,578
	273,898	273,247	152,672	159,578

* The carrying value of the above amounts include accrued interest.

The value of all other financial instruments are as reported in the Balance Sheet.

d) Derivatives

The SCA uses TCorp as a Debt Portfolio Manager. TCorp uses a small percentage of loans in Derivatives to maximise the portfolio performance.

2006

Non Interest Bearing Face Value: Nil

Futures Related

Futures Position	Bought/(sold)	Total value \$'000	Per 0.01% Risk \$ Per Contract	Per 0.01% Total Risk \$
30 June 2006				
3 year bonds	-	-	-	-
10 year bonds	-	-	-	-

20. FINANCIAL INSTRUMENTS (Continued)

d) Derivatives

2005

Non Interest Bearing	Face Value:	(\$265)	Coupon:	5.50%
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Futures Related

Futures Position	Bought/(sold)	Total value \$'000	Per 0.01% Risk \$ Per Contract	Per 0.01% Total Risk \$
30 June 2005				
3 year bonds	(108)	10,800	(27.91)	3,014.28
10 year bonds	(24)	2,400	(80.69)	1,936.56

21. EXPLANATION OF TRANSITION TO AEIFRS

As stated in the significant accounting policies note, these are the SCA's first financial statements prepared in accordance with AEIFRS.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005 and in the preparation of an opening AEIFRS balance sheet at 1 July 2004 (the SCA's date of transition).

In preparing its opening AEIFRS balance sheet, the SCA has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AEIFRS has affected the SCA's equity, surplus for the year and cash flows is set out in the following tables and the notes that accompany the tables.

21. EXPLANATION OF TRANSITION TO AEIFRS (Continued)

(i) Reconciliation of key aggregates

Reconciliation of equity under existing Standards (AGAAP) to equity under AEIFRS:

	Notes	30 June 2005** \$000	1 July 2004* \$000
Total equity under AGAAP		525,831	525,354
Adjustments to Accumulated Funds			
Effects of valuing assets individually rather than by class	1	-	-
Grants	2	1,065	6,684
Recognition of major inspection costs	3	-	-
Recognition of restoration costs	4	(132)	(109)
Recognition of dismantling obligations	4A	(146)	(102)
Write back of previous revaluations of investment properties	5	-	-
Derecognition of intangible assets	6	-	-
Derecognition of capitalised interest	7	-	-
Defined benefit superannuation adjustment for change in discount rate	8	(8,216)	(4,362)
Effect of discounting long-term annual leave	9	202	18
Tax effect adjustment	10	2,681	130
Finance leased assets – depreciation	11	(1,457)	-
Finance leased assets – interest	11	(109)	-
Operating lease rental expense	11	1,566	-
Adjustments to Other Reserves			
Effects of valuing assets individually rather than by class	1	-	-
Write back of previous revaluations of investment properties	5	-	-
Derecognition of intangible assets	6	-	-
Derecognition of capitalised interest	7	-	-
Tax effect of asset revaluation	10	(7,579)	(7,579)
Total AIFRS adjustments		(12,125)	(5,320)
Total Equity under AEIFRS		513,706	520,034

* adjustments as at the date of transition

** cumulative adjustments as at date of transition plus the year ended 30 June 2005

21. EXPLANATION OF TRANSITION TO AEIFRS (Continued)

Reconciliation of surplus/(deficit) under AGAAP to surplus/(deficit) under AEIFRS:

Year ended 30 June 2005

	Notes	\$'000
Surplus/(deficit) under AGAAP		15,864
Grants	2	(5,619)
Major inspection costs	3	-
Restoration costs	4	(23)
Depreciation on dismantling obligations	4A	(31)
Finance cost from discounting dismantling obligations	4A	(13)
Investment properties	5	-
Research costs expensed	6	-
Borrowing costs expensed	7	-
Defined benefit superannuation	8	(3,854)
Long term annual leave	9	184
Finance leased assets – depreciation	11	(1,457)
Finance leased assets – interest	11	(109)
Operating lease rental expense	11	1,566
Income tax expense	10	2,551
Surplus/(deficit) under AEIFRS		9,059

There was no impact on the Cash flow statement from the adoption of AEIFRS other than the reclassification of payments relating to leases that are now classified as finance leases under AEIFRS. Such payments were reclassified from operating activities to financing activities.

Notes to the Tables Above

The impact on deferred tax of the adjustments described below is set out in item 10 below.

1. AASB116 requires for profit entities to recognise revaluation increments and decrements on an individual asset basis rather than class of asset basis. SCA already recognises revaluation increments or decrements on an individual asset basis and accordingly there is no change from the adoption of AEIFRS.
2. SCA has not received revenue grants. Grants are paid by the SCA as part of its business operations. AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* requires for-profit entities to recognise grant expense proportionally over a period consistent with the grantee incurring expenditure associated with the grant. This has the effect of delaying expense recognition and increasing prepayments. Under current AGAAP, grants are normally recognised as an expense on a cash basis. The expenditure underlying the grant was incurred by the grantee during the 30 June 2005 financial year. This resulted in a grant prepayment asset being recognised of \$6.684 million at the transition date. During 2004/05, grant expenditure totalling \$5.619 million was acquitted and accordingly an additional expense of this amount was recognised in the 30 June 2005 financial year. At 30 June 2005 there remained \$1.065 million in unacquitted grant expenditure.

21. EXPLANATION OF TRANSITION TO AEIFRS (Continued)

It is possible that AASB 120 may be amended to adopt the approach in AASB 141 *Agriculture* where grants are recognised as revenue/expense when conditions are satisfied. However, at this stage, the timing and dollar impact of these amendments is uncertain.

3. AASB116 requires major inspection costs to be capitalised. SCA consider that its inspection costs of major assets to be so insignificant that they will continue to be expensed as incurred.
4. AASB137 requires restoration obligations under lease obligations to be provided for over the life of the lease. A provision of \$0.077 million was recognised on transition to AEIFRS. The provision was increased by \$0.023 million during 2004/05 being the incremental increase in the restoration costs arising from use of the asset during the period.
- 4A. AASB 116 requires the cost and fair value of property, plant and equipment to be increased to include the present value of the estimated dismantling obligations under lease obligations, where a provision for dismantling costs are recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. These dismantling costs must be depreciated and the unwinding of the provision for dismantling costs must be recognised as a finance expense. This treatment is not required under current AGAAP. On transition an asset with a written down value of \$0.093 million and provision of \$0.226 million was recognised. During 2005, depreciation on the asset of \$0.031 million was recognised together with interest costs of \$0.013 million being the reversal of discounting of the provision.
5. Under AASB140 Investment property is required to be measured at fair value. SCA does not currently hold any investment property. Although certain SCA's properties are leased to third parties, these assets are held as part of SCA's core operations not for capital appreciation or rental return.
6. AASB138 requires all research costs to be expensed as incurred and restricts the capitalisation of development costs. Current AGAAP permits some research and development costs to be capitalised when certain criteria are met. As a result, some currently recognised intangibles may need to be derecognised. No expenditures that are required to be derecognised under AEIFRS have been capitalised by SCA and accordingly no adjustment is required.

AASB 138 Intangible Assets will also result in certain reclassifications from property, plant and equipment to intangible assets (eg. computer software and easements). The SCA has not capitalised software due to its relatively short effective life and low value.

7. Previous GAAP requires borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised and other borrowing costs to be expensed. SCA has not incurred any borrowing costs on qualifying assets and accordingly no adjustment is required.
8. AASB 119 *Employee Benefits* requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. The SCA assumes its superannuation obligation which means that the change in discount rate will increase the defined benefit superannuation liability and change the quantum of the superannuation expense. The effect on SCA is to increase the provision for Unfunded superannuation by \$4.362 million at 1 July 2004 and by \$8.216 million at 30 June 2005. Superannuation expense for the year ended 30 June 2005 increased by \$3.854 million.

21. EXPLANATION OF TRANSITION TO AEIFRS (Continued)

9. AASB 119 *Employee Benefits* requires present value measurement for all long-term employee benefits. Under previous AGAAP SCA provided for wages, salaries, annual leave and sick leave at nominal value in all circumstances. SCA has long-term annual leave benefits and accordingly under AEIFRS will measure these benefits at present value, rather than nominal value, thereby decreasing the employee benefits liability by \$0.018 million at 1 July 2004 and by \$0.202 million at 30 June 2005. This has increased annual leave expense in the income statement by \$0.184 million for the year ended 30 June 2005.
10. AASB 112 *Income Taxes* uses a balance sheet approach which requires the differences between the accounting and tax value of assets and liabilities to be recognised as deferred tax assets or liabilities. Current AGAAP uses an operating statement method that accounts for tax by adjusting accounting profit for temporary and permanent differences to derive taxable income. The AASB 112 approach alters the quantum and timing of tax assets and liabilities recognised. In particular, the balance sheet approach results in the recognition of a deferred tax liability in relation to revalued assets that are generally not recognised under current AGAAP. The above changes (increased)/decreased the deferred tax liability as:

	1 July 2004	30 June 2005
	\$'000	\$'000
Property, plant and equipment	(7,579)	268
Grant prepayments	(2,005)	1,686
Annual leave	(5)	(55)
Defined benefit liability	2,077	632
Decommissioning costs	63	20
Increase in deferred tax liability	(7,449)	2,551

At transition an increase in deferred tax asset of \$2.134 million and an increase in deferred tax liability of \$9.585 million was recognised as a net adjustment to retained earnings of \$0.129 million and \$7.580 million to the asset revaluation reserve relating to the revaluation of assets. The effect on the income statement for the year ended 30 June 2005 was to decrease the previously reported tax charge for the period by \$2.283 million.

11. AASB117 *Leasing* introduces some further guidance on the classification of leases as either finance or operating. As a consequence, certain computer, motor vehicle and photocopier leases have been reclassified as finance leases on adoption of AEIFRS. At the transition date, finance lease assets and finance lease liabilities of \$1.715 million were recognised. Additional finance leased assets and corresponding liabilities were recognised during the year for new leases commencing during the period offset by reductions in the value of existing finance leases resulting in net finance lease assets and liabilities of \$1.161 million as at 30 June 2005. For the year ended 30 June 2005, finance leased assets depreciation expense and finance leased assets interest expenses increased by \$1.457 million and \$0.109 million respectively, offset by a reduction in operating lease rental expense of \$1.566 million.

21. EXPLANATION OF TRANSITION TO AIFRS (Continued)

Reconciliation of profit for 2005

	Note	Previous GAAP \$'000	Effect of Transition to AIFRS	AIFRS \$'000
Revenue		120,884	-	120,884
Other revenue	12	5,286	(2,922)	2,364
Total revenue		126,170	(2,922)	123,248
Employee related expenses	8,9,11	(23,817)	(3,235)	(27,052)
Contractor expenses		(20,303)	-	(20,303)
Property and materials expenses	4	(5,804)	(23)	(5,827)
Other operating expenses	11,12	(28,352)	(2,495)	(30,847)
Depreciation expense	11	(11,061)	(1,488)	(12,549)
Licence fees and other		(1,865)	-	(1,865)
Operating surplus before financing costs		34,968	(10,163)	24,805
Financial income	12	-	929	929
Financial expenses	4,11,12	(13,127)	(122)	(13,249)
Net financing costs		(13,127)	807	(12,320)
Profit before tax		21,841	(9,356)	12,485
Income tax expense	10	(5,977)	2,551	(3,426)
Profit after tax		15,864	(6,805)	9,059

12. Certain balances have been reclassified within the income statement. These include interest revenue of \$929,000 being reclassified as financial income, borrowing costs of \$13,127,000 being reclassified as financial expense. Receipts received to reimburse SCA for expenditures undertaken on behalf of other entities totalling \$1,993,000, in particular mining restoration works, have been reclassified to offset the related expenditure.

Further certain assets and liabilities have been reclassified including prepayments being reclassified from other assets to receivables, long service leave being reclassified as a current liability and interest accrual being recognised in aggregate with its associated interest bearing liability.

21. EXPLANATION OF TRANSITION TO AIFRS (Continued)

Balance sheet reconciliation

		Previous GAAP	Effect of transition to AIFRS 1 July 2004	AIFRS	Previous GAAP	Effect of transition to AIFRS 30 June 2005	AIFRS
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash and cash equivalents	12	31,256	-	31,256	13,542	418	13,960
Receivables	2,12	13,845	8,076	21,921	13,624	2,540	16,164
Other assets	12	1,787	(1,175)	612	2,773	(2,589)	184
Total current assets		46,888	6,901	53,789	29,939	369	30,308
Property, plant and equipment		696,497	1,808	698,305	741,280	1,108	742,388
Deferred tax assets		2,343	2,135	4,478	4,021	3,359	7,379
Total non-current assets		698,840	3,943	702,783	745,301	4,467	749,767
Total assets		745,728	10,844	756,572	775,240	4,836	780,075
Liabilities							
Trade and other payables		28,340	-	28,340	35,271	(2,863)	32,408
Interest-bearing liabilities		8,810	-	8,810	34,912	1,605	36,517
Provisions		21,226	(17)	21,209	18,774	5,515	24,289
Income tax payable		1,507	-	1,507	844	-	844
Total current liabilities		59,883	(17)	59,866	89,801	4,257	94,058
Interest-bearing liabilities		177,500	1,902	179,402	151,073	2,837	153,910
Provisions		7,820	4,695	12,515	7,504	1,610	9,114
Deferred tax liability		436	2,005	2,441	1,031	8,257	9,287
Total non-current liabilities		185,756	8,602	194,358	159,608	12,704	172,311
Total liabilities		245,639	8,585	254,224	249,409	16,961	266,369
Net assets		500,089	2,259	502,348	525,831	(12,125)	513,706
Equity							
Accumulated funds		500,089	2,259	502,348	500,566	(4,546)	496,020
Asset revaluation reserve		-	-	-	25,265	(7,579)	17,686
		500,089	2,259	502,348	525,831	(12,125)	513,706

(ii) Financial Instruments

In accordance with NSW Treasury's mandates, SCA has applied the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosures* and AASB 139 *Financial Instruments: Recognition and Measurement* for the 2004/05 comparative information. The application has not resulted in a change in measurement of these financial assets.

There was no adjustment to equity or the balance sheet as at 1 July 2005 from the application of these standards.

22. POST BALANCE DATE EVENTS

There were no post balance date events, except as stated elsewhere in this report.

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel are the person/persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Under S10 of the *Sydney Water Catchment Management Act, 1998* the affairs of the SCA are managed and controlled by the Chief Executive. Any act, matter or thing done in the name of, or on behalf of, the Authority by the Chief Executive, or with the authority of the Chief Executive, is taken to have been done by the Authority. As such, the Chief Executive is determined to be the SCA's key manager.

a) Transactions with key management personnel

The Chief Executive is employed as an SES Officer, level 6 (\$267,300) under terms and conditions prescribed by the *Public Sector Employment and Management Act 2002* and is covered by the related SES/CES award conditions. Superannuation accumulation scheme contributions are part of the salary package of the Chief Executive. Recreation and Long Service Leave entitlements for the Chief Executive as at 30 June 2006 totalled \$171,289. The SCA's Board is an advisory board and members do not hold director status.

Apart from the details disclosed in this note, no key management personnel has entered into a material contract with the SCA and its consolidated entities in either the current or prior year.

b) Identity of related parties

SCA has a related party relationship with SCA Division.

c) Other related party transactions

The following summarises the material transactions with related parties within the consolidated group not disclosed in detail elsewhere in the accounts:

During the period from 17 March 2006, SCA Division provided personnel services to SCA. The personnel expenses incurred by SCA Division in providing these services have been charged to the SCA for the exact value of the costs incurred for the period of \$6,560,476.

The amount outstanding at year end which was owed to SCA Division by SCA was \$12,315,621.

24. CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership interest	
		2006	2005
Subsidiaries			
Sydney Catchment Authority Division	Australia	100	-

Sydney Catchment Authority Division was established on 17 March 2006.

As outlined in the statement of significant accounting policies (d), SCA Division, a special purpose entity established under the PSELAA was controlled by SCA. SCA Division is a division of the NSW Services Department but is considered to be a division assigned to the statutory corporation being SCA pursuant to Part 2 and Part 3 of Schedule 1 of the PSELAA.

(End of Audited Financial Statements)



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

SYDNEY CATCHMENT AUTHORITY DIVISION

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of Sydney Catchment Authority Division (the Division):

- presents fairly the Division's financial position as at 30 June 2006 and its performance for the period 17 March 2006 to 30 June 2006, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and the Board's Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the Division, for the period 17 March 2006 to 30 June 2006.

The Board of Sydney Catchment Authority is responsible for the preparation and true and fair presentation of the Division's financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Board in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Board members had not fulfilled their reporting obligations.

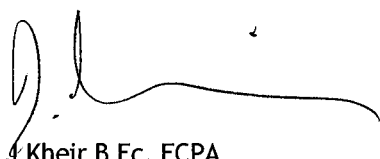
My opinion does *not* provide assurance:

- about the future viability of the Division,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



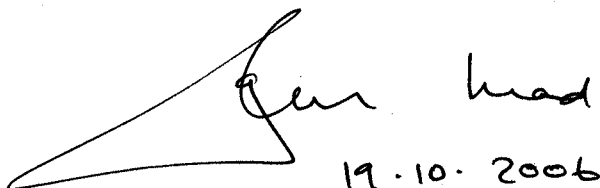
Kheir B Ec, FCPA
Director, Financial Audit Services

SYDNEY
31 October 2006

In my opinion as the Chief Executive of the Sydney Catchment Authority
Division

a) the Financial Statements:

- i) exhibit a true and fair view of the financial position of the Authority as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date;
 - ii) comply with applicable accounting standards, Urgent Issues Group consensus views, the Public Finance & Audit Regulation 2000, the Treasurer's Directions and other mandatory professional and statutory requirements where applicable.
- b) I am not aware of any circumstances that would render any particulars in the financial statements to be misleading or inaccurate.



