



0910

Sydney Catchment Authority Annual Report 2009-10





SCA's drinking water catchments



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Letter to the Minister

Sydney Catchment Authority
Level 4
2-6 Station Street
Penrith NSW 2750

The Hon P J Costa MP
Minister for Water
Level 34 Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Minister

We are pleased to submit the 2009-10 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 2010, the *Public Finance and Audit Act 1983*, and the Public Finance and Audit Regulation 2010.

Yours sincerely



ROBERT ROLLINSON
Chairman

29 October 2010



MICHAEL BULLEN
Chief Executive

Introduction

The 2009-10 annual reports for the Sydney Catchment Authority (SCA) and the SCA Division of the Government Service (SCA Division) provide details of organisational performance throughout the past year. The reports highlight how the SCA has managed the drinking water catchments, infrastructure assets, business and operational practices, and partnerships with stakeholders. The reports are organised against the four goals of the SCA Corporate Plan 2007-2012.

The SCA also produces annual water quality monitoring and catchment management reports that cover those aspects of the SCA's operations in more detail.

All of the reports are published on the SCA website, and will be made available in a fully accessible electronic format at www.sca.nsw.gov.au.

Sustainability reporting

The 2009-10 Annual Report will be the last report against the SCA Corporate Plan 2007-2012. From July 2010, the Corporate Plan was replaced by a Corporate Sustainability Strategy that provides the SCA's strategic direction for the next five years.

The Corporate Sustainability Strategy addresses the following six key focus areas:

- Engaged people
- Stakeholder relationships
- Business viability
- Industry excellence
- Reliable water
- Resource optimisation.

The SCA recognises that we must continue to change the way we do business to balance our social, environment, and economic responsibilities. We are refocussing our values and behaviours to be more sustainable in achieving the organisation's vision and role. The new values are confidence, trust, respect and responsibility.

The SCA will begin reporting its sustainability performance in the 2010-11 Annual Report.

2007-2012 Corporate Plan principles

Our vision

Healthy catchments, quality water – always

Our goals

1. High quality water supply
2. Sustainable catchments
3. Strategic partnerships
4. Successful business.

Corporate Plan outcomes are addressed throughout the report under clay-coloured headings.

About the SCA

The Sydney Catchment Authority (SCA) was established by the NSW Government under the *Sydney Water Catchment Management Act 1998* (SWCM Act).

The SWCM Act defines the roles, functions and objectives of the SCA.

The role of the SCA is to:

- manage and protect the catchment areas and catchment infrastructure works
- supply raw water
- regulate certain activities in or affecting catchment areas.

The principal objectives of the SCA are to:

- ensure that the catchment areas and catchment infrastructure works are managed and protected to promote water quality, protect public health and safety, and protect the environment
- ensure that water supplied by the SCA complies with appropriate quality standards
- conduct its activities in compliance with the principles of ecologically sustainable development where those activities affect the environment
- manage the SCA's catchment infrastructure works efficiently, economically, and in accordance with sound commercial principles.

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

Principal legislation

The SCA is constituted under the *Sydney Water Catchment Management Act 1998* (SWCM Act) as a statutory body representing the Crown. The Act sets out the roles, objectives and functions of the SCA and the agency's corporate governance structure. Financial accountability is through a Statement of Financial Framework which is prepared by the Board for the adoption of the SCA's responsible Minister and the Treasurer. The statement provides details about the SCA's financial targets, capital program, accounting policies, and asset and liability management.

The SCA is managed and controlled by the Chief Executive in accordance with policies determined by the Board and any other decisions of the Board. The Board is appointed by the Minister.

The SCA is subject to the direction and control of the Minister. The Board and the Chief Executive are required to ensure that the SCA complies with any direction given to the SCA by the Minister.

The role, objectives and functions of the SCA are undertaken in accordance with an operating licence granted by the Governor under section 25 of the SWCM Act. The purpose of the operating licence is to set out the terms and conditions under which the SCA carries out its statutory functions.

Compliance with the terms and conditions of the licence is regulated by IPART, which conducts an annual audit of the SCA's performance. The licence is subject to an end of term review prior to expiry. The SWCM Act allows the Governor to renew the licence for a maximum period of five years.

The SCA must also comply with a water management licence administered by the NSW Office of Water (NoW) in its role as the Water Administration Ministerial Corporation. The water management licence places conditions on the SCA's access to water resources in its area of operations, extraction of water, and the release of water to rivers.

The SCA is required to enter into arrangements with Sydney Water Corporation (Sydney Water) and prescribed local councils regarding the supply of water. We are also required to establish memoranda of understanding with certain regulatory agencies including the Environment Protection Authority (part of the Department of Environment, Climate Change and Water (DECCW)) and the Department of Health.

The lands adjacent to Sydney's water storages are defined as Special Areas. The SWCM Act provides for the SCA's joint management of the Special Area lands with DECCW. This involves preparing plans of management for all Special Areas to protect water quality and maintain ecological integrity. The plans guide the SCA's programs of work in the Special Areas.

Certain development applications in the drinking water catchments require the concurrence of the SCA through the Drinking Water Catchments Regional Environmental Plan No 1 made under the *Environmental Planning and Assessment Act 1979*. The aims of the plan include creating healthy water catchments that will deliver high quality water while sustaining diverse and prosperous communities.

Principal regulations

The SCA regulates activities that affect 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* (EP&A Act).

The Sydney Water Catchment Management Regulation 2008 allows the SCA to protect water quality and manage the catchments by exercising certain regulatory functions over non-scheduled premises and activities under the *Protection of the Environment Operations Act 1997*.

The State Plan

The 'NSW State Plan – Investing in a Better Future' was launched in March 2010. It is the NSW Government's long term plan to deliver the best possible services to the people of NSW.

The NSW State Plan focuses on seven key priorities and drives performance across the NSW public sector. The Sydney Catchment Authority (SCA), while mainly active in the areas of Green State and Supporting Business and Jobs, is working to deliver outcomes in areas applicable to its business. Performance against State Plan targets is summarised in Table 1 - Key performance areas.

Report from the Chairman and Chief Executive

Over the past 12 months, the Sydney Catchment Authority (SCA) has undertaken a major organisational realignment process to ensure the efficient delivery of our core responsibilities now and into the future. This year the focus of the SCA has been on consolidating the changes and improvements identified in that realignment process.

In addition to settling key positions and group structures, the consolidation has involved developing and implementing comprehensive business planning and budgeting arrangements and associated IT support systems.

A major achievement during the year was the finalisation of the new Corporate Sustainability Strategy which sets the direction for the agency for the next five years. From 2010-11 the organisation will report against its performance as a sustainable business.

The SCA has developed and implemented a Science Strategic Plan 2010-2015. This plan guides scientific activities within the SCA to underpin the supply of high quality raw water from healthy catchments.

A comprehensive Cyanobacteria (Blue Green Algae) Risk Profile has been developed which creates a foundation for targeted investigations and management interventions. This important work brings together the relevant national and international scientific work and maps this to SCA's reservoirs.

A Climate Change Impact assessment for the SCA has been developed for all areas of our operations. The Assessment found that the SCA was well prepared to respond to climate change. Areas have been identified to increase further the SCA's resilience and adaptive capacity.

2009-10 saw the development of a new workforce plan to address the issues of an ageing workforce and potential skills shortages. The key elements of the plan include new entry level employment programs that focus on recruiting and supporting trainees, cadets and graduates. Four cadets were employed in 2009-10 as part of the cadetship program, with a significant graduate program also established.

Safety has continued to be a high priority for the Board and Executive and the organisation's safety results were the best ever, and are indicative of this focus. That being said, further work is occurring so we can achieve our target of zero lost time injuries.

The Healthy Catchments Strategy 2009-2012 was finalised which outlines how we are working to protect and improve the health of the drinking water catchments of Sydney and adjacent regional areas. It presents an innovative approach to catchment management that prioritises catchment health activities by pollutant source type and location.

This year was the first of the three-year price determination made by the Independent Pricing and Regulatory Tribunal for the period 1 July 2009 to 30 June 2012. It has been extremely pleasing that the ambitious operating expenditure savings the SCA proposed in this determination have been met and strong dividends have been provided to Treasury. Managing within this new expenditure framework has meant the SCA is well placed to operate within the new competitive environment with the advent of the desalination plant.

During the year key capital works associated with the Metropolitan Water Plan and the Metropolitan Water Sharing Plan were completed, including the modification to the dams and weirs on the Hawkesbury Nepean to allow for environmental flows and fish passage, sustaining the health of the Upper Nepean River.

The SCA has also been investigating options for major rehabilitation or replacement of the Upper Canal, a 64-kilometre long combination of open channels, tunnels and aqueducts that transfers water from the Upper Nepean dams to Prospect water filtration plant. The Upper Canal is integral to Sydney's water supply network. We anticipate being able to present preferred options to Government over the coming year.

We would like to thank the Board, Executive and staff of the SCA for their support and hard work over the past year. We look forward to the upcoming year and continuing the transformation of the SCA to a commercially sustainable organisation.



ROBERT ROLLINSON
Chairman



MICHAEL BULLEN
Chief Executive

Our key performance areas

Table 1 – Performance summary - key performance areas 2009-10

Key performance indicators	Corporate Plan goals	Actual 2005-06	Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Target	State Plan priority
Operational								
Compliance with bulk water supply agreement with Sydney Water (%)	1	99.1	99.6	99.1	99.4	99.7	>95	Green State
Health-related compliance with Australian Drinking Water Guidelines (%)	1	100	100	100	100	100	100	Green State
Interruption to water supply (hours)	1	Nil	Nil	Nil	Nil	Nil	Nil	Green State
Compliance with Dams Safety Committee requirements and Australian National Committee on Large Dams guidelines (%)	1 and 3	100	100	100	100	100	100	Supporting Business and Jobs
Operating licence clauses for which there is full to high compliance (%)	1	88	100	100	95	Audit not complete	>80	Green State
Environmental								
Catchment management expense per megalitre of water supplied (\$)	2 and 4	44	50	53	48	37	No target	Green State
Environmental release compliance with water management licence (%)	2	100	100	100	100	100	100	Green State
Water use by SCA (billed kilolitres at Penrith office)*	4	2,938	3,599	3,215	1,451**	1,198	Reduce by 15% (from 2005-06) water consumption by 2010-11	Green State

Key performance indicators	Corporate Plan goals	Actual 2005-06	Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Target	State Plan priority
Social								
Hours lost to industrial disputes per employee	4	0	0	0	0	0	Nil	Supporting Business and Jobs
Lost time injuries	4	6	2	9	6	3	Nil	Supporting Business and Jobs
Lost time days	4	286	161	124	43	11	Nil	Supporting Business and Jobs
Complaints (water supply) from wholesale customers	4	Nil	Nil	Nil	Nil	Nil	Nil	Supporting Business and Jobs
Economic								
Earnings before interest and tax (\$m)	4	44.0	48.0	40.7	70.1	96.2	No target	Supporting Business and Jobs
Return on total assets (%)	4	5.3	5.2	3.5***	5.7	7.5	No target	Supporting Business and Jobs
Credit rating	4	Investment grade	Investment grade	Investment grade	Investment grade	Investment grade	Investment grade	Supporting Business and Jobs

* Water use for SCA leased areas is calculated as a proportion of the building total water use. Figure will be significantly lower than previous years due to the design of the building (eg rainwater tanks for toilet use).

** Figure is an estimate due to a faulty water meter at the Government Office building in Penrith.

*** Figure incorrectly printed in 2007-08 Annual Report.

State Plan priorities

Better Transport and Liveable Cities

Supporting Business and Jobs

Clever State

Healthy Communities

Green State

Stronger Communities

Keeping People Safe

Better Government

Corporate governance

The Board

The Sydney Catchment Authority (SCA) Board members are appointed by the Minister. The Board must include one nominee of the NSW Farmers' Association, one nominee of the Nature Conservation Council of NSW, and a sitting councillor from a local council within the catchment.

The *Sydney Water Catchment Management Act 1998* requires SCA Board members to each or together have expertise in the areas of protecting the environment and public health, and such other expertise that the Minister considers necessary to achieve the SCA's objectives.

The SCA Board:

- determines the policies and long-term strategic plans of the SCA
- endeavours to ensure the SCA meets all public health and environmental requirements set out in the operating licence and any relevant instrument
- oversees the effective, efficient and economical management of the SCA
- prepares the annual report of the SCA as required under the *Annual Reports (Statutory Bodies) Act 1984*, and other reports that the SCA is required to provide under the *Sydney Water Catchment Management Act 1998* (SWCM Act)
- prepares a Statement of Financial Framework for adoption by the Minister and the Treasurer.

The Board must endeavour to ensure that water supplied by the SCA complies with appropriate quality standards.

The Board is appointed by the Minister in accordance with section 7 of the SWCM Act. The Board is independently chaired and the majority of Board members are independent.

The SCA Board Guidelines outline the responsibilities under which the Board operates. Board members must adhere to these guidelines.

At 30 June 2010, the SCA Board members were:

Robert Rollinson – Chairman

Michael Bullen – Deputy Chairman and Chief Executive (ex-officio)

John Asquith

Stephen Corbett

David Evans

Louise Wakefield

Kenneth Wheelwright

Larry Whipper

Lisa Hunt – resigned from the Board in December 2009.

Details of all Board members for 2009-10 and their qualifications are provided in Appendix 3.

Attendance at Board meetings

The Board usually meets 11 times each year, from February to December. When necessary, the Board also considers matters out of session. In 2009-10, the Board met 11 times. Details of attendance at Board meetings are provided in Appendix 4.

Standing committees

During 2009-10, the Board operated through four standing committees: Audit and Risk Committee, Catchments and Water Quality Committee, Asset Management Committee, and Prosecutions Committee.

The Audit and Risk Committee consists of four Board members. It ensures that the SCA's internal and external audit processes are effective, and considers issues raised by the auditors. It is responsible for ensuring that the

SCA's accounting policies and principles are in accordance with the stated financial reporting framework and that the Board is kept informed of significant issues raised by the auditors, management, and committee members.

The Audit and Risk Committee also provides independent assurance and assistance to the Board on the SCA's risk management, internal control and compliance framework, and its external accountabilities.

The Board's Catchments and Water Quality Committee consists of six members. The committee oversees the SCA's long-term strategies and plans in relation to catchment management, operations and protection.

The Asset Management Committee consists of five Board members. The committee oversees the SCA's asset management and capital expenditure program.

The Board's Prosecutions Committee meets as matters arise. It considers decisions to prosecute under the SWCM Act and regulation. The Committee met once during 2009-10.

Details of Board members' attendance at standing committee meetings are provided in Appendix 4.

Significant committees established or abolished

There were no significant committees established or abolished during 2009-10.

Board Code of Conduct

Members of the SCA Board must provide their services under the SWCM Act and relevant NSW statutes following the principles contained in the Board Code of Conduct. These principles include respecting people, and acting responsibly, honestly, responsively, and in the public interest. The Board Code of Conduct is provided in Appendix 5 and is available on the SCA's website at www.sca.nsw.gov.au.

Board performance

In 2009-10, the Board reviewed its performance and evaluated the performance of the Board and the committees.

Our organisation

SCA Executive

The qualifications and experience of the Board and executive team together provide the SCA with sound governance and management. Qualifications of executive members are provided in Appendix 6.

SCA Code of Conduct

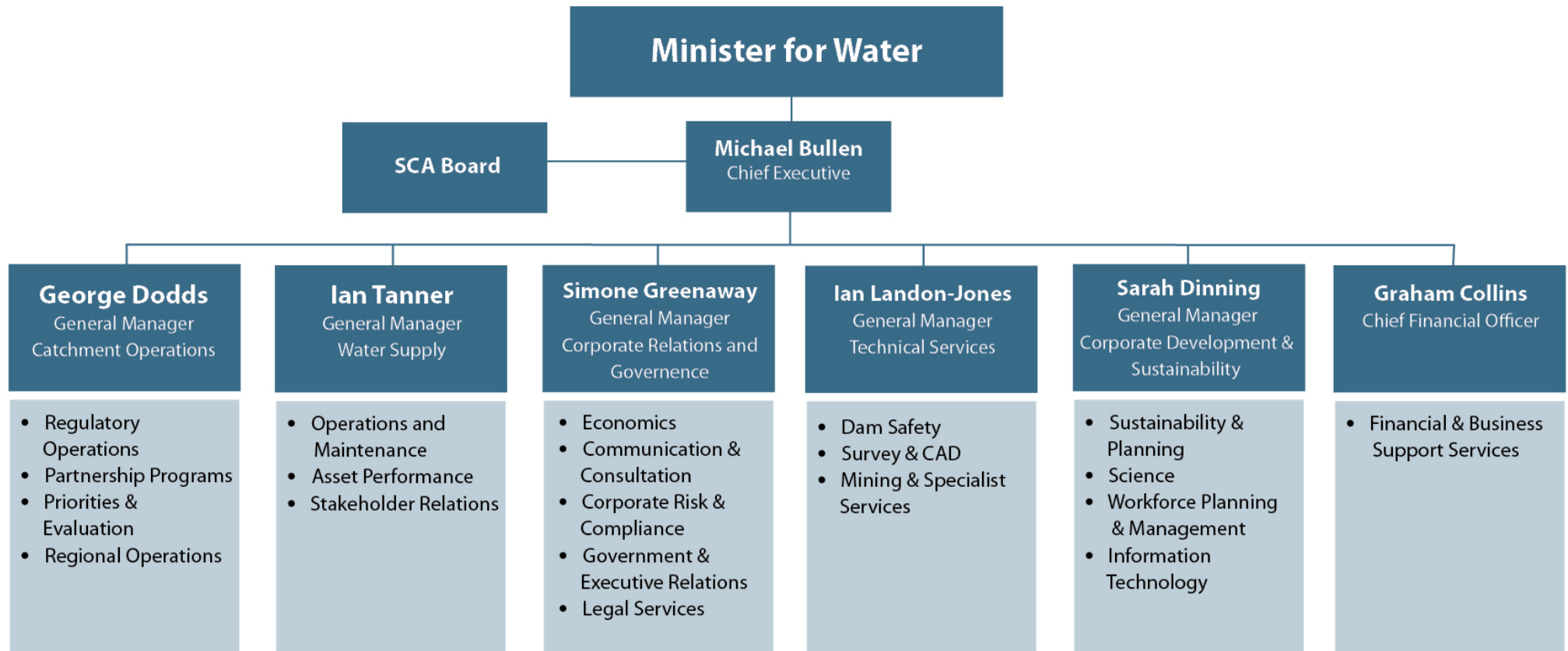
The SCA Code of Conduct includes the following principles:

- Responsibility to the Government of the day and to the SCA
- Respect for people
- Integrity, professionalism and acting in the public interest
- Responsive service
- Economy and efficiency
- Care for the environment.

The Code of Conduct aligns with the SCA Corporate Plan 2007-2012 and incorporates the SCA's values.

The Code of Conduct is made available to all staff through the SCA intranet, training sessions, and at induction for new employees.

Figure 1 - SCA corporate structure at 30 June 2010





Goal 1 High quality water supply

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GOAL 1 - High quality water supply

The SCA's business is to supply raw water of an appropriate quality and quantity to customers.

The SCA has water supply agreements and protocols with key customers such as Sydney Water Corporation (Sydney Water). Standard operating procedures and processes ensure quality and quantity of supply during routine operations. To protect continuity of supply during extreme events such as floods, drought and bushfires we have contingency plans and incident response processes in place. These are tested in real and scenario events and updated in response to identified improvements.

Several of our water supply programs are achieved in partnership with others. Details of these programs and achievements are provided under Goal 3 – Strategic partnerships.

Highlights

- Met water quality compliance targets and provided an uninterrupted supply to customers for the eleventh successive year.
- Progressed work on upgrading drum and radial gates at Warragamba Dam.
- Commenced work for upgrading scour outlets at Prospect Reservoir to continue to meet dam safety standards.
- Commenced stage one of a program to determine options to rehabilitate and/or replace the Upper Canal.
- Implemented new integrated Water Monitoring Program 2010-2015 approved by NSW Health and NSW Office of Water.
- Awarded new water monitoring contracts for field services and laboratory services.

Raw water deliveries meet agreed quantity and quality specifications

The SCA continued to deliver raw water which surpassed criteria specified in its supply agreements.

It supplied 482,169 million litres of water to customers during 2009-10.

Of the water supplied by the SCA, 99.2 percent was supplied to Sydney Water and 0.78 percent went to Shoalhaven City and Wingecarribee Shire councils. The rest was supplied to the SCA's other customers.

Table 2 - Water supply to customers (millions of litres)

	2005-06	2006-07	2007-08	2008-09	2009-10
Sydney Water	522,464	502,692	475,156	485,795	478,222
Wingecarribee Shire Council	3,594	4,221	4,042	4,379	3,652
Shoalhaven City Council	78	77	76	84	87
Direct users - Upper Canal	174	163	74	114	108
Direct users - Warragamba	74	61	46	54	52
Others	29	43	36	65	48
Total	526,413	507,257	479,430	490,491	482,169

Fish River

The SCA did not draw any water from the Fish River Supply Scheme during 2009-10. The SCA continued to work with Sydney Water to respond to the Fish River Water Supply Scheme's request to voluntarily reduce demand to preserve drinking water supplies for the townships of Lithgow and Oberon. Water from the scheme is sourced from Oberon Dam.

Changing dam levels

Available storage in the SCA's dams on 30 June 2010 was 57.6 percent, a decrease of 3.8 percent over the year. The decrease was less than in recent years due to higher rainfall and a decrease in raw water demand following commissioning of Sydney Water's desalination plant in late January 2010.

Figure 2 - Dam storage levels at 30 June 2010

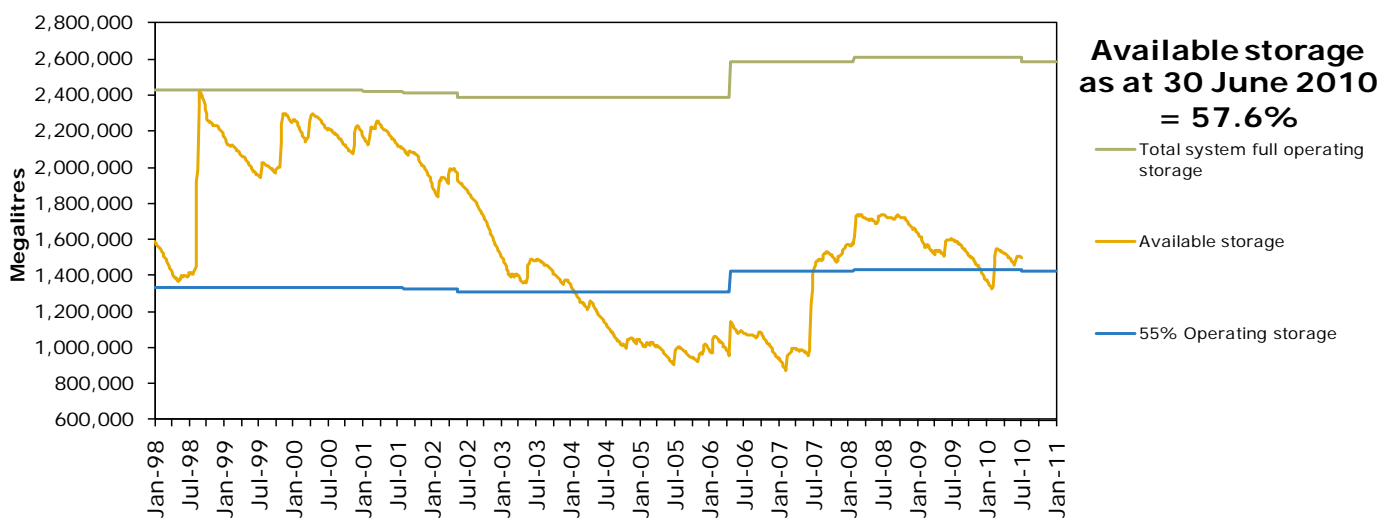


Figure 3 - Monthly rainfall in the SCA's catchments in 2009-10 (millimetres)

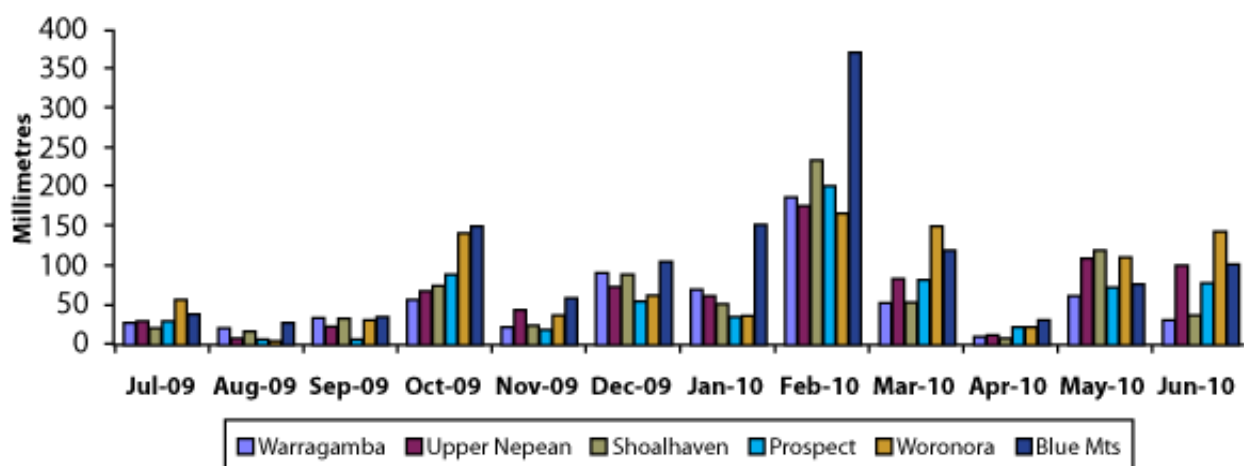
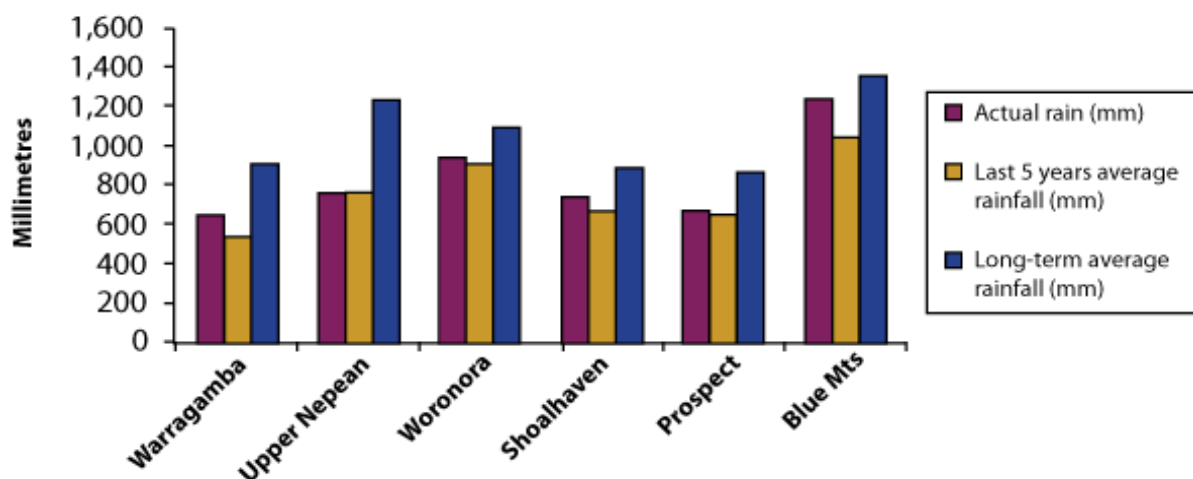


Table 3 - Monthly rainfall in the SCA's catchments in 2009-10 (millimetres)

	Warragamba	Upper Nepean	Woronora	Shoalhaven	Prospect	Blue Mountains
Jul 09	27	29	56	20	28	37
Aug 09	19	7	4	15	6	26
Sep 09	32	22	30	32	5	34
Oct 09	55	67	141	74	88	149
Nov 09	21	43	36	24	18	57
Dec 09	90	72	62	88	54	104
Jan 10	69	61	36	51	34	151
Feb 10	185	175	165	232	201	370
Mar 10	52	82	150	52	82	119
Apr 10	9	10	22	8	21	31
May 10	61	107	109	119	72	76
Jun 10	30	98	142	36	77	100
Total	650	773	952	752	684	1256

Figure 4 - Long-term rainfall comparison



Reviewing the water monitoring program

A full review of water monitoring undertaken by the SCA commenced in 2007 and was completed in December 2009. The SCA worked with its customers and stakeholders to develop an integrated water monitoring program. This saw water quality and quantity monitoring brought under one umbrella in SCA's Water Monitoring Program 2010-2015. The program was endorsed by NSW Health and NSW Office of Water.