19.10.2006

Graeme Head
Chief Executive

SYDNEY CATCHMENT AUTHORITY DIVISION
INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
Personnel services revenue	2	6,560,476	-
Expenses, excluding finance costs	3	(6,560,476)	-
Operating profit before finance costs		-	-
Net finance costs		-	-
Profit before income tax expense		-	-
Income tax expense		-	-
Profit after related income tax expense		-	-

The accompanying notes form part of these financial statements

SYDNEY CATCHMENT AUTHORITY DIVISION
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2006

	Accumulated Funds		Total Equity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Balance at the beginning of the Financial Year	-	-	-	-
Profit for the year	-	-	-	-
Total changes in equity	-	-	-	-
Balance at the end of the Financial Year	-	-	-	-

The accompanying notes form part of these financial statements

SYDNEY CATCHMENT AUTHORITY DIVISION

BALANCE SHEET

AS AT 30 JUNE 2006

	Note	2006 \$	2005 \$
Current assets			
Trade and other receivables	4	12,780,944	-
Total current assets		12,780,944	-
TOTAL ASSETS		12,780,944	-
Current liabilities			
Trade and other payables	5	124,300	
Short term provisions	6a	9,653,489	-
Total current liabilities		9,777,789	-
Non current liabilities			
Long term provisions	6b	3,003,155	-
Total non current liabilities		3,003,155	-
TOTAL LIABILITIES		12,780,944	-
NET ASSETS		-	-
EQUITY			
Accumulated funds		-	-
TOTAL EQUITY		-	-

The accompanying notes form part of these financial statements

SYDNEY CATCHMENT AUTHORITY DIVISION
CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows			
Cash receipts from Sydney Catchment Authority		-	-
Outflows			
Payments to suppliers and employees		-	-
Net cash provided by operating activities		-	-
 Net increase/ (decrease) in cash held		-	-
Opening cash and cash equivalents		-	-
CLOSING CASH AND CASH EQUIVALENTS		-	-

The accompanying notes form part of these financial statements

SYDNEY CATCHMENT AUTHORITY DIVISION
NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2006

PRINCIPAL ACTIVITIES

Sydney Catchment Authority (SCA) is a NSW statutory body constituted under the *Sydney Water Catchment Management Act 1998* (the Act).

Sydney Catchment Authority Division ("SCA Division") was established, effective 17 March 2006, as a result of the *Public Sector Employment Legislation Amendment Act 2006* (PSELAA). The PSELAA has changed the status of employees who were previously employed by SCA prior to 17 March 2006.

From 17 March 2006, the employment contracts of these employees were transferred from SCA to the Government Service of New South Wales such that they are now employees of the Government of New South Wales in the service of the Crown rather than employees of the statutory corporation (SCA). SCA Division is a division of the Government Service of New South Wales and employs personnel who work exclusively for the SCA. It is considered to be a division assigned to the statutory corporation, being SCA, pursuant to Part 2 and Part 3 of Schedule 1 of the *Public Sector Employment and Management Act 2002* (PSEMA).

The SCA Division is regarded as a *special purpose entity* as it was established specifically to provide personnel services exclusively to SCA to enable the SCA to exercise its functions. It is subject to the control of the SCA pursuant to the operation of the PSEMA and accordingly will be consolidated by the SCA.

SCA Division is regarded as a *reporting entity* and is consequently required to produce a separate financial report in accordance with applicable Accounting Standards.

The SCA Division recognised the employee related liabilities transferred from the SCA on 17 March 2006 at their carrying value at that time. An equivalent receivable and liability was recognised between SCA Division and SCA respectively at the date of this transfer. All personnel charges of the SCA Division are charged to SCA from the 17 March 2006. These charges include all salaries, bonuses, superannuation costs, annual leave, sick leave, on-costs and all related payroll tax and fringe benefits tax charges so as to recover the operating costs of SCA Division. Pursuant to Treasury Circulars TC 06/13 and TC 06/17, the SCA Division is not permitted to mark up the costs of these services and therefore will not recognise a profit on the provision of these services to SCA.

SCA Division undertakes no activities other than the provision of personnel services to SCA.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

The SCA Division is a special purpose entity which is consolidated into the SCA. There are no entities under its control. These financial statements have been authorised for issue by the Chief Executive on 20 October 2006 and endorsed by the Board.

b) Basis of Preparation

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

- applicable Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Consensus Views; and
- the requirements of the *Public Finance and Audit Act 1983* as amended and the *Public Finance and Audit Regulation, 2000*.

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

In the absence of a specific Accounting Standard, or other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* is considered. All financial statement items are prepared in accordance with the historical cost convention. The accounting policies have been consistently applied throughout the period.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements, key assumptions and estimations that management has made are disclosed in Note 1 (I) to the financial statements.

All amounts are presented in Australian currency.

c) Statement of Compliance

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

d) Comparatives and AIFRS reconciliation

SCA Division was established under the PSELAA effective 17 March 2006. This is the SCA Division's first financial report and accordingly no comparatives are disclosed in these financial statements.

As there were no prior year operations or financial balances, no AIFRS reconciliation has been prepared.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Employee Benefits

(i) Wages and salaries, compensated absences and on costs

Liabilities for wages & salaries (including non monetary benefits) and annual leave that are expected to be settled wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

The SCA Division has long-term annual leave benefits and will measure these benefits at present value in accordance with the requirements of AASB 119 *Employee Benefits* (June 2004). Market yields on government bonds of 5.88% are used to discount long-term annual leave.

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

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

(ii) Long service leave

The SCA Division's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate of 5.88% is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the SCA Division's obligations.

This obligation includes applicable payroll tax Workers Compensation insurance premiums and superannuation

(iii) Superannuation

The SCA Division's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. This obligation was transferred from SCA to SCA Division on 17 March 2006.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the SCA Division's obligations.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

All actuarial gains and losses as at 17 March 2006, were recognised. All actuarial gains and losses that arise subsequent to 17 March 2006 are recognised immediately in the income statement.

Where the calculation results in a benefit to the SCA Division, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The determination of the present value of defined benefit obligations was performed by an independent actuary using the Projected unit credit method. This valuation requires judgment and estimation of a number of assumptions. These assumptions have been set out in Note 8.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's mandate to general government sector agencies.

g) Financial Assets

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement. The SCA Division held no such assets during the financial year. The SCA Division has not designated any other financial assets or liabilities as measured at fair value through profit or loss.

Financial instruments held by the SCA Division comprise receivables from SCA.

(i) Cash

Cash comprises cash on hand and bank balances with a commercial bank. Interest has been earned at the prevailing rates.

(ii) Receivables

Receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Short term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the SCA Division will not be able to collect all amounts due. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off as incurred.

h) Revenue recognition

Revenue is measured at the fair value of the consideration or contribution received or receivable.

(i) Personnel Services Revenue

All revenue received by SCA Division is in relation to personnel expenses which have been provided to SCA. These are charged to recover all personnel costs and include all salary, annual leave, sick leave, long service leave, superannuation, on-costs and all employee tax costs.

The revenue is recognised on an accruals basis as costs are incurred.

i) Payables

Liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out by Treasury. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Government guidelines allow for the Chief Executive or delegate to award interest for late payment.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Taxation

By virtue of Treasury Circulars TC 06/13 and TC 06/17, the SCA Division:

- is not permitted to mark up the employment services provided to SCA and therefore no income tax liability will accrue against the SCA Division. Accordingly no income tax liability exists in relation to SCA Division nor have any deferred tax balances been recognised.
- the SCA Division is the reporting entity for Payroll Tax purposes.

The SCA Division has been grouped with the Department of Environment and Conservation for the purposes of Fringe Benefits Tax as required by Treasury Circular TC 06/07. The SCA Division is required to assess its FBT obligations in accordance with the directions issued by NSW Treasury from time to time.

k) Accounting for Goods and Services Tax

SCA Division has been grouped with SCA for Goods and Services Tax (GST) as allowed under the *A New Tax System (Goods and Services Tax) Act 1999* for controlled entities. Accordingly, no GST is recognised on revenues earned. Non employee costs from third parties are recognised net of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In such cases, the GST is recognised as part of the acquisition of an asset or as part of an item of expense. Accrued receivables and payables are stated inclusive of GST.

l) Accounting estimates and judgments

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed below.

(i) Key sources of estimation uncertainty

Superannuation plan assumptions

The SCA Division has used actuarial assumptions in the determination of its defined benefits obligation in relation to the superannuation plans for which it accounts on behalf of the Crown. The assumptions as provided by the actuary are set out in Note 8.

(ii) Critical accounting judgements in applying the accounting policies

Determination of for profit or not for profit

SCA Division management has applied its judgement in assessing whether it meets the definition of a for profit or not for profit entity for the purposes of the accounting standards. SCA Division has concluded that the business is a not for profit entity.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Accounting estimates and judgments (continued)

(ii) Critical accounting judgements in applying the accounting policies (continued)

Determination of provisions

Accounting judgement has been applied in the determination of the provision for employee entitlements and other provisions. Judgement has been applied by management in estimating the likely loss and/or obligation in relation to each provision.

Judgment has been based on past experience adjusted for current circumstances. The accounting policies associated with the measurement of these balances are set out in the significant accounting policies.

Operation of SCA and SCA Division under the PSELAA

The SCA Division was established under the *Public Sector Employment Legislation Amendment Act 2006 (PSELAA)* effective 17 March 2006. A Memorandum of Understanding between the SCA and the SCA Division, substantially in line with the precedent provided in Treasury Circular TC 06/17, was not formally executed until after the end of the financial year. However the Head of SCA Division considers that the intentions of the Memorandum of Understanding have been constructively adhered to by both entities over the period from 17 March 2006 to year end. SCA Division has exercised its judgement in determining and concluding that intentions of the arrangements have been constructively complied with and accordingly the financial statements present a true and fair view of the arrangement.

m) Issued standards early adopted

The SCA Division, in accordance with NSW Treasury mandate has elected to early adopt AASB 2005-4 *Amendments to Australian Accounting Standards (June 2005)* amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 1023 *General Insurance Contracts*, AASB 1038 *Life Insurance Contracts*. This Amending Standard operates to restrict the circumstances where entities can on initial recognition designate financial instruments at 'fair value through profit and loss'.

The SCA Division, in accordance with NSW Treasury mandate has elected to early adopt AASB 2005-6 *Amendments to Australian Accounting Standards (June 2005)* amending AASB 3 *Business Combinations*. The amendment operates to exclude business combinations involving businesses or entities under common control from the scope of AASB3. Accordingly equity transfers between NSW public sector agencies continue to be accounted for under NSWTC 01/11 *Contributions by owners made to wholly owned public sector entities*.

n) Issued standards not early adopted

The following standards and amendments were available for early adoption but have not been applied in these financial statements in accordance with NSW Treasury Mandate:

- AASB 119 *Employee Benefits (December 2004)* – application date 1 January 2006;
- AASB 2004-3 *Amendments to Australian Accounting Standards (December 2004)* amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements*, AASB 124 *Related Party Disclosures* – application date 1 January 2006.
- AASB 2005-1 *Amendments to Australian Accounting Standards (May 2005)* amending AASB 139 *Financial Instruments: Recognition and Measurement* – application date 1 January 2006.
- AASB 2005-3 *Amendments to Australian Accounting Standards (June 2005)* amending AASB 119 *Employee Benefits (December 2004)* – application date 1 January 2006.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Issued standards not early adopted (continued)

- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004) and AASB 139 *Financial Instruments: Recognition and Measurement* – application date 1 January 2006.
- UIG 4 *Determining whether an Arrangement contains a Lease* – application date 1 January 2006.
- AASB 7 *Financial instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) amending AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, AASB 132 *Financial Instruments: Disclosure and Presentation*, and AASB 139 *Financial Instruments*.
- AASB 2006-1 *Amendments to Australian Accounting Standards* (January 2006) amending AASB 121 *The Effects of Changes in Foreign Exchange Rates* (July 2004).

SCA Division is finalising its analysis of the impacts of each new standard in preparation for their respective first time application date.

2. REVENUES

	2006	2005
	\$	\$
Personnel Services Revenue	6,560,476	-
Personnel Services Revenue	6,560,476	-

3. EXPENSES EXCLUDING FINANCE COSTS

	2006	2005
	\$	\$
a) Employee Related Expenses		
Salary and wages (including recreation leave and redundancies)	7,034,418	-
Superannuation	(1,422,669)	-
Long service leave	268,751	-
Workers compensation insurance	192,848	-
Payroll tax and fringe benefits tax	487,128	-
Employee Related Expenses	6,560,476	-
Expenses from Ordinary Activities excluding Finance Costs	6,560,476	-

Auditors remuneration in relation to SCA Division is borne by SCA.

4. TRADE AND OTHER RECEIVABLES

	2006	2005
	\$	\$
Trade debtors – net of provision for doubtful debts	-	-
Other debtors	1,493	-
Receivables due from parent entity	12,315,622	-
Prepayments	55,872	-
Prepaid wages and salaries	407,957	-
Receivables	12,780,944	-

5. TRADE AND OTHER PAYABLES

	2006	2005
	\$	\$
Trade and other payables	124,300	-
Trade & other payables	124,300	-

6. PROVISIONS, EXCLUDING INCOME TAX LIABILITIES

	2006	2005
	\$	\$
a) Short-term provisions		
Provisions for employment taxes*	56,675	-
Provisions for employee benefits – annual leave	3,599,016	-
Provision for employee benefits – long service leave	5,997,798	-
Current Provisions, excluding tax liabilities	9,653,489	-
b) Long-term provisions		
Unfunded superannuation liability (Note 8)	3,003,155	-
Non current Provisions, excluding tax liabilities	3,003,155	-
c) Aggregate employee benefits and related on costs		
Provisions – short-term	9,653,489	-
Provisions – long-term	3,003,155	-
Prepaid salaries, wages and on costs (Note 4)	(407,957)	-
Aggregate employee benefits and related on costs	12,248,687	-
* Reconciliation of provisions		
	Provisions for Employment Taxes ** \$	
Balance transferred from SCA at start of period	58,960	
Provisions created during the year	67,124	
Provisions used during the year	(69,409)	
Balance at 30 June 2006	56,675	
Short-term	56,675	

** Employment Tax provision

The employment tax provision relates to estimated taxation costs related to payroll tax relating to activities that have taken place during the current period.

7. STATEMENT OF OPERATIONS OF SEGMENTS

The SCA Division's operation exclusively relates to the provision of personnel expenses to SCA.

8. SUPERANNUATION

General description of the type of plan

The SCA Division contributes to the following defined benefit superannuation schemes on behalf of its employees:

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the Schemes are now closed to new members.

2006:

Reconciliation of the assets and liabilities recognised in the balance sheet

	SASS Financial Year to 30 June 2006 \$	SANCS Financial Year to 30 June 2006 \$	SSS Financial Year to 30 June 2006 \$	TOTAL Financial Year to 30 June 2006 \$
Present value of defined benefits obligations	11,648,439	2,388,695	24,963,806	39,000,940
Fair value of plan assets	(11,094,921)	(2,295,640)	(22,607,224)	(35,997,785)
Unrecognised past service costs	0	0	0	0
Net (asset)/liability to be disclosed in balance sheet	553,518	93,055	2,356,582	3,003,155

Movement in net liability/asset recognised in the balance sheet

	SASS Financial Year to 30 June 2006 \$	SANCS Financial Year to 30 June 2006 \$	SSS Financial Year to 30 June 2006 \$	TOTAL Financial Year to 30 June 2006 \$
Balance transferred from SCA at start of period	(45,497)	86,179	4,963,842	5,004,524
Net expense recognised in the Income Statement	(154,272)	(89,172)	(1,504,538)	(1,747,981)
Less: Contributions	753,287	96,048	(1,102,722)	(253,388)
Net (asset)/liability to be disclosed in balance sheet	553,518	93,055	2,356,582	3,003,155

8. SUPERANNUATION (continued)

Total expense recognised in Income Statement

	SASS Financial Year to 30 June 2006 \$	SANCS Financial Year to 30 June 2006 \$	SSS Financial Year to 30 June 2006 \$	TOTAL Financial Year to 30 June 2006 \$
Current service cost	138,413	47,690	125,129	311,232
Interest on obligation	210,039	40,284	476,287	726,610
Expected return on plan assets	(271,305)	(56,799)	(421,406)	(749,510)
Net actuarial losses/(gains) recognised in year	(231,418)	(120,348)	(1,684,547)	(2,036,313)
Total included in "employee benefits expense"	(154,271)	(89,173)	(1,504,537)	(1,747,981)

Actual Return on Plan Assets

	SASS Financial Year to 30 June 2006 \$	SANCS Financial Year to 30 June 2006 \$	SSS Financial Year to 30 June 2006 \$	TOTAL Financial Year to 30 June 2006 \$
Actual return on plan assets	456,503	103,801	837,406	1,397,710

The SCA's gross superannuation liability for employees in the above three schemes as at 30 June 2006 was calculated using the assumptions with regard to rates of mortality, resignation, retirement and other demographics as those to be used for the 2005 triennial valuation.

The calculations of SSS, SASS and SANCS liabilities is based on the requirements of AASB 119 Employee Benefits. The financial assumptions that have been applied for the calculations are:

	2006	2007 & thereafter
Discount rate at 30 June	5.9%	5.9%
Expected return on plan assets at 30 June	7.6%	7.6%
Expected salary increases	4.0%	4.0%*
Expected rate of CPI increase	2.5%	2.5%

* 2009 and thereafter, 3.5%.

8. SUPERANNUATION (continued)

Arrangements for employer contributions for funding

The following is a summary of the 30 June 2006 financial position of the Fund as determined in accordance with AAS25. The measurement for the purposes of AAS25 below and the AASB119 results in different values for accrued benefits due to AASB119 ascribing a different discount rate for accounting measurement of the defined benefit obligation.

	SASS 30-Jun-06 \$	SANCS 30-Jun-06 \$	SSS 30-Jun-06 \$	Total 30-Jun-06 \$
Accrued benefits	11,121,810	2,248,157	20,529,036	33,899,003
Net market value of Fund assets	(11,094,921)	(2,295,640)	(22,607,224)	(35,997,785)
Net (surplus)/deficit	26,889	(47,483)	(2,078,188)	(2,098,782)

Recommended contribution rates for the entity are:

	SASS	SANCS	SSS
	multiple of member contributions	% member salary	multiple of member contributions
	1.90	2.50	0.93

The method used to determine the employer contribution recommendations at the last actuarial review was the *Aggregate Funding* method. The method adopted affects the timing of the cost to the employer.

Under the *Aggregate Funding* method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

9. COMMITMENTS

SCA Division has no expenditure commitments associated with its operations.

10. CONTINGENT LIABILITIES

Other than commitments mentioned elsewhere in these notes, the SCA Division is not aware of any contingent liabilities associated with its operations.

11. RECONCILIATION OF SURPLUS FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2006	2005
	\$	\$
Cash and cash equivalents		
Cash	-	-
	-	-
	2006	2005
	\$	\$
Operating Surplus after Income Tax	-	-
Add/(Subtract): Net Movement in assets and liabilities applicable to operating activities		
Unfunded superannuation	(3,003,155)	-
Suppliers and employees	(9,777,789)	-
Receivables	12,780,944	-
Net Cash provided by Operating Activities	-	-

SCA Division does not operate a bank account. All cash related transactions have been paid for or received by SCA and charged to SCA Division using the intercompany receivable account in Note 4.