The Water Monitoring Program includes provision for an initial review after 12 months, with further reviews every two years. The first review has commenced and is scheduled for completion in April 2011.

Science and research for water supply

The SCA research program seeks to build understanding and quantify water quality risks in the catchment from various activities, and target SCA efforts to influence those activities which pose the largest risks.

Pathogen research

The Australian Drinking Water Guidelines advocate a multiple barrier approach to protect drinking water supplies. The SCA conducts research into pathogens to minimise risks to human health.

Over the reporting period research has focussed on:

- Access of livestock to riparian zones

A study of livestock and their movements completed in 2009 found there was no conclusive evidence that provision of alternative shade or water supply would reduce livestock access to the riparian zone and streams without the installation of fencing.

- Relative pathogen risk posed by sewage treatment plants

A quantitative microbial risk assessment model was completed during 2010. It estimates the pathogen removal rates from raw sewage to the customer's tap, taking into account the treatment processes within different sewage treatment plants (STPs) and the fate and transport of the pathogens within the streams and water storages en route to the water filtration plants.

This model has already enabled the SCA to assess the effectiveness of proposed STP upgrades for *Cryptosporidium* and *Giardia* removal, and in the future it will be used to compare sewage treatment plants with other potential sources of pathogens across the catchment.

- Development of pathogen contaminant budgets model

The SCA participated in an international Water Research Foundation project to develop a pathogen contaminant budget model. The model attempts to predict the loading, fate and transport of pathogens in a mixed land use catchment. Details of the project and model are available on the Water Research Foundation website www.waterresearchfoundation.org.

Cyanobacteria (blue-green algae) research

Following a significant algal bloom that occurred in the Warragamba Dam storage (Lake Burragorang) in 2007, the SCA increased its level of scientific investigation to expand the body of current knowledge of algae production, reservoir behaviour, treatment options, preventative measures and risk management strategies.

Research commenced on the:

- environmental causes of the 2007 blue-green algal bloom
- role played by nutrients loading from the catchments and storage itself in the development and growth of algal blooms
- mechanisms responsible for the degradation of toxin and taste and odour compounds in Warragamba Dam
- environmental factors responsible for turning on/off cyanobacterial genes to produce toxins
- fate of toxins and taste and odour causing compounds in reservoirs.

The SCA has commenced the development of a new Cyanobacteria Risk Management Strategy which will provide a comprehensive reference and planning document for the identification and management of future risks from cyanobacteria blooms in all SCA storages. It builds upon the 2005 Cyanobacteria Management Strategy and the Warragamba Dam blue-green algae action plan.

Case study – Warragamba Dam blue-green algae action plan

The Warragamba Dam blue-green algae action plan, developed following a significant algal bloom in Lake Burragorang in 2007, was successfully concluded in 2009-10.

The action plan focussed on:

- minimising the occurrence of excessive algae events in SCA storages
- enhancing techniques for predicting algae outbreaks so as to maximise the time available to implement planned operational and other responses
- implementing operational response procedures for managing the supply of water to a standard acceptable to our customers
- implementing appropriate treatment processes to mitigate any health or taste and odour risks due to the algae
- increasing the level of scientific investigation to expand the body of current knowledge of algae production, reservoir behaviour, treatment options and preventative measures.

At 30 June 2010 the SCA and Sydney Water had completed 42 of the 53 actions identified in the plan.

The remaining longer-term actions are being incorporated in a broader-based Cyanobacteria risk management strategy which the SCA is currently developing.

The strategy will document the current status of blue-green algal knowledge and management, assess the vulnerability of all SCA storages to algal (especially blue-green algal) blooms, and identify future research needs to ensure ongoing effective management of blue-green algae across all of the SCA's storages.

Significant actions in 2009-10 included:

- **Trial of physical algal control solutions** – completed field assessment of four solar powered water recirculation devices (Solarbee®) deployed in Warragamba Dam. The work provided a better understanding of the effect of the devices on water movement and water quality parameters such as temperature, which have the potential to influence the development of algal blooms.
- **On-Site Sewerage Management Program** – reached close to the halfway mark, with just under 8,000 of the estimated 16,000 on-site wastewater management systems inspected across the catchment. Just over 900, or around 12 percent, of the systems were found to pose a potential nutrient (and pathogen) risk to water quality. Councils have worked with property owners to rectify these systems, with most systems repaired and operating safely within six months.
- **Trial of an algal modelling module in SCARMS** – SCA's Reservoir Management System (SCARMS) expanded to the Shoalhaven system with installation of four lake diagnostic systems in the three lakes, establishment of two three-dimensional lake models, analysis of historical water quality data, and the configuration and testing of a water quality and algae module.

Caption: A significant algal bloom in Lake Burragorang in 2007 led to the trial of solar powered water recirculation devices as part of the Warragamba Dam blue-green algae action plan.



Research into impacts of mining

A Collaborative Research Project using isotopes and tracers to assess the impact of longwall mining on subsidence, flow and water quality in the Waratah Rivulet was concluded in June 2010. Results suggest leakage of surface water into subsurface fracture networks during low flow conditions with a small net loss of surface water not accounted for at downstream monitoring stations. During medium and high flow conditions loss of surface water was masked by stream flow volume.

In 2009-10, the SCA compiled an overview report on results of recent scientific investigations and the SCA's current conceptual understanding of the impacts of longwall mining on surface and groundwater resources in the Woronora catchment (Waratah Rivulet). The SCA spent \$93,500 on the project in 2009-10.

Research into impacts of climate change

The SCA collaborates with the Department of Environment, Climate Change and Water, research organisations and other government agencies to promote research for a better understanding of the impacts of climate change on future water supplies and to plan for potential future climate change impacts.

One such project, on climate change and its impacts on supply and demand in Sydney, aims to provide insights into the potential impacts of climate variability and climate change on Sydney's predominantly rain-fed water supply system, and on Sydney's future demand for water. The project includes detailed climate modelling in the drinking water catchments to better understand rainfall patterns and possible patterns of drought and floods under climate change scenarios. The project is expected to be completed in 2010.

To assess the broader implications of climate change on the SCA's area of operations, a comprehensive climate change impact assessment was conducted during the year. It found that overall the SCA is well positioned to manage the diverse implications of future climate change.

Our dams and delivery systems are safe, efficient, well operated and maintained

Managing and upgrading our water supply assets

The SCA continued its asset management and upgrade program for the water supply network to ensure it meets its obligations to customers, and to protect and improve river health.

The program included spending more than \$5 million on maintenance, \$2 million on operational improvement projects, and \$50.5 million on capital projects.

During 2009-10 the SCA made good progress towards the \$40 million upgrade of radial and drum gates on the top of Warragamba Dam. The gates are a safety mechanism to control the release of flood water from the dam. The upgrade is strengthening and refurbishing the gates, and installing locking systems so the gates can be moved out of the way in very extreme floods. During the past year complex investigations, costings and design changes resolved a range of technical issues. The project is due for completion in 2011.

Other major capital projects where work commenced, continued or concluded during 2009-10 include:

- Prospect Reservoir scours upgrade – site works well underway on this project due for completion in 2011.
- Warragamba Dam ladders and platforms upgrade – work was completed on this project during 2009-10.
- Shoalhaven expansion of SCARMS – work was completed on this project during 2009-10.
- Prospect Reservoir upstream embankment stability upgrade – upstream slope geotechnical investigation and revised stability analysis completed in 2009-10 with tenders for analysis and concept design of the piping upgrade to be let later in 2010.
- Wingecarribee Dam safety upgrade – preferred option endorsed by the SCA Board in May 2010 with design contract tender currently being finalised for this project which is due for completion in 2011-12.
- Operations Asset Renewals Program – work on Warragamba Pipeline was undertaken during 2009-10 as part of this annual program.

Upper Nepean Transfer Scheme

The Upper Nepean Transfer Scheme remains a key strategic and operational component of greater Sydney's overall water supply system. Condition, performance and risk assessment of the scheme confirmed that the Upper Canal required rehabilitation and/or replacement.

In December 2008, the SCA Board endorsed a three stage program to determine options to rehabilitate and/or replace the Upper Canal. Stage one of the program began in April 2009. Key deliverables include options

studies, concept reports, risk assessments and specialist studies. These deliverables will identify the best options for rehabilitation or replacement, or a combination of rehabilitation and replacement.

This will lead to an investment decision by the SCA Board and the NSW Government on whether to rehabilitate or replace the canal, and over what timeframe this should happen. Decisions in relation to the Upper Canal will be made in the context of the Government's Metropolitan Water Plan.

Dam safety

The SCA owns 21 water storage facilities prescribed by the NSW Dams Safety Committee (DSC) under the *Dams Safety Act 1978*. The five year dam safety management program ensures our dams are managed in compliance with DSC requirements and Australian National Committee on Large Dams (ANCOLD) guidelines.

Performance monitoring of prescribed dams continued throughout 2009-10 and all dams were found to be performing satisfactorily. No significant safety issues or unusual behavioural trends were identified.

All intermediate (annual) inspections have been completed. Remaining reports will be finalised by August 2010.

The SCA completed the five-yearly comprehensive surveillance report for Tallowa Dam. The DSC reviewed and endorsed the report. All planned comprehensive surveillance inspections have been completed. The outstanding surveillance reports will be issued to the DSC as agreed by October 2010.

Interim comprehensive dam safety review assessments undertaken at Cataract and Cordeaux dams are now undergoing independent review prior to being issued to the DSC by the end of 2010.

Dam safety emergency plans are available for all the dams. A review of the existing format of the plans is being carried out including a compliance check against new DSC requirements.

The SCA provided ongoing dam safety surveillance services to Sydney Water which owns 16 prescribed dams.

The SCA is involved in the DSC, ANCOLD and two working groups of the International Commission on Large Dams. This helps ensure SCA dam safety management practices are in line with national and international best practice.

Wingecarribee Dam upgrade

Over previous years the SCA has undertaken a detailed safety review of Wingecarribee Dam, including concept designs for various upgrade options and an assessment of spillway gate reliability. These have been completed.

A final report outlining the proposed option for a dam safety upgrade, was completed during 2009-10. This was reviewed and endorsed by SCA's External Review Panel in April 2010. The proposed option was subsequently endorsed by the NSW Dams Safety Committee in June 2010.

The detailed design for the upgrade is now planned for completion by end of 2010, with construction scheduled to commence in mid 2011. Appropriate interim measures have been put in place to ensure dam safety.

Prospect Reservoir embankment stabilisation

Dam safety investigations are continuing on the Prospect Reservoir embankment to assess the impact of the operation of the new Prospect Raw Water Pumping Station on the dam's upstream slope and potential piping risk through the embankment during flood events in relation to the design of the existing dam filters.

Geotechnical investigations are complete. The revised stability analysis is continuing, with upstream slope stabilisation concept options scheduled to be finalised in August 2010 and the development of concept options for necessary works finalised by December 2010.

An overall preferred dam safety upgrade option is proposed to be finalised by early 2011.

Mining beneath SCA infrastructure

Coal mining is a significant land use that provides economic benefit to NSW. It can also have significant effects on water quality and quantity, ecological integrity, and infrastructure functionality and serviceability.

To manage mining impacts on its assets, the SCA uses a risk based approach which combines proven methodologies and leading edge techniques to ensure the integrity of its infrastructure.

The SCA has policies and procedures to minimise the likelihood of mining operations damaging catchment and infrastructure assets.

The SCA adopts a risk based approach using its corporate risk management framework to identify, analyse and document responses to the potential risk of mining on SCA assets to reduce the risk to an acceptable level. The SCA also engaged independent specialists to review and assess the impacts and risk of mining on infrastructure.

Subsidence management plans

As a major stakeholder, the SCA is represented on the interagency Subsidence Management Plan Review Committee as well as the NSW Dams Safety Committee that review coal mining applications and provide recommendations to the Department of Industry and Investment and to the Department of Planning.

Conditions with specific requirements to protect infrastructure assets are attached to mining approvals. These conditions provide the framework for developing mining management plans which ensure all necessary preventative measures, contingency plans, closure plans, and ongoing monitoring are undertaken so that mining can occur without any significant impact on surface assets.

Comprehensive asset protection, monitoring and triggered action response plans were agreed, risk assessed, independently reviewed and implemented for each mine prior to commencement of mining extraction.

Monitoring and protective works related to underground mining

During 2009-10 extraction of coal by longwall method continued at Appin Areas 4 (LW409) and 7 (LW703), Westcliff and Dendrobium mines in close proximity to SCA infrastructure and storages. Pre-mining mitigation works were undertaken prior to mining commencement and baseline monitoring surveys (pre-mining) were completed in accordance with monitoring management plans.

Governance structures were established to ensure compliance with the various management plans to ensure monitoring activities were undertaken and appropriate response actions carried out as per agreed triggers.

Mining in other areas

Several other mining proposals were reviewed throughout the year and approval conditions to protect SCA infrastructure were recommended.

Ongoing reviews and monitoring of movements and impacts in other SCA areas were undertaken.

All mining activities during 2009-10 were undertaken without significant impact on SCA infrastructure or stored waters.

All costs incurred by the SCA associated with the potential for mining activities to impact SCA infrastructure are reimbursed by the mining companies in accordance with master agreements between SCA and mining companies. These agreements ensure that works are undertaken to protect SCA infrastructure from the potential impacts of mining and that the SCA does not incur any cost or liability as a result of such impacts.

Successfully operate our water supply system during droughts, floods, fires and other extreme events

Managing incidents

There were no significant incidents affecting water quality and continuity of supply to customers in 2009-10. Wingecarribee Reservoir and Bendeela Pondage experienced elevated levels of potentially toxin producing cyanobacteria on several occasions, but these instances were well managed in consultation with the two councils and NSW Health. There was no impact on drinking water quality, which met Australian Drinking Water Guidelines.

Water supply planning and asset investment keep pace with our current and future requirements

Metropolitan Water Plan

The NSW Government's Metropolitan Water Plan (MWP) outlines the measures to secure greater Sydney's water future. It is an adaptive plan that will make sure Sydney, the Illawarra and Blue Mountains have enough water now and in the future. It also recognises the importance of restoring the health of major rivers and systems in the greater Sydney region.

The plan focuses on four key areas – dams, recycling, desalination and water efficiency – to secure our water for life, providing water for people and the environment. Actions already delivered under the plan include

climate change research, increased recycling, construction of the desalination plant, community consultation and education, river health projects, and regulatory reforms to increase competition in the water industry.

During the year the SCA continued to play a leading role in implementing and reviewing the 2006 MWP, including providing key water supply modelling data and analysis to support preparation of the 2010 MWP.

Shoalhaven transfers

The three-year moratorium on transfers from the Shoalhaven system remained in place during 2009-10.

Groundwater investigations

No on-ground work was done during the year following the decision by the NSW Government to halt development of the Kangaloon borefield. The SCA lodged an application with the Department of Planning for Part 3A planning approval under the *Environmental Planning and Assessment Act 1979*. A groundwater operational plan and borefield reactivation plan have been prepared.

Hawkesbury-Nepean weirs and flows project

A project to upgrade dams and weirs along the Hawkesbury-Nepean River to allow for new environmental flows and improved fish passage was largely completed in 2009-10. The construction project involved close consultation with land owners with the new variable environmental flows commencing on 1 July 2010. The project contributes to improved river health and water quality as well as helping fish to breed.

Water supply system yield review

The SCA commenced a comprehensive review of the water supply system yield during 2009-10. The yield review was commissioned to incorporate major changes to the water supply system including deep water access, desalination plant and introduction of new environmental flows.

Sinclair Knight Merz was engaged to carry out the review in consultation with related government agencies. The review is expected to be finalised in December 2010 and will provide an updated system yield.

Goal 2 Sustainable catchments

0910



GOAL 2 - Sustainable catchments

The catchments are dynamic natural systems that can be impacted by natural changes, human activities and seasonal variability. Raw water quality from the catchments is generally good. However, there are significant pressures which can threaten water quality.

Effectively managing the catchments for water quality is a complex matter. The lands are owned, managed and regulated by a broad variety of individuals, businesses, groups and government agencies.

The SCA's primary objective in the catchments is to manage and protect the catchment lands to promote water quality, and protect public health and safety, and the environment. To do this we work in partnership with others. Our partners play a vital role in working with us to identify and mitigate risks to water quality. Our response to these risks requires a full suite of land management, regulatory, education and incentive tools to affect change and prevent impacts on water quality.

Highlights

- Completed infrastructure upgrades at Upper Nepean dams and water supply weirs to enable release of new environmental flows from 1 July 2010.
- Completed upgrade work on seven weirs in Hawkesbury-Nepean River to pass environmental flows and allow movement of fish up and downstream.
- New environmental flows commenced from Tallow Dam after successful commissioning of new infrastructure in July 2009.
- Successful delivery of an 800 megalitre high flow release for three days in February 2010 from Woronora Dam to assess the impacts of the flow on fauna and flora in the Woronora River.
- Achieved 100 per cent compliance with environmental flow requirements in its water management licence.
- In partnership with councils and the NSW Office of Water, finished upgrading the Bundanoon sewage treatment plant.
- Completed rehabilitation of Oakdale and Tuglow derelict mine sites.
- Exhibited and finalised the Healthy Catchments Strategy 2009-2012 which uses a robust decision support system to underpin the SCA's future direction in catchment management.
- Worked with councils to inspect 1,478 on-site sewage systems to reduce the risk of these systems to water quality.
- Provided grazer education and training programs with a focus on sustainability and water quality to over 700 graziers.

Reduced environmental degradation to improve water quality

Healthy Catchments Strategy

The Healthy Catchments Strategy 2009-12 (HCS) outlines the SCA's priorities for preventative and remediation works in the catchments over the next three years. It explains how we determine priorities and how they are addressed and evaluated. Each year the annual Healthy Catchments Program outlines the actions required to address our priorities.

Extensive consultation occurred with government stakeholders and the community in the development and preparation of the HSC, as detailed in Goal 4 – Successful business.

The strategy will be continuously enhanced based on the latest scientific and technical information, evaluation of current programs, feedback from our stakeholders, and new recommended practices.

The strategy will be reviewed before each price determination of the Independent Pricing and Regulatory Tribunal (IPART). IPART determines the price for raw water, which influences the funding available for the SCA's investment in catchment management initiatives.

The strategy, annual work program and progress updates on activities are published on the SCA's website.

Prioritising catchment actions

Due to the diverse nature and scale of the catchments it is not feasible for the SCA to base its prioritisation solely on monitoring streams and storages. Rather, the relative pollution risks associated with different subcatchments, catchment activities and locations are assessed.

Four priority pollutants – pathogens, total phosphorus, total nitrogen and suspended solids – have been identified as being of greatest concern to drinking water supply. Pollution risk varies across the catchments and over time, depending on factors such as pollutant load, land management practices, rainfall, slope, and soil type.

To underpin the HCS, the SCA developed the Catchment Decision Support System (CDSS). The CDSS is geographic information system (GIS) based and uses the best available science, information and knowledge to assess and rank pollution risks across the catchments. To further rank and prioritise the highest risk issues, the system overlays the comprehensive pollution source assessment with information on water quality inflow to storages.

The actions available to address the priority issues vary significantly in their nature and cost. Consideration of these differences helps the SCA determine which issues to address and which actions to use. Typically, we draw on a combination of actions to achieve change in the catchments, including education and information, grants and incentives, regulatory mechanisms and land use planning for new developments.

As part of the HCS, the SCA is developing a monitoring, evaluation and reporting framework to evaluate catchment interventions. Evaluation methods and processes are being developed in line with relevant NSW and Australian Government guidelines.

Reduced priority pollutants

Monitoring pollution sources and hotspots

The SCA monitors and inspects the catchment for polluting activities and other potential emerging water quality issues. The compliance support system retains catchment monitoring and pollution source information. This information is a valuable input to the Catchment Decision Support System (CDSS) and the development of programs to protect water quality.

Implementing the Healthy Catchments Program

The SCA's Healthy Catchments Program (HCP) is underpinned by the strategic direction set by the Healthy Catchments Strategy 2009-2012.

The HCP includes catchment initiatives and actions as well as statutory and land management requirements. It targets the four priority pollutants - pathogens, phosphorus, nitrogen and suspended solids.

Development of the HCP included consideration of partnership opportunities and called upon the full suite of catchment management tools. Specific HCP activities for 2009-10 are summarised below. More detailed

information about our HCP activities and performance are available in the SCA's Annual Catchment Management Report 2009-10.

Improving sewage management

The SCA's sewage programs aim to minimise the impacts of sewage on the catchments including:

- public health threats due to microbial pathogens
- algal blooms due to high nitrogen and phosphorus levels
- impacts on streams as a result of the breakdown of sewage which uses high levels of oxygen
- health impacts resulting from toxic substances in sewage.

Accelerated Sewerage Program

The Accelerated Sewerage Program is the SCA's largest investment in the catchments to date, with \$37.7 million funding provided to councils over 10 years to fast track council sewerage projects. The program operates in conjunction with the Country Towns Water Supply and Sewerage Program administered by the NSW Office of Water.

The program funds projects to upgrade existing council systems for treating, transporting and irrigating sewage, as well as new sewerage systems for previously non-sewered residential areas. The total value of these projects exceeds \$120 million. In 2009-10, the SCA provided \$4.6 million towards seven council projects.

The \$18.5 million Bundanoon Sewerage Scheme upgrade was completed and began service on 10 May 2010. Wastewater is now treated to a much higher standard, and local sewerage infrastructure is adequate to cope with expected population growth.

Construction of the Braidwood Sewerage Treatment Plant was effectively completed in June 2010. It will open in July 2010 after operational testing.

The sewage collection system for the Taralga Sewerage Scheme was finished in November 2009. It is expected to enter service in December 2010.

Tendering has commenced to build the Robertson Sewerage Scheme, with construction scheduled for completion by the end of 2011.

Planning and design for the remaining Accelerated Sewerage Program projects are well advanced with construction of all projects scheduled for completion in 2012.

On-site Wastewater Management Program

There are an estimated 16,000 on-site sewage systems in the catchments. The location and number of systems has been confirmed by council inspections.

Under the *Local Government Act 1993*, councils are responsible for regulating on-site sewage systems by inspecting them on a regular basis and issuing property owners with approvals to operate their systems. The SCA's on-site sewage management grants program helps councils fulfil this responsibility. To date about 7,780 (52 percent) of all on-site systems in the catchments have been inspected under the program. Of the 1,478 systems inspected this year, 12 percent had the potential to effect water quality. Sixty one percent of these were fixed within the year and councils continue to work with property owners to improve non-compliant systems.

Three councils – Goulburn-Mulwaree, Lithgow and Upper Lachlan – prepared and adopted on-site wastewater management strategies to better regulate systems in their area. All catchment councils with more than 100 on-site systems in the drinking water catchments now have a strategy in place.

Case study – Bundanoon sewerage scheme upgrade completed

Completion of the \$18.5 million Bundanoon sewerage scheme upgrade in 2009-10 marked another milestone in fast-tracking improvements to sewage treatment plants and safeguarding the quality of the water flowing into Sydney's drinking water catchments.

The NSW Government contributed \$6.4 million towards the upgrade, as part of the \$1.1 billion Country Towns Water Supply and Sewerage Program and the Sydney Catchment Authority's Accelerated Sewerage Program (ASP).

The SCA works in partnership with local councils and the NSW Office of Water to implement sewerage upgrades that reduce the amount of nutrients and pathogens entering waterways.

In 2009-10 construction commenced on the Lithgow sewage treatment plant upgrade, construction progressed on the Taralga and Braidwood plants, and was completed at Bundanoon.

During the year tendering was undertaken for the Wallerawang upgrade, and detailed design undertaken for the Robertson and Kangaroo Valley upgrades.

The Bundanoon upgrade treats wastewater to a much higher standard, and ensures that local sewerage infrastructure is large enough to cope with expected population growth.

The upgraded treatment unit will produce up to 125 million litres of recycled water a year, which will be used to irrigate local grazing land and sporting fields.

The ASP is an important part of the Healthy Catchments Strategy, which is working to protect and improve the health of the drinking water catchments of Sydney and adjacent regional areas.

The HCS provides an innovative approach to catchment management including a new way of prioritising catchment health activities.



Caption: NSW Minister for Water Phil Costa (right) joined Wingecarribee Shire Mayor Duncan Gair to announce the completion of the Bundanoon sewerage scheme upgrade on 30 June 2010.

Riparian Management Assistance Program

The SCA's Riparian Management Assistance Program operates in targeted stream catchments to help private landowners protect, improve and manage waterway frontages. The program provides funds and practical help for property owners in important areas of stock management, stock fencing, alternative water supplies and shade for stock, native plantings, and minor erosion control. These measures help prevent pollutants and nutrients entering waterways.

This year the program provided \$382,089 to fund new projects to protect 37 kilometres of riparian area. A total of 97.5 kilometres of waterways have been protected under the program to date.

Grazing practices

The Sustainable Grazing Program managed by the SCA and the NSW Department of Industry and Investment helps graziers in the catchments increase the sustainability of their enterprises and protect the quality of water flowing from paddocks to waterways. The program integrates water quality and catchment protection considerations into existing grazer education and training programs.

During the third year of the seven year partnership, the program delivered 17 long courses, including eight new courses, to 120 graziers. The program also provided 17 new field days and workshops to 700 graziers in targeted subcatchments. Forty participants also received individual support to help them implement best practices on their properties.

The SCA developed and implemented a pilot grazing incentives program to deliver best management practices for water quality benefit. This program provided small grants of up to \$7,000 in conjunction with catchment management authority programs to deliver sustainable grazing practices. The grants help graziers pay for fences and other infrastructure to protect water quality. Grants were also used to improve groundcover and pastures, manage land within its capability, and subdivide paddocks for rotational grazing. The incentives program also helped graziers pay for soil and pasture testing, and provided quadrats and pasture assessment kits for participants in training such as LANDSCAN and PROGRAZE courses under the Sustainable Grazing Program. These tests help graziers understand the capability of their farms to better manage pasture cover and resilience.

The SCA invested \$207,000 in the pilot program. The investment was matched by cash and staff resources from the catchment management authorities and landholders. Around 800 hectares were improved through this program. The SCA also paid for 101 soil tests which were matched by a further 126 tests by graziers.

Catchment Protection Scheme

The Catchment Protection Scheme is a joint initiative between landowners, the SCA and the Hawkesbury-Nepean and Southern Rivers catchment management authorities. The two priorities of the scheme are to protect stream beds and banks, and riparian vegetation. Participation in the scheme is voluntary and landowners are encouraged to become involved.

Since 1960, the scheme has effectively treated severely eroded landscapes to reduce the amount of sediment and nutrients washed into the catchments and water storages, protected vulnerable soil, and improved farm management.

In 2009-10, the SCA contributed \$630,000 to the scheme which helped 14 land owners treat 299 hectares of erosion, and protect a further 2,760 hectares of riparian land with exclusion fencing.

Dairy Waste Program

Dairies can pose a significant risk to water quality from pathogens and nutrients in high concentrations in animal manure. There are 24 dairies in the SCA's area of operations.

In 2009-10, the SCA worked with DairyNSW and the Department of Industry and Investment to provide soil nutrient risk and budgeting training. The SCA contributed \$9,000 towards the training delivered by the Department of Industry and Investment through the Sustainable Grazing Program. Operators from 19 of 24 dairy farms (79 percent) participated.

In 2009, the SCA and DairyNSW made a successful joint bid for Environmental Trust funding to deliver dairy effluent management training and farm-specific operational plans for dairy waste management in the drinking water catchments. The total bid was for \$59,000. The SCA partnered DairyNSW by agreeing to provide an in-kind contribution valued at \$9,000 to:

- develop a template for dairy effluent operation and management plans
- participate in the steering committee through relevant programs and science team personnel.