12. FINANCIAL INSTRUMENTS

The SCA Division's principal financial instruments are outlined below. These financial instruments arise directly from SCA Division's operations or are required to finance SCA Division's operations. SCA Division does not enter into or trade financial instruments for speculative purposes. SCA Division does not use financial derivatives.

a) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The SCA Division is not exposed to any interest rate risk. Financial assets comprise non interest bearing receivables and Financial liabilities comprise non interest bearing trade creditors and payables.

b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation there under. The SCA Division's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Balance sheet.

	Government	Other	Total
	\$	\$	\$
2006			
Receivables – Sydney Catchment Authority	12,315,622	-	12,315,622

12. FINANCIAL INSTRUMENTS (Continued)

c) Net Fair Value

The carrying value of all financial instruments of SCA Division approximates their net fair value due to the respective remaining lives of the instruments being less than one year.

d) Derivatives

The SCA Division has no exposure to derivatives.

13. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel are the person/persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Schedule 1, s4B of the *Public Sector Employment Legislation Amendment Act 2006* determines that the Division Head is the Chief Executive of the Sydney Catchment Authority (refer Part 2). As such, the Chief Executive is determined to be SCA Division's key manager.

a) Transactions with key management personnel

The Chief Executive is employed as an SES Officer, level 6 (\$267,300) under terms and conditions prescribed by the *Public Sector Employment and Management Act 2002* and is covered by the related SES/CES award conditions. Superannuation accumulation scheme contributions are part of the salary package of the Chief Executive. Recreation and Long Service Leave entitlements for the Chief Executive as at 30 June 2006 totalled \$171,289.

Apart from the details disclosed in this note, no key management personnel have entered into a material contract with the SCA Division since the inception of the entity.

b) Identity of related parties

SCA Division has a related party relationship with Sydney Catchment Authority (SCA).

c) Other related party transactions

During the period from 17 March 2006, SCA Division provided personnel services to SCA. The personnel expenses incurred by SCA Division in providing these services have been charged to the SCA for the exact value of the costs incurred for the period of \$6,560,476.

The amount outstanding at year end which was owed to SCA Division by SCA was \$12,315,622.

14. POST BALANCE DATE EVENTS

There were no post balance date events, except as stated elsewhere in this report.

(End of Audited Financial Statements)

Appendices



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APPENDIX 1 – LEGAL CHANGE

Public Sector Employment Legislation Amendment Act 2006

This Act commenced on 17 March 2006 and resulted in the establishment of various statutory authority divisions of the Crown, and the transfer of staff from particular statutory bodies to particular statutory authority divisions.

The Sydney Catchment Authority Division was established, which provides personnel services to the Sydney Catchment Authority to enable it to carry out its statutory functions. The Chief Executive is the division head who exercises employer functions in relation to the staff of the division.

Current pay and conditions of the former Sydney Catchment Authority employees remain the same under the award although they are now employees of the division.

Sydney Water Catchment Management Act 1998

During 2005-06 there were no amendments to the *Sydney Water Catchment Management Act 1998* or to the regulations made under that Act.

Other legislation

Protection of the Environment Operations Amendment Act 2005

The amendments to the *Protection of the Environment Operations Act 1997* by the above Act include substantial increases to maximum penalties for environmental offences, including pollution of waters - up to \$1 million for a corporation and \$250,000 for an individual.

The amended Act also expands the range of additional orders that the court can make, enhances evidence gathering powers by authorised officers, and creates the new offence of pollution of land. The SCA is able to exercise various functions under the *Protection of the Environment Operations Act 1997* for the protection of catchment areas and water quality and will benefit from the amendments to this legislation.

APPENDIX 2 – CURRENT LEGAL MATTERS

In 2005-06 the SCA had carriage of the following significant legal matters.

- On 5 December 2005 a prosecution was commenced in the Land and Environment Court against Mr Barry Bailey for the alleged construction of a road on Warragamba Schedule 2 Special Area lands without permission. A preliminary issue in this matter was heard in the Land and Environment Court on 31 May 2006. The Court reserved its decision.
- Warragamba Dam Auxiliary Spillway Project – Folly Creek Claim. As at 30 June 2006 the matter was before the Court of Appeal and is awaiting a decision.
- Twenty four claimants have now commenced proceedings in the Supreme Court, against the SCA and three other government agencies, seeking compensation for the losses they suffered as a result of the 2001-02 bushfires. The main allegations against the SCA are that it failed to undertake sufficient hazard reduction burning or to allocate sufficient resources to fight the fires. The value of the claims is in the vicinity of \$6.5 million. A hearing date is yet to be set.
- Gundungurra Native Title Claim – Land in Special Areas. At 30 June 2006, the matter was ongoing.
- Gundungurra Native Title Claim – Land Under Stored Waters - Warragamba Dam. As at 30 June 2006 the matter was ongoing.

It is anticipated that both native title claims will be settled through an Indigenous Land Use Agreement by the claimants and other government agencies. Meetings facilitated between the Department of Land, the claimants and government agencies have been held to facilitate this outcome.

APPENDIX 3 – QUALIFICATIONS OF SCA BOARD



John Whitehouse, Chairman

John Whitehouse has had an extensive career in law and public service. He is a partner with Minter Ellison, where he is Practice Head, Planning and Environment Law. He is a Fellow in Environmental Studies at Macquarie University and an Honorary Professorial Fellow in the School of Law at the University of Wollongong. His previous positions include:

- Partner, Dunhill Madden Butler
- Director, NSW National Parks and Wildlife Service
- Assistant Director, NSW Department of Environment and Planning
- Director, Sydney Water Corporation

Mr Whitehouse holds degrees in Arts and Law from the University of Sydney, Science from Macquarie University, and has a Diploma in Legal Practice from the University of Technology Sydney.



Lisa Corbyn, Deputy Chairman

(1 July 2005 – 22 February 2006)

Lisa Corbyn was appointed Chief Executive of the SCA in September 2003. She is also Director General, Department of Environment and Conservation. From November 2000 to September 2003, Ms Corbyn held the position of

Director General of the Environment Protection Authority. She is Secretary of the Environmental Trust, a Deputy Commissioner of the Murray Darling Basin Commission, and a member of the Council on the Cost of Government.

Ms Corbyn holds a Bachelor of Arts in International Relations, a Masters degree in Public Administration in Natural Resources Management, and a fellowship in Environmental Economics at Woodrow Wilson School of Public and International Affairs at Princeton University.

After almost two and a half years of service, in February 2006, Ms Corbyn retired from her position as Deputy Chair of the SCA Board and Chief Executive of the SCA.



Graeme Head, Deputy Chairman

(22 February – 30 June 2006)

Graeme Head has been responsible for the day-to-day management of the SCA since the Minister first appointed him Chief Executive in October 2001. When the Minister restructured the environment portfolio in September 2003, he appointed Mr Head the SCA's Managing Director, a position he held for almost two and a half years. On 22 February 2006, the Minister reappointed Mr Head as SCA's Chief Executive.

Mr Head previously worked for 12 years at the NSW Environment Protection Authority and its predecessor, the State Pollution Control Commission. Over that time, he held the positions of Assistant Director General and Director Education and Community Programs.

Before working at the Environment Protection Authority, Mr Head worked for many years in health and human services, including as an assistant director, NSW Centre for Education and Information on Drugs and Alcohol.



John Asquith

John Asquith is a nominee of the Nature Conservation Council of NSW on the SCA Board. Mr Asquith is Chairman of the Community Environment Network and a member of the Hunter-Central Rivers Central Catchment Management Authority Board.

He has been a trustee of the NSW Environmental Trust, and a member of the NSW Bushfire Coordinating Committee. Mr Asquith holds Bachelor of Engineering and Master of Arts degrees, and is a conjoint lecturer in the School of Applied Science, Sustainable Resource Management of the University of Newcastle.



Kerry Chant

Kerry Chant is Deputy Chief Health Officer and Director, Health Protection, NSW Department of Health. Her areas of responsibility include strategic management of branches with responsibility for AIDS, immunisation, infection control, communicable diseases, bio-preparedness - including influenza pandemic preparedness, provision of safe water and food, environmental issues such as air quality, management of sewage, waste and contaminated sites, and regulation of medicines and poisons, some clinical services, and private hospitals and procedure centres.

She is a member of the Royal Australian College of Physicians, Faculty of Public Health.



Maggie Deahm

Maggie Deahm has spent most of her working life in the NSW Public Service, including nine years with the Ministry for the Arts and 12 years with the NSW Agent General's Office, London.

Ms Deahm has lived in the Blue Mountains since 1987 and was elected to the Blue Mountains City Council in 1991. She served as the federal member for Macquarie from 1993 to 1996. She served both as a member and Chairman of the Western Sydney Waste Board from 1996 to 2000. Ms Deahm was Deputy Chairman of the board of the Jenolan Caves Reserve Trust and an assessor to the Local Government Remuneration Tribunal.

Ms Deahm has a Bachelor of Arts in Australian History and English from the University of New England.



Andrew Fletcher

The Minister appointed Andrew Fletcher to the Board in July 2005. Mr Fletcher has had an extensive public sector career and brings to the Board extensive specialist accounting and business management skills.

He is currently General Manager of the Jenolan Caves Reserve Trust and holds a Masters Degree in Commerce, and a Bachelor of Business Degree in Accounting. He is a Fellow Certified Practising Accountant and Associate Fellow of the Australian Institute of Management.

Mr Fletcher was a member of the Minister for the Environment's Agencies Consortium, Chair of the Blue Mountains Regional Tourism Organisation, and served on the boards of NSW Tourist Attractions Association and Central NSW Tourism.



Sara Murray

Sara Murray has been a councillor for Wingecarribee Shire Council for 13 years, including three years as Mayor and a year as Deputy Mayor. Until October 2004, Dr Murray was President of the NSW Local Government Association, having previously held the position of Deputy President. She has also served on a number of intergovernmental committees and has a strong interest and involvement in water-related and environmental issues.

Dr Murray is a psychologist in private practice. She holds a Bachelor of Arts from the Australian National University and a Doctorate in Psychiatry from the University of Sydney. She has held various research and university teaching positions.



Kenneth Wheelwright

Kenneth Wheelwright is the NSW Farmers' Association nominee to the Board. He manages a grazing property in the catchment on the upper reaches of the Wollondilly River and has an active interest in developing sustainable and profitable farm management practices. Mr Wheelwright holds a Bachelor of Rural Science from the University of New England and is involved with tertiary education of agricultural students. More recently, he obtained a Bachelor of

Business from Charles Sturt University, and is currently training in holistic management.

Mr Wheelwright is a director on the Hawkesbury-Nepean Catchment Management Authority Board. He is also Chairman of the Audit Committee of the Board.

APPENDIX 4 – BOARD AND COMMITTEE MEETING ATTENDANCE

Table 14: Board and committee meeting attendances

Board members	Board meetings		Audit Committee meetings		Business Plan Working Group meetings	
	Number held in member's term	Number attended	Number held in member's term	Number attended	Number held in member's term	Number attended
John Whitehouse ⁱ	12	11	-	-	1	1
John Asquith ⁱⁱ	12	12	-	-	1	1
Kerry Chant	12	10	4	3	-	-
Lisa Corbyn ⁱⁱⁱ	7	7	2	2	1	1
Maggie Deahm	12	11	-	-	1	-
Andrew Fletcher	12	10	4	3	-	-
Graeme Head ^{iv}	12	11	4	4	1	1
Sara Murray	12	11	-	-	1	-
Kenneth Wheelwright ^v	12	12	4	4	-	-

ⁱ Chairman of the Board

ⁱⁱ Chairman of the Business Plan Working Group

ⁱⁱⁱ Deputy Chairman and Chief Executive – Ex Officio (1 July 2005 – 22 February 2006)

^{iv} Managing Director – Ex Officio (1 July 2005 – 22 February 2006); Deputy Chairman and Chief Executive – Ex Officio (22 February – 30 June 2006)

^v Chairman of the Audit Committee

APPENDIX 5 - SIGNIFICANT COMMITTEES ESTABLISHED OR ABOLISHED

Significant committees are defined as those established by the SCA Board or under memoranda of understanding between the SCA and other agencies. There were no significant committees established or abolished in 2005–06.

APPENDIX 6 - QUALIFICATIONS OF THE SCA EXECUTIVE

As at 30 June 2006, the SCA executive comprised the following members.

Andrew Bryan, BA (Hons), MTCP, MPIA - General Manager Policy and Governance

George Dodds, Dip Civ Eng, M Eng Sc (Environmental Engineering) - General Manager Catchment Operations and Major Projects

Ian Landon-Jones, BE (Civil), M Eng Sc - General Manager Dam Safety

Ian Tanner, BSc (Civil Eng) - General Manager Bulk Water

Barrie Turner, BSc (Hons) (Town Planning), Dip Town Planning, MPIA - General Manager Environment and Planning

Lea Rosser, BA, BBus, MBus, MA - General Manager Corporate Services (from 11 September 2006)

APPENDIX 7 – FREEDOM OF INFORMATION

Requests for information received under *Freedom of Information Act 1989* over five years are shown on the following table.

Table 15: Freedom of information requests

Requests	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
FOI requests received:						
New (including transferred in)	2	1	2	10	1	8
Brought forward from previous period	0	0	0	0		0
Total to be processed	2	1	2	10	1	8
Completed requests	2	1	2	10	1	7
Requests transferred out	0		0	0		0
Withdrawn requests	0		0	0		1
Total processed	2	1	2	10	1	8
Unfinished requests (carried forward)	0	0	0	0		
Results of FOI requests:						
Granted in full	2	0	0	4	1	2
Granted in part	0	1	1	4	0	0
Refused	0	0	1	2	0	5
Deferred	0	0	0	0	0	0
Requests requiring formal consultation	0	1	1	5	3	0
Total consultations	2	2	3	15	4	7
Requests granted in part or refused - basis of disallowing or restricting access:						
s.19 application incomplete. Wrongly directed	0	0	0	1	0	0
s.22 deposit not paid	0	0	0	1	0	1
s.25(1)(a1) diversion of resources	0	0	0	0	0	0
s.25(1)(a) exempt	0	1	1	4	0	4
s.25(1)(b), (c), (d) otherwise unavailable	0	0	0	0	0	0
s.28(1)(b) documents not held	0	0	1	0	0	0
s.24(2) deemed refused, over 21 days	0	0	0	0	0	0
s.31(4) released to medical practitioner	0	0	0	0	0	0
Total	0	1	2	6	0	5
Costs and fees of requests processed:						
Assessed costs	\$60	\$90	\$60	\$420	\$30	\$180
Fees received	\$30	\$30	\$60	\$270*	\$30	\$180
Discounts allowed:						
Public interest	0	0	0	1	0	2
Financial hardship: pensioner/child	0	0	0	0	0	0
Financial hardship: non-profit organisation	0	0	0	0	0	0
Total	0	0	0	1	0	2

Requests	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Days to process:						
0-21 days	2	1	2	4	1	5
22-35 days	0	0	0	6	0	2
Over 35 days	0	0	0	0	0	0
Total processed	2	1	2	10	1	7
Processing time:						
0-10 hours	2	1	2	8	1	5
11-20 hours	0	0	0	2	0	2
21-40 hours	0	0	0	0	0	0
Over 40 hours	0	0	0	0	0	0
Total processed	2	1	2	10	1	7
Reviews and appeals finalised:						
Internal reviews	0	1	0	1	0	1
Ombudsman's reviews	0	1	0	0	0	0
Administrative Decisions Tribunal appeals	0	0	0	0	0	0
Internal review details - grounds on which requested						
Upheld:						
Access refused	0	0	0	0	0	0
Exempt matter	0	1	0	1	0	1
Unreasonable charges	0	0	0	0	0	0
Charge unreasonably incurred	0	0	0	0	0	0
Total upheld	0	1	0	1	0	1
Varied:						
Access refused	0	0	0	0	0	0
Exempt matter	0	0	0	0	0	0
Unreasonable charges	0	0	0	0	0	0
Charge unreasonably incurred	0	0	0	0	0	0
Total varied	0	0	0	0	0	0
Total	0	1	0	1	0	1

APPENDIX 8 - SUMMARY OF AFFAIRS

Section 1 - Policy documents

The SCA holds the following policies and procedures that may be accessed for information, under the *Freedom of Information Act 1989*

- 2002-2007 Business Plan
- Access to published information
- Access to Special Areas, controlled areas and water storages
- Catchment protection and improvement grant guide
- Catchment Protection Scheme
- Closure of SCA recreational areas
- Code of conduct
- Consent to enter the SCA special or controlled areas
- Corporate incident management policy
- Customer complaints policy and procedure
- Cultural heritage policy
- Dealing with offences under the Sydney Water Catchment Management (General Regulation) 2000
- Energy management policy
- Environment Plan 2000-2005
- Environment policy
- Environmental education policy
- Environmental impact assessment policy
- Equity and Diversity Management Plan 2004-2006
- Expert reference panel – charter and procedures
- Freedom of information procedures
- Healthy Catchments Program
- Local Government Reference Panel – charter and procedures
- Metropolitan Water Plan 2006
- On site sewage management grants guidelines
- Privacy and personal information policy
- Privacy management plan
- Prosecution and compliance guidelines
- Protocol for State Environmental Planning Policy (Sydney Metropolitan Water Supply) 2004
- Regional Consultative Committee – charter and procedures
- Riparian management assistance guide

- Special Areas Strategic Plan of Management and charter of public disclosure
- Special Areas brochure – what you can and can't do
- Water industry sponsorship guidelines
- Wingecarribee Swamp and Special Area Plan of Management.

Section 2 – Statement of affairs

The SCA's most recent statement of affairs is available on our website. Copies of the statement are held in the SCA's library and are available for inspection. Copies can be obtained by contacting the SCA's Freedom of Information (FOI) Coordinator at the address shown below.

The statement of affairs provides information on:

- Structure and functions of the SCA
- Description of the ways in which the functions of the SCA affect members of the public
- Manner in which the public can participate in the formation of the SCA's policy and the exercise of the SCA's functions
- Description of the various types of documents usually held by the SCA
- Procedural arrangements for public access to the SCA's documents
- Provision for the amendment of the SCA's records concerning the personal affairs of a member of the public.

Section 3 – Contact arrangements

All applications for access to documents in the possession of the SCA (other than policy documents) must be in writing and should be accompanied by an application fee of \$30 and marked to the attention of the FOI Coordinator.

The application should be addressed to:
The FOI Coordinator
Sydney Catchment Authority
PO Box 323
PENRITH NSW 2751

Table 16: SCA pricing schedule 2005-06

SCA pricing schedule 2005-06	From 1 July 2005 to 30 September 2005	From 1 October 2005 to 30 June 2006
Sydney Water Corporation		
Fixed availability charge (per calendar month)	\$5.366 million	\$5,124 million
Volumetric charge (per megalitre)	\$116.26	\$155.34
Wingecarribee Shire Council		
Volumetric charge (per megalitre)	\$105.08	\$126.88
Shoalhaven City Council		
Volumetric charge for Kangaroo Valley (per megalitre)	\$105.08	\$126.88
Volumetric charge for Tallowa Dam releases in times of drought (per megalitre)	\$105.08	\$126.88
Unfiltered water		
Service charge for connection of nominal diameter:		
20mm	\$75.00	\$75.00
25mm	\$117.20	\$117.20
30mm	\$168.75	\$168.75
32mm	\$192.00	\$192.00
40mm	\$300.00	\$300.00
50mm	\$468.75	\$468.75
80mm	\$1,200.00	\$1,200.00
100mm	\$1,875.00	\$1,875.00
150mm	\$4,218.75	\$4,218.75
200mm	\$7,500.00	\$7,500.00
>200 mm	(nominal diameter) ² *75/400	(nominal diameter) ² *75/400
Volumetric charge (per kilolitre)	\$0.75	\$0.77
Bulk raw water		
Volumetric charge (per kilolitre)	\$0.44	\$0.45

Access to policy documents, unless otherwise stated, are free of charge and access can be arranged by contacting the FOI Coordinator on telephone 02 4725 2103, facsimile 02 4725 2520, by email at hotmail@sca.nsw.gov.au, or in person at Level 2, 311 High Street Penrith between the hours of 8.30am and 5.00pm, Monday to Friday.

APPENDIX 9 - SCHEDULE OF CHARGES

Schedule of charges for regulated water supply services for 2006-07

On 12 September 2000, the Independent Pricing and Regulatory Tribunal (IPART) determined a medium term price path for the SCA covering the period from 1 October 2000 to 30 June 2005. In June 2005, IPART determined to extend this price path to cover

the period from 1 July 2005 to 30 September 2005. In September 2005, IPART determined a new price path for SCA's charges from 1 October 2005 to 30 June 2009.

The determination provides for the increase in certain charges to be linked to the movement in the Consumer Price Index (CPI). Accordingly, IPART has allowed a 2.8 percent CPI adjustment and the SCA will apply the increased charges effective from 1 July 2006.

Table 16 shows the SCA pricing schedule 2005-06.

APPENDIX 10 - CREDIT CARD USAGE

The SCA operates MasterCard credit card facilities with Westpac Banking Corporation. The credit card expenditure is paid by electronic funds transfer directly from the SCA's bank account

on the second day of each month. All expenditure is verified by the cardholders (SCA Executive) by the fifteenth day of the month, when allocations are made.

One credit card is used as the corporate credit card with a credit limit of \$15,000.00. All other credit cards have a limit of \$2,000.00. Expenditure via the corporate credit card occurs through the SCA's electronic procurement system. The SCA limits the establishment of vendor accounts by using corporate credit card facilities.

Expenditure on credit cards issued to the SCA Executive is certified by the cardholder and independently verified by the cardholder's supervisor. In 2005-06, authorisation of payment was undertaken on a monthly basis by the Executive Director, Finance and Procurement. All MasterCard credit card payments were made on time and no interest charges were incurred.

APPENDIX 11 - PAYMENT OF ACCOUNTS

Aged analysis

Figure 5 shows the aged analysis of accounts payable as at the end of each quarter of 2005-06. The table shows that all accounts payable fall within the 30-day range. The SCA's target is to settle all accounts payable within 30 days trading terms or in accordance with the terms specified on the vendor's invoice.

Interest awarded

During the year \$8.29 was incurred on overdue accounts as follows:

Interest incurred on late payment of Sydney Water account \$6.28
Interest incurred on late payment of Energy Australia account \$2.01

Payment performance over the 2005-06 year

As anticipated, the SCA has continued to improve its payment performance since the introduction of the finance and finance-related management systems in 2003.

The SCA has reviewed its creditor payment terms in accordance with payment terms stated on the invoices to ensure consistency. Additionally, the credit master files have been updated in the SCA's SUN financial management system.

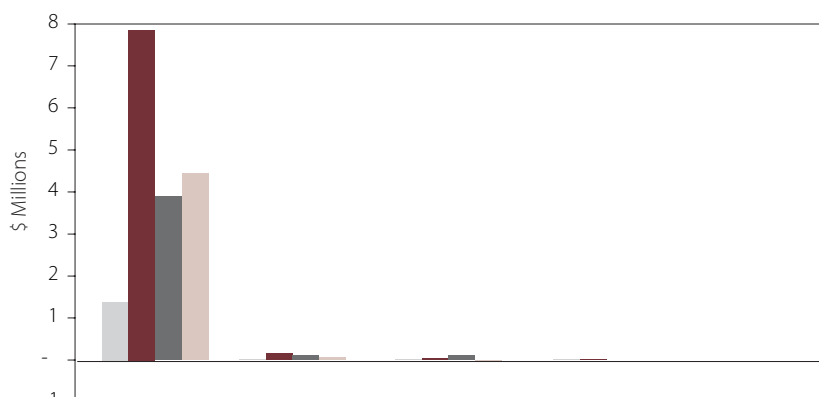


Figure 5: Aged analysis accounts payable in dollars as at 30 June 2006
Aged analysis accounts payable in dollars as the end of each quarter for 2005-06

Table 17: Creditors payment summary by quarter for the 2005-06 year

Quarter	Total accounts paid on time			Total amount paid \$
	Target %	Actual %	\$	
Sep-05	100	97.43	46,708,278	47,931,436
Dec-05	100	97.94	49,621,124	50,663,628
Mar-06	100	97.51	70,104,236	71,894,190
Jun-06	100	89.48*	72,325,313	80,820,458

*In the June 2006 quarter, the SCA received accounts from the Department of Commerce relating to the project management for the SCA's Metropolitan Water Plan projects. The SCA was not in a position to pay these accounts (total \$8,123M) until contracts were finalised between the SCA and the Department resulting in late payments on three invoices.

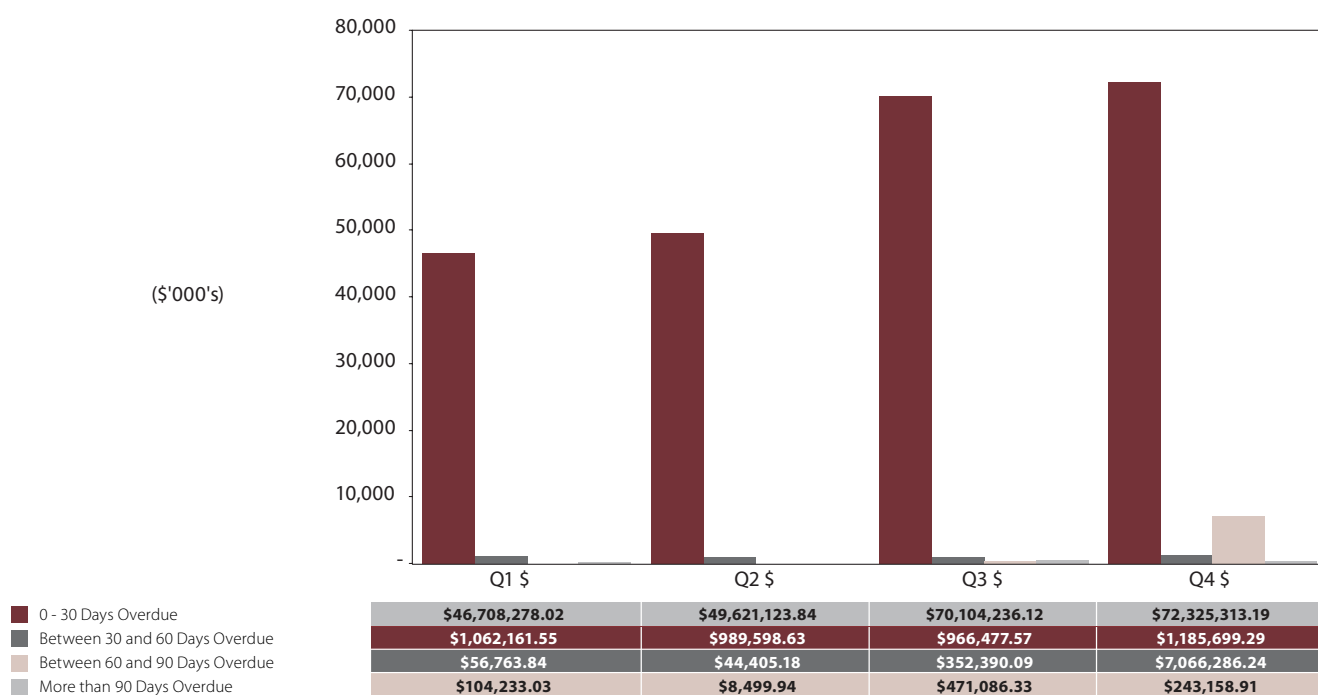


Figure 6: Creditor payment summary by dollars - 2005-06 by quarter

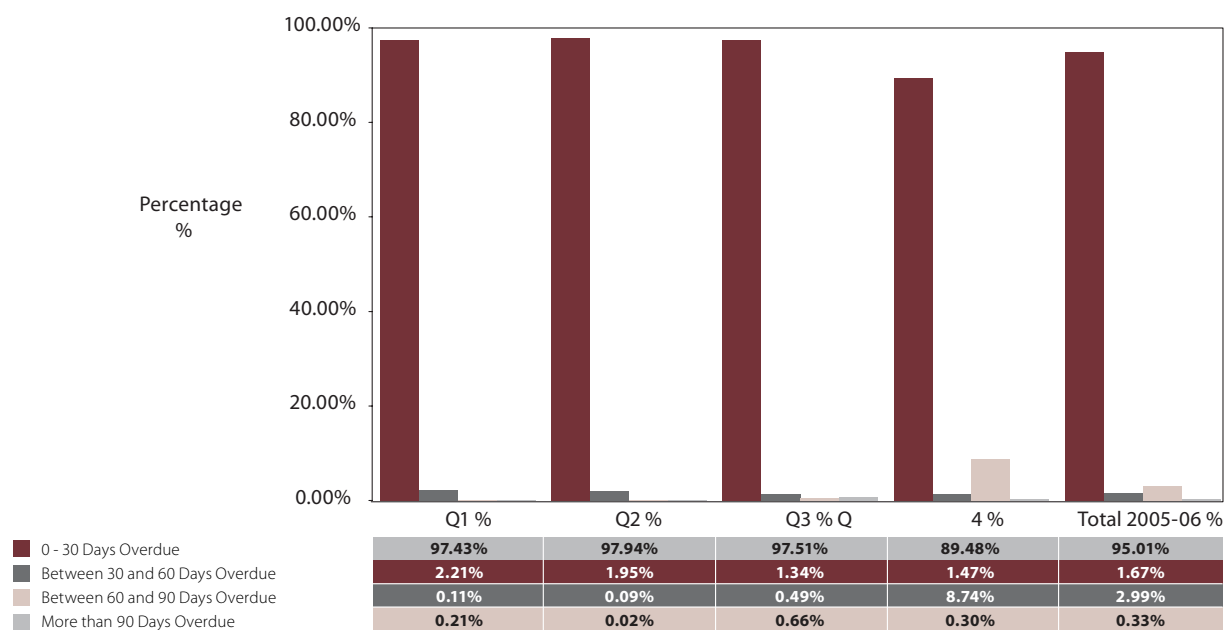


Figure 7: Creditor payment summary by percentage - 2005-06 by quarter

APPENDIX 12 – SCA GRANTS FOR NON-GOVERNMENT COMMUNITY GROUPS

Table 18: SCA grants for non-government community groups in 2005-06

Community Group	Project	\$
Casurina Gully – Chinamans Creek Bushcare Group	Stabilisation of Forty Foot Falls	\$8,616
Gibbergunyah Creek Bushcare Group	Weed control to improve water quality of Gibbergunyah Creek	\$7,986
Gundillion Recreation Reserve Trust	Upgrade on-site sewage management and waste water facilities at Gundillion Hall	\$7,491
Kangaroo Valley Environment Group	Riparian restoration – Village Gully Project Stage 4	\$9,232
Kedumba Creek Bushcare (administered by Blue Mountains City Council)	Rehabilitate bushland above creek and repairing stormwater controls	\$2,610
Moss Vale Landcare Group Inc	Weed control and removal, and rehabilitation of Whites Creek	\$9,995
Mt Alexandra Reserve Bushcare Group	Bush regeneration along Iron Mines Creek	\$8,000
Mt Alexandra Reserve Bushcare Group	Erosion control along Nattai Creek	\$10,000
Mt Gibraltar Landcare and Bushcare	Removal of primary weeds at Mount Gibraltar Reserve	\$10,000
National Trust of Australia (NSW)	Regeneration works in bushland section of Everglades Gardens at Leura	\$8,000
Nerriga Landcare Group	To protect the Corang Callitris Pine and vegetation by installing a fence to create a vegetative buffer along the Corang River	\$3,370
Wingecarribee Landcare and Bushcare Network Inc	Revegetate riparian zone on Wingecarribee River west of Bong Bong Bridge, Moss Vale	\$9,671
Total		\$94,971

APPENDIX 13 - COMPLAINTS

Table 19: Complaints received by the SCA in 2005-06

Complaint number	Category	Received	Status as at 30 June 2006	Source
4302	Recreation – Warragamba	04-07-05	Resolved 05-07-05	Community
4303	External customers communication	30-09-05	Resolved 22-11-05	Community
4304	Catchment use – recreational access	27-10-05	Resolved 22-11-05	Community
4305	Staff/Contractors - Warragamba	27-10-05	Resolved 01-11-05	Community
4306	Staff/Contractors – picnic areas	07-11-05	Resolved 23-12-05	Community
4307	Noise – picnic areas	08-11-05	Resolved 23-12-05	Community
4308	Catchment use - facilities	24-11-05	Resolved 15-12-05	Community
4309	Staff/Contractors - Warragamba	01-12-05	Resolved 05-12-05	Community
4310	Duplicate of 4309			
4311	Staff/Contractors - Warragamba	02-12-05	Resolved 05-12-05	Community
4312	Staff/Contractors – site inspection	05-12-05	Resolved 08-12-05	Community
4313	Others	05-12-05	Resolved 12-12-05	Community
4314	Staff/Contractors - Warragamba	06-01-06	Resolved 16-01-06	Community
4315	External customers communication	11-01-06	Resolved 18-05-06	Community
4316	Duplicate of 4315			
4317	Staff/Contractors	18-01-06	Resolved 19-01-06	Community
4318	Noise - Warragamba	20-01-06	Resolved 24-01-06	Community
4319	Others - Warragamba	07-01-06	Resolved 24-01-06	Community
4320	Others - Warragamba	27-01-06	Resolved 22-02-06	Community
4321	Other - Warragamba	28-01-06	Resolved 22-02-06	Community
4322	Others - Warragamba	27-01-06	Resolved 22-02-06	Community

Complaint number	Complaint number	Received	Status as at 30 June 2006	Source
4323	Others - Warragamba	06-02-06	Resolved 22-02-06	Community
4324	Others Warragamba	07-02-06	Resolved 13-02-06	Community
4325	Staff/Contractors - Warragamba	08-02-06	Resolved 13-02-06	Community
4326	Community grants	22-02-06	Resolved 06-03-06	Community
4327	Noise - Warragamba	13-03-06	Resolved 24-03-06	Community
4328	Noise - Warragamba	14-03-06	Resolved 18-05-06	Community
4329	Duplicate of 4328			
4330	Staff/Contractors – picnic areas	19-04-06	Open	Community
4331	Picnic area facilities	19-04-06	Open	Community
4332	Others - property	19-04-06	Resolved 10-05-06	Community
4333	Picnic area and facilities	03-05-06	Open	Community
4334	Staff/Contractors	26-04-06	Resolved 17-07-06	Community
4335	Others - property	11-05-06	Open	Community
4336	Others - property	18-05-06	Resolved 22-05-06	Community
4337	Tender process	30-05-06	Open	Community
4338	Others - property	26-06-06	Open	Community

Complaint number 4299, which had been carried over from 2004-05 remained open at 30 June 2006. The complaint is from a member of the community and relates to picnic area facilities.

Table 20: Summary of the status of all complaints actioned in 2005-06 by category

Complaint category	Carried over from 2004-05	Received 2005-06	Total actioned 2005-06	Total resolved 2005-06
Staff/Contractors	-	10	10	9
Picnic area facilities	1	2	3	-
Catchment use – recreational	-	3	3	3
External customers communication	-	3	3	2
Noise	-	4	4	4
Others	-	10	10	9
Community grants	-	1	1	1
Tender process	-	1	1	-
Total	1	34	35	28

Table 21: Total complaints dealt with and categories over five years

Category	2001-02	2002-03	2003-04	2004-05	2005-06
Liability claims (damage)	5	2	0	-	-
Catchment use (recreational)	1	1	0	-	3
Staff/Contractors	1	1	1	1	10
Flood	-	1	0	-	-
Picnic area facilities	-	1	6	5	3
Development application	-	1	-	-	-
Environmental and heritage	1	-	2	-	-
Water continuity	1	-	-	-	-

Category	2001-02	2002-03	2003-04	2004-05	2005-06
Water billing	1	-	-	-	-
Water pressure	-	-	-	1	-
Tender process	2	-	-	-	1
Service providers (creditors)	1	-	-	-	-
Tenant issue	1	-	-	-	-
Website details	-	-	1	1	-
Warning letters and fines	-	-	2	0	-
Noise	-	-	1	-	4
Other	3	-	4	-	10
Allegations	-	-	-	-	-
Customer service	-	-	-	-	-
External customer communication	-	-	-	-	3
Community grants	-	-	-	-	1
Total	17	7	17	8	35

APPENDIX 14 – WASTE REDUCTION AND PURCHASING PLAN IMPLEMENTATION

Waste avoidance and minimisation

The SCA conducts annual audits of its waste generation and recycling performance. The audit is a component of the SCA Waste Reduction and Purchasing Plan. Findings from this audit are used to inform the SCA's future waste reduction strategies. It takes a week to complete and the outcomes are reported by June each year. In 2005-06 the audit was undertaken by APC Environmental Management and was conducted in the last week of November/ first week of December 2005. The report was finalised in May 2006.

The SCA promotes the use of electronic documents, double-sided printing, email and recycled paper. Printers equipped with a duplex printing option automatically default to double-sided printing. The SCA includes an environmental awareness module as part of the orientation program for new staff. This module addresses waste avoidance, waste minimisation, and recycling.

Based on figures from the annual internal waste audit¹, the SCA has achieved a 30 percent reduction in the amount of waste being sent to landfill since the initial waste audit in 2000-01. This includes a 54 percent reduction in the amount of paper being sent to landfill.

Purchase of A4 and A3 reams of paper increased by two percent over the previous year and the 310 toner cartridges used represented a seven percent reduction on the 334 toner cartridges used in 2005.