The template will now be used by DairyNSW which will assess dairy effluent management risks and deliver farm-specific effluent management training. This will include preparing farm-specific operational management plans. The focus will be on properties with dairy effluent ponds and around 80 percent of dairies in the catchments will be involved.

Development and activities comply with 'Sustaining the Catchments - The Regional Plan for the drinking water catchments of Sydney and adjacent regional centres'

The Drinking Water Catchments Regional Environmental Plan No 1

The Drinking Water Catchments Regional Environmental Plan No 1 (REP) is the legal instrument of 'Sustaining the Catchments - the Regional Plan for the drinking water catchments of Sydney and adjacent regional centres'. The REP addresses controls for development in the catchments to protect water quality. The SCA's activities under the REP are described below.

Ensuring a neutral or beneficial effect on water quality

The SCA continues to work with council staff to apply the neutral or beneficial effect (NorBE) test to development applications in the drinking water catchments. Over the past three years, the SCA has been assisting councils in their assessment of NorBE as required under the REP by providing tools, guidelines and training. The SCA previously provided councils with an interim assessment tool to help complete NorBE assessments. The SCA is now updating this tool, and developing other more refined, web-based tools. In 2009-10, the following web-based tools to help councils with their NorBE assessments were progressed:

- an updated Wastewater Effluent Model (WEM) to assess the impact of on-site wastewater systems on water quality
- a new online NorBE tool incorporating the WEM and SCA GIS data
- a new stormwater assessment model to assess the impacts of smaller developments on water quality.

The new NorBE assessment tool will be made available on-line to councils in 2010. On completion, the new stormwater assessment tool will be made available to councils, development consultants and others through the eWater CRC website. The SCA will provide training and support to council staff in the use of these tools.

Rectification action planning

The REP requires the SCA to prepare draft rectification action plans (RAPs) to rectify the impact of existing development and activities that do not have a neutral or beneficial effect on water quality.

The SCA has developed the Catchment Decision Support System (CDSS) to meet its obligations to prepare RAPs for all subcatchments by 31 December 2011. The CDSS underpins the new Healthy Catchments Strategy (HCS), the SCA's rectification action plan for the catchment which identifies and prioritises catchment action and response strategies to rectify impacts of existing development and activities.

Water quality objectives

The REP sets water quality objectives that reflect the national water quality guidelines. The SCA reports against the water quality six months after each catchment audit. The first water quality objectives report was completed in July 2008 following the 2007 catchment audit and is available on the SCA's website. The next water quality objectives report is due in 2011 after completion of the 2010 catchment audit.

Strategic land and water capability assessments

The REP requires the SCA to prepare and publish strategic land and water capability assessments (SLWCA) for the drinking water catchment. Councils must consider the SLWCAs when preparing draft local environmental plans. SLWCAs help councils and the SCA determine the potential impact on water quality from future zoning changes. The SCA has prepared and delivered the SLWCAs to local councils in a staged approach and in consultation with councils.

The SCA finalised stage two of the SLWCA covering the entire drinking water catchment in 2009-10 which included the provision of copies of the SLWCA and SLWCA data to catchment councils. The SCA also prepared a draft guide to assist councils in applying SLWCA. SLWCA maps will be made available for the public to view at the SCA's Penrith Office and on the SCA website in 2010-11.

Current recommended practices

In 2009-10, the SCA further refined the list of current recommended practices (CRP). To date the SCA has endorsed 33 CRPs. The SCA has developed A Water Sensitive Design Guide for Rural Residential Subdivisions (the Design Guide) identifying a range of water-sensitive planning and development principles, practices and solutions consistent with the requirements for achieving a neutral or beneficial effect on water quality. The Design Guide is for use by developers and consultants to design proposed subdivisions, and by councils, the SCA and other authorities to assess those proposals. The SCA has also prepared a technical design guide for on-site wastewater treatment disposal systems to help with correct installation, maintenance, and assessment of on-site wastewater systems in the drinking water catchment.

The SCA also adopted the following four new current recommended practices in 2009-10:

- Guideline for the Preparation of Environmental Management Plans.
- Herbicides: guidelines for use in and around water (CRC for Australian Weed Management).
- Habitat Management Guide – Riparian: Weed Management in Riparian Areas: South-Eastern Australia.
- Effluent and Manure Management Database for the Australian Dairy Industry.

Assessing development applications

The REP requires councils to approve development applications only where they are satisfied the development will have a neutral or beneficial effect on water quality. Where councils are not satisfied they must refer the applications to the SCA to seek concurrence.

Table 4 - SCA assessment of development applications 2009-10

	2007-08	2008-09	2009-10
No of development applications assessed	514	396	344
Proportion (of total received) of development proposals assessed by SCA within statutory timeframes (%)	83.7	98.7	98.3
Proportion (of total received) of development proposals where SCA concurrence withheld (%)	0.39	0.25	0

Table 4 shows the number of development applications assessed by the SCA. Only six applications took more than 40 days in 2009-10. The average time for the SCA to make concurrence assessments was 28.7 days.

The SCA withheld concurrence on one application however an acceptable outcome was negotiated with the applicant, therefore the SCA did not withhold concurrence on any development applications in 2009-10.

In addition to its formal concurrence role, the SCA undertook the following additional assessments:

- provided advice to councils on 51 modification development applications
- assessed 33 proposals on behalf of councils for on-site wastewater systems via its computer modelling tool
- provided advice to councils on 42 proposals which the SCA had previously granted concurrence and which applicants had modified
- provided advice to the NSW Government on 13 development applications under the Australian Government Nation Building Program.

The SCA reviewed 31 projects being assessed under Part 5 of the *Environmental Planning and Assessment Act 1979* to ensure environmental issues were adequately addressed including impacts on water quality.

Our lands are managed to contemporary standards

Special Areas – security and access management

The Special Areas are lands that surround Sydney's drinking water storages. They are lands declared under the *Sydney Water Catchment Management Act 1998* (SWCM Act) for their value in protecting the quality of the raw water, and for their ecological integrity.

The Special Areas are a critical barrier in the multi-barrier approach to protecting water quality which includes managing the hydrological catchments, storages and delivery systems, and treating drinking water. They act as a filtering system for water entering storages by reducing nutrients, sediments and other substances that can affect water quality.

Preventing water pollution through compliance

The SCA uses a range of enforcement measures. These include vehicle, boat and aerial surveillance patrols, covert surveillance cameras and joint operations with the NSW Police and National Parks and Wildlife officers. To support enforcement measures the SCA maintains and installs gates, barriers and warning signs to ensure that the public are aware of boundaries and deter illegal access in the Special Areas. The SCA continued to use its remote covert surveillance cameras during the year which have been successful in detecting and identifying trespassers and activities that threaten the Special Areas and water quality. The SCA responded to trespass and illegal activities by issuing warnings, penalty infringement notices or court actions.

The SCA's compliance activities during the year focused on activities with significant potential to impact on water quality in the catchment including intensive agriculture, horticulture sites, sewage treatment plants and unauthorised development.

The SCA continued to support the Greater Southern Regional Illegal Dumping Squad to address illegal dumping in the Wingecarribee, Shoalhaven and Eurobodalla council areas through a \$40,000 contribution.

The SCA has a regulatory role to protect the catchments from water pollution caused by activities such as illegal dumping and land clearing. Water quality in the catchments and the Special Areas is protected using a range of tools under the *Sydney Water Catchment Management Act 1998* and the Sydney Water Catchment Management Regulation 2008.

Table 5 - Compliance activity over five years

Sydney Water Catchment Management (Environment Protection) Regulation 2001					
	2005-06	2006-07	2007-08	2008-09	2009-10
Clean-up notices	17	6	-	-	3
Notices (s192) requiring information/documents	1	2	-	3	13
Penalty infringement notices	8	1	-	-	3*
Pollution prevention notices	-	3	4	6	4
Littering reports referred to Department of Environment, Climate Change and Water	45	12	11	13	10
Sydney Water Catchment Management (General) Regulation 2008					
	2005-06	2006-07	2007-08	2008-09	2009-10
Penalty infringement notices	61	30	33	37	38
Warning letters	79	39	31	25	22
Prosecution	5	2	-	2	0

* 1 x \$750 – individual, 2 x \$1,500 - corporation

Note: In September 2008 the Sydney Water Catchment Management (Environment Protection) Regulation 2001 and the Sydney Water Catchment Management (General) Regulation 2000 were combined in the Sydney Water Catchment Management Regulation 2008.

Managing fire

The SCA spent \$950,000 this year on seasonal fire teams to minimise the impact of fire on water quality and catchment health in the Special Areas. The teams are established to respond within 30 minutes and contain fires to less than 10 hectares. The SCA continued its cooperative role in fire management by participating in district bushfire management committees. The SCA also funds a radio operator in Wollondilly Rural Fire Service and fire tower operators.

In 2009-10, the SCA conducted hazard reduction burns and fire trail maintenance. Fire towers were staffed throughout the declared fire season on days of high and extreme fire danger and when conditions required.

All staff involved in fire management took part in pre-season training and annual fitness assessments.

Managing pests and weeds

Pest and weed control is an important part of the SCA's land management responsibilities which helps protect native animals and vegetation for catchment health and water quality. The SCA and DECCW both undertake pest and weed control in the Special Areas.

Early suppression of weed outbreaks, eradicating feral animals and emergent species, and containing other species numbers are significant land management activities for the SCA.

Water hyacinth

Following a significant infestation in 2007-08, the SCA continued to monitor the Lake Yarrunga foreshores for the noxious aquatic weed water hyacinth. During 2009-10, only one plant was found which was removed. Efforts continue to ensure the eradication of this weed from SCA lands.

Pesticide notification plan

Pesticide notifications are required in public places or where people may access public land. In 2009-10, 9 pesticide notifications for works undertaken by the SCA were posted on our website for areas including Lake Yarrunga, the Metropolitan dams and some SCA freehold lands such as Barrallier in the Warragamba catchment.

Controlling pest animals

Deer are increasing in numbers and range in the Metropolitan, Warragamba and Woronora Specials Areas, and in the SCA's Braidwood lands. Pigs are increasing in range in the Warragamba Special Area, while there are the usual seasonal variations in rabbit populations in the Wingecarribee Swamp and Special Area.

During 2009-10 fox baiting was conducted in the Metropolitan, Warragamba and Woronora Specials Areas, and rabbit baiting was conducted in the Wingecarribee Swamp and Special Area. In the Warragamba Special Area, a range of pest animals were controlled including pigs, foxes and feral cats.

Controlling weeds

During 2009-10 in the Metropolitan and Woronora Special Areas, 112,210 square metres of blackberry and 300,356m² of St John's Wort, privet, crofton weed and other weeds were controlled.

In the Shoalhaven Special Area, 26,000,000m² of blackberry and 20,000,000m² of privet was controlled, along with willow, lantana and water hyacinth control.

In the Warragamba Special Area, 102 hectares of serrated tussock, 520ha of willow, 38ha of lantana, 65ha of moth vine, 6ha of tree of heaven, 60ha of prickly pear and a large area of blackberry were controlled.

In the Wingecarribee Swamp and Special Area, blackberry, willow and serrated tussock was controlled.

In the SCA's Braidwood lands, 3,860ha of serrated tussock and 92.5ha of blackberry were controlled.

Mining in the Special Areas

Underground longwall mining occurs under significant parts of the Metropolitan and Woronora Special Areas. The SCA is particularly focused on its potential impact on ground and surface water quality and quantity, and infrastructure such as the Upper Canal and tunnels. The SCA has undertaken significant research into the impacts of longwall mining in catchments such as the Woronora catchment. Details of this research are included in under Goal 1 – high quality water supply.

Significant progress was also made to implement clear governance arrangements with the three main mining companies operating in the Special Areas: BHP Billiton Illawarra Coal Holding Pty Ltd, Peabody Pacific Helensburgh Coal Pty Ltd and Gujarat NRE Minerals Ltd.

The SCA Principles for Managing Mining Impacts were developed and endorsed by the SCA Board. They have been considered and adopted by the SCA and addressed by mining companies and stakeholders for various mining proposals in the SCA area of operations.

To help protect the catchments and our infrastructure, we continue to review mining company annual environmental management reports, a wide range of subsidence monitoring data, and compliance with management and operational plans. The SCA expects all mining and associated activities to follow best practice and meet regulatory requirements.

Rehabilitating derelict mines

Derelict or abandoned mines are defined as those where no owner or person responsible for the operation can be found or held responsible for its impact. Many of these mines are over 100 years old. The SCA's derelict mines program focuses on rehabilitating the priority sites posing greatest risk to water quality.

The program is conducted in collaboration with the NSW Department of Industry and Investment (previously the Department of Primary Industries (Mineral Resources) – Derelict Mines Unit), and with support from the NSW Derelict Mines Committee.

During 2009-10, the SCA finished rehabilitating two abandoned mine sites with Industry and Investment – Oakdale and Tuglow.

A 12 month follow-up inspection of the Mulloon Creek Copper Mine rehabilitation works was conducted in May 2010. The inspection found that earthworks and sediment traps were functioning well.

Rehabilitation of the Tolwong site in the Morton National Park was carried over to 2010-11 due to delays in environmental impacts assessment requirements.

Managing SCA Braidwood lands

The SCA owns 67 rural properties in the Braidwood area. Land management activities on farm and in riparian areas help sustain the lands for water quality and catchment health.

In 2009-10 the SCA undertook:

- Soil works – major erosion was treated to reduce the risk of sediment and nutrient loss to gullies, creeks and streams. Work on all high priority sites is complete and lower risk sites are being addressed.
- Fire management – hazard reduction burns were undertaken on selected lands and slashing was carried out on fire trails and boundary fences.
- Fencing – new fencing was built to prevent illegal access and stock entry.
- Surveillance – the SCA carried out surveillance on Braidwood lands to control illegal activities such as boar hunting, four wheel driving, trail bike riding and firewood collecting.
- Weed control – a program of targeted activities across SCA's non-leased lands was developed in consultation with local government under the *Noxious Weeds Act 1993*.

Reduced environmental impacts of our operations

Releasing water to the environment

The SCA's water management licence sets out the minimum environmental and riparian flows to be released from the water storages.

Throughout the year environmental releases met requirements in accordance with the licence. New environmental flows were commenced from Tallowa Dam from July 2009. In addition a high flow release was made from Woronora Dam in February 2010 over three days. Intensive monitoring was undertaken in the downstream river prior to and during the release to assess any environmental benefits of a high flow release. This will be used to determine whether such a release will be required in the future.

Table 6 shows the water released from SCA storages for all purposes during the year (water balance for total supply system). Water balances for each storage can be found on the SCA's website.

Table 6 – 2009-10 SCA water balance for total supply system

TOTAL SUPPLY SYSTEM	Sources of water		Distribution of water	
	Volume (ML)	% of total	Volume (ML)	% of total
Storage volume				
Volume in storages at start of year	1,600,650			
Volume in storages at end of year	1,501,500			
Change in storages	99,150	12%		
Storages net evaporation			98,933	12%
Inflows				
All dams and weirs	749,747	88%		
Groundwater	-	0%		
Fish River Water Supply purchases	-	0%		
Sub-total	749,747	88%		
Water supplied to customers				
Sales to Sydney Water			478,222	56%
Sales to Wingecarribee Shire Council			3,652	0%
Sales to Shoalhaven City Council			87	0%
Sales to retail customers			208	0%
Sub-total			482,169	57%

Water released under water management licence				
Releases to Shoalhaven City Council (Tallowa)			14,057	2%
Riparian releases			4,015	0%
Environmental releases (1)			82,382	10%
Other system release to river (2)			14,746	2%
Sub-total			115,200	14%
Reservoir or weir spills			156,809	18%
Unaccounted difference (3)	4,214	0.5%		
TOTAL	853,111	100%	853,111	100%

(1) Only environmental releases that leave the system boundary are included in the balance.

(2) Other releases to river. When the spill rate is above the required environmental release no additional release is required. However, for operational reasons the release from the outlets is maintained during the spill.

(3) Unaccounted for difference is estimated as the difference between inflows, outflows and change in the storage. This includes river evaporation, seepage, overbank flow, theft and any measurement errors recording other components.

Environmental flow monitoring

Under its water management licence, the SCA is required to release water from its storages to protect and improve the ecological condition of the rivers downstream. These environmental flows are monitored under various programs to assess their effectiveness.

These monitoring programs include:

- Avon River – monitoring began in April 2006 (variable environmental flows began in March 2008).
- Woronora River – monitoring began in March 2002 (environmental flows began in December 2002).
- Shoalhaven River – monitoring began in December 2008 (new variable environmental flows began in July 2009).
- Upper Nepean rivers (Cataract, Cordeaux and Nepean) – monitoring began in late 2009 (variable environmental flows from the Nepean, Cataract, and Cordeaux dams and water supply weirs were trialled from mid June 2010 and implemented from 1 July 2010).

The monitoring programs collect data on the physical, hydrological, physio-chemical and biological character of the rivers downstream of the dams and at suitable reference sites. This data is used to test hypotheses about the effects of the environmental flows, to improve knowledge of how aquatic ecosystems respond to changes in flow and to evaluate the overall effectiveness of the flows.

Case study – Hawkesbury-Nepean environmental flows

A major project to improve Hawkesbury-Nepean River health was completed this year with the construction of new environmental flow infrastructure and fishways. The \$39 million upgrade to dams and weirs across the Hawkesbury-Nepean system allowed new variable environmental flows to commence on 1 July 2010. The project is part of the NSW Government's Metropolitan Water Plan.

An environmental flow is water released from a dam or weir for the health of the river downstream. Such flows can help native fish to breed, reduce weed growth and improve water quality for native wildlife and recreation.

To release the environmental flows for the Nepean River, particularly when dams and weirs are not spilling, modifications were required to the four dams and two water supply weirs in the Upper Nepean catchment to allow the release of variable environmental flows.

Modifications were also required to 10 weirs along the Nepean River between Maldon and Penrith to ensure the weirs don't act as barriers to the environmental flows from the four Upper Nepean dams, so the flows can make it all the way downstream.

The work involved:

- \$8 million in upgrades to allow the release of variable environmental flows from Cataract, Cordeaux and Nepean dams, and Broughtons Pass and Pheasants Nest weirs. (Environmental release outlets were earlier installed at Avon Dam and environmental releases started in March 2008.)
- \$31.3 million in upgrades to install environmental release outlets and construct new fishways at Camden, Sharpes, Cobbitty, Theresa Park, Mount Hunter, Menangle, Brownlow Hill, Wallacia, Penrith and Douglas Park weirs. (By 30 June 2010 work was complete on all but two of the Nepean River weirs – Sharpes and Menangle – where work is expected to be completed by late 2010.)

The amount of water that is released each day into the Hawkesbury-Nepean system is calculated based on how much water flows into the dams from the catchments. These new environmental flows better mimic the natural flows of the river.

Environmental flows help protect the endangered giant dragonfly and Macquarie perch as well as 10 other native fish species that depend on the river system including the vulnerable Australian grayling, bass and smelt, freshwater herring and a range of gudgeon, mullet and galaxias species.

These flows will also help protect local animals including the azure kingfisher, black bittern, pectoral sandpiper, white-bellied sea eagle and large footed myotis (a fishing bat).



Caption: Theresa Park Weir was one of 10 along the Nepean River to have a new or upgraded vertical slot fishway installed.

Metropolitan Water Plan – river health initiatives

Under the Metropolitan Water Plan (MWP), the NSW Government has made the following commitments relating to river health.

Infrastructure upgrades at Upper Nepean dams

Works to modify infrastructure at the Cataract, Cordeaux and Nepean dams and at two water supply weirs on the Cataract and Nepean rivers to allow the release of variable environmental flows were completed and tested.

Nepean River weirs and flows

During 2009-10, the SCA worked with the NSW Office of Water to modify nine downstream weirs on the Nepean River to allow the passage of the new environmental flows and native fish.

This work will make sure the weirs don't act as barriers to the environmental flows from the four Upper Nepean dams so the flows can make it all the way downstream. The new works also allow fish to travel past the weirs using upgraded and new vertical slot fishways.

By 30 June 2010 work on all but two weirs was complete. Work on the remaining two weirs is expected to be completed by late 2010. Work on all weirs to allow for environmental releases was completed by 30 June 2010.

Water monitoring

Water monitoring initiatives for 2009-10 included new sampling and analytical contracts being established for the revised Water Monitoring Program, with integrated field services contracts based on geographical areas rather than separate contracts for quality and quantity monitoring, to more effectively and efficiently deliver the needs of the new monitoring program.

The revised Water Monitoring Program included a review of pesticides and synthetic compounds monitored in raw water supplied for treatment. The suite of compounds monitored during 2009-10 was agreed in consultation with NSW Health and SCA's major customers following a comprehensive risk assessment. Factors considered in the risk assessment included the likelihood of compounds occurring in raw water based on physical and chemical properties, evidence of use in the catchments or previous detections, and the relative guideline levels in the Australian Drinking Water Guidelines. These compounds are included in the list of health related water quality characteristics, for which 100 percent compliance was recorded during the year.

Macroinvertebrate monitoring

The SCA's Macroinvertebrate Monitoring Program (MMP) conducts annual monitoring of the macroinvertebrate communities within 27 subcatchments using the AUSRIVAS model. The model is a standardised biological assessment that compares changes in observed macroinvertebrate families to those expected. The results can be used to systematically categorise and rank sites according to ecological health.

Across the 27 subcatchments, the MMP was established with the expectation that it would allow the SCA to:

- determine ecosystem health at sites and across subcatchments through an assessment of aquatic macroinvertebrate communities
- determine spatial or temporal changes in macroinvertebrate community structure as an indicator of health within these subcatchments
- report on the health of aquatic ecosystems within the 27 subcatchments.

The 2009 monitoring report found variable results across the 54 monitoring sites, with a balance between healthy and impaired sites. This is partially attributed to a lack of flow through the impaired systems.

An independent review of the program was completed in 2009. The review made a number of recommendations, including greater integration with the SCA's Water Monitoring Program, and a review of the sites sampled to ensure they are representative of overall land use and habitat within their subcatchment. The SCA is revising the monitoring program in response to the review's recommendations

Assessing environmental impacts of SCA projects

The SCA seeks to minimise the impact of its own activities on the environment. This is achieved by ensuring projects are subject to an appropriate level of environmental impact assessment consistent with the relevant provisions of the *Environmental Planning and Assessment Act 1979*.

The SCA undertook environmental assessments of 15 projects. The projects were assessed and measures applied to prevent, minimise, and/or offset adverse environmental impacts.

An annual review of a selection of SCA activities is undertaken to assess the effectiveness of our actions to minimise environmental impacts. Review findings are used to identify improvements in environmental management of future activities. The SCA also undertakes regular environmental compliance inspections of its projects and any issues identified are addressed.

In 2009-10, two projects were subject to a desktop review. These reviews identified variations to the SCA Environmental Impact Assessment Policy. One project complied with the environmental assessment conditions imposed and one project contained environmental performance provisions in the contract which were met. The issues identified will be addressed in the recommendations from the 2009-10 program. All recommendations of the 2008-09 review have been addressed.

In 2009-10 the SCA reviewed its environmental audit program and has commenced implementing changes to the program for 2010-11. The key change is including the program on SCA's internal audit program. This will allow future environmental audits to be undertaken by an independent auditor.

Improved awareness about how the catchment communities contribute to protecting water quality

Education to protect the catchments

The SCA influences the knowledge, skills and behaviour of people and organisations related to water issues and catchment health. During 2009-10 we provided 24 education activities across the catchments. Our education activities integrate closely with other strategies such as compliance, on-ground works, incentives and regulation. All SCA education programs are based on best practice environmental education principles, training and targeted research.

The SCA makes a significant contribution to the NSW Government's Water for Life Education Program which supports the Metropolitan Water Plan, and has responsibilities under the 'Water Education Plan for Greater Sydney 2008-12'.

Working alongside the community

The SCA Community Education Program provides practical ways for the community to protect the catchments and water quality. A range of activities encourage and enable landholders, industry and other government agencies to adopt best management practices to minimise impacts on water quality, and to monitor and protect water quality in streams in their communities.

This year community activities included:

- training more than 700 graziers in best management practices through the Grazer Education Program in partnership with NSW Department Industry and Investment
- supporting community based Streamwatch groups to monitor local waterways
- launching the new publication 'Sustainable land management practices for graziers'
- responding to enquiries from the community about water quality and quantity
- contributing to the 'Water Education Plan for Greater Sydney 2008-12'
- working with councils to deliver CleanOut chemical collections and provide grants to community groups for environmental action.

School education

The Warragamba School Education Program engages with school students and teachers from kindergarten to year 12. The program encourages active participation in water quality and water conservation issues to support the NSW Government's Water for Life Education Program.

Specific activities with the education sector in 2009-10 included:

- providing educational excursions for more than 3,500 primary, secondary and tertiary students at Warragamba Dam
- delivering education activities to schools unable to attend the Warragamba excursion
- answering student questions by phone and email
- hosting a continuous learning event for science teachers about current catchment and water science.

Visitor education

The Warragamba Visitor Education Program engages with visitors to the dam about a range of water related issues including the dam, water supply infrastructure and the drought.

The SCA informs water users about current water storage levels and what the NSW Government is doing to secure Sydney's water supply. The program improves understanding of water quality and catchment issues, and describes the contribution of catchment communities to catchment health. It also provides practical water saving information.

Specific visitor activities over the year included:

- reopening the upgraded visitor grounds at Warragamba which include interpretive signs and dam viewing platforms to explain heritage and operational features of Warragamba Dam
- answering approximately 1,600 phone enquiries
- planning and developing a new exhibition space for the Warragamba Dam Visitor Centre and consulting with the community about the exhibition
- hosting approximately 10,000 people a month at the new visitor centre.

Education to save water

The NSW Government's Metropolitan Water Plan (MWP) outlines a range of strategies to ensure greater Sydney's water supplies are secure, during drought and for the long term. The plan is being reviewed to respond to new information on population projections and the potential impact of climate change. The new plan will be launched in 2010.

Education is an essential part of sustainable water management and the Government's Water for Life Education Program supports the Metropolitan Water Plan.

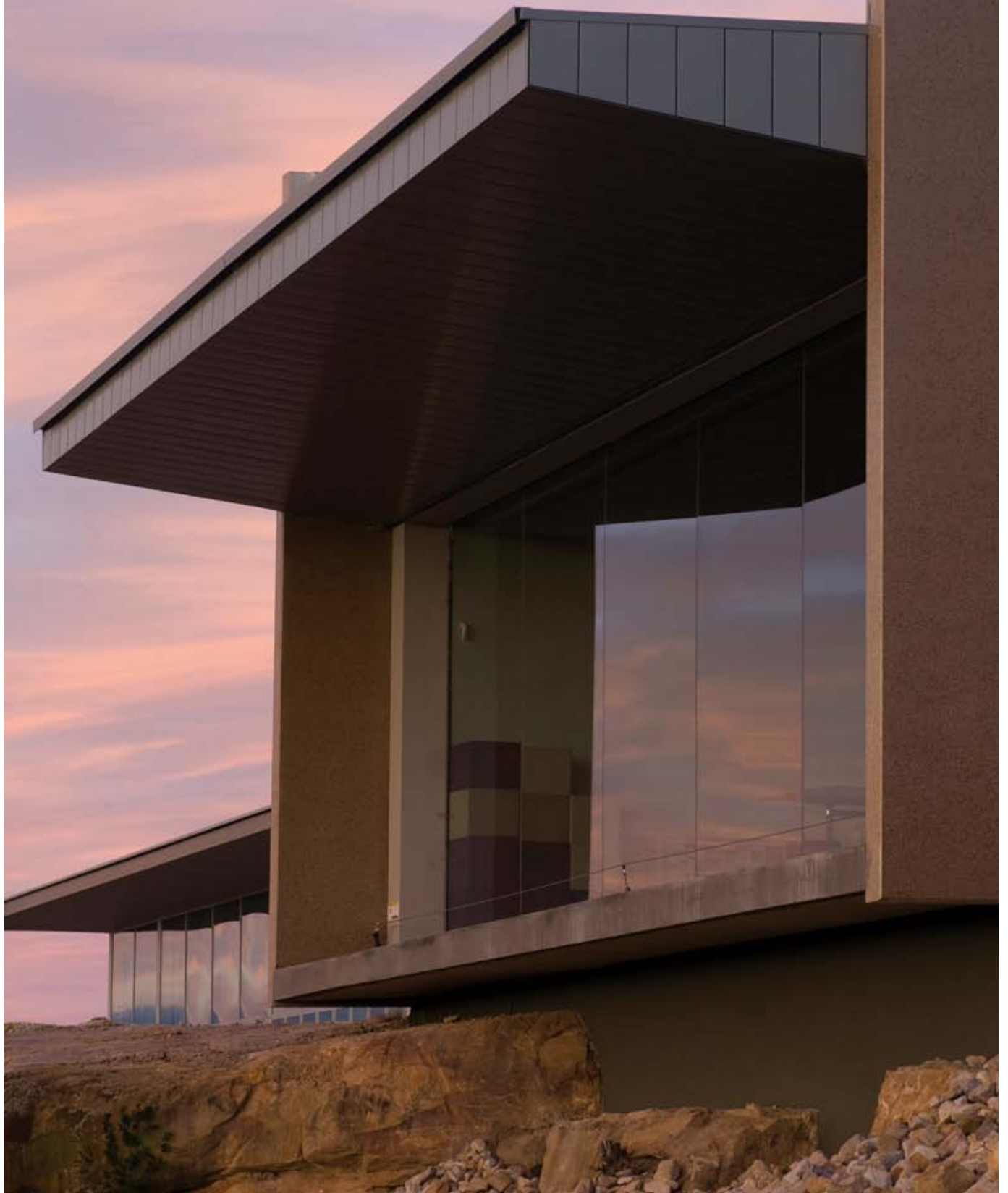
The SCA actively promotes awareness of the MWP and water saving behaviour through ongoing involvement in the interagency Metropolitan Water Education Group, which oversees the Water for Life Education Program. The group includes representatives from the NSW Office of Water, Sydney Water, Office of the Hawkesbury Nepean, and the Department of Environment, Climate Change and Water.