Resource recovery

All SCA staff have access to a paper, cardboard and newspaper recycling service. Seven site offices have access to a mixed recycling service. All used toner cartridges are returned to the manufacturer for reuse.

The annual internal waste audit estimated that a total of 7,477 kilograms of waste was recovered from the audited sites during 2005-06. This comprised 6,995 kilograms of paper, (including writing paper, newspaper and cardboard) as well as other recyclable material such as glass (133.9 kilograms), plastics (236.7 kilograms), organic (15.0 kilograms), and ferrous / non-ferrous material such as aluminium (136.6 kilograms). This equated to 30.7 kilograms of recycled waste per staff member.

Waste disposal clauses are included in all contract documents requiring contractors to recycle or divert waste wherever possible to ensure waste is recycled at a licensed facility.

The use of recycled material

It is SCA policy to purchase and use recycled or environmentally responsible materials and to promote the use of electronic documents, double-sided printing and email. Approximately 88 percent of the paper we use has a minimum of 60 percent recycled content. In 2005-06 the amount of paper purchased with recycled content increased by two percent. Approximately 98 percent of externally printed documents are printed on paper with a minimum of 40 percent recycled content. The SCA published most of its publications on its website. Large publications which are difficult to download are available on CD ROM. This has reduced the need for large paper print runs. Most items are now printed digitally in small numbers, or on demand which significantly reduces the total amount of paper used.

¹The annual waste audit is conducted over a five day period. The weekly figures are then calculated to represent a year (52 weeks less (10 days) public holidays)

Operating licence waste indicators

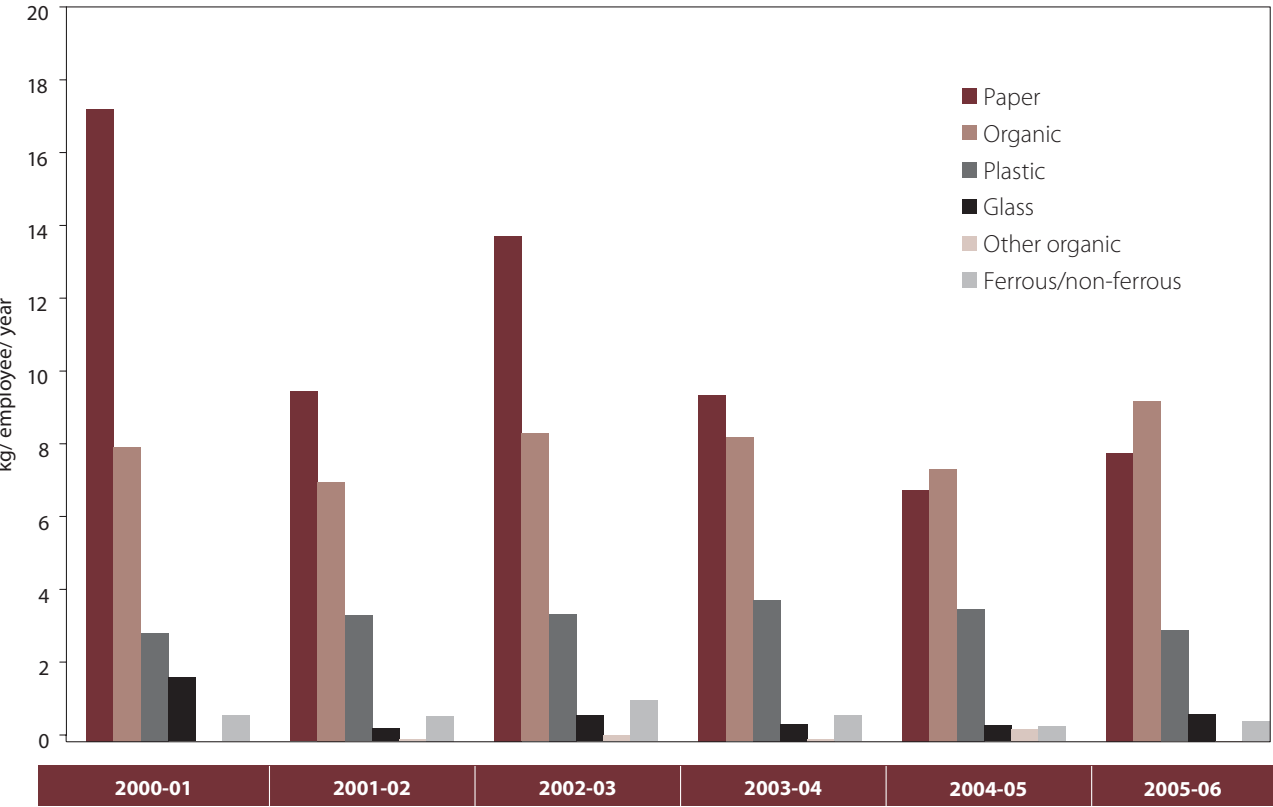


Figure 8: Volume and type of waste sent to landfill all SCA audit sites over six years

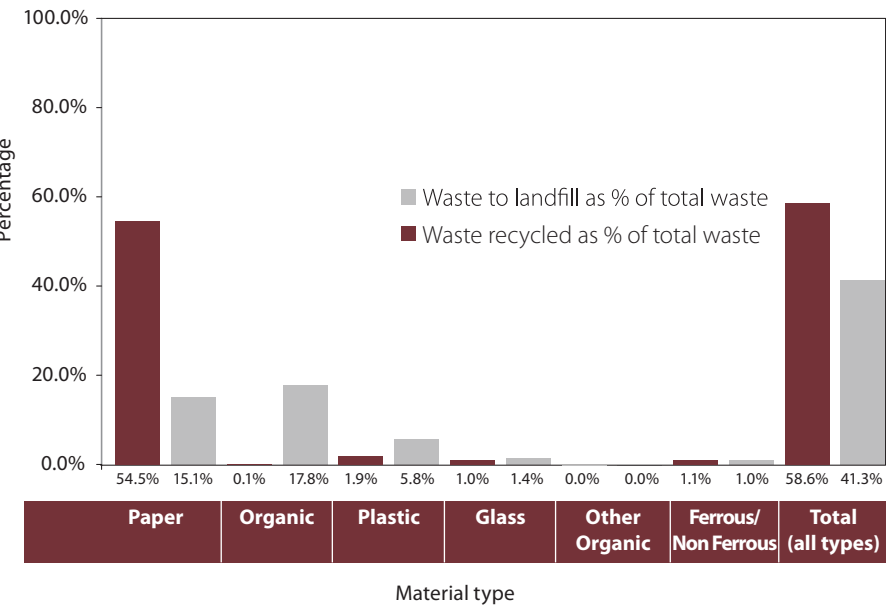


Figure 9: Waste recycled as percentage of total waste by type

APPENDIX 15 – GUARANTEE OF SERVICE

The *Sydney Water Catchments Management Act 1998* requires the SCA to enter into arrangements for the supply of water by the SCA to Sydney Water. A review of these arrangements was completed during 2005-06 and a new bulk water supply agreement became effective from 13 April 2006.

APPENDIX 16 – COST OF 2005-06 ANNUAL REPORT

The stakeholders preferring to receive the SCA annual report and other SCA publications online continues to grow. This year we have produced 150 printed copies of the report and 150 CD Rom copies. Due to the small number of printed copies the report has been produced digitally to significantly reduce cost. The estimated external production cost of the SCA Annual Report 2005-06 was \$22,500.

The report is available online at www.sca.nsw.gov.au

APPENDIX 17 – HERITAGE ASSETS

The SCA is responsible for managing cultural heritage items including water storages and associated infrastructure, weirs, homesteads, mining infrastructure, bridges, and innumerable sites of significance to indigenous communities.

The SCA and Department of Environment and Conservation jointly manage cultural heritage within the Special Areas. The SCA and Sydney Water jointly operate the Historical Research and Archive Facility, which provides an important resource for the agencies and the public.

The SCA owns 20 state heritage listed items including water storages and associated infrastructure, homesteads and bridges. For the period 2005-06, the SCA had a conservation management plan endorsed by the Heritage Council for 25 percent of the listed items. By 30 June 2006, three more management plans were being prepared.

The SCA's heritage assets are listed in table 22.

APPENDIX 18 – SCA PUBLICATIONS

The SCA produces brochures, fact sheets, reports and other materials in printed and electronic forms, relating to the SCA and its activities. The material is available by contacting the SCA Publication Officer at Level 2, 311 High Street Penrith, or by phoning 02 4725 2516. Publications are also available to download from our website at www.sca.nsw.gov.au

Brochures

- Dams of Greater Sydney and Surrounds:
 - Warragamba
 - Upper Nepean
 - Shoalhaven
 - Woronora
 - Blue Mountains
- How to Make a Complaint or Offer a Compliment
- Privacy Laws, the Sydney Catchment Authority, and You
- Catching the Cleanest Water
- Special Areas – What you can and can't do in the Sydney Water Supply Catchments
- Application for Consent to Enter the SCA Special or Controlled Areas

Fact sheets

- Healthy Catchments Program series
- Drought Breaking Flood
- SCA general information series
- Compliance Fact Sheets

Videos

- A Safe Dam – A Sure Supply
- The Warragamba Story
- Warragamba Dam Auxiliary Spillway

Reports

- SCA Annual Reports
- SCA Annual Environment Reports
- SCA Annual Water Quality Monitoring Reports
- Annual Reports on the Implementation of SASPoM
- Annual Reports on the Implementation of WSSAPoM
- Audits of the Hydrological Catchments managed by the SCA

Other

- SCA Business Plan 2002-2007
- SCA Environment Plan 2000-2005
- Energy Management Plan 2001-2006
- Raw Water Quality Management Plan
- Special Areas Strategic Plan of Management (SASPoM) Background
- Special Areas Strategic Plan of Management
- Wingecarribee Swamp and Special Areas Plan of Management (WSSAPoM)
- SCA Operating Licence
- Memoranda of Understanding – NSW Health, DEC, DLWC
- SCA Statement of Affairs
- SCA Summary of Affairs
- Expert Reference Panel – Charter and Procedures
- Local Government Reference Panel – Charter and Procedures
- Regional Consultative Committee – Charter and Procedures
- Hawkesbury Nepean Experimental Environmental Flow Strategy
- Pollution Source Risk Management Plan

Exhibition documents

- Draft SCA Environment Plan 2006-2010
- Draft memorandum of understanding between the SCA and NSW Health
- Draft Bulk Water Supply Agreement between the SCA and Sydney Water
- Groundwater – suite of consultation documents
- Shoalhaven Transfers and Environmental Flows – suite of consultation documents

Table 22: SCA Heritage assets

Heritage item	Condition in 2005-06*	Notes/Works begun or completed
A. Engineering heritage		
Warragamba Supply Scheme		
Warragamba Dam	Good	
Crest gantry crane	Good	Upgrade works complete
Crest gates	Good	
Dam outlets	Good	
18 ton cableway (upper tail tower)	Fair	
Haviland Park, Warragamba Dam	Fair	Two liquid amber trees fallen due to strong winds
Main dam wall	Good	2x2x1.7 metre concrete plug removed from base of dam as part of deep storage access project under Metropolitan Water Plan
Suspension bridge	Poor	Demolition nearing completion.
Megarritys Bridge	Good	
Valve house	Good	Upgrade works complete
Warragamba -Prospect Pipelines 1 and 2	Good	
Warragamba Emergency Scheme		
Warragamba Emergency Pumping Station 9		Complete refurbishment under way as part of MWP Warragamba Deep Storage Access Project
Warragamba Weir	Good	
Upper Nepean and Woronora Supply Scheme		
Avon Dam	Good	Major upgrade on outlets in progress as part of environmental flows project under Metropolitan Water Plan
Cataract Dam	Good	
Cordeaux Dam	Good	
Hudson's Emergency Scheme	Poor	
Nepean Dam	Good	New outlet works and pump station in progress as part of deep storage access project under Metropolitan Water Plan
Prospect Reservoir and surrounding area	Good	New raw water pumping station under construction
Prospect Reservoir valve house	Good	
Upper Canal system	Fair to good	Timber bridge at Ingleburn Dam undergoing refurbishment Mine subsidence stabilisation work continuing
Broughtons Pass Weir	Good	
Nepean Tunnel	Good	
Pheasants Nest Weir	Good	New road works completed
Upper Cordeaux Dam No. 1	Fair to good	
Upper Cordeaux Dam No 2	Fair to good	
Cordeaux Manor	Good	
Woronora Dam	Good	
Woronora –Penshurst pipeline	Good	
Upper Nepean Scheme compensation weirs		
Brownlow Weir	Good	
Cobbity Village Weir		Partially demolished

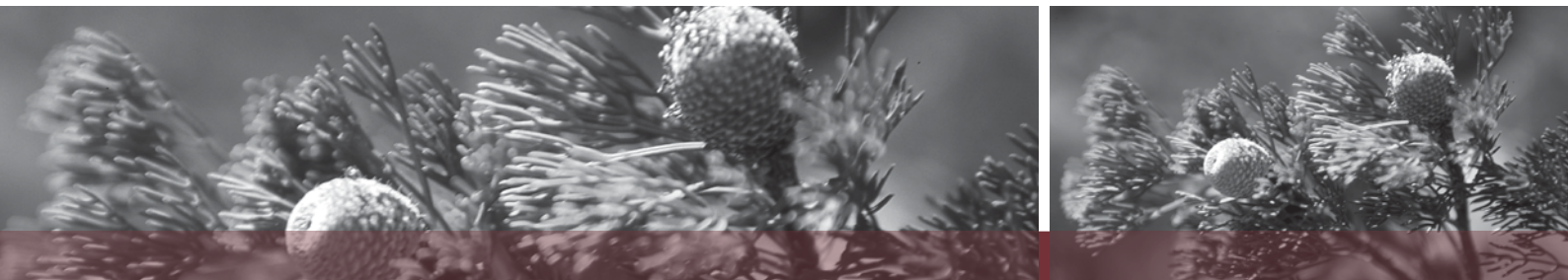
Heritage item	Condition in 2005-06*	Notes/Works begun or completed
Menangle Weir	Good	
Mt Hunter Rivulet Weir	Good	
Thurns Weir	Good	
Wallacia Weir	Good	
Blue Mountains Supply System		
Cascades dams	Good	
Greaves Dam	Good	
Medlow Bath Dam	Good	
Woodford Creek Dam	Good	
B. Historic buildings		
Arnprior	Poor to fair	
Barralier	Poor	
Bowmans Hill	Fair	
Cookanulla	Poor to fair	
Glen D'Or	Poor to fair	
Joe Deacon's Hut	Poor	
Kedumba Slab Hut	Poor	Repairs to weather protection sail completed
Khama Lea	Poor to fair	
La Vista	Poor	
Mayfield	Fair	
Ooranook	Fair	
St Senan's Church	Good	
Virginia	Fair	
Walker's Homestead	Fair	
Windmill Hill	Good	Maintenance of asset protection zone and weed control
Yerranderie Court House	Good	
Yerranderie Police Station	Good	Repairs to toilet floor and plumbing completed
c. Landscape items		
Wingecarribee Swamp	Poor	Extensive recovery by native species First year of willow control completed Resulted in reduction of willow infestation.

***Condition descriptors**

Good – currently fit for purpose (operational) or generally intact, or both

Fair – not currently fit for purpose (operational) but stable and requiring only moderate repairs

Poor - not fit for purpose (operational), unstable and requiring extensive restoration works



2005-06 ANNUAL REPORT COMPLIANCE CHECKLIST

This compliance checklist directs the reader to information relating to Treasury and legislative requirements for annual reporting for 2005-06.

Annual Reports (Statutory Bodies) Act 1984

Letter of Submission to the Minister
Legal Change - significant judicial decisions
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Annual Reports (Statutory Bodies) Regulation 2005

Manner and purpose of establishment
Principal legislation
Aims & objectives of the SCA
SCA access & contact details
Names, qualifications & appointment of board members
& attendance at board meetings
Names, offices & qualifications of senior officers
Names of significant committees & membership
Significant committees established or abolished & their functions
Organisation chart indicating functional responsibilities
Summary review of operations
Legal Change: Acts & subordinate legislation
Factors affecting achievement of operational objectives
Management & activities of the SCA
Research & development
Categories of staff over four years
Personnel & industrial relations policies & practices
Disability plans
Land disposal
Publications & other information available to public
Details taken to improve performance
Time for payment of accounts
Risk management
Overseas visits by employees and officers
Consumer response
Guarantee of service
Ethnic affairs priorities statements and agreements
Occupational health and safety
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Waste reduction and purchasing plan implementation
Audited financial statements
External costs incurred in the production of annual report
Investment performance
Liability management performance
Performance and numbers of executive officers
Funds granted to non-government community organisations

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Equal employment opportunity outcomes (02/17)
Major planned EEO outcomes for 2006-07 (02/17)
Table of trends in (A) representation and (B) distribution of EEO groups (02/17)
Payment of accounts (01/12)
Total external costs incurred in the production of the annual report
Availability of annual report on internet and website (00/16)
Investment performance (01/02)
Liability management performance (01/02)
Performance and numbers of executive officers (00/24)
Credit card certification (99/6)
Financial reporting and annual reporting requirements arising from employment arrangements (06/13)

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SCA Division Report

Public Sector Employment and Management Act 2002

Disability plans

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Public Sector Employment Legislation Amendment Act 2006

SCA Division Report

Disability Services Act 1993

Disability plans

SCA Division Report - KRA 06

Freedom of Information Act 1989, Freedom of information Regulation, Freedom of Information Manual

Freedom of information

Appendix 7

Independent Pricing and Regulatory Tribunal Act 1992

Implementation of price determination

KRA 03, Appendix 9

Privacy and Personal Information Protection Act 1998

Privacy management

SCA Division Report - KRA 06

Heritage Act 1977

Heritage assets

Appendix 17

Note: Where a Treasury or legislative requirement for information has been duplicated, this checklist identifies the requirement under each heading.



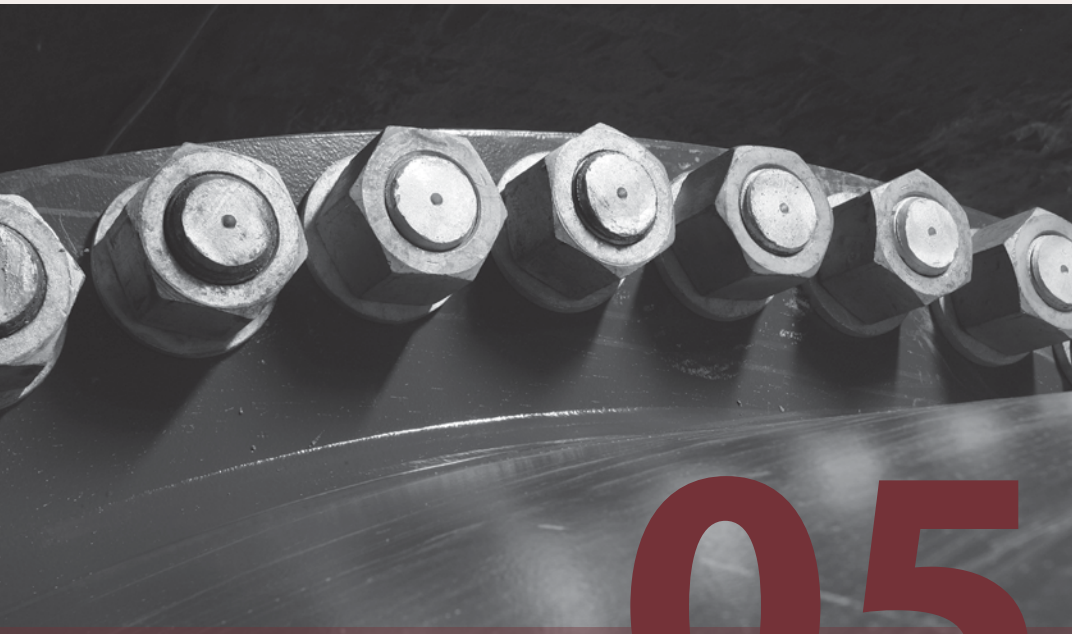
GLOSSARY OF TERMS

Term	Definition
Catchment	An area where water is collected by the natural landscape. In a catchment, all rain and runoff water eventually flows into a creek, river, lake or ocean or into the groundwater system
Deep storage	Water which lies at the bottom of some dams and reservoirs. Usually, it is below the lowest outlet point in a dam from where water can be extracted or below the level where gravity can draw the water out of the dam
Environmental flows	Water flowing from dams to provide a flow of water in a river, stream or other natural waterway to protect and improve river health
Groundwater	All water found below ground level in saturate soil or rocks
Land	Includes rivers, streams and other watercourses
Megalitre	Volume equal to one million litres
Operating storage	The amount of water available for water supply in a lake or reservoir
Pathogens	Micro-organisms that can be found in water and which can sometimes cause illness in humans
Raw water	Water that has not been subjected to any form of treatment
Special Areas	Land, mostly around drinking water dams, that were originally set aside for the protection of drinking water quality
Water storages	The SCA's dam walls, pumps and other works used for – or with respect to – the extraction and storage of: water in rivers and lakes, water occurring naturally on the surface of the ground, sub-surface waters
Water supply infrastructure	Includes the SCA's dams, pipelines or connected or associated works, and monitoring devices
Yield	The amount of water that can be withdrawn from a reservoir on an ongoing basis with an acceptably small risk of reducing the reservoir storage to zero

LIST OF ACRONYMS

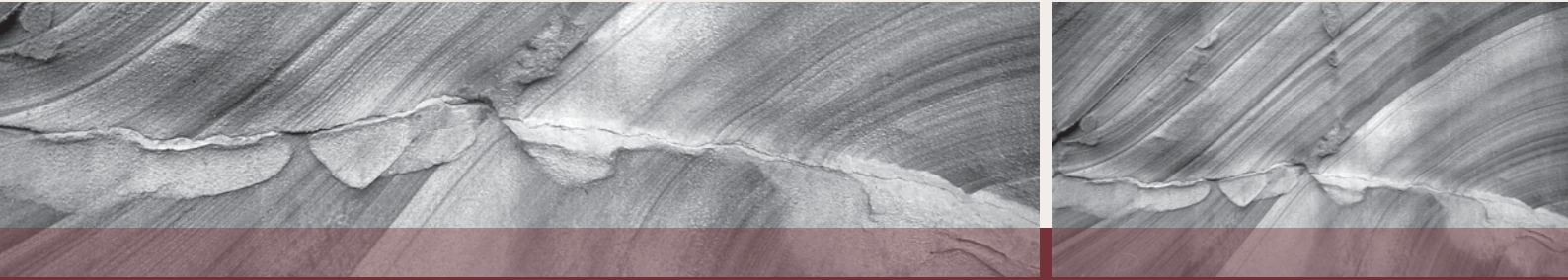
Acronym	Full name
APESMA	Association of Professional Engineers, Scientists and Managers, Australia
ASU	Australian Services Union
CMA	Catchment management authority
CRC	Cooperative research centre
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAR	Development Assessment Register
DEC	Department of Environment and Conservation
DNR	Department of Natural Resources
DoC	Department of Commerce
DPI	Department of Primary Industries
EAPS	Ethnic affairs priority statement
EEO	Equal employment opportunity
FOI	Freedom of information
GST	Goods and services tax
HCP	Healthy Catchments Program
ICOLD	International Commission on Large Dams
IPART	Independent Pricing and Regulatory Tribunal
KRA	Key performance area
GIS	Geographic information system
MoU	Memorandum of understanding
MWP	Metropolitan Water Plan
OHS&R	Occupational health, safety and rehabilitation
RAPs	Rectification action plans
SASPoM	Special Areas Strategic Plan of Management
SCA	Sydney Catchment Authority
SEPP 58	State Environmental Planning Policy 58
SWCM Act	<i>Sydney Water Catchment Management Act 1998</i>
Sydney Water	Sydney Water Corporation
WSSAPoM	Wingecarribee Swamp and Special Area Plan of Management

Healthy Catchments
Quality Water
- Always
always



Sydney Catchment Authority
DIVISION ANNUAL REPORT

05
06



SCA DIVISION OF THE GOVERNMENT SERVICE ANNUAL REPORT 2005-06

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About the SCA Division of the Government Service

SCA Division



The Public Sector Employment Legislation Amendment Act 2006 (PSELA Act) commenced on 17 March 2006 and established statutory authority divisions of the Crown and the transfer of staff from particular statutory bodies to statutory authority divisions.

As a consequence, the Sydney Catchment Authority Division of the Government Service (SCA Division) was established with the commencement of the PSELA Act. The Division provides personnel services to the SCA to enable it to carry out its statutory functions. The Chief Executive is the division head and exercises employer functions in relation to division staff.

As a result of the PSELA Act and the amended *Public Sector Employment and Management Act 2002*, the SCA Division has separate annual reporting requirements.

Under the new arrangements, the SCA Division is a 'special purpose service entity'. The special purpose service entity is a service entity that provides personnel services to a single statutory corporation where the service entity has no functions other than employment functions. As a result, SCA staff are now employed by the NSW Government Service and the SCA Division is required to produce separate financial reports.

The annual report for a statutory corporation with a special purpose service entity must include three sets of financial reports. These comprise the financial report of the parent entity, the special purpose service entity, and the economic (consolidated) entity.

This annual report of the SCA Division details the division's personnel services and associated financial reports that the Government provides to the SCA. The SCA's annual report contains the SCA's financial reports and the consolidated reports of the SCA and the SCA Division as required by NSW Treasury.

LETTER TO THE MINISTER

Sydney Catchment Authority
Level 2
311 High Street
Penrith NSW 2750

31 October 2006

The Hon Robert Debus MP
Minister for the Environment
Level 36 Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Minister

I am pleased to submit the 2005-2006 annual report for the Sydney Catchment Authority Division of the Government Service for presentation to the Parliament of New South Wales.

The report has been prepared in accordance with the *Public Sector Employment Legislation Amendment Act 2006* and the amended *Public Sector Employment and Management Act 2002*. The report also adheres to the *Annual Reports (Statutory Bodies) Act 1984*, the Annual Reports (Statutory Bodies) Regulation 1995, the Annual Reports (Statutory Bodies) Amendment Regulation 2003, the Annual Reports (Statutory Bodies) Amendment Regulation 2005, the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2000.

A handwritten signature in dark ink, appearing to read 'Graeme Head', with a stylized flourish at the end.

GRAEME HEAD
Division Head, Sydney Catchment Authority Division of the Government Service

Dynamic, supportive workplace

supportive



KEY RESULT AREA **06**

- Our staff 168
- Occupational health, safety and rehabilitation 170

So that we are able to meet the challenges facing the organisation both now and in the future, we will achieve the following outcomes over the period 2002-2007

- the SCA will provide a safe, healthy workplace and facilities
- comprehensive workforce planning and management will support the SCA
- SCA staff will contribute to and work within the business planning framework
- the SCA will be a fair and equitable workplace that reflects our values.

As a statutory corporation, in its annual report the SCA Division must report on the personnel services for the corporation, provided by the NSW Government in respect to employee-related matters.

Although the SCA Division was created 17 March 2006, the following employee resources information covers the full reporting year 2005-06.

OUR STAFF

Our staff are fundamental to the success of the SCA Division and its function. The objectives are to provide a safe, healthy and equitable work environment and to attract and retain the most suitably qualified people for the business.

Various strategies were used to achieve sustainable outcomes for workplace practices in 2005-06. They included promoting open communication between management and staff, enhancing the SCA Division's skill base, and involving staff in planning and recognising staff achievements. Other strategies focused on the health and safety of staff, contractors and others, and on programs to help staff balance work and personal commitments.

Enhancing workplace practices

In 2005-06 we continued to develop and review the SCA Division's policies, guidelines and procedures concerning welfare of our staff. All new and updated practices incorporate equity standards and have been made available to staff through the SCA intranet.

The process included developing the SCA Division's revised code of conduct, which details modes of behaviour required of all SCA Division personnel at work (see section on Corporate Governance in SCA annual report). New guidelines aimed at preventing bullying and harassment were developed and procedures relating

to privacy and personal information were strengthened with revision of the SCA Division's privacy management and privacy management action plans. Procedures for protecting disclosure and for reporting unethical conduct were also reviewed.

Revised job evaluation methods strongly supported the SCA Division's commitment to equity. Other new or revised practices provided opportunities for staff to advance their careers or to enhance the management of their professional and personal responsibilities. Here the emphasis was on study assistance, flexible work arrangements, and salary packaging.

Wellbeing of staff

The SCA Division recognises that our people have an important role in contributing to decisions about matters that affect them at work. An organisation-wide staff survey, which was conducted on 19 July 2005, achieved an 83 percent response rate. The survey asked staff to comment on 15 key aspects of the organisation, including leadership, communication, fairness and integrity, health and safety, training and development, and performance management. Matters raised by the survey as being of concern were explored further with staff to resolve them.

Recognising staff achievements

The SCA Division's performance management system, which links performance to pay, became fully implemented and continued to operate effectively during 2005-06. End of cycle assessments were carried out in July and August 2005, with the vast majority of staff performance being rated as 'satisfactory' and meeting agreed outcomes. Ten staff received 'outstanding' performance recognition of their achievements during the 12-month review cycle. No ratings were unsatisfactory.



Working with colleague agencies in the field

Further enhancements in the performance management system included the introduction of a second review period to ensure greater equity and fairness. The second review, in December 2006, saw a further four staff receive recognition for 'outstanding' performance. Ongoing review of rewards and recognition processes includes those for team-based programs.

Long service awards 2005

A combined 140 years of service by staff was recognised at the SCA Division 2005 Awards Ceremony. The scheme, which began in 2003, acknowledges staff members who have worked for the SCA and previously with Sydney Water for 10, 20, 30 or 40 years. Chief Executive, Graeme Head, presented the awards to this year's recipients.

Restructuring and job evaluation

Positions continue to be reviewed and graded, applying the Cull Egan Dell job evaluation system. All position descriptions include generic key accountabilities relating to equal employment opportunity (EEO), occupational health and safety (OHS) and the Ethnic Affairs Priority Statement (EAPS). They also include ethical practices and behaviour according to SCA Division values, corporate governance framework, and code of conduct.

Major restructuring of work areas was applied to the organisation to align work programs, structures and the number and types of positions. Restructuring of work units will continue during 2006-07.

Enhancing the SCA Division's skills base

The SCA Division continued to implement its learning and development framework throughout 2005-06 to ensure that staff skills remain aligned with the SCA Division's business needs. Action was taken to address training needs identified through staff learning plans, with more than 80 percent of 'essential' training being completed. In March 2006, all managers participated in training to support the SCA Division's prevention of bullying and harassment in the workplace policy with further staff sessions to be conducted in late 2006. Other major learning programs

were for privacy and personal information awareness (including the SCA Division's code of conduct) as well as for project management and incident management.

SCA Division industrial award

During the reporting period the SCA Division, in conjunction with our unions - the Australian Services Union (ASU) and the Association of Professional Engineers, Scientists and Managers, Australia (APESMA) - successfully negotiated a new three-year award. The new award gave staff 16 percent salary increases. The increases were funded through workplace improvements and were in addition to award conditions of employment introduced by the SCA Division in 2005-06.

Recognising staff achievements

The SCA Division's achievements are largely attributable to the quality of our greatest resource - the SCA Division staff.

Senior Spatial Analyst, Chris Chafer, who has been with the SCA since inception of the agency in 1999, is receiving national and international recognition for his work on wildfire impacts. Chris is a member on the national advisory panel to map fuel loads using remote sensing. He instigated the project by developing a new approach to assess wildfire impacts in response to a ministerial inquiry about the severity of the 2001 bush fires in Sydney's drinking water catchments.

The project has become of great interest to several leading national research bodies including CSIRO Land and Water, the Bushfire Cooperative Research Centre, Spatial Information Cooperative Research Centre, University of NSW and the Department of Environment and Conservation. It is now fully funded via the National Disaster Mitigation Fund and managed by the NSW Rural Fire Service. The project's method of assessing wildfire were published in the International Journal of Wildland Fire (Chafer et al 2004).

The University of Swansea in the United Kingdom and their collaborators in Natural Environment Research Council have shown particular interest in the project and several scientific papers have been jointly published internationally. Chris has accepted an invitation to speak on the development and use of the model at an international conference in Barcelona in January 2007.

The SCA Division has actively supported the project in giving Chris time to develop, prove and talk about the results of the modelling methodology to external agencies and universities both in Australia and overseas.



Senior Spatial Analyst, Chris Chafer has attracted national and international interest in his approach to assessing wildfire impacts using remote sensing

CASE STUDY

Table 1: Long service award recipients and length of service

Recipient	Length of service
Ken Hansen	30 years
Federico Ramos	30 years
Alan Broadbent	20 years
Pauline Coveny	20 years
Kelvin Lambkin	10 years
Barbara Dooley	10 years
Sue Amor	10 years
Wayne Byrnes	10 years

Table 2: Injuries incurring lost time or expenses of more than \$500 to the SCA Division

Number of injuries 2002-03	Number of injuries 2003-04	Number of injuries 2004-05	Number of injuries 2005-06
5	9	10	6

The award introduced flexitime, which offers staff greater access to flexible work practices, and purchased leave, which permits staff to ‘purchase’ an additional four weeks leave each year. Adjustments to maternity leave and adoption leave entitlements were further initiatives of the award.

The SCA Division’s Privacy Management Plan and Privacy Management Action Plan were reviewed and updated.

Consulting with the unions

The Joint Consultative Committee continued to be the main forum for peak level discussion between the SCA Division and the ASU and APEMSA, across the full range of workplace relations and conditions. The discussions ensure that the SCA Division and unions work at both addressing and reducing staff issues and potential industrial matters. The parties continued to foster harmonious working relationships, which were demonstrated by the manner in which issues were satisfactorily resolved.

OCCUPATIONAL HEALTH, SAFETY AND REHABILITATION

Keeping people safe and well

Our staff

The SCA Division’s commitment to sustainable workplace practices includes the safety and wellbeing of staff. Throughout 2005-06 we continued to improve the management of the SCA Division’s occupational health, safety and rehabilitation (OHS&R) programs and practices to reduce the number and severity of injuries sustained at SCA Division sites. To this end, training for all staff in OH&S matters remained a priority. Workplace inspections, audits, and enhancements to procedures were supported by a program of staff and management information sessions, site visits, and training programs. Annual training programs included OH&S awareness, entry into confined spaces, first aid and emergency response programs. OHS&R Training statistics are provided in Table 6 - Appendix 4.

Initiatives delivered under our programs to monitor and promote health included an influenza vaccination program, which was made available to staff in time for the 2006 winter. Staff who fight bushfires or enter confined spaces underwent fitness tests.

Adjustments were made to individual workstations to reduce the potential for injuries. Programs were implemented to assist staff on returning to work after illness or injury.

The SCA Division’s investment in the wellbeing of staff is underpinned by its business plan objective to maintain a ‘dynamic supportive workplace’. During 2005-06, the SCA Division continued to support our external employee assistance program and service provider, WorkWise, to ensure confidential and independent professional counselling and support for staff and family members.

Other stakeholders

The SCA implements stringent safety requirements for major contract work including risk assessment, induction of contractors and their staff, and the development of appropriate safe work plans. In 2005-06 the SCA Division’s audit program included an audit of contractor safety.

We worked cooperatively with Sydney Water, Parks Division of the Department of Environment and Conservation, and other agencies who use the catchment lands and storages. This involved establishing agreements on protocols and procedures to manage safety issues.

Our picnic grounds were inspected regularly and maintained to minimise potential safety issues for the community.

Auditing OH&S performance

An independent audit of the SCA Division’s contractor safety achievements was conducted in 2005-06 by our auditor, PriceWaterhouseCooper. A draft of the audit findings was made available to the Division in June 2006. In response, we will review the Division’s contractor management processes in 2006-07.

Lost time Injuries to staff

During 2005-06 six staff members suffered injuries, resulting in 286 working days being lost to the SCA Division. Three of the injuries were work-related and three occurred on the way to or from work or during a lunch break.

Table 2 shows the number of injuries incurring lost time or expenses to the SCA Division in excess of \$500 (or both) over four years.

Employment programs

Our graduate recruitment program, introduced in 2005-06, supported three placements for employment at the SCA Division. The first intake of graduates under the program is expected in February 2007.

Supporting the Spokeswomen's Program

The SCA Division continued to support the Government's Spokeswomen's Program in 2005-06, with a number of rewarding opportunities being offered to women. Three women staff members took part in the Springboard Program, bringing the total number of participants since 2000 to seven. The Springboard Program is a career and personal development initiative of the Spokeswomen's Program.

Human resource information system

To improve efficiency and support future workforce planning and reporting needs, we embarked on the development of a major computerised human resource information system. Stage one of the system was rolled out on 1 July 2006, and includes the capacity to process the SCA Division's payroll in-house. Stage one also includes data on recruitment, learning and development, and occupational health and safety.

Stage two of the project will be rolled out in early 2006-07. It promotes enhanced reporting to management and enables staff to access and manage online information relating to their pay, leave and other personal matters.

Equity and diversity management

Equity and diversity programs

Legislation and government policy require us to develop equity and diversity management plans. The SCA Division's Equity and Diversity Management Plan combines these initiatives into one overarching three-year management plan. It incorporates the division's Equal Employment Opportunity (EEO) Management Plan, Disability Action Plan, and Ethnic Affairs Priority Statement.