The SCA provided extensive in-kind support to the group this year, including:

- support to develop a communication strategy for the 2010 Metropolitan Water Plan
- support to plan and evaluate the Water for Life community education media campaigns
- developing animations, graphics, fact sheets and other material to support consultation about the 2010 Metropolitan Water Plan
- support to develop key messages to use across the water sector.

The SCA also continued to deliver water conservation messages in its school education program at Warragamba Dam and in the new visitor centre exhibition due to open in 2010.

The new Warragamba Dam Visitor Centre will feature a permanent exhibition called Water for Life. The SCA consulted closely with the Gundungurra Tribal Council and other local Aboriginal elders to develop the displays.



GOAL 3 - Strategic partnerships

Much of the SCA's work is achieved in cooperation with other agencies, organisations and individuals. Shared knowledge is often critical to the success, efficiency and sustainability of our activities and complex problems can often best be understood and tackled collaboratively.

We work with our strategic partners to:

- increase awareness of issues that impact on water quality
- identify mutual concerns using formal processes
- facilitate development of SCA and partner programs
- involve partners in policy and program planning and delivery
- increase capacity through building and sharing knowledge
- seek formal and informal feedback on the success of programs.

Highlights

- Finalised a water supply agreement with Wingecarribee Shire Council.
- Participated in Catchment to Tap water quality risk assessment with Sydney Water and councils.
- Worked collaboratively with catchment councils to implement key elements of the 'Regional Plan for the drinking water catchments of Sydney and adjacent regional centres' and sewerage incentives.
- Partnered with the Catchment Management Authorities to deliver the Catchment Program Scheme, and a grazier incentives program.
- Participated in multiagency development of 2010 Metropolitan Water Plan by providing all hydraulic and hydrological modelling.

Working with local government to implement 'Sustaining the Catchments: The Regional Plan for the drinking water catchments of Sydney and adjacent regional centres'

Tools to help councils and other agencies

Under the regional plan, the SCA continued to develop tools and guidelines, and provide training to help local councils and government agencies to assess whether developments and other activities will have a neutral or beneficial effect on water quality (NorBE).

The SCA prepared draft strategic land and water capability assessment outputs and guidelines to help councils address water quality protection when preparing their local environmental plan.

Working with the catchment management authorities, local government and catchment communities to implement our Healthy Catchments Program

Catchment management authorities

The catchment management authorities (CMAs) are key partners for the SCA. Three CMAs operate in our drinking water catchments: Hawkesbury-Nepean, Southern Rivers and Sydney Metropolitan.

The SCA has effective partnerships with the Hawkesbury-Nepean and Southern Rivers CMAs to deliver the Catchment Protection Scheme.

In 2009-10 the SCA partnered with the CMAs to deliver a number of partnership grants programs. Funds were provided to land managers to improve their properties and practices to benefit water quality and catchment health.

The SCA supported the Hawkesbury-Nepean CMA to develop a Farm Dams Handbook that will focus on water quality and aquatic weed management.

The SCA also coordinated discussions between the CMAs and the Department of Industry and Investment about best grazing practices and ways to remediate erosion in the catchment.

Local Government Reference Panel

The Local Government Reference Panel is a valuable forum for the SCA and councils to share information. All of the councils in the catchment are represented on the panel which is chaired by the SCA.

In 2009-10 the panel met four times and considered a range of issues, including:

- updates on the regional plan
- council stormwater initiatives
- catchment audit
- the draft Healthy Catchments Strategy
- the review of the application of the NorBE test by councils
- strategic land and water capability assessments.

The SCA has recently established several working committees of the Local Government Reference Panel which are focused on compliance, on-site wastewater management, weeds and the Rural Living Handbook.

Working with councils and the community to clean up chemicals

Unwanted household chemicals are a threat to water quality if they are not disposed of properly. In February and March 2010 the SCA held a series of CleanOut household chemical collections at Crookwell, Goulburn, Picton, Wallerawang, Lithgow and Moss Vale to safely collect and dispose of household chemical waste. A total of 48,250 kilograms of unwanted chemicals were collected from 1,232 people.

The most common type of waste surrendered was paint (47 percent) followed by oil (18.5 percent), lead-acid batteries (10.5 percent) and gas bottles (5.1 percent).

Working with other government agencies to deliver the Metropolitan Water Plan

In 2009-10 the Sydney Catchment Authority contributed to the development of the NSW Government's 2010 Metropolitan Water Plan (MWP) for Sydney, the Illawarra and Blue Mountains. The adaptive plan is being updated to factor in new information including population growth projections and potential impacts from climate change.

The plan will be launched in 2010 and has involved significant contribution from the SCA along with the Department of Environment, Climate Change and Water, NSW Office of Water, Sydney Water, the Department of Services, Technology and Administration, and NSW Treasury.

The SCA has also continued to deliver important projects under the Metropolitan Water Plan including major upgrades to dams and weirs along the Hawkesbury-Nepean River to allow for the new environmental flows that commenced on 1 July 2010.

The SCA also undertook significant hydraulic and hydrological modelling to support development of the 2010 MWP.

Working closely with the Department of Environment, Climate Change and Water to manage the Special Areas for water quality and biodiversity

Special Areas Strategic Plan of Management

Special Areas surrounding water storages help protect water quality by providing a buffer for water flowing into the dams. Some of these lands have been protected for water supply for more than 100 years.

The SCA is responsible for protecting the water supply catchment Special Areas to provide a reliable supply of safe and clean raw water. DECCW is the primary conservation agency for NSW and is also the owner and manager of a large proportion of the Special Area lands.

The Special Areas Strategic Plan of Management (SASPoM) details how the two agencies work together to manage and protect the Special Areas.

Some areas of the Woodford catchment are now open for recreational use. The Blue Mountains National Park in the previously restricted catchment area is now open for access. Lake Woodford and the dam are a scheduled Special Area and there is still no access allowed to the dam and lake.

There were no transfers of Special Area lands during 2009-10.

Forging strong partnerships

Table 7 – SCA key strategic relationships and activities

Agency	Activity
Local councils	Land use planning and development approval As owners, builders and operators of sewerage infrastructure As managers of stormwater outlets, roads, fire, pest and weed programs (eg Rural Living Handbook)
Department of Environment, Climate Change and Water (National Parks and Wildlife Service)	Jointly managing SCA Special Areas including remote access fire teams, compliance, and ecological services Hawkesbury-Nepean water quality monitoring
Department of Environment, Climate Change and Water (Environment Protection Authority)	Licensed activities in catchments and enforcement activities under <i>Protection of the Environment Operations Act 1997</i> Delivering chemical collection programs and waste management

Agency	Activity
Department of Environment, Climate Change and Water (NSW Office of Water)	<p>Implementing the Accelerated Sewerage Program under the Government's Country Towns Water Supply and Sewerage Program</p> <p>Delivering Metropolitan Water Plan (MWP) initiatives including Shoalhaven transfers and environmental flows, Hawkesbury Nepean weirs and flows project, groundwater investigations, and Water for Life education program</p> <p>Review of the 2006 MWP</p> <p>Modelling to support development of 2010 MWP</p> <p>Participated in the development of the Water Sharing Plan for the Greater Sydney Region Unregulated Rivers</p> <p>Hawkesbury-Nepean water quality monitoring</p>
Hawkesbury Nepean and Southern Rivers catchment management authorities	<p>Delivering Catchment Protection Scheme</p> <p>Delivering other riparian land management programs</p>
Sydney Water	<p>Strategic and operational water quality and quantity matters, including monitoring and incident management</p> <p>Implementing Streamwatch and other joint education initiatives</p> <p>Implementing and reviewing the Drinking Water Quality Education Plan (with NSW Health)</p> <p>Strategic operations and configuration during desalination plant proving period</p> <p>System configuration and operational arrangements during commissioning of Sydney Water's mini-hydro plant at Prospect</p>
NSW Health	Strategic and operational matters relating to public health and water quality, including incident management
Office of the Hawkesbury-Nepean	Hawkesbury-Nepean weirs and flows project
Department of Services, Technology and Administration	Procurement and project management services
NSW Department of Industry and Investment (Mineral Resources)	<p>Managing impacts of mining activities in Special Areas and catchments and on SCA infrastructure</p> <p>Rehabilitating derelict mines</p>
NSW Department Industry and Investment (Fisheries)	Designing and installing fishways at Tallowa Dam and weirs along the Nepean river
NSW Department Industry and Investment (Agriculture)	Jointly managing SCA funded expansion of the Grazier Education Program in priority subcatchments
Land and Property Management Authority	<p>Agreement for soil erosion works at Braidwood</p> <p>Data sharing through Spatial Information Exchange (SIX) Viewer</p>
Department of Education and Training, and teacher associations	<p>Targeted school education programs eg HSC Chemistry and HSC Biology interactive resources</p> <p>Warragamba school education program</p>
Universities and cooperative research centres	Researching topics of critical relevance in water quality, water quantity and catchment management

Agency	Activity
Australian Attorney General's Department	Critical infrastructure protection
NSW Department of Premier and Cabinet	Risk and emergency management
NSW Police	Incident management
NSW State Emergency Management Committee	
NSW Rural Fire Service	
NSW State Emergency Service	

Working with customers

Sydney Water

The SCA continued to work closely with Sydney Water to provide safe drinking water to Sydney, Illawarra and the Blue Mountains. The agencies provided valuable input in the review of the Metropolitan Water Plan. A comprehensive review of the Catchment to Tap water quality risk assessment was undertaken by the agencies to provide a seamless approach to managing risks to water quality.

Shoalhaven City Council

The SCA and Shoalhaven City Council held regular meetings at officer level to ensure uninterrupted drinking water supply to Kangaroo Valley township and Nowra. The water supply agreement was reviewed to reflect the changes in the SCA's water management licence in relation to releases from Tallowa Dam for Nowra.

Wingecarribee Shire Council

The agencies achieved a milestone, finalising the agreement which includes arrangements for water quality and quantity management under normal and abnormal conditions.

Interagency consultation

Close liaison with NSW Office of Water enabled smooth transition to new environmental flows from Upper Nepean dams and weirs. The SCA provided input in the development of the draft Water Sharing Plan for the Greater Metropolitan Region Unregulated River Water Sources.

Memoranda of Understanding

The SCA continues to maintain memoranda of understanding (MoU) with NSW Health and with the Environment Protection Authority (DECCW). Under these MoU, the SCA maintains strategic and operational forums and regular liaison on matters of interest to the agencies. During 2009-10, the SCA met its reporting requirements under the MoU with NSW Health.

The SCA also maintains MoU with the Hawkesbury-Nepean and Southern Rivers CMAs to share information and coordinate catchment management initiatives. The agencies continue to meet to consider issues of common interest, coordinate policy and achieve business plan outcomes.

NSW Science Agencies Group

The SCA is a member of the NSW Science Agencies Group that comprises senior officers from NSW Government agencies. This group undertakes research, supports education, provides funding and develops policy relevant to science, engineering and medical research. Meetings of the group provide a forum to share information, coordinate with the NSW Chief Scientist and contribute to developing overarching priorities for the NSW Government.

Industry consultation

Water Services Association of Australia

The SCA is a member of the Water Services Association of Australia (WSAA). WSAA represents the urban water industry and communicates views on issues of importance to the industry. The association also commissions research and brokers information on behalf of the industry. During the year the SCA participated in a range of WSAA activities including the cities of the future workshop and played a key role in initiating a

climate change workshop across the water industry. The SCA continued to work with WSAA to address the skills gaps in Australia's urban water industry.

Australian Water Association

Continued membership of the Australian Water Association provides the SCA with important corporate skills and abilities across a range of water industry activities.

Australian National Committee on Large Dams

The SCA is an active member of the Australian National Committee on Large Dams (ANCOLD), a voluntary association of members with a common interest in dams. ANCOLD holds annual technical conferences and produces guidelines on various aspects of managing dam safety. SCA's voting member currently holds the position of senior vice-chairman.

NSW Dams Safety Committee

The SCA provides a representative as a member of the NSW Dams Safety Committee (DSC) that is responsible for regulating the safety of all prescribed dams in NSW. The SCA also provides staff that participate in the functioning of several DSC sub-committees (eg surveillance, mining, emergency management, policy).

Subsidence Management Plan Review Committee

The SCA is a member of the interagency committee established by the NSW Department of Industry and Investment to review subsidence management plans and advise on approval conditions.

Committee for Economic Development of Australia

The SCA is a member of the Committee for Economic Development of Australia (CEDA), an independent, not for profit body that aims to inform, influence and raise the standard of discussion and research about the issues shaping Australia's economic and social development in a sustainable and socially balanced way. CEDA provides a forum for the SCA to be involved in discussion on priority topics such as the global financial crisis and implications for Australia, water and energy, climate change, broadband and digital information and infrastructure development and effective private-public partnerships. The SCA participated in a number of CEDA activities during the year.

Partnering with external researchers

Collaborative research program

The collaborative research program gives the SCA the opportunity to access and use leading edge technology and scientific expertise. The program gives both established and new researchers the chance to work with the SCA on research topics of critical relevance to water quality, quantity and catchment management.

The collaborative research program for 2009-10 cost a total of \$330,000. It included research in the following areas:

- derivation of long-term hydroclimatic sequences for water resources engineering, management and planning
- a stochastic downscaling framework for catchment scale climate change impact assessment
- estimating the relative pathogen risk from sewage treatment plant effluent
- impact of longwall mining on subsidence, flow and water quality in the Waratah Rivulet
- physico-chemical controls on growth, toxicity and succession of microcystis and anabaena species in Sydney water supply reservoirs
- riparian and water quality improvements from influencing animal movements
- statistical analysis of water quality data
- using molecular tools to understand and control the transmission of *Cryptosporidium*.

Building research alliances

The SCA is a member or joint venture partner of the following research organisations that undertake generic research:

- eWater Cooperative Research Centre (CRC) is a cooperative joint venture between leading water organisations. It aims to improve the ability of industry to make water management decisions that are cost effective, transparent, and scientifically defensible. The SCA is trialling one of eWater's contaminant modelling tools in the Nattai catchment and comparing results with existing techniques.

- Water Quality Research Australia Limited (WQRA) is a research centre that focuses on nationally applicable collaborative research about drinking water quality, recycled water and relevant areas of wastewater management. The SCA's participation in WQRA projects includes research into the growth of cyanobacteria in reservoirs.
- Water Services Association of Australia (WSAA) is the peak body of the Australian urban water industry. It fosters research that supports its vision for Australian urban water utilities to be valued as leaders in the innovative, sustainable and cost effective delivery of water services.
- Water Research Foundation is the world's largest drinking water research organisation. It sponsors research, develops knowledge, and promotes collaboration to advance water science to improve quality of life.

The SCA's total contribution to research alliance organisations for 2009-10 was \$630,000.

Case study – Warragamba Dam grounds reopened

In November 2009 Warragamba Dam grounds reopened to the public after being closed for more than a decade, providing upgraded visitor facilities and enhanced views of the dam.

The \$20 million upgrade to the dam grounds included:

- a new visitor centre with facilities for school groups and stunning views of the dam and Lake Burragorang
- an exhibition space featuring a new Water for Life exhibition about securing water for people and the environment, and about Sydney's dams and drinking water catchments
- three new viewing platforms overlooking the dam and Lake Burragorang
- upgrades to Haviland Park including landscaping, new picnic facilities and interpretive signs
- a new operations building and workshop.

Historical equipment used in the construction and operation of the dam has been placed around the grounds to help visitors learn more about this iconic structure.

New interpretive signs throughout the site provides information about the dam, its history and the drinking water catchments. Up to 10,000 people a month are now visiting the dam grounds.

The new visitor centre includes an exhibition space where the Water for Life exhibition is due to open in late 2010 featuring audio-visual material and interactive displays about the dams and catchments, and the history and future of the water supply for greater Sydney.

The reopening of the grounds in November 2009 marked the completion of \$240 million in upgrades over the previous decade, including:

- \$111 million auxiliary spillway to withstand a worst-case scenario flood
- \$62 million deep water pumping station and other works to allow access to deep water in the dam
- \$23 million upgrade of the dam's entire electrical network
- \$20 million grounds upgrade including a new visitor centre, workshop and operations building, viewing platforms, picnic facilities and landscaping
- \$15 million upgrade of the valve house lifts, crest cranes and stoplog rails
- \$9 million replacing pipeline valves, spares and inspections as well as fencing and painting.



Caption: The reopened Warragamba Dam grounds include extensive interpretive signage and new picnic facilities together with the new visitor centre and viewing platforms of the dam and Lake Burragorang.



GOAL 4 - Successful business

The SCA works consistently to maintain a high level of service and to efficiently and effectively deliver on our core responsibilities. During the year a range of tools, systems and processes were reviewed and updated to ensure they keep pace with our business.

The capital expenditure program was improved by including a standard but flexible project management framework, corporate incident and accident reporting procedures were reviewed and integrated, and a review of our insurance broking arrangements resulted in significant premium cost savings and improved coverage.

These and other improvements to standardised business processes help ensure the SCA is efficient in complying with relevant statutory and regulatory requirements, and contributes to community confidence about how we make our business decisions

Highlights

- Achieved significant premium cost savings following the appointment of a new insurance broker, together with improvements in policy wording and coverage and reduced levels of excess.
- Achieved 95 percent high to full compliance with operating licence obligations audited.
- Maintained 100 percent compliance with its water management licence.
- Worked with the Bureau of Meteorology in streamlining transfer of water data to the Bureau and upgrading some of the hydrometric sites.

People are safe at the SCA

Since the introduction of the SCA's OH&S management system in 2007-08, there has been continuous improvement in injury statistics and injury management outcomes.

Highlights of the improved injury outcomes include:

- Average lost time days per compensable injury decreased by 50 percent in 2009-10 compared to the previous year. The average was down to 3.7 days in 2009-10, compared to 7.2 days in 2008-09 and 13.8 days in 2007-08.
- Total lost time days for compensable injuries decreased by 74 percent in 2009-10 compared to the previous year. The total was down to 11 days in 2009-10, compared to 43 days in 2008-09 and 124 days in 2007-08.

For details of occupational health and safety, see the Annual Report of the SCA Division of the Government Service on page 147.

We have the right people with the right skills at the right time

For all details of personnel services see the Annual Report of the SCA Division of the Government Service on page 142.

We have a rigorous risk management framework

Managing risk

Understanding and managing risk is important to achieving business sustainability. To identify and manage risk, the Sydney Catchment Authority has a risk framework and processes in accordance with Australian Standard 4360:2004 and NSW Treasury TPP 09-05 Internal Audit and Risk Management Policy.

During 2009-10, the SCA updated its Corporate Risk Management Framework and progressively implemented corporate risk management plans. This included a review to ensure compliance with TPP 09-05. A review commenced to implement the new ISO 31000 risk management standard by the end of 2010.

The SCA has an established framework for managing security risk. During 2009-10, work continued on refining the security strategy and better integrating security controls. A project to improve physical security at infrastructure sites commenced in 2010.

The SCA was re-certified under the international information security management standard ISO 27001:2005. A process of continual improvement is in place and improvement actions have been included in the security strategy.

Internal audit

The Board has satisfied itself that the SCA complies with the requirements of the Internal Audit and Risk Management Policy for NSW Government Agencies and during 2009-10 reviewed the SCA's internal audit functions and committees in line with the policy. The Board provided the following No Exceptions attestation to NSW Treasury as required by the policy.

"No Exceptions

Internal Audit and Risk Management Statement for the 2009-2010 Financial Year for Sydney Catchment Authority

I, Robert Rollinson, Chairman of the Board of the Sydney Catchment Authority, am of the opinion that the Sydney Catchment Authority has internal audit and risk management processes in place that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy.

I, Robert Rollinson, Chairman of the Board of the Sydney Catchment Authority, am of the opinion that the Audit and Risk Committee for Sydney Catchment Authority is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09-08.

The Chair and Members of the Audit and Risk Committee are:

- Lisa Hunt, independent Chair (May 2008 – resigned December 2009)

- John Asquith, independent Chair (May 2008 – May 2011; Chair from January 2010)
- Louise Wakefield, independent Member (May 2008 – May 2011)
- Stephen Corbett, non-independent Member (May 2008 – 2011)

These processes provide a level of assurance that enables the senior management of Sydney Catchment Authority to understand, manage and satisfactorily control risk exposures.

Board Resolution

The Board of the Sydney Catchment Authority resolved at its meeting of 27 August 2010 to approve the Chairman's attestation statement in relation to the SCA's compliance with the Internal Audit and Risk Management Policy.



Robert Rollinson
Chairman
27 August 2010"

Internal Audit Program

Deloitte Touché Tohmatsu is the SCA's internal auditor. In 2009-10 the auditors reviewed the following business areas: GST / FBT, accounts payable, employee expenses / payroll, fleet management, occupational health and safety, software asset management, development of risk based 2010-13 internal audit plan and SCA access to DRIVES (Driver and Vehicle Information System database, Roads and Traffic Authority).

Audit recommendations are implemented, monitored and reported to the Board's Audit and Risk Committee.

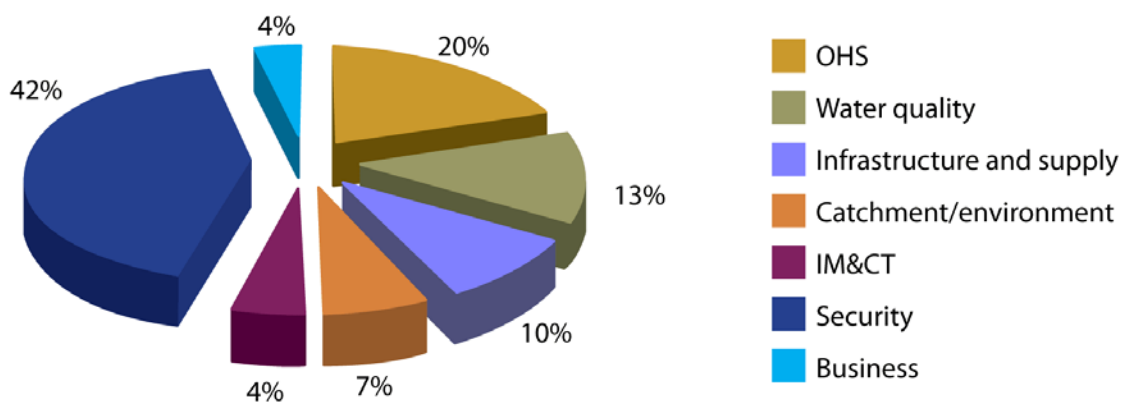
Building resilience, managing incidents and business continuity

Organisational resilience is the adaptive capacity of an organisation in a complex and changing environment. The SCA has a focus on building resilience to routine and non-routine risks. The SCA participates in national and water sector initiatives in this area.

The SCA defines incidents as occurrences or situations that could cause harm. The SCA managed 300 incidents during the year, mostly of a minor nature. A summary of incidents by type is shown in Figure 5.

The number of incidents was lower than previous years. The type of incidents remained consistent with recent years.

Figure 5 – SCA incidents by type 2009-10



During 2009-10, the SCA completed a review of its Corporate Incident Management Framework. Corporate incident and accident reporting procedures were also reviewed and integrated. Continuous improvement actions identified from lessons learnt during incidents and exercises were progressively implemented.

The SCA conducted and participated in a range of simulation exercises throughout the year to test readiness for flood response and dam safety, wildfire response, pandemic preparedness, water sector mutual aid and site emergency procedures.

The SCA remained an active member of the Australian Trusted Information Sharing Network for Critical Infrastructure Resilience and had an executive role in its Water Sector Group. The SCA participates in a number of security, risk and resilience forums and networks within NSW and nationally.

Fraud and corruption control

During 2009-10, the SCA progressively delivered its Fraud and Corruption Control Strategy to prevent, detect, report and investigate fraud and corruption. A fraud and corruption risk assessment was also conducted. A training package was developed and delivered to all SCA staff.

There were no reported incidents of suspected fraud or corruption by staff during 2009-10.

Insurance

In early 2010 the SCA initiated a review of its insurance broking arrangements and insurance program. The review, undertaken by means of a selective tender process, covered broker performance, insurance program structure, policy wordings, indicative premiums and any proposed innovative solutions. The capacity of insurers and insurance cover was considered having regard to the SCA's business needs and risk tolerance.

The outcome of the review was that the Board approved the appointment of AON Risk Services Australia Limited as the SCA's insurance broker for a period of three years. At the end of a comprehensive marketing campaign conducted by AON, all insurances were renewed as at the due date of 31 May 2010. Significant premium cost savings were achieved as well as improvements in policy wording and coverage and reduced levels of excess.

The major classes of insurance purchased by the SCA are from domestic, London and North American based underwriters. These classes of insurance are: industrial special risks (property), public products and professional indemnity liability, directors' and officers' liability / company reimbursement including employment practices liability and workers compensation.

Tools, systems and knowledge keep pace with our business

The regulatory framework

Operating licence audit

The *Sydney Water Catchment Management Act 1998* (SWCM Act) requires IPART to report annually to the Minister on its audit of the SCA operating licence. The 2008-09 report was tabled in Parliament on 4 January 2010.

The report found that the SCA achieved a 95 percent high to full compliance with the operating licence obligations audited. Of the conditions assessed, the SCA achieved full compliance for 74 percent and high compliance for 21 percent.

Water management licence

The SCA holds a water management licence issued by the NSW Office of Water under the *Water Act 1912*. The licence regulates the 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 has a 20-year term and must be reviewed within six months of being issued and before the end of every five years. The licence was last reviewed in 2006.

The SCA maintained 100 percent compliance with its water management licence in 2009-10.

Enhancing project management

In 2009-10 project and program management approaches and processes were further reviewed and refined to better meet the needs the diverse range of projects in the SCA.

The SCA manages a capital expenditure program to ensure infrastructure complies with contemporary service delivery and asset management standards. A robust process for the development and management of the

capital expenditure program has been implemented to ensure projects and programs are delivered effectively, provide value for money and meet the strategic objectives of the organisation.

The capital expenditure program has been improved by including a standard but flexible project management framework, formal review gates, centralised coordination of the capital program, and project portfolio oversight by a Project Review Panel. The Panel provides independent peer review at critical project milestones, reviews business cases and portfolio reports on projects and forward programs.

The process provides the SCA with the ability to select and monitor projects that deliver clear business benefits, are financially viable and align with the business plan.

A project management training package was developed during 2009-10 to improve the capability of staff in managing projects. The training package will be delivered in 2010-11.