In 2005-06 the management plan achieved the following:

- two women staff members and one staff member from a non-English speaking background participated in the Public Sector Management Development Program
- one woman staff member enrolled in the Australian and New Zealand School of Government Executive Masters of Public Administration program. Our senior female staff member, Simone Greenaway, who graduated from the program in October 2005, was awarded the School of Government prize for excellence
- two-thirds of our staff receiving study assistance for tertiary education were women
- Community Language Allowance Scheme procedures were approved
- a pesticides video film was produced for farmers from non-English speaking backgrounds
- compliance with Australian Standards for Access and Mobility at the Warragamba visitor's information centre was assessed externally
- re-design, modification or refurbishment of SCA facilities was in accordance with Australian Standards for Access and Mobility
- all SCA Division committees were represented by both genders
- all staff performance agreements included equity and diversity accountabilities and all new position descriptions reflected the accountabilities.

Planned outcomes for 2006-07

The SCA Division's staff orientation program is being reviewed. The revised program strengthens information about EEO principles and practices, the division's Equity and Diversity Management Plan and its Employee Assistance Program. From 2006-07, all SCA buildings, offices and holiday cottages will be inspected annually to monitor compliance with access and mobility standards.

EEO recruitment

The SCA Division continues to advertise vacant positions available to the public through placement on JobsNSW, via the internet, the Sydney Morning Herald, the Daily Telegraph and related industry websites. During the period, we supported

secondment placements both into the SCA Division and across other NSW Public Sector agencies to support development opportunities. A number of these placements represented EEO groups.

During the 2005-06 period, the SCA Division progressively reviewed work unit structures to ensure that positions were correctly graded and aligned to meet work programs. Job evaluation and staff placement procedures were followed with merit selection principles applied to any internal recruitment action. Staff members across all EEO groups were encouraged to apply for internal expressions of interest to fill short-term vacancies and to support career planning and foster placements across work units.

During 2006/07 the SCA Division will introduce its graduate development program with recruitment targeted at recent civil engineering graduates. The program will be an integral part of the SCA Division's base level entry program over the coming years.

EEO training

During 2005-06 the focus was on the prevention of bullying and harassment. (See Appendix 4 for statistics of attendance).

Ethnic Affairs Priority Statement

Three staff members were selected to participate in the Community Language Allowance Scheme in 2005-06. The scheme is for employees who use one or more languages other than English as part of their normal duties.

Table 3: External appointments highlighting EEO target groups

A. Trends in representation of EEO groups - Percentage of total staff actual representation						
EEO Group	Benchmark or target %	2002 %	2003 %	2004 %	2005 %	2006 %
Women	50.0	35.0	38.0	38.0	37.0	38.0
Aboriginal people and Torres Strait Islanders	2.0	0.7	1.0	2.1	2.0	2.2
People whose first language was not English	20.0	14.0	13.0	16.0	14.0	15.0
People with a disability	12.0	5.0	4.0	4.0	3.0	3.0
People with a disability requiring work-related adjustment	7.0	0.8	1.0	1.2	1.1	1.0
B. Trends in the distribution of EEO groups - Distribution index						
EEO Group	Benchmark or target %	2002 %	2003 %	2004 %	2005 %	2006 %
Women	100	84	87	88	86	85
Aboriginal people and Torres Strait Islanders	100	n/a	n/a	n/a	n/a	n/a
People whose first language was not English	100	109	109	109	107	107
People with a disability	100	n/a	n/a	n/a	n/a	n/a
People with a disability requiring work-related adjustment	100	n/a	n/a	n/a	n/a	n/a

Notes:

1. Staff numbers are as at 30 June

2. Excludes casual staff

3. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case with other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by ODEOPE.

4. The Distribution Index is not calculated where EEO group or non-EEO group numbers are fewer than 20.

5. Given the small number of staff who identify themselves as having a disability, privacy issues make it inappropriate for the SCA Division to report numbers below 20.

Table 4: Trends in the representation and distribution of EEO groups

Category	2002-03	2003-04	2004-05	2005-06
Number of external appointments (new employees)*	53	52	40	44
Number of responses to EEO questionnaires received	48	45	33	37
Women **	30	21	9	21
Aboriginal and Torres Strait Islanders***	0	3	0	0
People from a non-English speaking background ***	7	11	2	6
People with a disability ***	7	5	0	0
People from a racial, ethnic or ethno-religious minority group ***	4	12	3	6

* Reductions have not been made for termination of employment.

** Percentages based on the number of new external appointments

*** Category percentages are based on number of EEO questionnaires received

SCA Division financial reporting



ESTABLISHING THREE ACCOUNTING ENTITIES

The establishment of the Sydney Catchment Authority Division has resulted in the SCA having to prepare three sets of accounts via the SUN system which relate to:

- the SCA consolidated entity
- the SCA operating entity
- the SCA Division employing entity.

All staff are employed by the Government Service of NSW and seconded to the SCA operating entity to fill its staffing structure. The administrative arrangement between the SCA and SCA Division are to be documented by way of a Memorandum of Understanding (MoU) which will be completed in the 2007 year. However, given there is a constructive obligation for the arrangement to have been in place from the inception of the changes, the administrative arrangements are deemed to have occurred in accordance with the terms and conditions of that MoU from 17 March 2006.

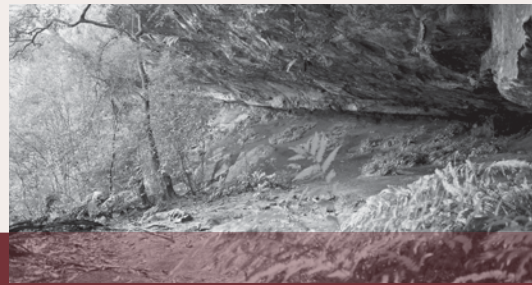
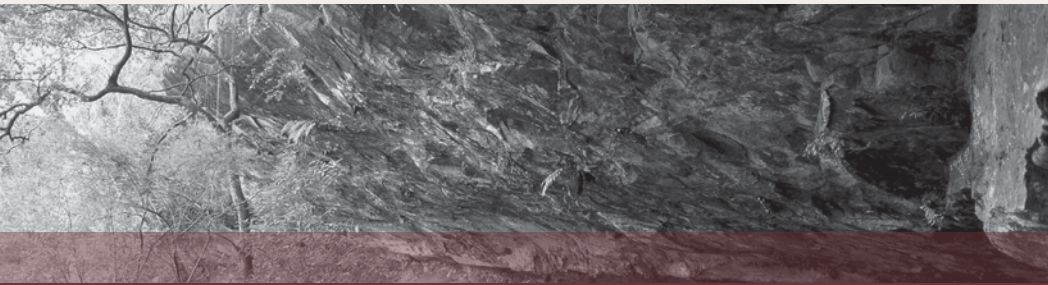
All employee-related costs including provisions and employee entitlements have been transferred to the SCA Division from 17 March 2006 and the SCA operating entity is charged by way of invoice for employee related services and costs on a monthly basis.

From 17 March 2006, the SCA operating entity and SCA Division are grouped for the purposes of goods and services tax (GST) and payroll tax, however the SCA

Division is grouped with the Department of Environment and Conservation (the portfolio host agency) for fringe benefits tax purposes.

Charges from SCA Division to the SCA do not include a profit margin in accordance with Treasury requirements, therefore the SCA Division will not pay income tax under the National Tax Equivalents Regime (NTER). This has resulted in the future income tax benefits held by the SCA as at 17 March 2006 being written back against income tax expense during the 2006 financial year as they will not crystallise in future years within the SCA Division.

Whilst the SCA's accounts have been dissected into the three entities manually for the production of the 2006 statutory accounts, full automation of this process within the SUN system will occur from 1 July 2006.



SCA DIVISION FINANCIAL REPORTING

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GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

SYDNEY CATCHMENT AUTHORITY DIVISION

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of Sydney Catchment Authority Division (the Division):

- presents fairly the Division's financial position as at 30 June 2006 and its performance for the period 17 March 2006 to 30 June 2006, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and the Board's Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the Division, for the period 17 March 2006 to 30 June 2006.

The Board of Sydney Catchment Authority is responsible for the preparation and true and fair presentation of the Division's financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Board in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Board members had not fulfilled their reporting obligations.

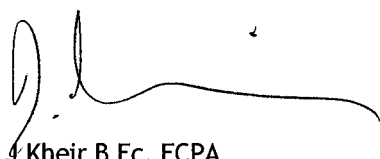
My opinion does *not* provide assurance:

- about the future viability of the Division,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



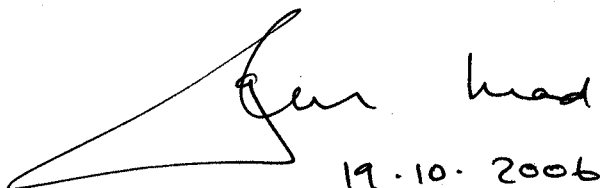
Kheir B Ec, FCPA
Director, Financial Audit Services

SYDNEY
31 October 2006

In my opinion as the Chief Executive of the Sydney Catchment Authority
Division

a) the Financial Statements:

- i) exhibit a true and fair view of the financial position of the Authority as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date;
 - ii) comply with applicable accounting standards, Urgent Issues Group consensus views, the Public Finance & Audit Regulation 2000, the Treasurer's Directions and other mandatory professional and statutory requirements where applicable.
- b) I am not aware of any circumstances that would render any particulars in the financial statements to be misleading or inaccurate.



19.10.2006

Graeme Head
Chief Executive

SYDNEY CATCHMENT AUTHORITY DIVISION
INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
Personnel services revenue	2	6,560,476	-
Expenses, excluding finance costs	3	(6,560,476)	-
Operating profit before finance costs		-	-
Net finance costs		-	-
Profit before income tax expense		-	-
Income tax expense		-	-
Profit after related income tax expense		-	-

The accompanying notes form part of these financial statements

SYDNEY CATCHMENT AUTHORITY DIVISION
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2006

	Accumulated Funds		Total Equity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Balance at the beginning of the Financial Year	-	-	-	-
Profit for the year	-	-	-	-
Total changes in equity	-	-	-	-
Balance at the end of the Financial Year	-	-	-	-

The accompanying notes form part of these financial statements

SYDNEY CATCHMENT AUTHORITY DIVISION

BALANCE SHEET

AS AT 30 JUNE 2006

	Note	2006 \$	2005 \$
Current assets			
Trade and other receivables	4	12,780,944	-
Total current assets		12,780,944	-
TOTAL ASSETS		12,780,944	-
Current liabilities			
Trade and other payables	5	124,300	
Short term provisions	6a	9,653,489	-
Total current liabilities		9,777,789	-
Non current liabilities			
Long term provisions	6b	3,003,155	-
Total non current liabilities		3,003,155	-
TOTAL LIABILITIES		12,780,944	-
NET ASSETS		-	-
EQUITY			
Accumulated funds		-	-
TOTAL EQUITY		-	-

The accompanying notes form part of these financial statements

SYDNEY CATCHMENT AUTHORITY DIVISION
CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows			
Cash receipts from Sydney Catchment Authority		-	-
Outflows			
Payments to suppliers and employees		-	-
Net cash provided by operating activities		-	-
Net increase/ (decrease) in cash held		-	-
Opening cash and cash equivalents		-	-
CLOSING CASH AND CASH EQUIVALENTS		-	-

The accompanying notes form part of these financial statements

SYDNEY CATCHMENT AUTHORITY DIVISION
NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2006

PRINCIPAL ACTIVITIES

Sydney Catchment Authority (SCA) is a NSW statutory body constituted under the *Sydney Water Catchment Management Act 1998* (the Act).

Sydney Catchment Authority Division ("SCA Division") was established, effective 17 March 2006, as a result of the *Public Sector Employment Legislation Amendment Act 2006* (PSELAA). The PSELAA has changed the status of employees who were previously employed by SCA prior to 17 March 2006.

From 17 March 2006, the employment contracts of these employees were transferred from SCA to the Government Service of New South Wales such that they are now employees of the Government of New South Wales in the service of the Crown rather than employees of the statutory corporation (SCA). SCA Division is a division of the Government Service of New South Wales and employs personnel who work exclusively for the SCA. It is considered to be a division assigned to the statutory corporation, being SCA, pursuant to Part 2 and Part 3 of Schedule 1 of the *Public Sector Employment and Management Act 2002* (PSEMA).

The SCA Division is regarded as a *special purpose entity* as it was established specifically to provide personnel services exclusively to SCA to enable the SCA to exercise its functions. It is subject to the control of the SCA pursuant to the operation of the PSEMA and accordingly will be consolidated by the SCA.

SCA Division is regarded as a *reporting entity* and is consequently required to produce a separate financial report in accordance with applicable Accounting Standards.

The SCA Division recognised the employee related liabilities transferred from the SCA on 17 March 2006 at their carrying value at that time. An equivalent receivable and liability was recognised between SCA Division and SCA respectively at the date of this transfer. All personnel charges of the SCA Division are charged to SCA from the 17 March 2006. These charges include all salaries, bonuses, superannuation costs, annual leave, sick leave, on-costs and all related payroll tax and fringe benefits tax charges so as to recover the operating costs of SCA Division. Pursuant to Treasury Circulars TC 06/13 and TC 06/17, the SCA Division is not permitted to mark up the costs of these services and therefore will not recognise a profit on the provision of these services to SCA.

SCA Division undertakes no activities other than the provision of personnel services to SCA.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

The SCA Division is a special purpose entity which is consolidated into the SCA. There are no entities under its control. These financial statements have been authorised for issue by the Chief Executive on 20 October 2006 and endorsed by the Board.

b) Basis of Preparation

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

- applicable Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Consensus Views; and
- the requirements of the *Public Finance and Audit Act 1983* as amended and the *Public Finance and Audit Regulation, 2000*.

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

In the absence of a specific Accounting Standard, or other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* is considered. All financial statement items are prepared in accordance with the historical cost convention. The accounting policies have been consistently applied throughout the period.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements, key assumptions and estimations that management has made are disclosed in Note 1 (I) to the financial statements.

All amounts are presented in Australian currency.

c) Statement of Compliance

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

d) Comparatives and AIFRS reconciliation

SCA Division was established under the PSELAA effective 17 March 2006. This is the SCA Division's first financial report and accordingly no comparatives are disclosed in these financial statements.

As there were no prior year operations or financial balances, no AIFRS reconciliation has been prepared.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Employee Benefits

(i) Wages and salaries, compensated absences and on costs

Liabilities for wages & salaries (including non monetary benefits) and annual leave that are expected to be settled wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

The SCA Division has long-term annual leave benefits and will measure these benefits at present value in accordance with the requirements of AASB 119 *Employee Benefits* (June 2004). Market yields on government bonds of 5.88% are used to discount long-term annual leave.

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

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

(ii) Long service leave

The SCA Division's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate of 5.88% is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the SCA Division's obligations.

This obligation includes applicable payroll tax Workers Compensation insurance premiums and superannuation

(iii) Superannuation

The SCA Division's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. This obligation was transferred from SCA to SCA Division on 17 March 2006.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the SCA Division's obligations.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

All actuarial gains and losses as at 17 March 2006, were recognised. All actuarial gains and losses that arise subsequent to 17 March 2006 are recognised immediately in the income statement.

Where the calculation results in a benefit to the SCA Division, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The determination of the present value of defined benefit obligations was performed by an independent actuary using the Projected unit credit method. This valuation requires judgment and estimation of a number of assumptions. These assumptions have been set out in Note 8.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's mandate to general government sector agencies.

g) Financial Assets

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement. The SCA Division held no such assets during the financial year. The SCA Division has not designated any other financial assets or liabilities as measured at fair value through profit or loss.

Financial instruments held by the SCA Division comprise receivables from SCA.

(i) Cash

Cash comprises cash on hand and bank balances with a commercial bank. Interest has been earned at the prevailing rates.

(ii) Receivables

Receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Short term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the SCA Division will not be able to collect all amounts due. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off as incurred.

h) Revenue recognition

Revenue is measured at the fair value of the consideration or contribution received or receivable.

(i) Personnel Services Revenue

All revenue received by SCA Division is in relation to personnel expenses which have been provided to SCA. These are charged to recover all personnel costs and include all salary, annual leave, sick leave, long service leave, superannuation, on-costs and all employee tax costs.

The revenue is recognised on an accruals basis as costs are incurred.

i) Payables

Liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out by Treasury. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Government guidelines allow for the Chief Executive or delegate to award interest for late payment.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Taxation

By virtue of Treasury Circulars TC 06/13 and TC 06/17, the SCA Division:

- is not permitted to mark up the employment services provided to SCA and therefore no income tax liability will accrue against the SCA Division. Accordingly no income tax liability exists in relation to SCA Division nor have any deferred tax balances been recognised.
- the SCA Division is the reporting entity for Payroll Tax purposes.

The SCA Division has been grouped with the Department of Environment and Conservation for the purposes of Fringe Benefits Tax as required by Treasury Circular TC 06/07. The SCA Division is required to assess its FBT obligations in accordance with the directions issued by NSW Treasury from time to time.

k) Accounting for Goods and Services Tax

SCA Division has been grouped with SCA for Goods and Services Tax (GST) as allowed under the *A New Tax System (Goods and Services Tax) Act 1999* for controlled entities. Accordingly, no GST is recognised on revenues earned. Non employee costs from third parties are recognised net of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In such cases, the GST is recognised as part of the acquisition of an asset or as part of an item of expense. Accrued receivables and payables are stated inclusive of GST.

l) Accounting estimates and judgments

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed below.

(i) Key sources of estimation uncertainty

Superannuation plan assumptions

The SCA Division has used actuarial assumptions in the determination of its defined benefits obligation in relation to the superannuation plans for which it accounts on behalf of the Crown. The assumptions as provided by the actuary are set out in Note 8.

(ii) Critical accounting judgements in applying the accounting policies

Determination of for profit or not for profit

SCA Division management has applied its judgement in assessing whether it meets the definition of a for profit or not for profit entity for the purposes of the accounting standards. SCA Division has concluded that the business is a not for profit entity.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Accounting estimates and judgments (continued)

(ii) Critical accounting judgements in applying the accounting policies (continued)

Determination of provisions

Accounting judgement has been applied in the determination of the provision for employee entitlements and other provisions. Judgement has been applied by management in estimating the likely loss and/or obligation in relation to each provision.

Judgment has been based on past experience adjusted for current circumstances. The accounting policies associated with the measurement of these balances are set out in the significant accounting policies.