Procurement

The SCA continues to use interagency service level agreements and panels of pre-qualified service providers to optimise procurement and contracting activities. These arrangements complement the SCA's use of NSW State Contracts Control Board period agreements for goods and services.

The SCA has instigated several initiatives to improve procurement outcomes. These include:

- expanding the use of interagency service level agreements (SLAs)
- aligning contracts with and utilising existing government contracts to procure goods and services
- continuing to utilise where applicable State Contract Control Board (SCCB) panel and period contracts
- using standard government contract forms
- assisting in contract/project management training and implementation.

These initiatives are resulting in reduced processing time and cost, improved responsiveness to emerging needs, and continuing alignment with NSW Procurement Guidelines (July 2010).

Managing service level agreements

The SCA maintains service level agreements with the Department of Services, Technology and Administration (DSTA), Roads and Traffic Authority (RTA), Sydney Water, Department of Environment, Climate Change and Water (DECCW), Land and Property Management Authority (LPMA) and Conservation Volunteers Australia.

Managing panel contracts

The SCA uses standing offer arrangements and panels of pre-qualified suppliers to streamline procurement. These arrangements are currently being reviewed to evaluate their effectiveness.

Electronic tendering

The SCA has upgraded its eTendering profile with a dedicated page on the NSW eTenders website. This makes finding SCA tenders easier and allows more businesses to bid for SCA contracts. This has proved beneficial with the SCA attracting a wider range of potential suppliers. Tenders for all major SCA contracts are invited through this arrangement.

Managing information and technology

Information management and communications technology

In 2009-10 the SCA in partnership with the Bureau of Meteorology developed an electronic system to transfer water quantity and quality data between the two organisations, as required by National Water Regulations. This electronic data transfer will facilitate the daily updating of storage levels on the SCA website while providing the data necessary for the Bureau to accurately determine the National Water Accounts.

The SCA also worked closely with the NSW Land and Property Management Authority on a number of projects including the development of a new solution to determine the neutral or beneficial effect (NorBE) of a building application, a waste water modelling tool (DAM) and strategic land and water capability assessments (SLWCA). These tools will take advantage of contemporary web technologies and shared infrastructure to efficiently deliver secure, real time solutions to local councils and other key stakeholders in support of recent regulatory changes to the Drinking Water Catchments Regional Environmental Plan No 1 (REP). It is anticipated that the tool will be progressively rolled out to councils as an 'in house' pilot in the SCA's area of operation later in 2010.

A number of redundant software applications were decommissioned following a consolidation and upgrade of applications in 2009-10. This resulted in substantial cost savings without impairing services. Application consolidation will continue in 2010-11 as part of the finance and business systems upgrade project.

The upgrade to Office 2007 electronic document management will be facilitated through the e-TRIM project. The first phase of this project is scheduled to go into production in October 2010. The SCA's financial system, SUN Financials, will be upgraded later in 2010.

Achievements in environmental performance

Environment Plan

The SCA Environmental Plan 2006-2010 was revised in December 2009 and now extends from 2006 to 2011. The plan provides an overview of strategies to manage and minimise the impacts of the SCA's business activities on the environment. The plan contains details about greenhouse emissions, waste, heritage, and managing and minimising energy and water consumption.

Water conservation

The SCA is committed to conserving water and minimising water losses. An annual report is produced on the total water used by the Penrith office. For full details about the SCA's performance in conserving water see Appendix 22.

Energy management

The SCA continues to report on its energy usage to the NSW Office of Water and to the Water Supply Association of Australia (WSAA) annually. It has also fulfilled its obligations to the Federal Energy Efficiency Opportunities (EEO) and National Greenhouse and Energy Reporting System (NGERS) legislation.

Key achievements in 2009-10 include:

- Energy saving devices installed in the Cataract Dam precinct including a central tag operated switch to turn off lights, heaters and hot water units during off-peak periods. These initiatives will save a minimum of 5,825 kWh and \$1,165 every year.
- Timers installed at other dam picnic ground, saving a minimum of 6,643 kWh and \$1,329 every year.
- Percentage of E10 fuel purchases for 2009-10 as monitored by the Stark Energy Management database was 56 percent, well above the government's target of 20 percent.
- Energy Efficiency Opportunities (EEO) public report completed and made available on SCA website.
- Opportunities for carbon sequestration on SCA land investigated with Greenfleet Australia and other service providers.

The SCA is working towards reducing its building energy use to 2000 levels by 2019-2020. The SCA's Penrith office in the State Government Office Building has achieved a five star National Australian Built Environment Rating Scheme (NABERS) rating which reduces greenhouse emissions and monitors tenants' power consumption. Other building energy efficiency measures introduced include timers on hot water units and ceiling insulation installed at remote office locations.

Energy consumption

Total electrical energy used in 2009-10 was 24,659,066 kilowatt hours, 75.7 per cent less than for the previous year. The decrease in usage was primarily due to decrease in volumes of water being pumped from the Shoalhaven system to Warragamba and Nepean Dams. Total energy used for water supply infrastructure was 23,834,578 kilowatt hours. Table 8 compares energy consumption figures for the past four years.

Table 8 - Electricity consumption for the past four years in kilowatt hours

	2006-07	2007-08	2008-09	2009-10
Office buildings	1,030,153	1,137,595	855,858	612,170
Public buildings	135,808	134,721	122,044	113,245
Other facilities	99,468	84,451	91,864	79,602
Water supply infrastructure	8,206,532	15,702,380	8,412,190	23,834,578
Shoalhaven drought transfers	331,524,208	380,412,973	91,805,594	0

Infrastructure roadways	20,167	19,865	19,468	19,471
Total electricity	341,016,335	397,491,985	101,307,018	24,659,066

Ten percent of the electricity purchased by the SCA (excluding electricity used for Shoalhaven pumping) is Green Power.

Motor vehicle fuels decreased overall by 11 percent while the number of motor vehicles over the corresponding period fell by 14 percent.

The SCA continues to operate one electric hybrid vehicle in its fleet, reducing greenhouse emissions and improving environmental performance.

Table 9 - Energy comparisons for the past two financial years

	Total energy (GJ*)		Change in GJ %	Costs of energy (\$)	
	2008-09	2009-10	2009-10	2008-09	2009-10
Electricity	364,705	88,773	-75.7	4,313,701	1,901,027
Petrol	2,525	2,263	-10.4	84,377	72,159
Auto distillate (diesel)	7,382	6,578	-10.9	238,628	187,907
Bio fuel (B20)	0	0	0	0	0
Wood	0	0	0	0	0
Gas	15.6	184	1079	585	3,520
Total	374,628	97,798	-73.9	4,637,291	2,164,613

*GJ = Gigajoules

Table 10 - Greenhouse gas emissions comparisons

Energy type	Greenhouse gas emissions*		Greenhouse gas emissions %		% change in greenhouse gas emissions
	2008-09	2009-10	2008-09	2009-10	2009-10
Electricity	95,725	22,671	99.3	97.4	-76.3
Petrol	167	149	0.2	0.6	-10.4
Auto distillate (diesel)	514	459	0.5	2.0	-10.9
Bio fuel (B20)	0	0	0	0	0
Wood	0	0	0	0	0
Gas	0.9	9.6	0		929
Total	96,407	23,289	100	100	-75.8

*Greenhouse gas emissions = carbon dioxide tonnes equivalent

Green energy generated

A total of 2404 kWh of green energy was generated from SCA sites. This included 1,444 kWh from the solar powered mixers on Lake Burragorang to help manage blue-green algae in the reservoir, and 960kWh from solar street lights in the Warragamba Dam precinct.

Assessing environmental impact of SCA activities

Under its Environment Plan, the SCA seeks to minimise the impacts of our activities on the environment. For details on performance during 2009-10 see page 31.

Minimising waste

Our environment plan commits us to managing and minimising resource use and waste generation, as well as reducing the environmental impacts of our operations.

The SCA buys and uses environmentally responsible products. The SCA also promotes the use of electronic documents, double-sided printing and email to reduce waste. For more information about the SCA's waste minimisation, including performance indicators, purchasing information and a response to the Government's Waste Reduction and Purchasing Policy (WRAPP), see Appendix 21.

Managing heritage

The SCA manages a number of heritage assets in accordance with the principles of ecologically sustainable development. The SCA's Heritage Asset Management Strategy sets out the program to manage heritage assets.

For details on the management of heritage assets during 2009-10 see Appendix 20.

Managing SCA property

Land acquisition

In 2009-10 the SCA acquired land valued at \$46,000. The land was acquired to access the fishway constructed at Wallacia Weir.

Land disposal

There were no land disposals during the year. Documents about any disposal can be accessed under the *Freedom of Information Act 1989*.

Fleet management

In 2009-10 the SCA increased the vehicle retention period from 15,000km for passenger vehicle and 25,000 km for operational vehicles to 40,000km for all vehicles.

We meet the Statement of Financial Framework targets

Performance against financial targets

Statement of Financial Framework

Under section 34 of the SWCM Act, the SCA Board prepared the 2009-10 Statement of Financial Framework for adoption by the Minister and the Treasurer.

Commercial success outcomes

The SCA's 2009-10 Statement of Financial Framework identifies the SCA's financial targets. Explanations for major variances are noted in the table below. During 2009-10 the SCA continued to operate efficiently and effectively against its operational and financial targets. Table 11 shows the SCA's commercial achievements for 2009-10.

Table 11 – Performance in relation to commercial success 2009-10

	Budget \$million	Actual \$million	Variance \$million	Variance (%)	Reason for variance
Revenue	205.5	200.0	-5.5	-2.7	Sales of raw water lower than estimated by 19.5 GL, resulting in \$5 million less income.
Operations/services expenditure	86.1	81.0	-5.1	-5.9	Lower than target due to operational expenditure savings and Accelerated Sewerage Program forecast for 2009-10 now spread over three years.
Other areas of expenditure	58.7	60.1	1.4	2.4	Higher than target due to higher borrowing costs than estimated.
Dividend and tax equivalent expense	50.0	47.1	2.9	5.8	Lower than target due to the operating result being below budget.
Debt to equity (%)	68.9	67.2	1.7	2.5	Slightly lower than target due to new borrowings being less than forecast.

Review of water prices

The SCA supplies raw water as a government monopoly service under the *Independent Pricing and Regulatory Tribunal Act 1992*. The Independent Pricing and Regulatory Tribunal (IPART) determines the prices the SCA charges for water. The price path set our prices for water supplied to Sydney Water, Shoalhaven City Council, Wingecarribee Shire Council, and other customers for the period 1 July 2009 to 30 June 2012.

The SCA's fixed availability charge to Sydney Water was \$75,622,956 for the year. The volumetric charge was \$249.99 per thousand litres in 2009-10.

Updated credit rating

Each year the NSW Government requires government businesses to be reviewed by a credit rating agency as part of an overall assessment of the authorities' independent financial study. The process is designed to ensure competitive neutrality between government businesses and their private sector counterparts. In its 2009 review, the SCA achieved an investment grade credit rating.

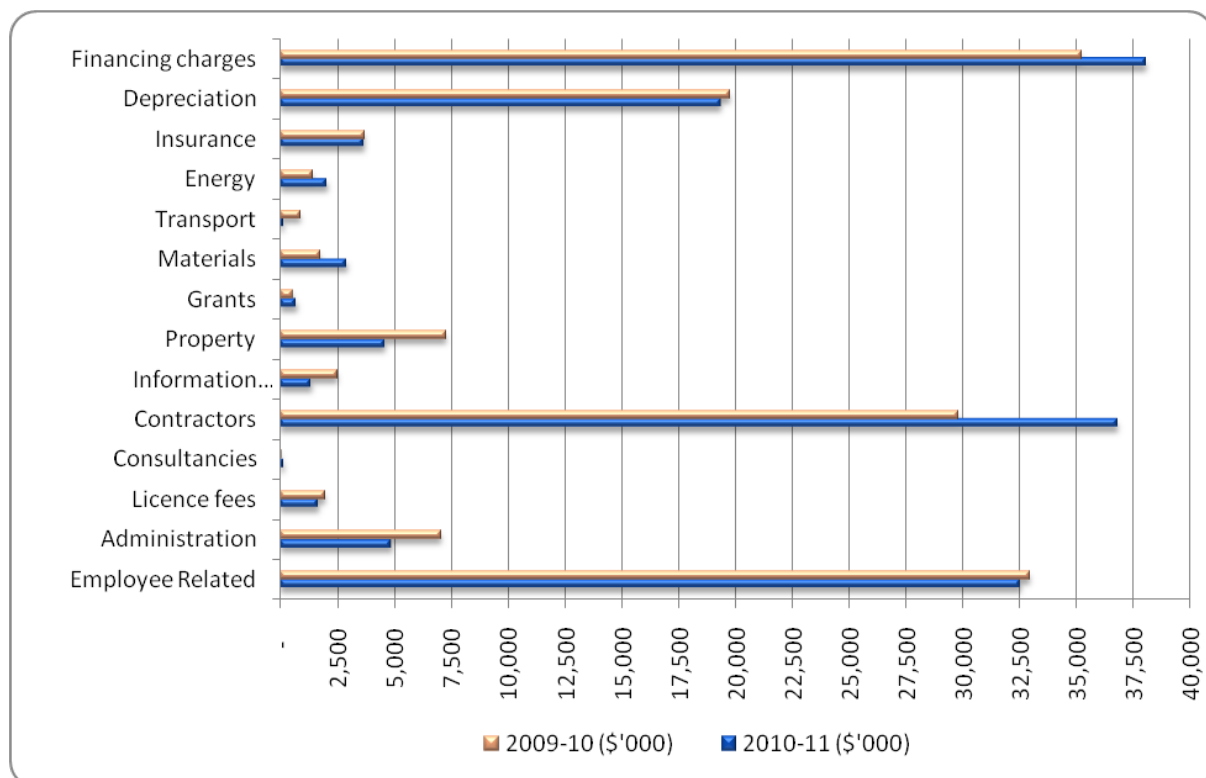
Projected 2010-11 total revenue

The SCA's projected total revenue for 2010-11 is \$198.7 million. Raw water sales account for \$195.6 million, with Sydney Water Corporation accounting for 99.4 percent of those sales. Other income is derived from the supply of SCA services as well as interest earned on surplus funds.

2010-11 budget

The SCA's operating expenditure budget for 2010-11 has been determined with consideration given to efficiencies to be achieved during the year. The expected total revenues and expenditures are consistent with IPART's recent three year price determination.

Figure 6 - Expenditure budget comparisons 2009-10 to 2010-11



	Employee related	Administration	Licence fees	Consultancies	Contractors	Information management	Property	Grants	Materials	Transport	Energy	Insurance	Depreciation	Financing charges
2010-11	32,546	4,910	1,676	150	36,814	1,371	4,594	730	2,939	141	2,074	3,688	19,366	38,060
2009-10	32,948	7,062	1,938	50	29,814	2,489	7,260	535	1,752	884	1,392	3,718	19,780	35,250

Capital expenditure and management

The SCA delivered \$54.4 million capital expenditure on key projects including:

- Tallowa Dam environmental flows and fishway
- Warragamba Dam crest gates upgrade
- Upper Nepean dams environmental flows.

Delivery of the capital expenditure program throughout the year has been in accordance with the SCA's total asset management framework, project management methodologies and processes. The Board's Asset Management Committee oversees the SCA's asset management and capital expenditure program. For a full list of the SCA's 2009-10 capital expenditure see Appendix 13.

The community is confident about how we make our business decisions

Consulting to make the best decisions

Engaging with the community to understand their views is an important part of our work and helps inform our decisions.

Local Government Reference Panel

The Local Government Reference Panel is a valuable forum to share information with councils. All of the catchment councils have been invited to attend and most of the 15 councils in the catchments are represented on the panel, which is chaired by the SCA.

In 2009-10 the panel met four times and considered a range of issues including the SCA's projects under the Metropolitan Water Plan, accelerated sewage program, strategic land and water capability assessments, Healthy Catchments Strategy, Drinking Water Catchments Regional Environmental Plan No. 1 (REP), and general catchment operational activities.

Consulting on SCA Metropolitan Water Plan projects

Hawkesbury-Nepean River environmental flows and weirs project

Construction work on this project began in June 2009 and is scheduled to be completed in late 2010. It involves works at 10 weirs on the Nepean River to install new fishways and environmental release outlets.

Community consultation started in late 2008 and involved stakeholder briefings, attendance at community group meetings, letterbox drops, household visits, brochures at visitor centres, advertisements in local newspapers, site signage, website updates and media releases.

From June 2009 to June 2010 the SCA was involved in ongoing liaison with landholders, councils and other stakeholders to provide updates on the construction program. Landholders directly affected by the program of works were provided with site inspections and supervision of the construction works.

Healthy Catchments Strategy

The Drinking Water Catchments Regional Environmental Plan No 1 (REP) requires the SCA to develop rectification action plans (RAPs) for all subcatchments by 31 December 2011. The RAPs are to be prepared in consultation with relevant councils, state agencies, natural resource management bodies, interest groups and communities. The RAPs are also required to go on public exhibition for at least 40 days.

The SCA has combined the requirement for rectification action planning in the Healthy Catchments Strategy. The draft strategy was provided to state agency and local government for consultation in June 2009. In July the SCA received five submissions which were considered in preparing the final draft of the strategy, prior to its release for public exhibition in January 2010. Nine submissions were received as part of the public consultation process; this included four agencies, one community group and four individuals. The submissions were considered and where appropriate have been incorporated into the final version of the Healthy Catchments Strategy 2009-2012 which was released in July 2010.

Table 12 - Formal public consultations and outcomes 2009-10

Issue	Date	Mode of consultation	SCA response
Healthy Catchments Strategy 2009-2012 (HCS) New strategic approach to prioritising, programming and evaluating catchment management activities using best available science and GIS information. The SCA's Catchment Decision Support System (formerly RAPDSS) is used to underpin strategy development HCS also meets the SCA's obligations under the Regional Environmental Plan No.1 to develop and consult on RAPs for the subcatchments	9 June 2009 to July 2009	Targeted consultation with 13 key government stakeholders prior to broader public exhibition. Letters were sent to these stakeholders inviting them to be part of two stakeholder briefings. The stakeholders included catchment councils, catchment management authorities, Department of Environment, Climate Change and Water, Department of Water and Energy, NSW Health, Department of Lands, Sydney Water, NSW Resource Commission, NSW Department of Primary Industries, Office of Hawkesbury Nepean. The draft Healthy Catchments Strategy document was provided, and comments sought from these stakeholders on the draft strategy.	Feedback from briefing sessions was recorded. Stakeholders were invited to provide written comments by end July 2009. HCS was revised to incorporate feedback and address comments received. Five submissions were received and feedback incorporated into final draft.
	2 Nov 2009	HCS Briefings to catchment councils through the Local Government Reference Panel.	
	22 Dec 2009	Letters to 13 government/non-government stakeholders involved in the early stages of consultation and provided with hard copies of the HCS 2009-2012, HCP 2009, CDSS.	Letters outlined how initial consultation feedback had been incorporated into final draft for public exhibition.
	January to March 2010	Public exhibition of the draft HCS from 18 January to 5 March - notice in <i>The Land</i> and catchment newspapers. Notice on the SCA website. Displays at SCA offices (Penrith and Warragamba) and Wingecarribee, Goulburn-Mulwaree and Blue Mountains Councils.	Nine submissions were received. Representation report was prepared and presented to SCA Executive in May 2010.
	1 June 2010	Letters sent to the nine submission respondents.	Letters outlined how feedback had been incorporated into revised HCS.
	June to July 2010		Submission responses incorporated into the final version of the Healthy Catchments Strategy 2009-2012 to be released in July 2010.
Hawkesbury-Nepean River environmental flows and weirs project This project is to improve the health of the river by increasing the flow of water and reducing barriers to fish passage. Alterations are needed to the weirs on the Nepean River between the Broughtons Pass Weir downstream of the dams	May to August 2009	Letterbox drops and doorknocking of residents potentially impacted by the construction work. Approximately 450 letters distributed.	Feedback received from residents incorporated into management of works.
	June 2009	Brochures and information cards were made available at all construction sites and provided to local visitor centres to inform the community about the project.	Brochures and information cards
	9-10 June 2009	Notices in local papers - regarding the public Penrith Weir and Douglas Park Weir sites.	

and Penrith Weir at Penrith.	August to Dec 2009	Meetings and ongoing liaison with landholders and/or tenants adjacent to the weirs and Camden, Penrith City, Wollondilly Shire and Campbelltown councils.	Feedback received from residents incorporated into on-going management of works.
	Jan to June 2010 (ongoing)	Ongoing liaison by phone and email with landholders, councils and other stakeholders to provide updates on construction works.	Landholders directly affected by program of works were provided with site inspections and supervision of construction contractors.

Complaints

In 2009-10 the SCA received five new complaints. During the year it resolved eight complaints, three of which were received in 2008-09. At the end of 2009-10 no complaints remain unresolved.

The SCA has undertaken the following improvement activities in response to the complaints lodged in the year:

- Formed the Warragamba Community Reference Group to provide a forum for people to raise issues regarding the Warragamba picnic area and visitor centre.
- Improved signage, including updated regulatory, directional and safety signs at public facilities to provide better information for visitors.

See Appendix 8 for further details.

Keeping stakeholders informed

Communicating through the media

The SCA continues to use the media to highlight key activities and engage with the community on water quality, catchment management and other areas of SCA business. The media also plays an ongoing role in providing education and influencing behavioural change around our water resources.

In 2009-10 the media remained less focused on issues of water quantity than was seen in previous drought years. This reflects a period with relatively stable dam levels and no significant period of prolonged or intensive rainfall to rapidly change the storage levels. The lifting of drought water restrictions in June 2009 and the introduction of permanent water wise rules also saw a decline in media interest in dam levels.

The number of media enquiries received in 2009-10 was largely consistent with the previous year. Enquiries related to water quality, catchment developments and environmental management. An increase in media enquiries is still seen during periods of rainfall but in lower volumes than during the peak of the drought.

Media reporting of SCA activities during 2009-10 covered a range of topics including catchment management programs and key infrastructure projects. The Metropolitan Water Plan weirs and flows program as well as the major upgrades to Tallowa Dam featured prominently in local and metropolitan media reporting. The re-opening of several recreational facilities, including the Warragamba Dam precinct, also featured heavily in media reporting of SCA activities.

The SCA continued to work with partner agencies to deliver the important water efficiency messages in the government's Water for Life community education program. This included a major multi-media advertising campaign in 2009-10.

Publishing information

The SCA produces publications to help inform the community about our activities and responsibilities.

The SCA produced the following key publications in 2009-10:

- Annual Report 2008-09
- Annual Water Quality Monitoring Report 2008-09
- Catchment Management Report 2008-09.

SCA publications are available in electronic form on the website www.sca.nsw.gov.au. Electronic publishing reduces printing costs, paper use and storage requirements. It also allows internet users, including educational institutions and other government agencies, fast and easy access to SCA information.

The SCA continues to make all of its publications, including those on the website, available in printed form on request. A full list of publications appears in Appendix 10.

SCA website

Visits to the SCA website in 2009-10 totalled 366,059, lower than the 412,832 recorded the previous year. An additional 19,971 visits were recorded to the SCA's micro sites for Higher School Certificate chemistry and biology students and teachers, up from 17,091 visits the previous year.

In 2009-10 the SCA continued its focus on increasing access to information on its website. Several key reports are now available each year in HTML format, removing the need for users to download large documents and increasing accessibility for people with vision impairment who use assistive technology such as screen readers.

Table 13 - Number of visits to the SCA website over five years

Year	2005-06	2006-07	2007-08	2008-09	2009-10
Visits	462,284	648,335	901,811	412,832	366,059

SCA Financial Reporting

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GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Sydney Catchment Authority

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Sydney Catchment Authority (the Authority), which comprise the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Authority and the consolidated entity. The consolidated entity comprises the Authority and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Authority and the consolidated entity as at 30 June 2010, and of their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

Board's Responsibility for the Financial Statements

The members of the Board are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Board, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

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

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

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

A handwritten signature in dark ink, reading "M T Spriggins". The signature is fluid and cursive, with the first name "M T" being more compact and the last name "Spriggins" being more elongated and flowing.

M T Spriggins
Director, Financial Audit Services

19 October 2010
SYDNEY

Sydney Catchment Authority

Financial statements
for the year ended 30 June 2010



SYDNEY CATCHMENT AUTHORITY

FINANCIAL STATEMENTS

In the opinion of the Board Members of the Sydney Catchment Authority the accompanying Financial Statements:

- a. exhibit a true and fair view of the financial position as at 30 June 2010 and of its performance, as represented by the results of the project's operations and its cash flows for the year ended on that date;
- b. comply with applicable accounting standards, the Public Finance & Audit Act 1983, the Public Finance & Audit Regulation 2010, the Treasurer's Directions and other mandatory professional and statutory requirements where applicable.

The undersigned are not aware of any circumstances that would render any particulars in the financial statements to be misleading or inaccurate.



Robert Rollinson
Chairperson

19.10.2010.