Operation of SCA and SCA Division under the PSELAA

The SCA Division was established under the *Public Sector Employment Legislation Amendment Act 2006 (PSELAA)* effective 17 March 2006. A Memorandum of Understanding between the SCA and the SCA Division, substantially in line with the precedent provided in Treasury Circular TC 06/17, was not formally executed until after the end of the financial year. However the Head of SCA Division considers that the intentions of the Memorandum of Understanding have been constructively adhered to by both entities over the period from 17 March 2006 to year end. SCA Division has exercised its judgement in determining and concluding that intentions of the arrangements have been constructively complied with and accordingly the financial statements present a true and fair view of the arrangement.

m) Issued standards early adopted

The SCA Division, in accordance with NSW Treasury mandate has elected to early adopt AASB 2005-4 *Amendments to Australian Accounting Standards (June 2005)* amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 1023 *General Insurance Contracts*, AASB 1038 *Life Insurance Contracts*. This Amending Standard operates to restrict the circumstances where entities can on initial recognition designate financial instruments at 'fair value through profit and loss'.

The SCA Division, in accordance with NSW Treasury mandate has elected to early adopt AASB 2005-6 *Amendments to Australian Accounting Standards (June 2005)* amending AASB 3 *Business Combinations*. The amendment operates to exclude business combinations involving businesses or entities under common control from the scope of AASB3. Accordingly equity transfers between NSW public sector agencies continue to be accounted for under NSWTC 01/11 *Contributions by owners made to wholly owned public sector entities*.

n) Issued standards not early adopted

The following standards and amendments were available for early adoption but have not been applied in these financial statements in accordance with NSW Treasury Mandate:

- AASB 119 *Employee Benefits (December 2004)* – application date 1 January 2006;
- AASB 2004-3 *Amendments to Australian Accounting Standards (December 2004)* amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements*, AASB 124 *Related Party Disclosures* – application date 1 January 2006.
- AASB 2005-1 *Amendments to Australian Accounting Standards (May 2005)* amending AASB 139 *Financial Instruments: Recognition and Measurement* – application date 1 January 2006.
- AASB 2005-3 *Amendments to Australian Accounting Standards (June 2005)* amending AASB 119 *Employee Benefits (December 2004)* – application date 1 January 2006.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Issued standards not early adopted (continued)

- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004) and AASB 139 *Financial Instruments: Recognition and Measurement* – application date 1 January 2006.
- UIG 4 *Determining whether an Arrangement contains a Lease* – application date 1 January 2006.
- AASB 7 *Financial instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) amending AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, AASB 132 *Financial Instruments: Disclosure and Presentation*, and AASB 139 *Financial Instruments*.
- AASB 2006-1 *Amendments to Australian Accounting Standards* (January 2006) amending AASB 121 *The Effects of Changes in Foreign Exchange Rates* (July 2004).

SCA Division is finalising its analysis of the impacts of each new standard in preparation for their respective first time application date.

2. REVENUES

	2006	2005
	\$	\$
Personnel Services Revenue	6,560,476	-
Personnel Services Revenue	6,560,476	-

3. EXPENSES EXCLUDING FINANCE COSTS

	2006	2005
	\$	\$
a) Employee Related Expenses		
Salary and wages (including recreation leave and redundancies)	7,034,418	-
Superannuation	(1,422,669)	-
Long service leave	268,751	-
Workers compensation insurance	192,848	-
Payroll tax and fringe benefits tax	487,128	-
Employee Related Expenses	6,560,476	-
Expenses from Ordinary Activities excluding Finance Costs	6,560,476	-

Auditors remuneration in relation to SCA Division is borne by SCA.

4. TRADE AND OTHER RECEIVABLES

	2006	2005
	\$	\$
Trade debtors – net of provision for doubtful debts	-	-
Other debtors	1,493	-
Receivables due from parent entity	12,315,622	-
Prepayments	55,872	-
Prepaid wages and salaries	407,957	-
Receivables	12,780,944	-

5. TRADE AND OTHER PAYABLES

	2006	2005
	\$	\$
Trade and other payables	124,300	-
Trade & other payables	124,300	-

6. PROVISIONS, EXCLUDING INCOME TAX LIABILITIES

	2006	2005
	\$	\$
a) Short-term provisions		
Provisions for employment taxes*	56,675	-
Provisions for employee benefits – annual leave	3,599,016	-
Provision for employee benefits – long service leave	5,997,798	-
Current Provisions, excluding tax liabilities	9,653,489	-
b) Long-term provisions		
Unfunded superannuation liability (Note 8)	3,003,155	-
Non current Provisions, excluding tax liabilities	3,003,155	-
c) Aggregate employee benefits and related on costs		
Provisions – short-term	9,653,489	-
Provisions – long-term	3,003,155	-
Prepaid salaries, wages and on costs (Note 4)	(407,957)	-
Aggregate employee benefits and related on costs	12,248,687	-
* Reconciliation of provisions		
	Provisions for Employment Taxes ** \$	
Balance transferred from SCA at start of period	58,960	
Provisions created during the year	67,124	
Provisions used during the year	(69,409)	
Balance at 30 June 2006	56,675	
Short-term	56,675	

** Employment Tax provision

The employment tax provision relates to estimated taxation costs related to payroll tax relating to activities that have taken place during the current period.

7. STATEMENT OF OPERATIONS OF SEGMENTS

The SCA Division's operation exclusively relates to the provision of personnel expenses to SCA.

8. SUPERANNUATION

General description of the type of plan

The SCA Division contributes to the following defined benefit superannuation schemes on behalf of its employees:

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the Schemes are now closed to new members.

2006:

Reconciliation of the assets and liabilities recognised in the balance sheet

	SASS Financial Year to 30 June 2006 \$	SANCS Financial Year to 30 June 2006 \$	SSS Financial Year to 30 June 2006 \$	TOTAL Financial Year to 30 June 2006 \$
Present value of defined benefits obligations	11,648,439	2,388,695	24,963,806	39,000,940
Fair value of plan assets	(11,094,921)	(2,295,640)	(22,607,224)	(35,997,785)
Unrecognised past service costs	0	0	0	0
Net (asset)/liability to be disclosed in balance sheet	553,518	93,055	2,356,582	3,003,155

Movement in net liability/asset recognised in the balance sheet

	SASS Financial Year to 30 June 2006 \$	SANCS Financial Year to 30 June 2006 \$	SSS Financial Year to 30 June 2006 \$	TOTAL Financial Year to 30 June 2006 \$
Balance transferred from SCA at start of period	(45,497)	86,179	4,963,842	5,004,524
Net expense recognised in the Income Statement	(154,272)	(89,172)	(1,504,538)	(1,747,981)
Less: Contributions	753,287	96,048	(1,102,722)	(253,388)
Net (asset)/liability to be disclosed in balance sheet	553,518	93,055	2,356,582	3,003,155

8. SUPERANNUATION (continued)

Total expense recognised in Income Statement

	SASS Financial Year to 30 June 2006 \$	SANCS Financial Year to 30 June 2006 \$	SSS Financial Year to 30 June 2006 \$	TOTAL Financial Year to 30 June 2006 \$
Current service cost	138,413	47,690	125,129	311,232
Interest on obligation	210,039	40,284	476,287	726,610
Expected return on plan assets	(271,305)	(56,799)	(421,406)	(749,510)
Net actuarial losses/(gains) recognised in year	(231,418)	(120,348)	(1,684,547)	(2,036,313)
Total included in "employee benefits expense"	(154,271)	(89,173)	(1,504,537)	(1,747,981)

Actual Return on Plan Assets

	SASS Financial Year to 30 June 2006 \$	SANCS Financial Year to 30 June 2006 \$	SSS Financial Year to 30 June 2006 \$	TOTAL Financial Year to 30 June 2006 \$
Actual return on plan assets	456,503	103,801	837,406	1,397,710

The SCA's gross superannuation liability for employees in the above three schemes as at 30 June 2006 was calculated using the assumptions with regard to rates of mortality, resignation, retirement and other demographics as those to be used for the 2005 triennial valuation.

The calculations of SSS, SASS and SANCS liabilities is based on the requirements of AASB 119 Employee Benefits. The financial assumptions that have been applied for the calculations are:

	2006	2007 & thereafter
Discount rate at 30 June	5.9%	5.9%
Expected return on plan assets at 30 June	7.6%	7.6%
Expected salary increases	4.0%	4.0%*
Expected rate of CPI increase	2.5%	2.5%

* 2009 and thereafter, 3.5%.

8. SUPERANNUATION (continued)

Arrangements for employer contributions for funding

The following is a summary of the 30 June 2006 financial position of the Fund as determined in accordance with AAS25. The measurement for the purposes of AAS25 below and the AASB119 results in different values for accrued benefits due to AASB119 ascribing a different discount rate for accounting measurement of the defined benefit obligation.

	SASS 30-Jun-06 \$	SANCS 30-Jun-06 \$	SSS 30-Jun-06 \$	Total 30-Jun-06 \$
Accrued benefits	11,121,810	2,248,157	20,529,036	33,899,003
Net market value of Fund assets	(11,094,921)	(2,295,640)	(22,607,224)	(35,997,785)
Net (surplus)/deficit	26,889	(47,483)	(2,078,188)	(2,098,782)

Recommended contribution rates for the entity are:

	SASS	SANCS	SSS
	multiple of member contributions	% member salary	multiple of member contributions
	1.90	2.50	0.93

The method used to determine the employer contribution recommendations at the last actuarial review was the *Aggregate Funding* method. The method adopted affects the timing of the cost to the employer.

Under the *Aggregate Funding* method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

9. COMMITMENTS

SCA Division has no expenditure commitments associated with its operations.

10. CONTINGENT LIABILITIES

Other than commitments mentioned elsewhere in these notes, the SCA Division is not aware of any contingent liabilities associated with its operations.

11. RECONCILIATION OF SURPLUS FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2006	2005
	\$	\$
Cash and cash equivalents		
Cash	-	-
	-	-
	2006	2005
	\$	\$
Operating Surplus after Income Tax	-	-
Add/(Subtract): Net Movement in assets and liabilities applicable to operating activities		
Unfunded superannuation	(3,003,155)	-
Suppliers and employees	(9,777,789)	-
Receivables	12,780,944	-
Net Cash provided by Operating Activities	-	-

SCA Division does not operate a bank account. All cash related transactions have been paid for or received by SCA and charged to SCA Division using the intercompany receivable account in Note 4.

12. FINANCIAL INSTRUMENTS

The SCA Division's principal financial instruments are outlined below. These financial instruments arise directly from SCA Division's operations or are required to finance SCA Division's operations. SCA Division does not enter into or trade financial instruments for speculative purposes. SCA Division does not use financial derivatives.

a) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The SCA Division is not exposed to any interest rate risk. Financial assets comprise non interest bearing receivables and Financial liabilities comprise non interest bearing trade creditors and payables.

b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation there under. The SCA Division's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Balance sheet.

	Government	Other	Total
	\$	\$	\$
2006			
Receivables – Sydney Catchment Authority	12,315,622	-	12,315,622

12. FINANCIAL INSTRUMENTS (Continued)

c) Net Fair Value

The carrying value of all financial instruments of SCA Division approximates their net fair value due to the respective remaining lives of the instruments being less than one year.

d) Derivatives

The SCA Division has no exposure to derivatives.

13. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel are the person/persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Schedule 1, s4B of the *Public Sector Employment Legislation Amendment Act 2006* determines that the Division Head is the Chief Executive of the Sydney Catchment Authority (refer Part 2). As such, the Chief Executive is determined to be SCA Division's key manager.

a) Transactions with key management personnel

The Chief Executive is employed as an SES Officer, level 6 (\$267,300) under terms and conditions prescribed by the *Public Sector Employment and Management Act 2002* and is covered by the related SES/CES award conditions. Superannuation accumulation scheme contributions are part of the salary package of the Chief Executive. Recreation and Long Service Leave entitlements for the Chief Executive as at 30 June 2006 totalled \$171,289.

Apart from the details disclosed in this note, no key management personnel have entered into a material contract with the SCA Division since the inception of the entity.

b) Identity of related parties

SCA Division has a related party relationship with Sydney Catchment Authority (SCA).

c) Other related party transactions

During the period from 17 March 2006, SCA Division provided personnel services to SCA. The personnel expenses incurred by SCA Division in providing these services have been charged to the SCA for the exact value of the costs incurred for the period of \$6,560,476.

The amount outstanding at year end which was owed to SCA Division by SCA was \$12,315,622.

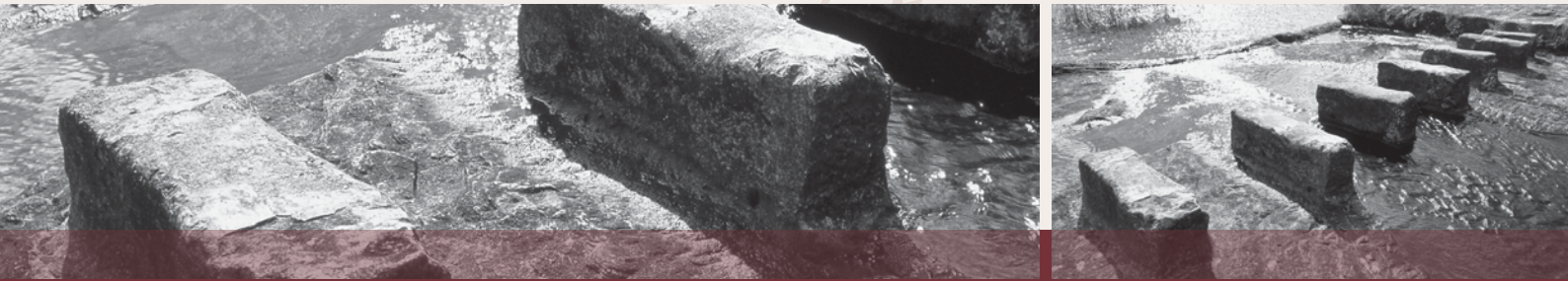
14. POST BALANCE DATE EVENTS

There were no post balance date events, except as stated elsewhere in this report.

(End of Audited Financial Statements)

SCA Division Appendices

Appendices



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APPENDIX 1– OVERSEAS VISITS BY STAFF

The Minister approved the following overseas visit for an SCA staff member for 2005-06

Name:	Ian Landon-Jones, General Manager, Dam Safety
Dates of visit:	15 - 30 June 2006
Destination:	Barcelona, Spain
Event:	International Commission on Large Dams (ICOLD) 2006 Annual Meeting and Congress. Mr Landon-Jones is a member of ICOLD's Technical Committee on Seismic Aspects of Dam Design and is a corresponding member of the Dam Surveillance Committee. Both committees held meetings in Barcelona in June 2006 and Mr Landon-Jones attended the meetings. Cost to the SCA was \$10,780.

APPENDIX 2– CATEGORIES OF STAFF OVER FOUR YEARS

Table 5: Categories of SCA staff over four years

Category	2002-03	2003-04	2004-05	2005-06
Chief Executive *	1	1	1	1
Managing Director	0	1	1	-
SCA Executive (1)	8	8	8	5
Contract staff (2 and 3)	39	40	13	5
Award staff	207	237	273	289
Total numbers (4)	255	286	295	300
Total FTE numbers (5)	239.7	266.78	270.94	277.4

* On 24 September 2003, Lisa Corbyn was appointed as the SCA's Chief Executive and Graeme Head was appointed Managing Director. On 22 February 2006, Lisa Corbyn retired from the SCA and Graeme Head was appointed Chief Executive.

Footnotes to table 5	2002-03	2003-04	2004-05	2005-06
(1) Women in this category	2	2	2	0
(2) Women in this category	9	11	3	3
(3) Temporary employees in this category	2	1	1	0
(4) Number of employees in this category with an FTE of less than 1	32	41	45	32
(5) FTE equivalent for employees in Footnote 4	16.71	21.78	21.34	13.37

APPENDIX 3 – EXECUTIVE REMUNERATION RATES

Executive officers above SES level 5

Chief Executive, Graeme Head - \$267,300 – SES 6

Graeme Head took up the position of Chief Executive of the SCA on 23 February 2006, after having been its Managing Director for over two years.

Mr Head has played a significant role in overseeing the delivery of key Metropolitan Water Plan projects, including:

- deep water access at Warragamba and Nepean Dams
- groundwater studies
- new options for transferring water from the Shoalhaven River to Sydney.

The deep water projects are on track to be delivered both ahead of schedule and under budget.

Significant improvements have been realised this year in the SCA's management of its capital works program with almost 99 percent of the budget program being completed this year. These improvements have been delivered at the same time that the program has expanded to include the above projects.

Good progress has also been made throughout the year on:

- completion of major elements of the SCA's Accelerated Sewerage Scheme
- riparian remediation projects to improve water quality
- the development of new tools to improve water quality.

Mr Head has also overseen the continued reform of a number of areas of corporate support, resulting in the establishment in June of an integrated Corporate Services Division. An amended award was negotiated with the Unions, providing the basis for a number of initiatives to improve productivity and provide greater flexibility for employees.

Under Mr Head's leadership, the SCA continued to achieve a high level of compliance with its regulatory obligations and also its business plan targets.

APPENDIX 4 – TRAINING AND DEVELOPMENT FOR STAFF

Table 6: Staff training development by type over three years

Training	Numbers 2003-04	Numbers 2004-05	Numbers 2005-06
Orientation	12	34	16
Communication	73	24	33
Computer education *	154	192	268
Engineering: technical/para professional	68	65	108
Staff relations			
General	24	-	-
Performance management **	-	720**	21
Staff harassment prevention	-	-	45
Environment	92	105	31
Incident management	75	40	31
Leadership	3	1	24
Management	194	175	-
Contracts management	-	-	5
Contract shells management	88	1	-
Project management	30	4	161
Privacy management	-	-	236
Office management	1	2	-
OHS&R	297	259	153
Operations	227	89	230
Personal development	9	36	-
Quality ***	10	137	79
Service: customer complaint	-	1	-
Temporary appointment to higher positions	106	98	?
Business related (SCA supported study)	9	11	17
Environment related (SCA supported study)	3	1	3
Public policy related (SCA supported study)	1	-	-
SCA sponsored study: public sector management	-	-	2

* Boosted by financial system, MS Office, records, various geosystems training

** STEP performance management program introduced 2004-05. Some staff members undertook training in more than one module.

*** Numbers in 2004-05 and 2005-06 largely due to introduction of International Financial Reporting Standards 2004-05

VISITOR INFORMATION

Warragamba Dam Visitor Centre

Phone: (02) 4720 0349

Hours: 10.00am to 4.00pm every day
except Christmas Day and Good Friday

Other dams, reservoirs and camping grounds

Phone: (02) 4640 1200, Monday to Friday

Emergency Reporting

(24 hours)

Fires, chemicals, spills

Phone: (02) 9751 1988

Fax: (02) 4842 9402

Operational Offices

Cordeaux Dam

Warragamba Dam

Kenny Hill

Burrawang

Blue Mountains

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ISSN 1446-1021
ISBN 1 876951 25 7
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