Michael Bullen
Chief Executive

19.10.2010

Sydney Catchment Authority

Statement of comprehensive income

for the year ended 30 June 2010

	Note	Consolidated entity		Parent entity	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Revenues	2	200,006	183,934	200,006	183,934
Other expenses	3	(103,820)	(110,578)	(108,537)	(121,970)
Loss on disposal of property, plant and equipment		(1,640)	(1,210)	(1,640)	(1,210)
Finance costs	4	(35,605)	(31,755)	(35,605)	(31,755)
Profit before income tax		58,941	40,391	54,224	28,999
Income tax expense	5a	(15,911)	(1,219)	(15,911)	(1,219)
Profit for the year		43,030	39,172	38,313	27,780
Other comprehensive income					
Defined benefit plan actuarial gains (losses)	12b	(4,717)	(11,392)	-	-
Revaluation and impairment of property, plant and equipment	9	86,320	-	86,320	-
Income tax related to revaluation of property, plant and equipment	5b	(25,896)	-	(25,896)	-
Other comprehensive income for the year, net of income tax		55,707	(11,392)	60,424	-
Total comprehensive income for the year		98,737	27,780	98,737	27,780
Profit attributable to:					
Equity holders of the Sydney Catchment Authority		43,030	39,172	38,313	27,780
Total comprehensive income attributable to:					
Equity holders of the Sydney Catchment Authority		98,737	27,780	98,737	27,780

The accompanying notes form part of these financial statements

Sydney Catchment Authority

Statement of financial position

as at 30 June 2010

	Note	Consolidated entity		Parent entity	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	29,472	23,044	29,472	23,044
Trade and other receivables	7	17,690	18,216	17,684	18,208
Other non-financial assets	8	3,417	4,269	3,037	3,998
Total current assets		50,579	45,529	50,193	45,250
Non-current assets					
Property, plant and equipment	9	1,332,738	1,216,574	1,332,738	1,216,574
Total non-current assets		1,332,738	1,216,574	1,332,738	1,216,574
Total assets		1,383,317	1,262,103	1,382,931	1,261,824
LIABILITIES					
Current liabilities					
Trade and other payables	10	32,183	33,872	65,136	65,157
Borrowings		-	-	-	-
Current tax liabilities	5c	13,486	6,957	13,486	6,957
Provisions	12	44,041	42,558	31,211	26,915
Total current liabilities		89,710	83,387	109,833	99,029
Non-current liabilities					
Borrowings	11	475,489	458,183	475,489	458,183
Provisions	12	20,958	16,350	449	429
Deferred tax liabilities	5d	89,068	63,598	89,068	63,598
Total non-current liabilities		585,515	538,131	565,006	522,210
Total liabilities		675,225	621,518	674,839	621,239
Net assets		708,092	640,585	708,092	640,585
EQUITY					
Retained earnings		496,591	489,284	496,591	489,284
Asset revaluation reserve		211,501	151,301	211,501	151,301
Total equity		708,092	640,585	708,092	640,585
Attributable to equity holders of the Sydney Catchment Authority		708,092	640,585	708,092	640,585

The accompanying notes form part of these financial statements

Sydney Catchment Authority

Statement of changes in equity

for the year ended 30 June 2010

Consolidated entity	Retained Earnings		Asset Revaluation Reserve		Total Equity	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the reporting year	489,284	484,294	151,301	151,307	640,585	635,601
Comprehensive income						
Profit (loss) for the year	43,030	39,172	-	-	43,030	39,172
Revaluation and impairment of property, plant and equipment	-	-	86,320	-	86,320	-
Superannuation actuarial gains (losses)	(4,717)	(11,392)	-	-	(4,717)	(11,392)
Related taxation	-	-	(25,896)	-	(25,896)	-
Total comprehensive income for the year	38,313	27,780	60,424	-	98,737	27,780
Transactions with owners in their capacity as owners						
Increase/(decrease) in net assets from equity transfers	-	4,020	(19)	-	(19)	4,020
Dividend recognised to equity holders	(31,211)	(26,816)	-	-	(31,211)	(26,816)
Transfers within equity	205	6	(205)	(6)	-	-
Total transactions with owners in their capacity as owners	(31,006)	(22,790)	(224)	(6)	(31,230)	(22,796)
Balance at the end of the reporting year	496,591	489,284	211,501	151,301	708,092	640,585

Parent Entity	Retained Earnings		Asset Revaluation Reserve		Total Equity	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the reporting year	489,284	484,294	151,301	151,307	640,585	635,601
Comprehensive income						
Profit (loss) for the year	38,313	27,780	-	-	38,313	27,780
Revaluation and impairment of property, plant and equipment	-	-	86,320	-	86,320	-
Related taxation	-	-	(25,896)	-	(25,896)	-
Total comprehensive income for the year	38,313	27,780	60,424	-	98,737	27,780
Transactions with owners in their capacity as owners						
Increase/(decrease) in net assets from equity transfers	-	4,020	(19)	-	(19)	4,020
Dividend recognised to equity holders	(31,211)	(26,816)	-	-	(31,211)	(26,816)
Transfers within equity	205	6	(205)	(6)	-	-
Total transactions with owners in their capacity as owners	(31,006)	(22,790)	(224)	(6)	(31,230)	(22,796)
Balance at the end of the reporting year	496,591	489,284	211,501	151,301	708,092	640,585

The accompanying notes form part of these financial statements

Sydney Catchment Authority

Statement of cash flows

for the year ended 30 June 2010

	Note	Consolidated entity		Parent entity	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Cash receipts from Sydney Water Corporation		195,068	174,131	195,068	174,131
GST receipts recovered from Australian Taxation Office		9,722	13,525	9,722	13,525
Other cash receipts		4,785	6,763	4,783	6,763
Insurance claims recovered		-	145	-	145
Interest received		890	731	890	731
Payments to suppliers and employees		(102,165)	(114,681)	(102,163)	(114,681)
Interest and other costs of finance paid		(31,865)	(28,635)	(31,865)	(28,635)
Income taxes paid		16,086	4,210	16,086	4,210
Net cash provided by operating activities	20	92,521	56,189	92,521	56,189
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		3,336	5,882	3,336	5,882
Payments for property, plant and equipment		(79,919)	(80,092)	(79,919)	(80,092)
Net cash used in investing activities		(76,583)	(74,210)	(76,583)	(74,210)
Cash flows from financing activities					
Proceeds from borrowings		17,306	34,603	17,306	34,603
Dividends paid		(26,816)	(6,164)	(26,816)	(6,164)
Finance lease payments		-	(7)	-	(7)
Net cash provided by financing activities		(9,510)	28,432	(9,510)	28,432
Net increase (decrease) in cash and cash equivalents		6,428	10,411	6,428	10,411
Cash and cash equivalents at the beginning of the reporting year		23,044	12,633	23,044	12,633
Cash and cash equivalents at the end of the reporting year	6	29,472	23,044	29,472	23,044

The accompanying notes form part of these financial statements

**SYDNEY CATCHMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

REPORTING ENTITY

The Sydney Catchment Authority is a NSW Statutory Body constituted under the *Sydney Water Catchment Management Act 1998* (the Act). The address of the Authority's head office is Level 4, 2-6 Station Street, Penrith NSW 2750.

Principal objectives of the Sydney Catchment Authority under the Act include:

- managing and protecting the catchment areas and the catchment infrastructure to promote water quality
- protecting public health and safety, and the environment
- ensuring that water supplied by the Sydney Catchment Authority complies with appropriate quality standards
- conducting its activities in compliance with the principles of ecologically sustainable development as outlined in section 6(2) of the *Protection of the Environment Administration Act 1991*; and
- managing the Sydney Catchment Authority's infrastructure efficiently, economically, and in accordance with sound commercial principles.

Sydney Catchment Authority's Operating Licence requires it to acknowledge its principal objectives, and enables and requires it to undertake its statutory roles, objectives and functions. The current Operating Licence was created following a comprehensive review of the previous licence, including public consultation. The Independent Pricing and Regulatory Tribunal recently amended the Sydney Catchment Authority's Operating Licence changing the expiry date to 6 April 2011. Previously it expired on 30 June 2010.

The financial statements were authorised for issue by the Chairperson and Chief Executive on 19 October 2010.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. All policies have been consistently applied to all years presented, unless otherwise stated.

The consolidated financial statements of the Sydney Catchment Authority as at and for the year ended 30 June 2010 comprise the Sydney Catchment Authority and its subsidiary, Sydney Catchment Authority Division (together referred to as the "consolidated entity"). The financial statements of the consolidated entity are consolidated as part of the NSW Total State Sector Accounts.

a) Statement of compliance

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

b) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (which includes Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983* and Regulation.

The financial statements have been prepared on an historical cost basis, except for the following material items in the Statement of Financial Position:

- Financial instruments at fair value through profit or loss are measured at fair value
- Defined benefit assets are measured as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.
- Certain classes of property, plant and equipment are measured at fair value

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

**SYDNEY CATCHMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

c) Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies as well as the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(i) Critical judgments in applying the Sydney Catchment Authority and the Consolidated Entity's accounting policies

Critical judgments made in the process of applying accounting policies include:

For-profit status

Sydney Catchment Authority has been classified as a 'for-profit' entity. In making this assessment, management has considered the guidance provided by NSW Treasury Accounting Policy 05-4 'Distinguishing For-Profit from Not-For-Profit Entities'.

Employee entitlements

Judgment has been applied in determining the following key assumptions used in the calculation of long service leave at reporting date:

- Future increases in wages and salaries;
- Future on-cost rates; and
- Experience of employee terminations, gender profiles and periods of service

(ii) Key sources of estimation uncertainty

Key assumptions concerning the future and other sources of estimation uncertainty at reporting date which have a risk of causing a material adjustment to the carrying amount of assets and liabilities in future reporting periods include:

Property, plant and equipment

Fair values are determined using the Optimised Depreciated Replacement Cost (ODRC) approach. The valuation is undertaken by an independent expert and involves significant estimation to determine each asset's replacement cost. The approach uses engineering estimates of the current construction cost of existing assets as well as assessments of the remaining useful life for the purpose of determining depreciation up to the date of the valuation.

Useful life of intangible assets (with finite lives) and property, plant and equipment

The useful life of property, plant and equipment and intangible assets with finite lives is reviewed annually. Any reassessment of useful lives in a particular year affects the depreciation and amortisation expense through to the end of the reassessed useful life in the current and future years.

Recoverable amount

As the determination of recoverable amount of the Sydney Catchment Authority's assets is dependent on the assumptions used in the cash-generating unit test, there is an element of subjectivity and uncertainty (if all other variables remain unchanged), which can result in sensitivity around the calculation of recoverable amount.

The major assumptions underlying the calculations of the recoverable amount of property, plant and equipment is disclosed in Note 9(a).

**SYDNEY CATCHMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Leasehold property

The cost of leasehold property includes management's initial estimate of dismantling and restoring each property. Because of the long term nature of these liabilities, they are discounted using a pre-tax rate that the Sydney Catchment Authority considers to be representative of current market assessments of the time value of money and risks specific to the liability.

Superannuation plan assumptions

The consolidated entity has used actuarial assumptions to estimate its defined benefit superannuation obligation. The assumptions underlying the estimate are disclosed in Note 12(b).

Fair value of financial instruments

Management uses valuation techniques to measure the fair value of financial instruments where active market quotes are not available. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

d) Principles of consolidation

The consolidated financial statements include the financial statements of the parent entity and its subsidiary at 30 June 2010 and the financial performance of the parent entity and its subsidiary for the year ended 30 June 2010.

Subsidiaries are all those entities over which the Sydney Catchment Authority has the power to govern the financial and operating policies of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Sydney Catchment Authority.

Intra-entity transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Sydney Catchment Authority.

e) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Sydney Catchment Authority and the consolidated entity recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the entity's activities as described below. The amount of revenue is not considered to be reliably measureable until all contingencies relating to the sale have been resolved.

Revenue is recognised for the major business activities as follows:

Sale of raw water

Revenue from the sale of raw water is recognised as revenue when the Sydney Catchment Authority transfers the significant risks and rewards associated with the control of the water. This ordinarily occurs once the water passes flow meters located at points agreed between the Sydney Catchment Authority and Sydney Water Corporation as documented in the Bulk Water Supply Protocols.

**SYDNEY CATCHMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the reporting date.

Interest revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying value of the financial asset.

Rental revenue

Rental revenue is recognised on a straight line basis over the lease term. Contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis of which they are determined. Lease incentives granted are recognised as an integral part of the total rental income.

Lease income

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

Royalties

Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement.

Fines and penalties

Fines and penalties issued in accordance with the *Sydney Water Catchment Management Act 1998* are recognised as revenue when issued. Revenue gained from the fines and penalties are not required to be remitted to the NSW Treasury Consolidated Fund.

f) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Sydney Catchment Authority will comply with the conditions associated with the grant. Grants that compensate the Sydney Catchment Authority for expenses incurred are recognised in profit or loss on systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Sydney Catchment Authority for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

A government grant in the form of a non-monetary asset (e.g. land or other resource) is accounted for at fair value in accordance with NSW Treasury Circular TC10/08 'Mandates of Options and Major Policy Decisions under Australian Accounting Standards'. Government grants related to assets, including non-monetary grants at fair value, are presented in the Statement of Financial Position as deferred income.

g) Income tax

The Sydney Catchment Authority is subject to taxation in accordance with the *Sydney Water Catchment Management Act 1998*.

The income tax is payable to the NSW Government through the Office of State Revenue and is assessed in accordance to the National Tax Equivalent Regime ("NTER"). The NTER closely mirrors the *Income Tax Assessment Act 1936* and 1997 (as amended) and is administered by the Australian Taxation Office ("ATO").

The Sydney Catchment Authority Division is a tax exempt entity.

**SYDNEY CATCHMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Income tax expense comprises current and deferred income tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity or in Other Comprehensive Income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Other taxes

By virtue of TC 06/07 'Consequences of New Employment Arrangements for Fringe Benefit Tax Returns', the Sydney Catchment Authority Division has been grouped with the Department of Environment, Climate Change and Water for the purposes of Fringe Benefits Tax.

As a result of TC 06/13 'Financial Reporting and Annual Reporting Requirements arising from Employment Arrangements' and TC 06/17 'Consequences of New Employment Arrangements - Other Taxation, Administrative and Operational Issues', the Sydney Catchment Authority Division is the reporting entity for payroll tax purposes.

An objective commercial explanation is in place for all expenditure incurred under the personnel services arrangement between the Sydney Catchment Authority and the Sydney Catchment Authority Division. Consequently, all personnel services expenditure satisfies the positive limbs of Section 8-1 of the *Income Tax Assessment Act 1997* and as such, is an allowable deduction for the Sydney Catchment Authority.

h) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of associated GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the acquisition cost of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the Statement of Financial Position.

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

The Sydney Catchment Authority and Sydney Catchment Authority Division are grouped for GST purposes and as such, inter-entity charges do not include a component for GST.

**SYDNEY CATCHMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant amount of risk associated with changes in value.

j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Short-term receivables are not discounted where the effect of discounting is immaterial. Trade receivables relating to the sale of raw water to Sydney Water Corporation is due for settlement no later than 21-days from the date of recognition. All other trade receivables are due for settlement no later than 30-days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Sydney Catchment Authority and the Consolidated Entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60-days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of the estimated future cash flows (except where the effect of discounting is considered immaterial).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss within other operating expenses. When a trade receivable is deemed uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against expenses in profit or loss.

k) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Sydney Catchment Authority as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Sydney Catchment Authority's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Sydney Catchment Authority's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Sydney Catchment Authority as lessee

Assets held under finance leases are initially recognised as assets of the Sydney Catchment Authority at their fair value at the inception of the lease or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Sydney Catchment Authority general policy on borrowing costs. Contingent rentals are recognised as expenses in the period in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**SYDNEY CATCHMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of operating lease incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased item are consumed.

l) Property, plant and equipment

(i) Acquisition and capitalisation

Property, plant and equipment are initially recorded at cost. Cost is 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 at their fair value at the date of acquisition. Fair value is 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.

Physical non-current assets with a value of \$5,000 or more are capitalised (2009: \$300).

For facility assets that are constructed by the Sydney Catchment Authority, cost includes materials used in construction, major inspection costs, direct labour and any directly attributable overheads. These assets (or components thereof) are capitalised once they become operational and available for use. Salaries and wages directly attributable to bring an asset to the location and condition necessary for it to be capable of operating in the manner intended by management is capitalised.

Labour charged as capital is based on employee timesheets during the year.

Costs associated with major inspections are capitalised if it is probable that future economic benefits will flow to the Sydney Catchment Authority and the Consolidated Entity and the cost can be measured reliably. Where this occurs, the costs are depreciated over the period of time until the next inspection. On capitalisation, any remaining costs from the last inspection are de-recognised. Where the costs of inspection are insignificant, they are expensed as incurred.

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(ii) Asset valuation

Following initial recognition at cost, each class of property, plant and equipment is stated in the Statement of Financial Position at fair value less any subsequent accumulated depreciation and accumulated impairment losses. Adoption of the fair value model for property, plant and equipment is a requirement of NSW Treasury.

Valuations are undertaken with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the reporting date.

For valuation purposes, the Sydney Catchment Authority has two classes of physical non-current assets. *Specialised assets* which comprise facility assets, work-in-progress and buildings. *Non-Specialised assets* comprise of land, operational equipment, furniture and fittings, motor vehicles, office equipment, computer hardware, office amenities and leasehold improvements.

For valuation purposes the unit of measure has been adopted on the integrated functionality of the Sydney Catchment Authority's entire water delivery system which reflects the complex and integrated nature of the specialised assets.

**SYDNEY CATCHMENT AUTHORITY
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Where an active market for a class of assets, fair value represents the amount for which the assets could be exchanged between knowledgeable and willing parties in an arm's length transaction, having regard to the highest and best use of the assets for which other parties would be willing to pay to obtain the most advantageous price or highest possible value. With respect to classes of assets for which there is no active market due to the specialised nature, fair value is determined as the estimated depreciated replacement cost of the assets.

Because of the specialised nature of specialised assets, fair value is determined by an independent valuer in conjunction with the Department of Services, Technology and Administration using the Optimised Depreciated Replacement Cost method. This involves establishing the cost of constructing the existing assets using current construction costs and depreciating it back to the date the existing asset was originally constructed. The fair value of land assets is determined by reference to the market value of nearby similar parcels of land.

Non-specialised non-current assets with relatively short useful lives are measured at depreciated historical cost, as a surrogate to fair value. This is because the depreciated net carrying amount closely approximates their market value less costs to sell.

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. For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except to the extent that the increment reverses a revaluation decrement was previously recognised as an expense in the Profit or loss. Where this occurs, the increment is recognised immediately as revenue in profit or loss.

Revaluation decrements are recognised immediately as expenses in the profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve, the revaluation decrements are debited directly to the asset revaluation reserve.

Gains or losses on disposals are determined by comparing proceeds with the asset's carrying amount. The net gain or loss on the disposal of assets is included in the profit or loss. Where an asset that has been previously revalued is disposed, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to retained earnings.

(iii) Depreciation

Depreciation is provided for all non-current assets, excluding land which is not depreciated. Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values (if any), over their estimated useful lives, as follows:

▪ Dams	100 – 150 years
▪ Reservoirs	75 – 150 years
▪ Canals and tunnels	100 years
▪ Major pipelines (above-ground)	150 years
▪ Weirs	100 years
▪ Water mains	50 years
▪ System buildings	40 – 100 years
▪ Water treatment plants	45 years
▪ Working plant and equipment	2 – 14 years
▪ Operating equipment	3 -20 years
▪ Motor vehicles	7 years
▪ Furniture and fittings	5 years
▪ Office amenities	7 – 20 years
▪ Leasehold improvements	The shorter of the asset's useful life and the lease term.
▪ Finance leases	The shorter of the asset's useful life and the lease term.

**SYDNEY CATCHMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

m) Impairment of long-lived assets

At each reporting date, the Sydney Catchment Authority reviews the carrying amounts of its assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Where the asset does not generate cash flows that are independent of other assets, the Sydney Catchment Authority and consolidated entity estimate the recoverable amount of the cash-generating-unit that the asset belongs.

The recoverable amount of an asset (or cash-generating-unit) is the higher of fair value less costs to sell 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

n) Intangibles

Expenditure on research activities is recognised in profit or loss as an expense when it is incurred.

Expenditure on development activities are recognised as intangible assets when it is probable that it will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its cost can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development expenditure are recorded as intangible assets and amortised from the point at which the asset is ready for use. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, which varies from 3 to 5 years.

Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the license over its estimated useful life which is currently 4 years.

**SYDNEY CATCHMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

o) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Sydney Catchment Authority and the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Sydney Catchment Authority and the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. Due to their short-term nature they are not discounted as the effect of discounting is considered immaterial. All payables are unsecured and are usually paid within 30 days of recognition.

p) Employee Benefits

(i) Wages and salaries, annual leave, sick leave and associated on-costs

Liabilities for wages and salaries (including non-monetary benefits) and annual leave expected to be settled within 12-months of the reporting date are recognised as a payable or provision in respect of employees' service up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12-months after the reporting date, in which case it is classified as a non-current liability.

The portion of the liability expected to be settled later than 12-months is measured at the present value of the estimated future cash flows expected to be paid by the Sydney Catchment Authority Division with respect of services provided by employees up to reporting date.

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

Outstanding amounts of payroll tax, workers' compensation insurance premiums, superannuation and other associated on-costs, 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 liability for long service leave is recognised as an employee benefit and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. When determining the liability, consideration is given to expected future wage and salary levels; experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms and maturity and currency that match, as closely as possible, the estimated future cash outflows. Amounts expected to be settled within 12-months of reporting date are not discounted.

(iii) Superannuation

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity but has no legal or constructive obligation to pay any further amounts. Contributions to defined contribution superannuation plans are recognised as an expense when employees have rendered service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Defined benefit plans

The Sydney Catchment Authority Division's defined benefit superannuation plans provides defined lump sum benefits based on years of service and final average salary.

**SYDNEY CATCHMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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A liability or asset in respect of defined benefit superannuation plans is recognised in the Statement of Financial Position, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to future salary and wage levels, experience of employee departures and periods of service. Prepaid contributions are recognised as an asset to extent that cash refund/reduction in future payments is available.

AASB 119 '*Employee Benefits*' does not specify whether an entity shall distinguish current and non-current portions of assets and liabilities arising from post-employment benefits because at times the distinctions may be arbitrary. Based on this, the Sydney Catchment Authority Division has decided to disclose all its liabilities as non-current as this best reflects when the Sydney Catchment Authority Division expects to settle the liability.

Expected future payments are discounted using market yields at reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses are recognised in full in the Statement of Comprehensive Income in the period in which they occur.

Past service costs are recognised immediately as an expense in profit or loss unless the changes to the superannuation fund are conditional on employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Sydney Catchment Authority Division is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement age, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits are only recognised if it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Benefits falling due more than 12-months after reporting date are discounted to present value.

q) Provisions other than employee benefits

Provisions are recognised when the Sydney Catchment Authority has a present obligation (legal or constructive) as result of a past event; it is probable that the Sydney Catchment Authority will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of those economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is only recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(i) Restorations

The estimated future obligations include the costs of removing the facilities and restoring the affected areas.

**SYDNEY CATCHMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

(ii) Restructurings

A provision for restructuring is recognised when the Sydney Catchment Authority has developed a formal detailed plan for the restructuring and has raised a valid expectation to those affected that it will carry out the restructure by starting to implement the plan or announcing its main features to those affected by it. The restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity (i.e. future operating costs).

r) Interest-bearing loans and borrowings

All loan loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any differences between the initial fair value and the final redemption value of borrowings, such as discounts and premiums. These differences are amortised to profit or loss as part of the finance costs over the period of the borrowings on an effective interest basis. Gains or losses are recognised in profit or loss when liabilities are de-recognised, such as through debt restructuring, as well as the amortisation process.

Borrowings are classified as current liabilities unless the Sydney Catchment Authority has an unconditional right to defer settlement of the liability for at least 12-months after the reporting date, in which case the borrowings are recognised as a non-current liability.

s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that it is necessary to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred and are reported in 'finance costs'.

t) Derivative financial instruments

The Sydney Catchment Authority uses derivative financial instruments to manage its exposure to interest rate risks associated with its borrowings. These instruments are managed by NSW Treasury Corporation. The Sydney Catchment Authority does not hold derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into. It is subsequently re-measured to fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as a hedging instrument. The Sydney Catchment Authority's derivatives do not qualify for hedge accounting under Australian Accounting Standards.

The fair value of derivatives is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12-months from reporting date and it is not expected to be realised or settled within 12-months from reporting date. Other derivatives are presented as current assets or current liabilities.

u) Dividends

The dividend payable to the NSW Government is established in the Sydney Catchment Authority's annual Statement of Financial Framework. The amount payable is negotiated by reference to the after tax earnings of the Sydney Catchment Authority in the context of the Sydney Catchment Authority's financial health and its capital expenditure requirements. The dividend is calculated in accordance with Treasury Accounting Policy TPP 02-3 'Financial Distribution Policy for Government Businesses'.

**SYDNEY CATCHMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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Consistent with the requirements of AASB 137 *'Provisions, Contingent Liabilities and Contingent Assets'*, the existence of a Statement of Financial Framework that is signed prior to reporting date creates a present obligation that the dividend be paid. Accordingly, a provision for the full amount of the dividend is recognised at reporting date.

The dividend payable by the Sydney Catchment Authority is calculated as 75 percent of profit after tax excluding personnel services expense directly attributable to unrealised gains or losses (2009: 75 percent).

v) Asset revaluation reserve and retained earnings

Separate reserve accounts are recognised in the financial statements only if such accounts are required by a specific Australian Accounting Standard.

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Sydney Catchment Authority's policy on the revaluation of property, plant and equipment.

Retained earnings include all current and prior period earnings after tax and dividend.

w) Equity transfers

The transfer of net assets between NSW public sector agencies as a result of an administrative restructure is designated as a contribution by owners and recognised as an adjustment to retained earnings. This treatment is consistent with AASB 1004 *'Contributions'* and Australian Interpretation 1038 *'Contributions by Owners Made to Wholly-Owned Public Sector Entities'*.

Transfers involving statutory bodies are covered under accounting policy for contributions by owners made to wholly-owned public sector entities (NSW Treasury Policy TPP 09-3 *'Contributions by owners made to wholly-owned Public Sector Entities'*). In these circumstances the policy under Section 6.2 requires any assets transferred to be recognised at fair value to the transferee.

x) Changes in accounting policy

Adoption of AASB 123 'Borrowing Costs' (Revised 2007)

The revised standard requires the capitalisation of borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale.

In prior periods, the Sydney Catchment Authority's policy was to immediately expense those borrowing costs. That approach was adopted in line with NSW Treasury requirements. In accordance with the transitional provisions of the revised standard, the Sydney Catchment Authority has capitalised borrowing costs relating to qualifying assets for which the commencement date for capitalisation was on or after the effective date for the Sydney Catchment Authority, being 1 July 2009.

No retrospective restatement has been made for borrowing costs that have been expensed for qualifying assets with a commencement date before the effective date.

The revised standard has decreased the Sydney Catchment Authority reported interest expense and increased the capitalised cost of qualifying assets under construction in the current period.

Adoption of amendments to AASB 7 'Financial Instruments: Disclosures – improving disclosures about financial instruments'

The amendment to this Standard requires additional disclosures for financial instruments measured at fair value in the Statement of Financial Position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent to which they are based on observable market data. A separate quantitative maturity analysis must be presented for derivative financial liabilities that show the remaining contractual maturities, where these are essential for an understanding of the timing of cash flows. Where applicable, management has applied the transitional provisions in the amendments and has elected not to provide comparative information in respect of the new requirements.

**SYDNEY CATCHMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Disclosures related to this new requirement are at Note 21.

y) Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial statements, the following Standards and Interpretations were issued but not yet effective. Initial application of the following Standards and Interpretations are not expected to have any material impact on the financial statements of the Sydney Catchment Authority or the Consolidated Entity:

- | | |
|--|--|
| ▪ AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' [AASB 5, 8, 101, 107, 117, 118, 136 & 139] - May 2009 | ▪ Annual reporting period beginning on or after: 1 January 2010 |
| ▪ AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions' [AASB 2] - July 2009 | ▪ Annual reporting period beginning on or after: 1 January 2010 |
| ▪ AASB 2009-9 'Amendments to Australian Accounting Standards – Additional Exemptions for First-Time Adopters' [AASB 1] - September 2009 | ▪ Annual reporting period beginning on or after: 1 January 2010 |
| ▪ AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues' [AASB 132] - October 2009 | ▪ Annual reporting period beginning on or after: 1 February 2010 |
| ▪ AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023, 1038 and Interpretations 10 & 12] - December 2009 | ▪ Annual reporting period beginning on or after: 1 January 2013 |
| ▪ AASB 2009-12 'Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]' - December 2009 | ▪ Annual reporting period beginning on or after: 1 January 2011 |
| ▪ AASB 2009-13 'Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] - December 2009 | ▪ Annual reporting period beginning on or after: 1 July 2010 |
| ▪ AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] - December 2009 | ▪ Annual reporting period beginning on or after: 1 January 2011 |
| ▪ Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments' - December 2009 | ▪ Annual reporting period beginning on or after: 1 July 2010 |
| ▪ AASB 124 'Related Party Disclosures - revised December 2009 | ▪ Annual reporting period beginning on or after: 1 January 2011 |
| ▪ AASB 9 'Financial Instruments' - December 2009 | ▪ Annual reporting period beginning on or after: 1 January 2013 |
| ▪ AASB 2010-1 'Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters [AASB 1 & AASB 7] - February 2010 | ▪ Annual reporting period beginning on or after: 1 July 2010 |
| ▪ AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements - June 2010 | ▪ Annual reporting period beginning on or after: 1 July 2013 |

**SYDNEY CATCHMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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- AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]' - June 2010
- AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]' - June 2010
- Annual reporting period beginning on or after: 1 July 2010
- Annual reporting period beginning on or after: 1 January 2011

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

NOTE 2. REVENUES

Sale of raw water to Sydney Water Corporation at fixed prices	75,623	67,206	75,623	67,206
Sale of raw water to Sydney Water Corporation at variable prices	119,551	107,933	119,551	107,933
Other raw water sales	1,100	1,138	1,100	1,138
Consultancies	245	172	245	172
Rental revenue	927	831	927	831
Conference centre hire	59	54	59	54
Gross insurance recoveries	-	145	-	145
Dam safety and mining protection cost recoveries	1,561	3,864	1,561	3,864
Interest revenue (including gains on derivative instruments)	576	1,995	576	1,995
Grants	53	165	53	165
Other revenue	311	431	311	431
Revenue	200,006	183,934	200,006	183,934

NOTE 3. OTHER EXPENSES

a) Employee related expenses

Salaries and wages (including recreation leave and redundancies) *	25,772	28,567	-	-
Superannuation (defined contribution schemes)	1,406	1,476	-	-
Superannuation (defined benefit schemes)	709	559	-	-
Long service leave	570	3,840	-	-
Payroll tax and fringe benefits tax	1,872	1,977	-	-
Workers compensation insurance	315	474	-	-
Board remuneration	243	256	243	256
	30,887	37,149	243	256

During the year, the Sydney Catchment Authority capitalised employee related costs of \$744,000 (2009: \$1,570,000).

b) Contractor expenses

Agency hire of staff	703	1,417	703	1,417
Employment specialist services	45	40	45	40
Water services and monitoring	8,717	6,975	8,717	6,975
Personnel services expense ¹	-	-	35,361	48,285
Environmental planning and management	3,387	4,000	3,387	4,000
Dam safety and mining protection	5,811	7,289	5,811	7,289
Operating licence compliance	(63)	-	(63)	-
Bulk water purchases	886	930	886	930
Integrated management systems	21	50	21	50
Contractors general	1,904	1,611	1,904	1,611
	21,411	22,312	56,772	70,597

c) Operating leases

Operating leases - Minimum lease payments	1,997	2,125	1,997	2,125
	1,997	2,125	1,997	2,125

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

NOTE 3. OTHER EXPENSES (continued)

d) Property and materials expenses

Repairs and maintenance on buildings *	1,745	1,735	1,745	1,735
Grounds maintenance * ²	4,217	3,755	4,217	3,755
Security	1,949	1,947	1,949	1,947
Materials	557	684	557	684
Rates, Removals & Restorations	125	(19)	125	(19)
Other	-	90	-	90
	8,593	8,192	8,593	8,192

e) Other operating expenses

Advertising	60	46	60	46
External audit fees	150	160	150	160
Internal and other audit fees	393	187	393	187
Consultancies	104	349	104	349
Research and development	574	642	574	642
Electricity and energy	1,882	899	1,882	899
Drought pumping	-	3,393	-	3,393
Maintenance on assets and equipment *	5,882	5,195	5,882	5,195
Grants and sponsorships	533	190	533	190
Information management	2,446	1,980	2,446	1,980
Insurance	3,659	4,138	3,659	4,138
Memberships and subscriptions	629	699	629	699
Telephone and fax	513	725	513	725
Transport	557	282	557	282
Preparation of plans and reports	1,528	803	1,528	803
Printing and stationary	178	204	178	204
Training courses	949	484	949	484
Impairment of trade and other receivables	15	-	15	-
Other	-	1,110	-	1,110
	20,052	21,486	20,052	21,486

f) Depreciation

Facility assets	16,946	15,458	16,946	15,458
Buildings	28	21	28	21
Operational equipment	463	418	463	418
Furniture and fittings	125	61	125	61
Motor vehicles	542	638	542	638
Office equipment	425	113	425	113
Computer hardware	507	652	507	652
Office amenities	9	10	9	10
Leasehold improvements	55	56	55	56
Intangibles	84	-	84	-
Finance leases	-	6	-	6
	19,184	17,433	19,184	17,433

g) Licence fees

Licence fees	1,696	1,881	1,696	1,881
	1,696	1,881	1,696	1,881
Other expenses	103,820	110,578	108,537	121,970

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

NOTE 3. OTHER EXPENSES (continued)

* Reconciliation of total maintenance

Employee related maintenance expense included in Note 3(a)
Maintenance expense - contracted labour and other (non-employee related)
included in Notes 3(d) and 3(e)
Total maintenance expenses

2,438	2,128	-	2,128
11,844	11,806	11,844	11,806
14,282	13,934	11,844	13,934

¹ The difference between the expense recorded by the SCA and total employee related expenses recognised by SCA Division relates to actuarial losses offset by the capitalisation of certain salaries and wages.

² \$1.1 million of expenditure related to land management of special areas was transferred from "grounds maintenance" to "contractors general" in line with the disclosure treatment in the current year. The reclassification better reflects the nature of the expenditure.

NOTE 4. FINANCE COSTS

Interest expense on loans
Government guarantee fee
Amortisation of deferred discount (premium) on loans
Interest on obligations under finance leases

27,695	27,324	27,695	27,324
7,274	3,540	7,274	3,540
1,083	866	1,083	866
-	1	-	1
36,052	31,731	36,052	31,731
(466)	-	(466)	-
35,586	31,731	35,586	31,731
19	24	19	24
35,605	31,755	35,605	31,755

Less: Borrowing costs capitalised¹

Interest expense

Unwinding of discount on provision for restoration

Finance Costs

¹Borrowing costs associated with the acquisition of qualifying assets were capitalised. A capitalisation rate of 6.17 percent was applied. The rate was calculated as the weighted average interest rate of applicable borrowings.

NOTE 5. INCOME TAX

a) Income tax recognised in profit and loss

Tax expense comprises:

Current tax expense in respect of the current reporting year
Adjustments recognised in the current year in relation to the current tax of previous reporting year in relation to R&D deductions
Adjustments recognised in the current year in relation to the current tax of previous reporting year other than R&D expenditure deductions

16,915	8,991	16,915	8,991
(768)	(4,277)	(768)	(4,277)
190	237	190	237
16,337	4,951	16,337	4,951
(426)	(3,732)	(426)	(3,732)
15,911	1,219	15,911	1,219

Deferred tax expense relating to the origination and reversal of temporary differences

Total tax expense

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Net profit
Income tax expense calculated at 30 percent (2009: 30 percent)

58,941	40,391	54,224	28,998
17,682	12,117	16,266	8,700
152	(935)	153	(935)
(73)	(175)	(73)	(175)
143	(2,331)	143	(2,331)
(578)	(4,040)	(578)	(4,040)
(1,415)	(3,417)	-	-
15,911	1,219	15,911	1,219

Effect of expenses that are not deductible in determining taxable profit
Effect of tax concessions (research and development)
Effect of other temporary differences
Adjustments recognised in the current year in relation to previous years
Effect of tax exempt income

Total tax expense

The tax rate used in the above reconciliation is the corporate tax rate of 30 percent payable on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting year.

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

NOTE 5. INCOME TAX (continued)

b) Income tax recognised in other comprehensive income

property, plant and equipment	25,896	-	25,896	-
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c) Current tax liabilities

Current tax liabilities	13,486	6,957	13,486	6,957
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d) Deferred tax balances

Deferred tax assets (liabilities) for the consolidated entity arise from the following:

2010

Temporary differences

	Opening Balance	Recognised profit or loss	Recognised in Equity	Closing Balance
Property, plant and equipment (prior to revaluations)	(13,940)	37	-	(13,903)
Provision for impairment on receivables	9	5	-	14
Accelerated sewerage programme	1,854	1,655	-	3,509
Revaluation of property	(54,428)	-	(25,896)	(80,324)
Other	2,907	(1,271)	-	1,636
	(63,598)	426	(25,896)	(89,068)

2009

Temporary differences

	Opening Balance	Recognised profit or loss	Recognised in Equity	Closing Balance
Property, plant and equipment	(14,240)	300	-	(13,940)
Provision for impairment on receivables	13	(4)	-	9
Accelerated sewerage programme	1,740	114	-	1,854
Revaluation of property	(54,428)	-	-	(54,428)
Other	(416)	3,323	-	2,907
	(67,331)	3,733	-	(63,598)

Deferred tax assets (liabilities) for the parent entity arise from the following:

2010

Temporary differences

	Opening Balance	Recognised in Income	Recognised in Equity	Closing Balance
Property, plant and equipment	(13,940)	37	-	(13,903)
Provision for impairment on receivables	9	5	-	14
Accelerated sewerage programme	1,854	1,655	-	3,509
Revaluation of property	(54,428)	-	(25,896)	(80,324)
Other	2,907	(1,271)	-	1,636
	(63,598)	426	(25,896)	(89,068)

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

NOTE 5. INCOME TAX (continued)

Deferred tax assets (liabilities) for the parent entity arise from the following:

2009	Opening Balance	Recognised in Income	Recognised in Equity	Closing Balance
Temporary differences				
Property, plant and equipment	(14,240)	300	-	(13,940)
Provision for impairment on receivables	13	(4)	-	9
Accelerated sewerage programme	1,740	114	-	1,854
Revaluation of property	(54,428)	-	-	(54,428)
Other	(416)	3,323	-	2,907
	(67,331)	3,733	-	(63,598)

Consolidated entity 2010 \$'000	2009 \$'000	Parent entity 2010 \$'000	2009 \$'000
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Presented in the Statement of Financial Position as follows:

Deferred tax liabilities	(89,068)	(63,598)	(89,068)	(63,598)
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e) Unrecognised deferred tax assets

There were no deferred tax assets that were not recognised during the current and previous reporting year

Consolidated entity 2010 \$'000	2009 \$'000	Parent entity 2010 \$'000	2009 \$'000
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NOTE 6. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	589	644	589	644
NSW Treasury Corporation Hourglass (Cash) Facility	28,883	22,400	28,883	22,400
Cash and cash equivalents	29,472	23,044	29,472	23,044

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks and NSW Treasury Corporation Hourglass (cash) facility. Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the reporting year to the Statement of Cash Flows as follows:

Closing cash and cash equivalents (per the Statement of Cash Flows)	29,472	23,044	29,472	23,044
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Refer to Note 21 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

NOTE 7. TRADE AND OTHER RECEIVABLES

Trade receivables	14,748	15,067	14,748	15,067
Less: Allowance for impairment	(46)	(31)	(46)	(31)
	14,702	15,036	14,702	15,036
Other receivables	2,988	3,180	2,982	3,172
Trade and other receivables	17,690	18,216	17,684	18,208

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

NOTE 7. TRADE AND OTHER RECEIVABLES (continued)

(a) Impaired receivables¹

At 30 June 2010 trade receivables with a nominal value of \$14,928 were individually impaired (2009: \$2,000). The total provision recognised at reporting date is \$46,280 (2009: \$31,000). Impaired receivables (including those recognised on a collective and individual basis) primarily relate to outstanding infringement notices issued by the Sydney Catchment Authority.

The ageing of receivables that have been individually determined to be impaired is as follows:

0 to 3 months	6	-	6	-
3 to 6 months	8	1	8	1
Over 6 months	1	1	1	1
	15	2	15	2

As at 30 June 2010, receivables approximating \$3,100 were past due but not impaired (2009: \$347,000). These relate to a number of independent customers for whom there is no recent history of default and in the case of fines and penalties, those aged less than 180 days at reporting date.

The ageing of these receivables is as follows:

0 to 3 months	2	347	2	347
3 to 6 months	1	-	1	-
Over 6 months	-	-	-	-
	3	347	3	347

¹The consolidated entity's policy for determining those receivables considered to be impaired is outlined in Note 1(j)

The credit quality of receivables that are neither past due or impaired is considered sound. Sydney Water Corporation represents 94.61 per cent of trade receivables (gross) at reporting date (2009: 93.15 per cent). All amounts outstanding from Sydney Water Corporation in the current and previous reporting years have been remitted to Sydney Catchment Authority by the due date. There have been no receivables that have been renegotiated in the current or previous reporting year (such that they would be past due or impaired had such a renegotiation occurred).

Movements in the provision for impaired receivables are as follows:

Balance at the beginning of the reporting year	31	43	31	43
Allowance for impairment recognised in profit or loss during the year	15	1	15	1
Amounts written off during the year as uncollectable	-	(12)	-	(12)
Amounts recovered during the year	-	(1)	-	(1)
Balance at the end of the reporting year	46	31	46	31

The creation and release of a provision for impaired receivables is included in 'other operating expenses'. Amounts charged to the provision are written off when there is no expectation of recovering the amount owed.

There are no balances within 'other receivables' that are impaired or past due. It is management's expectation that these amounts will be received when due.

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

NOTE 7. TRADE AND OTHER RECEIVABLES (continued)

(b) Foreign exchange and interest rate risk

There are no receivables denominated in foreign currency (2009: Nil).

A summarised analysis of the sensitivity of receivables to interest rate risk is disclosed in Note 21.

(c) Fair value and credit risk

Because of the short-term nature of trade and other receivables, the carrying value is assumed to approximate its fair value.

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables mentioned above. The consolidated entity does not hold any collateral over trade and other receivables (2009: Nil).

Refer to Note 21 for the credit risk policy of the consolidated entity.

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

NOTE 8. OTHER NON-FINANCIAL ASSETS

Prepaid expenses	3,234	3,998	3,037	3,998
Prepaid salaries and wages	183	271	-	-
Other non-financial assets	3,417	4,269	3,037	3,998

Sydney Catchment Authority
Notes to the financial statements
for the year ended 30 June 2010

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

Consolidated and parent entity	Specialised assets			Non-specialised assets										Total
	Work in progress \$'000	Facility assets \$'000	Buildings \$'000	Land \$'000	Operational equipment \$'000	Motor vehicles \$'000	Office equipment \$'000	Computer equipment \$'000	Office amenities \$'000	Furniture and fittings \$'000	Leasehold improvements \$'000	Non-current assets under finance lease \$'000	Intangible assets \$'000	
Year ended 30 June 2010														
Net carrying amount at beginning of reporting year	137,298	997,273	866	70,138	2,484	3,913	557	1,385	84	1,732	844	-	-	1,216,574
Net revaluation increment (decrement)	-	251,737	497	42,289	-	-	-	-	-	-	-	-	-	294,523
Impairment (loss) reversal	-	(176,789)	(31,414)	-	-	-	-	-	-	-	-	-	-	(208,203)
Additions	54,357	32,843	-	-	1,064	3,619	1,029	-	-	36	2	-	247	93,197
Capitalisation of borrowing costs	-	-	-	-	3	-	-	-	-	-	-	-	-	3
Disposals	-	(293)	(9)	-	(7)	(3,459)	(2)	(29)	-	-	-	-	-	(3,799)
Depreciation expense	-	(16,946)	(28)	-	(463)	(542)	(425)	(507)	(9)	(125)	(55)	-	(84)	(19,184)
Transfers	(38,839)	-	52,005	(52,005)	-	-	-	-	-	-	-	-	-	(38,839)
Write-offs / Adjustments	(925)	(596)	(4)	-	(4)	(8)	-	6	-	-	-	-	(3)	(1,534)
Net carrying amount at end of reporting year	151,891	1,087,229	21,913	60,422	3,077	3,523	1,159	855	75	1,643	791	-	160	1,332,738
At 30 June 2010														
At fair value														
- Gross carrying amount	151,891	5,264,303	83,014	60,422	6,196	4,574	1,930	3,370	159	2,125	1,188	-	1,019	5,580,191
- Accumulated depreciation and impairment	-	(4,177,074)	(61,101)	-	(3,119)	(1,051)	(771)	(2,515)	(84)	(482)	(397)	-	(859)	(4,247,453)
Carrying value	151,891	1,087,229	21,913	60,422	3,077	3,523	1,159	855	75	1,643	791	-	160	1,332,738
Consolidated and parent entity														
	Work in progress \$'000	Facility assets \$'000	Buildings \$'000	Land \$'000	Operational equipment \$'000	Motor vehicles \$'000	Office equipment \$'000	Computer equipment \$'000	Office amenities \$'000	Furniture and fittings \$'000	Leasehold improvements \$'000	Non-current assets under finance lease \$'000	Intangible assets \$'000	Total \$'000
Year ended 30 June 2009														
Net carrying amount at beginning of reporting year	87,065	997,062	590	62,609	2,601	4,176	455	1,497	50	245	633	6	-	1,156,989
Net revaluation increment (decrement)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment (loss) reversal	-	43	13	-	-	-	-	-	-	-	-	-	-	56
Additions	83,332	-	-	-	-	-	-	-	-	-	-	-	-	83,713
Disposals	-	(83)	(1)	(1,000)	(27)	(5,275)	(144)	(50)	(10)	(40)	(126)	-	-	(6,756)
Depreciation expense	-	(15,458)	(21)	-	(418)	(638)	(113)	(652)	(10)	(61)	(56)	(6)	-	(17,433)
Transfers	(33,099)	15,709	285	8,529	328	5,650	359	590	54	1,588	12	-	-	5
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net carrying amount at end of reporting year	137,298	997,273	866	70,138	2,484	3,913	557	1,385	84	1,732	844	-	-	1,216,574
At 30 June 2009														
At fair value														
- Gross carrying amount	137,298	4,551,293	5,121	161,838	5,151	4,803	946	3,522	159	2,090	1,186	-	772	4,874,179
- Accumulated depreciation and impairment	-	(3,554,020)	(4,255)	(91,700)	(2,667)	(890)	(389)	(2,137)	(75)	(358)	(342)	-	(772)	(3,657,605)
Carrying value	137,298	997,273	866	70,138	2,484	3,913	557	1,385	84	1,732	844	-	-	1,216,574

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

NOTE 9. PROPERTY, PLANT AND EQUIPMENT (continued)

a) Recoverable amount

Because of the specialised nature of water industry assets, their recoverable amount is determined by the stream of income that can be derived from the use of the assets working together as one cash-generating integrated network, rather than the realisable value of the assets themselves ("value-in-use"). The cash-generating unit test calculates the recoverable amount of the assets. In this regard, future cash flows for revenue and expenses are estimated over the following five years plus the cash-generating unit's closing regulatory asset base ("terminal value"). The net cash flows are then discounted back to their present value using a discount rate equivalent to the consolidated entity's weighted average cost of capital. The weighted average cost of capital is calculated on a nominal pre-tax basis. The major assumptions underlying the calculation are:

- Nominal pre-tax discount rate of 9.5 percent (2009: 8.6 percent)
- Risk free rate of 4.0 percent (2009: 2.3 percent)
- Closing regulatory asset base of \$1,321 million (2009: \$1,217 million)
- Inflation rate of 2.5 percent (2009: 2.5 percent)

Estimates of future revenues are based on prices determined by the Independent Pricing and Regulatory Tribunal ("IPART"). Beyond that, estimates are based on expected prices to be determined by IPART in the next pricing determination. Estimates of future expenses are based on actual expenses for the current reporting year, adjusted for non-cash items. The terminal value represents the value accruing to Sydney Catchment Authority after the five year forecasting period.

As the estimate of the recoverable amount of assets is dependent on the assumptions used in the cash-generating unit test. Because of this, there is a degree of subjectivity and uncertainty associated with these underlying assumptions, which can result in sensitivity around the calculation of recoverable amount.

The recoverable amount of property, plant and equipment does not materially differ from its carrying value at reporting date. Accordingly, an adjustment for impairment has not been recognised by the Sydney Catchment Authority.

b) Valuation of Infrastructure, land assets and buildings

Infrastructure assets were last subject to an independent revaluation as at 30 June 2010. Data was used from the last revaluations undertaken in 2004 and 2007. The revaluation considered the movements in replacement cost, asset lives, capital additions and disposals between 1 July 2007 and 30 June 2010. The independent revaluation was conducted by the Department of Services, Technology and Administration.

The valuation was conducted using the ODRC cost approved in accordance with generally accepted valuation standards; AASB 116 'Property, Plant and Equipment' and NSW Treasury Accounting Policy TPP 07-1 'Valuation of Physical Non-Current Assets at Fair Value'.

The valuation was limited to high value infrastructure assets (i.e. dams, weirs, roads, bridges and major pipelines, etc) because the carrying amount of other plant and equipment is considered to approximate its fair value.

The Optimised Replacement Cost (ORC) for the assets subject to valuation was \$5.26 billion at 30 June 2010. ORC is the cost of a modern equivalent asset that replicates the existing asset most efficiently and provides the same functional value (otherwise known as the 'Brownfields' approach). The ODRC was \$2.65 billion. ODRC is the depreciated ORC. It takes into consideration depreciation over each asset's useful life. It is considered an acceptable methodology for calculating a surrogate market value in the absence of market based evidence.

The consolidated entity's policy is to obtain an independent market valuation at least every three years.

The land assets of the Sydney Catchment Authority have been valued on a fair value basis with reference to their highest and best use. Where an active and liquid market exists for the assets, their fair values have been derived from quoted market prices. Where it was deemed that an active and liquid market does not exist, fair value of the assets have been determined by reference to the best available market evidence of price at which the assets could be exchanged between knowledgeable and willing parties in an arm's length transaction.

The reference market used in determining the fair value of the SCA's land assets was vacant, undeveloped, remotely located lands as these lands are considered to be closest in nature to the lands held by the SCA, in particular the restrictions imposed on the SCA to redevelop the vast majority of its land holdings.

The building assets of the Sydney Catchment Authority have been valued by an independent qualified valuer on a depreciated replacement cost basis with reference to their highest and best use. The revaluations considered the current condition of the buildings and their remaining useful lives.

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

NOTE 9. PROPERTY, PLANT AND EQUIPMENT (continued)

c) Asset values on the basis of historical cost principle

The written down value of assets based on the historic cost principle of the parent and consolidated entity's property, plant and equipment for the current and previous reporting year is as follows:

	2010		2009	
	Historical Cost	Carrying Amount	Historical Cost	Carrying Amount
Facility assets	758,373	1,087,229	739,809	997,273
Work in progress	151,891	151,891	137,298	137,298
Land	100,826	60,422	108,463	70,138
Buildings	3,835	21,913	3,965	866
Operational equipment	3,077	3,077	2,484	2,484
Motor vehicles	3,523	3,523	3,997	3,913
Office equipment	1,159	1,159	557	557
Computer equipment	855	855	1,385	1,385
Office amenities	75	75	85	84
Furniture and fittings	1,643	1,643	1,732	1,732
Leasehold improvements	791	791	844	844
Assets held under finance lease	-	-	-	-
	1,026,048	1,332,578	1,000,619	1,216,574

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

NOTE 10. TRADE AND OTHER PAYABLES

Trade and other payables	701	78	701	78
Other accrued expenses	31,296	33,088	31,296	33,088
Accrued salaries, wages and associated on-costs	186	706	5	5
Amounts owed to Sydney Catchment Authority Division	-	-	33,134	31,986
Trade and other payables	32,183	33,872	65,136	65,157

a) Fair value and liquidity risk exposures

Trade and other payables represent non-interest bearing liabilities expected to be settled no later than 12-months from reporting date. Because of this, they are recorded on an undiscounted basis. Due to the short-term nature of trade and other payables, the carrying amount is considered to approximate its fair value.

b) Foreign currency risk

There are no payables denominated in foreign currency (2009: Nil).

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

NOTE 11. BORROWINGS

Non-current

Unsecured

Call loans	498	1,852	498	1,852
Variable interest loans	7,500	-	7,500	-
Fixed interest loans	477,362	468,979	477,362	468,979
Premium / (discount) on loans	(9,829)	(9,611)	(9,829)	(9,611)
Loans at amortised cost	475,531	461,220	475,531	461,220
Derivative financial instruments	(42)	(3,037)	(42)	(3,037)
Non-Current borrowings	475,489	458,183	475,489	458,183

All outstanding loan obligations are raised on behalf of the consolidated entity by the central borrowing authority, NSW Treasury Corporation. Loans are negotiated with either a floating interest rate, in which case the rate is reset periodically in accordance with the requirements of the Sydney Catchment Authority, or at a fixed rate where interest is paid periodically in arrears.

The consolidated entity expects, and has the discretion to refinance its borrowings for at least 12-months from reporting date. Because of this, all borrowings have been disclosed as a non-current liability.

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

a) Financing arrangements

Unrestricted access was available to the following banking facilities and lines of credit at reporting date. All facilities have been approved in accordance with Section 8(2) of the *Public Authorities (Financial Arrangements) Act 1987* (except where otherwise stated):

Total facilities:

- Global borrowing facility	492,100	494,000	492,100	494,000
- 'Come and Go' facility	10,000	10,000	10,000	10,000
- Cheque cashing facility ¹	2	2	2	2
- Tape negotiation authority ¹	15,000	15,000	15,000	15,000
- Credit cards ¹	60	60	60	60
	517,162	519,062	517,162	519,062

Used at balance date:

- Global borrowing facility	475,531	461,220	475,531	461,220
- 'Come and Go' facility	-	-	-	-
- Cheque cashing facility ¹	-	-	-	-
- Tape negotiation authority ¹	-	-	-	-
- Credit cards ¹	6	3	6	3
	475,537	461,223	475,537	461,223

Unused at balance date:

- Global borrowing facility	16,569	32,780	16,569	32,780
- 'Come and Go' facility	10,000	10,000	10,000	10,000
- Cheque cashing facility ¹	2	2	2	2
- Tape negotiation authority ¹	15,000	15,000	15,000	15,000
- Credit cards ¹	54	57	54	57
	41,625	57,839	41,625	57,839

¹ NSW Treasury has advised the Sydney Catchment Authority that an approval for financial accommodation, in accordance with section 8(2) of the *Public Authorities (Financial Arrangements) Act 1987*, is not required for the Authority's 'tape negotiation authority' and 'cheque cashing authority'.

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

NOTE 11. BORROWINGS (continued)

b) Fair value

The carrying amounts and fair values of borrowings and derivatives at balance date are:

	Consolidated entity			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Call deposits	498	500	1,852	1,862
Floating rate loans	7,500	7,587	-	-
Fixed loans	467,533	492,039	461,220	473,367
Derivatives	(42)	(42)	(3,037)	(3,036)
	475,489	500,084	460,035	472,193

The carrying amounts and fair values of borrowings and derivatives at balance date are:

	Parent entity			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Call loans	498	500	1,852	1,862
Floating rate loans	7,500	7,587	-	-
Fixed loans	467,533	492,039	461,220	473,367
Derivatives	(42)	(42)	(3,037)	(3,036)
	475,489	500,084	460,035	472,193

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

c) Risk exposures

Contractual maturity analysis of borrowings based on undiscounted cash flows:

Less than 1 year	77,418	39,674	77,418	39,674
1 - 5 years	303,657	278,223	303,657	278,223
Over 5 years	246,380	293,363	246,380	293,363
	627,455	611,260	627,455	611,260

The consolidated entity's borrowings in the current and previous reporting year are not denominated in a foreign currency. For an analysis of the sensitivity of borrowings to interest rate risk refer to Note 21.

NOTE 12. PROVISIONS

Current provisions expected to be settled within 12 months

Employee benefits				
Annual leave	2,357	2,129	-	-
Long service leave	929	1,386	-	-
Redundancies	-	1,929	-	-
	3,286	5,444	-	-
Dividends ¹	31,211	26,816	31,211	26,816
Fringe benefits tax ²	48	42	-	-
Organisational restructure	-	99	-	99
Restoration costs ³	-	-	-	-
	34,545	32,401	31,211	26,915

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

NOTE 12. PROVISIONS (continued)

Current provisions expected to be settled after more than 12 months

Employee benefits

Annual leave ⁴	1,664	2,177	-	-
Long service leave ⁵	7,832	7,980	-	-
	9,496	10,157	-	-

Current provisions

	44,041	42,558	31,211	26,915
--	--------	--------	--------	--------

Non-current provisions

Employee benefits

Long service leave ⁵	589	566	-	-
Unfunded superannuation ⁶	19,920	15,355	-	-

Restoration costs⁴

12b

	449	429	449	429
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Non-current provisions

	20,958	16,350	449	429
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¹ Under the National Tax Equivalent Regime, the Sydney Catchment Authority is not required to maintain a dividend franking account.

² The amount provided for Fringe Benefit Tax is based on the actual fringe benefit liability for the fringe benefit tax liability year ending 30 April 2010. Accordingly, there is inherent uncertainty over what the actual liability will be until it is calculated at the end of the fringe benefit reporting year (30 April 2011).

³ This provision recognises the consolidated entity's obligation with respect to restoration costs on leased premises at the end of the lease term. Restoration costs includes expenditure incurred to bring leased premises back to their original state. Estimates are based on the details of the individual property concerned as well the terms and conditions associated with each lease. Each estimate is discounted back to their present value using the yield on government bonds that match as closely as possible the estimated timing of the payment. A key uncertainty in relation to this provision relates to the actual restoration costs that will ultimately be incurred.

⁴ The bond rate used to discount long-term annual leave to its present value at reporting date was 5.10 per cent. This rate represents the yield that matches as closely as possible the estimated timing of payments (2009: 5.52 per cent).

⁵ The bond rates used to discount long service leave expected to be settled later than 12-months from reporting date to its present value ranged from 4.6 percent to 6.1 percent. These rates represent the yields that match as closely as possible the estimated timing of payments (2009: 2.56 percent to 4.61 percent).

⁶ Assumptions underlying the provision for unfunded superannuation are disclosed in Note 12(b)

a) Movements in provisions

Movements in each class of provision during the reporting year, other than employee benefits are set out below for the consolidated entity:

	Restructure Provision \$'000	Restoration Provision \$'000	FBT Provision \$'000	Dividend Provision \$'000
Carrying amount at the beginning of the reporting year	99	429	42	26,816
Additional provisions recognised	-	-	174	31,211
Unused amounts reversed	-	-	-	-
Amounts used	(99)	-	(168)	(26,816)
Unwinding of the discount rate	-	20	-	-
Carrying amount at the end of the reporting year	-	449	48	31,211

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

NOTE 12. PROVISIONS (continued)

Movements in each class of provision during the reporting year, other than employee benefits are set out below for the parent entity:

	Restructure Provision \$'000	Restoration Provision \$'000	Dividend Provision \$'000
Carrying amount at the beginning of the reporting year	99	429	26,816
Additional provisions recognised	-	-	31,211
Unused amounts reversed	-	-	-
Amounts used	(99)	-	(26,816)
Unwinding of the discount rate	-	20	-
Carrying amount at the end of the reporting year	-	449	31,211

b) Defined benefit superannuation schemes

Accounting Policy

During the reporting year, NSW Treasury mandated a change in accounting policy for all NSW public sector agencies to recognise actuarial gains and losses immediately outside profit and loss in the year in which they occur. Previously, actuarial gains and losses were recognised in profit or loss. This change in accounting policy has been applied retrospectively in accordance with Australian Accounting Standards and NSW Treasury Circular TC09/01 'Accounting for Superannuation'.

Fund Information

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

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 closed to new members.

Reconciliation of the present value of the defined benefit obligation

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
<i>Present value of partly funded defined benefit obligations at beginning of the year</i>	13,915	3,137	33,375	13,077	2,890	27,541
Current service cost	410	153	362	382	152	338
Interest cost	758	170	1,849	830	182	1,787
Contributions by fund participants	251	-	320	244	-	344
Actuarial (gains)/losses	822	380	2,432	(414)	(32)	4,902
Benefits paid	(2,612)	(656)	(468)	(204)	(55)	(1,537)
<i>Present value of partly funded defined benefit obligations at end of the year</i>	13,544	3,184	37,870	13,915	3,137	33,375

Reconciliation of the fair value of fund assets

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
<i>Fair value of Fund assets at beginning of the year</i>	11,407	2,259	21,406	11,844	2,417	24,793
Expected return on fund assets	971	193	1,828	948	195	2,007
Actuarial gains/(losses)	(795)	(2)	(287)	(1,915)	(468)	(4,553)
Employer contributions	430	153	279	490	170	352
Contributions by Fund participants	251	-	321	244	-	344
Benefits paid	(2,612)	(656)	(468)	(204)	(55)	(1,537)
<i>Fair value of Fund assets at end of the year</i>	9,652	1,947	23,079	11,407	2,259	21,406

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

NOTE 12. PROVISIONS (continued)

Reconciliation of the assets and liabilities recognised in the consolidated entity's statement of financial position

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
Present value of partly funded defined benefit obligation at end of year	13,544	3,184	37,870	13,915	3,137	33,375
Fair value of fund assets at end of year	(9,652)	(1,947)	(23,079)	(11,407)	(2,259)	(21,406)
<i>Liability/(Asset) recognised in the statement of financial position at end of year</i>	3,892	1,237	14,791	2,508	878	11,969

Expense recognised in profit or loss

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
Components Recognised in profit or loss						
Current service cost	409	153	362	382	152	338
Interest cost	758	170	1,849	830	182	1,787
Expected return on Fund assets (net expenses)	(971)	(193)	(1,828)	(948)	(195)	(2,007)
<i>Expense/(income) recognised</i>	196	130	383	264	139	118

Amounts recognised in the consolidated entity's statement of comprehensive income

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
Actuarial (gains) / losses	1,617	382	2,718	1,501	436	9,455
Adjustment for limit on net asset	-	-	-	-	-	-

Cumulative amounts recognised in the consolidated entity's statement of comprehensive income

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains) / losses	3,994	1,274	13,604	18,872

Fund assets

The percentage invested in each asset class at the reporting date:

	30-Jun-10	30-Jun-09
Australian equities	31.0%	32.1%
Overseas equities	26.8%	26.0%
Australian fixed interest securities	6.1%	6.2%
Overseas fixed interest securities	4.3%	4.7%
Property	9.5%	10.0%
Cash	9.6%	8.0%
Other	12.7%	13.0%

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

NOTE 12. PROVISIONS (continued)

Fair value of Fund assets

All Fund assets are invested by SAS Trustee Corporation at arm's length through independent fund managers.

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual Return on Fund Assets

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
Actual return on Fund assets	1,072	192	1,946	(1,216)	(274)	(2,433)

Valuation method and principal actuarial assumptions at the reporting date

a) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

b) Economic Assumptions

	30-Jun-10	30-Jun-09
Salary increase rate (excluding promotional increases)	3.5% pa	3.5% pa
Rate of CPI Increase	2.5% pa	2.5% pa
Expected rate of return on assets	8.6%	8.1%
Discount rate	5.17% pa	5.59% pa

c) Demographic Assumptions

The demographic assumptions at 30 June 2010 are those relating to the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

Historical information

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
Present value of defined benefit obligation	13,544	3,184	37,870	13,915	3,137	33,375
Fair value of Fund assets	(9,652)	(1,947)	(23,079)	(11,407)	(2,259)	(21,406)
(Surplus)/Deficit in Fund	3,892	1,237	14,791	2,508	878	11,969
Experience adjustments – Fund liabilities	822	380	2,431	(414)	(32)	4,902
Experience adjustments – Fund assets	795	1,566	287	1,915	468	4,553

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

NOTE 12. PROVISIONS (continued)

Aggregate Historical information ^{1 2}

	Financial Year to 30 June 2010	Financial Year to 30 June 2009	Financial Year to 30 June 2008	Financial Year to 30 June 2007	Financial Year to 30 June 2006	Financial Year to 30 June 2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	54,597	50,427	43,509	42,425	39,001	38,866
Fair value of Fund assets	(34,678)	(35,071)	(39,054)	(42,373)	(35,998)	(29,834)
(Surplus)/Deficit in Fund	19,919	15,356	4,454	52	3,003	9,032
Experience adjustments – Fund liabilities	3,633	4,456	(604)	1,222	(3,615)	-
Experience adjustments – Fund assets	2,648	6,936	5,659	(3,300)	(2,519)	-

¹ Aggregate historical information includes SASS, SANCS and SSS

² Historical information relating to experience adjustments is unavailable for the year ended 30 June 2005.

Expected contributions

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
Expected employer contributions	477	174	298	464	178	320

Funding arrangements for employer contributions

(a) Surplus/deficit

The following is a summary of the financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
Accrued benefits	12,131	2,843	25,122	12,852	2,851	23,522
Net market value of Fund assets	(9,652)	(1,947)	(23,079)	(11,408)	(2,258)	(21,406)
Net (surplus)/deficit	2,479	896	2,043	1,444	593	2,116

(b) Contribution recommendations

Recommended contribution rates for the Sydney Catchment Authority for the current and previous reporting year are:

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

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

NOTE 12. PROVISIONS (continued)

(c) Funding method

Contribution rates are set after discussions between the employer, SAS Trustee Corporation and NSW Treasury.

(d) Economic assumptions

The economic assumptions adopted for the last actuarial review of the Fund were:

Weighted-Average Assumptions	30-Jun-10	30-Jun-09
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa	7.3% pa
Expected salary increase rate	4.0% pa	4.0% pa
Expected rate of CPI increase	2.5% pa	2.5% pa

Nature of asset/liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

NOTE 13. SEGMENT REPORTING

The consolidated entity operates in the water industry as one business segment in the provision of water to Sydney Water Corporation and other wholesale customers and other water-related services a required by the *Sydney Water Catchment Management Act 1998*. The consolidated entity's area of operation is wholly within the State of New South Wales.

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

NOTE 14. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:

Within one year	24,110	47,679	24,110	47,679
Later than one year but not later than five years	217	-	217	-
Later than five years	-	-	-	-
Capital commitments	24,327	47,679	24,327	47,679

Amounts disclosed for capital commitments include GST of \$2.21 million (2009: \$4.33 million) recoverable from the Australian Taxation Office.

Capital commitments relate to the construction and/or enhancement of the consolidated entity's property, plant and equipment.

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

NOTE 14. COMMITMENTS (continued)

b) Other expenditure commitments

Other operating expenditure commitments contracted for at the reporting date but not recognised as liabilities are payable as follows:

Within one year	19,963	24,369	19,963	24,369
Later than one year but not later than five years	10,795	20,157	10,795	20,157
Later than five years	-	-	-	-
Other expenditure commitments	30,758	44,526	30,758	44,526

Amounts disclosed for other expenditure commitments include GST of \$2.71 million (2009: \$4.05 million) that is recoverable from the Australian Taxation Office.

Other expenditure commitments primarily relate to open purchase orders at reporting date.

c) Operating lease commitments

Commitments for minimum lease payments relating to operating leases are payable as follows:

Within one year	1,935	1,976	1,935	1,976
later than one year but not later than five years	8,111	8,176	8,111	8,176
Later than five years	17,775	20,425	17,775	20,425
Operating lease commitments	27,821	30,577	27,821	30,577

Representing:

Non-cancellable operating leases	27,821	30,577	27,821	30,577
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Amounts disclosed for operating lease commitments include GST of \$2.53 million (2009: \$2.78 million) that is recoverable from the Australian Taxation Office.

Operating leases primarily relate to office accommodation. The occupancy term for operating leases range from two to five years with renewal options for similar periods. All leases are based on commercial rates.

NOTE 15. CONTINGENT LIABILITIES

Litigation involving the Bushfires that occurred in 2001-02

During the Christmas period of 2001-02 a large bushfire resulted in extensive damage to land and property, including that controlled by Sydney Catchment Authority in the Warragamba area. Twenty-five claimants commenced proceedings against the State of NSW comprising the NSW Fire Brigade, the Rural Fire Service and the National Parks and Wildlife Service which are insured by the Treasury Managed Fund; and the Sydney Catchment Authority who is insured by QBE Insurance Group.

The claimants' have discontinued part of their claim which alleged that the Sydney Catchment Authority failed to undertake any appropriate hazard reduction burns or the construction of necessary fire trails. The remaining allegation relates to a negligence breach of statutory duty and nuisance.

Total financial exposure for the Sydney Catchment Authority in relation to these proceedings is limited to \$250,000. This amount represents the excess on the Sydney Catchment Authority's Public and Products and Professional Indemnity Liability Insurance Policies.

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

NOTE 16. RELATED PARTIES

(a) Parent entities

The parent entity within the consolidated entity is the Sydney Catchment Authority.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 18.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 17.

(d) Transactions and outstanding balances with related parties

Personnel services expense of \$36.1 million was paid or payable to Sydney Catchment Authority Division for personnel related services provided to Sydney Catchment Authority (2009: \$49.9 million). Personnel expenses incurred by the Sydney Catchment Authority Division are charged to the Sydney Catchment Authority for the exact value of the costs incurred for the period. An amount of \$33.1 million was outstanding at reporting date (2009: \$32.0 million). The amount outstanding at reporting date is provided on interest free terms and is unsecured.

David Evans, a Sydney Catchment Authority Board member, was a Director of Country Energy. During the year, the Sydney Catchment Authority incurred expenditure of approximately \$6,400 to Country Energy (2009: \$7,800). The expenditure was undertaken on an arm's length basis and on commercial terms and conditions in the ordinary course of business. There were no amounts outstanding at 30 June 2010 (2009: Nil).

Lisa Hunt, a Sydney Catchment Authority Board member, was formally a Director of Interlink Roads Limited. During the year, the Sydney Catchment Authority expended \$29,571 on toll charges to Interlink Roads (2009: \$34,286). These transactions were on an arm's length basis and on commercial terms and conditions in the ordinary course of business. There no amounts outstanding at 30 June 2010 (2009: nil)

(e) Guarantees

There have been no guarantees given in relation to outstanding balances at reporting date. (2009: Nil)

NOTE 17. KEY MANAGEMENT PERSONNEL

a) Key management personnel

The following persons were board members of the Sydney Catchment Authority and had authority and responsibility for planning, directing and controlling the activities of Sydney Catchment Authority:

- | | |
|---|--|
| - Robert Rollinson - Chairperson | - Lisa Hunt (resigned 16 January 2010) |
| - Michael Bullen - Chief Executive / Deputy Chairperson | - Louise Wakefield |
| - John Asquith | - Kenneth Wheelwright |
| - Stephen Corbett | - Larry Whipper (appointed June 2009) |
| - David Evans | |

b) Other key management personnel

The following officers are also considered to have authority and responsibility for planning, directing and controlling the activities of the Sydney Catchment Authority:

- Lea Rosser - General Manager Business Services (position abolished on 30 October 2009)
- George Dodds - General Manager Catchment Operations
- Sara Dinning - General Manager Corporate Development & Sustainability
- Simone Greenaway - General Manager Corporate Relations & Governance
- Ian Landon-Jones - General Manager Technical Services
- Ian Tanner - General Manager Water Services
- Graham Collins - Chief Financial Officer (appointed to Executive on 16 November 2009)

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

NOTE 17. KEY MANAGEMENT PERSONNEL (continued)

c) Remuneration of key management personnel

Short-term employee benefits	1,953	1,812	224	236
Long-term employee benefits	66	55	-	-
Post-term employee benefits	161	133	19	20
Termination benefits	190	-	-	-
Key management personnel compensation	2,370	2,000	243	256

d) Transactions with key management personnel

There has been no other transactions with key management personnel (including their personally related parties) during the current or previous reporting years.

NOTE 18. SUBSIDIARIES

Name of entity	Country of Establishment	Ownership interest (%)	
		2010	2009
Sydney Catchment Authority Division	Australia	100	100

Sydney Catchment Authority Division is a Division of the Government Service, established pursuant to Part 2 and Part 3 of Schedule 1 of the *Public Sector Employment and Management Act 2002*. The Sydney Catchment Authority Division is regarded as a special purpose reporting entity as it was established specifically to provide personnel services exclusively to the Sydney Catchment Authority so as to enable it to exercise its functions outlined in its enabling legislation. The Sydney Catchment Authority Division undertakes no other activities other than the provision of personnel services to the Sydney Catchment Authority.

Consolidated entity		Parent entity	
2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

NOTE 19. REMUNERATION OF AUDITORS

Fees paid, or payable to auditors for the audit of the financial statements of Sydney Catchment Authority and Sydney Catchment Authority Division:

155	160	155	160
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The audit fee for the financial audit of the Sydney Catchment Authority Division is assumed by the Sydney Catchment Authority. The audit fee for the Sydney Catchment Authority Division was \$4,620 (2009: \$3,685). An amount of \$5,000 in relation to the independent audit of there acquittal of grant monies received from the Bureau of Meteorology was also recognised in the prior year. The Audit Office of New South Wales was engaged to undertake the audit.

NOTE 20. RECONCILIATION OF PROFIT AFTER INCOME TAX TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

Profit after tax	43,030	39,172	38,313	27,779
Depreciation	19,185	17,433	19,185	17,433
(Profit) loss on disposal of property, plant and equipment	1,640	1,210	1,640	1,210
Actuarial gains (losses) on defined benefit superannuation schemes	(4,717)	(11,392)	-	-
Suppliers and employees	(3,086)	3,405	(3,084)	3,407
Payments made under finance leases	-	2	-	2
Finance costs	4,034	1,830	4,034	1,830
Receivables	438	(900)	436	(901)
Income tax	31,997	5,429	31,997	5,429
Net cash provided by operating activities	92,521	56,189	92,521	56,189

Sydney Catchment Authority

Notes to the financial statements

for the year ended 30 June 2010

NOTE 21. FINANCIAL RISK MANAGEMENT

The Sydney Catchment Authority and consolidated entity's financial risk management policy are outlined below (The consolidated entity and Sydney Catchment Authority as separate reporting entities are hereafter referred to as the consolidated entity).

The consolidated entity's activities expose it to a variety of financial risks: Market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board has overall responsibility for financial risk management. Risk management policies are established to identify and analyse the financial risks faced by the consolidated entity as well as to set risk limits. The Board is also responsible for ensuring that there are adequate controls over the management of financial instruments and ensuring that mechanisms to monitor risk are established. Compliance with policies is reviewed by the Audit Committee and subject to review by Internal Audit on a periodic basis.

The Sydney Catchment Authority holds funds in an Hourglass Cash Facility managed by NSW Treasury Corporation (T-Corp). In addition, Sydney Catchment Authority's borrowings are managed by T-Corp in accordance with a Debt Management Framework approved by the Board

Each month, the Sydney Catchment Authority receives an Hour-Glass Investment Facilities Report and Debt Management Report from T-Corp. The reports are analysed to ensure that financial risks associated with Sydney Catchment Authority's financial assets and financial liabilities are being managed in accordance with policies approved by the Board. Each month, a Financial Management Report is submitted to the Board. The report provides the Board with information relating to financial risk management associated with Sydney Catchment Authority's financial instruments

(a) Financial instrument categories

Financial Assets	Note	Category	Consolidated Entity		Parent Entity	
			2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and cash equivalents	6	Not applicable	29,472	23,044	29,472	23,044
Trade receivables ¹	7	Loans and receivables at amortised cost	14,702	15,036	14,702	15,036
Financial assets at fair value	11	Through profit or loss - classified as held for trading	42	3,037	42	3,037

Financial Liabilities	Note	Category	Consolidated Entity		Parent Entity	
			2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade payables ²	10	Financial liabilities measured at amortised cost	24,618	32,929	57,754	64,916
Borrowings	11	Financial liabilities measured at amortised cost	475,531	463,072	475,531	463,072

1. Excludes statutory receivables and prepayments which are outside the scope of AASB 7 and is reported net of impairment.

2. Excludes statutory payables and deferred income which are outside the scope of AASB 7

b) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows associated with a financial instrument will fluctuate because of changes in foreign exchange rates.

On identification of a significant foreign currency exposure, the Group fully hedges the transaction within two days of the exposure arising. There has been no significant foreign currency exposures in the current reporting year (2009: Nil).

There has been no change in the Group's exposure to this risk or how it arises from the last reporting year. In addition, there has been no change in the Group's objectives, policies and processes for managing this risk from the previous reporting year.

(ii) Price risk

Price risk is the risk that the fair value or future cash flows associated with a financial instrument will fluctuate because of changes in market prices (other than those arising from *interest rate risk* or *currency risk*), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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Exposure to price risk primarily arises through the investment in the T-Corp Hourglass Investment Facility, which is held for strategic rather than trading purposes. The consolidated entity has no direct equity investments. The consolidated entity holds units in the Cash Facility which invests in the cash and money market investment sectors. The investment horizon of this facility is up to 1.5 years (pre June 2008) and up to 2-years thereafter. The carrying amount of this facility at reporting date is \$28.9 million (2009: \$22.4 million).

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

NSW T-Corp is trustee for the facility and is required to act in the best interest of the unit-holders and to administer the trusts in accordance with the trust deeds. A significant portion of the administration of the facility has been outsourced to an external custodian.

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

T-Corp provides sensitivity analysis information for Hour-Glass investment facilities, using historically based volatility information collected over a ten-year period, quoted at two standard deviations (i.e. 95 percent probability). Pursuant to NSW Treasury Accounting Policy TPP 08-1 'Accounting for Financial Instruments', the Hourglass Cash Facility has been designated as a Cash Equivalent as defined in AASB 107 'Statement of Cash Flows'.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. The majority of the Sydney Catchment Authority's interest rate risk arise from its borrowings. However, another source of interest rate risk relates to the Sydney Catchment Authority's interest-bearing deposits.

The Sydney Catchment Authority's objectives of interest rate risk management of borrowings is to ensure that:

- The Sydney Catchment Authority is not exposed to interest rate movements such that interest expense adversely impacts its ability to meet operating obligations as they arise;
- The Sydney Catchment Authority (through T-Corp) meets the requirements of "Neutral Portfolio Benchmark";
- The Sydney Catchment Authority complies with various NSW Government Acts that impact the extent of its legislated debt responsibilities.

A benchmark portfolio has been established to measure the comparison of the cost of debt relative to the actual debt portfolio. Management limits on the actual debt portfolio are established in terms of:

- Modified duration comparison to the benchmark portfolio
- Hedging instruments position limits; and limits on accounting losses

The benchmark portfolio as constructed from actual T-Corp stocks and has an average modified duration of approximately 4.0 years within a band of 3.8 to 4.2 years. The modified duration of the debt portfolio is set within a range of + or - 0.5 year from the modified duration of the benchmark portfolio.

T-Corp manages Sydney Catchment Authority's day-to-day interest rate risks exposures in line with the neutral benchmark disclosed above. T-Corp receives a fee for this service. On occasion, T-Corp uses derivatives, primarily interest rate futures, to establish short-term (tactical) and longer term (strategic) positions within agreed tolerance limits to manage portfolio duration and maturity profile. In addition, T-Corp also adjusts the debt maturity profile, to shorten or lengthen the actual portfolio so as to minimise Sydney Catchment Authority's exposure to interest rate risks

The Sydney Catchment Authority is responsible for ensuring that the day-to-day management of interest rate risk is effectively administered and managed by T-Corp within the constraints of the Debt Management Framework.

(iv) Sensitivity analysis

The following table summarises the sensitivity of the consolidated entity's financial assets and financial liabilities to interest rate risk. As the consolidated entity is not exposed to foreign exchange risk and other price risk, a sensitivity analysis for these risks has not been disclosed:

	2010					2009				
	Carrying amount	Interest Rate Risk -1%		Interest Rate Risk +1%		Carrying amount	Interest Rate Risk -1%		Interest Rate Risk +1%	
		Result	Equity	Result	Equity		Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets										
Cash on hand	5	-	-	-	-	5	-	-	-	-
Cash at bank	585	(6)	(6)	6	6	639	(6)	(6)	6	6
Hourglass (Cash) Facility	28,883	(289)	(289)	289	289	22,400	(224)	(224)	224	224
Receivables	14,702	-	-	-	-	15,036	-	-	-	-
Financial liabilities										
Payables	24,618	-	-	-	-	32,929	-	-	-	-
Borrowings (net of derivatives)	475,489	330	330	(330)	(330)	458,183	19	19	(19)	(19)
Net financial assets/(liabilities)	(455,932)	35	35	(35)	(35)	(453,032)	(211)	(211)	211	211

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The following table summarises the sensitivity of the parent entity's financial assets and financial liabilities to interest rate risk. As the parent entity is not exposed to foreign exchange risk and other price risk, a sensitivity analysis for these risks are not disclosed.

	2010					2009				
	Carrying amount	Interest Rate Risk -1%		Interest Rate Risk +1%		Carrying amount	Interest Rate Risk -1%		Interest Rate Risk +1%	
		Result	Equity	Result	Equity		Result	Equity	Result	Equity
		\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
Financial assets										
Cash on hand	5	-	-	-	-	5	-	-	-	-
Cash at bank	585	(6)	(6)	6	6	639	(6)	(6)	6	6
Hourglass (Cash) Facility	28,883	(289)	(289)	289	289	22,400	(224)	(224)	224	224
Receivables	14,702	-	-	-	-	15,036	-	-	-	-
Financial liabilities										
Payables	57,754	-	-	-	-	64,916	-	-	-	-
Borrowings (net of derivatives)	475,489	330	330	(330)	(330)	458,183	19	19	(19)	(19)
Net financial assets/(liabilities)	(489,068)	35	35	(35)	(35)	(485,019)	(211)	(211)	211	211

c) Credit risk

Credit risk is risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposures to credit risk exist in respect of financial assets such as trade and other receivables, cash and cash equivalents and derivative financial instruments.

The maximum exposure to credit risk is represented by the carrying amount of financial assets included in the Balance Sheet (net of any allowance for impairment). There is no collateral held as security over receivables or receivables that have been re-negotiated. The consolidated entity has not granted any financial guarantees.

With respect to trade and other receivables, the consolidated entity monitors balances outstanding on an ongoing basis and have policies in place for the recovery outstanding balances. As a means of mitigating against the risk of financial losses from defaults, the consolidated entity only deals with creditworthy counterparties.

The Sydney Catchment Authority is not materially exposed to concentrations of credit risk to a single debtor or group of debtors other than Sydney Water Corporation. At reporting date Sydney Water Corporation accounts for 94.61 per cent of trade receivables (2009: 94.26 per cent). Sales to Sydney Water Corporation are on 21 days term. Balances outstanding from Sydney Water Corporation are not overdue or impaired.

During the current and previous reporting year, the Sydney Catchment Authority Division was exposed to concentrations of credit risk, being Sydney Catchment Authority. At reporting date Sydney Catchment Authority accounts for 99.98 percent of trade receivables (2009: 99.97 per cent). Sales to Sydney Catchment Authority are on 30 day terms. Balances receivable from Sydney Catchment Authority are not overdue or impaired in the financial statement of the Sydney Catchment Authority Division.

The consolidated entity is not exposed to credit risks in countries outside Australia.

d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial instruments are carried at fair value with the exception of borrowings which are carried at amortised cost (see below).

For cash and cash equivalents, trade and other receivables and trade and other payables, the carrying amount is considered to approximate its fair value because of the short term nature of these financial assets and financial liabilities.

Interest bearing financial liabilities are measured at amortised cost. For disclosure purposes, fair value is determined by T-Corp on the basis of discounted cash flows using valuation rates supplied by independent market sources.

The fair value of interest bearing financial liabilities is disclosed at Note 11(b).

e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is managed through the maintenance of extensive short-term and long-term cash flow forecasting, and the availability of financing facilities including a long-term borrowing facility with T-Corp and a "Come and Go" short-term borrowing facility with T-Corp. T-Corp bears the liquidity risk in terms of its ability to access funding from financial markets and pass those funds onto the Group (as required).

T-Corp manages liquidity risk in relation to outstanding borrowings. Liquidity risk is measured by comparing projected net debt levels for the following 12-months against total committed facilities. Projections incorporate existing debt; operating cash flows; operating and capital expenditure and committed project and investment capital expenditure. The consolidated entity also retains discretion to roll over borrowings to match the useful life of the assets.

Sydney Catchment Authority

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for the year ended 30 June 2010

NOTE 21. FINANCIAL RISK MANAGEMENT (continued)

A maturity analysis for financial liabilities, showing remaining contractual maturities over defined periods using undiscounted cash flows, is disclosed at Notes 10 and 11.

The Sydney Catchment Authority also uses cash flow forecasting techniques to ensure that it maintains sufficient working capital to service its commitments over the next twelve months.

There has been no change in the exposure to this risk or how it arises from the last reporting year. In addition, there has been no change in the Group's objectives, policies and processes for managing this risk from the previous reporting year.

f) Fair value recognised in the statement of financial position

The following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Derived from quoted prices in active markets for identical assets / liabilities.
- Level 2 - Derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 - Derived from valuation techniques that include inputs for the asset / liability

	Level 1 2010 \$'000	Total 2010 \$'000
Financial assets at fair value		
Derivatives	42	42

There were no transfers between levels 1 and 2 during the period ended 30 June 2010.

g) Capital management

The Group manages its capital to ensure that that entities making up the consolidated entity are able to continue as a going concern; so that it can continue to sustain the future development of the business as well as meet the dividend requirements approved in the Statement of Financial Framework. The consolidated entity primarily achieves this through the optimisation of its debt and equity structure.

The capital structure of the Group consists of borrowings disclosed in Note 11, cash and cash equivalents and equity attributable to equity holders of the parent entity, comprising of reserves and retained earnings as disclosed in the Statement of Changes in Equity.

The Group is not subject to externally imposed capital requirements.

Operating cash flows are primarily used to service routine outflows of tax, dividends, operating expenditure and interest repayments. The construction and enhancement of the consolidated entity's infrastructure is funded by debt which is borrowed centrally.

The Group's capital structure is monitored on the basis of key performance indicators, which includes:

- Gearing
- Debt to equity ratios

		Consolidated entity 2010 \$'000	2009 \$'000	Parent entity 2010 \$'000	2009 \$'000
Total interest-bearing liabilities	11	475,489	458,183	475,489	458,183
Total equity		708,092	640,585	708,092	640,585
Total capital employed		1,183,581	1,098,768	1,183,581	1,098,768
Gearing ratio (interest-bearing debt / interest-bearing debt + total equity)		40.17%	41.70%	40.17%	41.70%
Debt to equity ratio (interest bearing debt / total equity)		67.15%	71.53%	67.15%	71.53%

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Appendix 1 – Legal change

There were no amendments to the *Sydney Water Catchment Management Act 1998* or the *Sydney Water Catchment Management Regulation 2008* during the reporting year.

Appendix 2 – Current legal matters

Warragamba bushfire claim

In the Christmas / New Year period of 2001 / 2002 a large bushfire caused significant damage and destruction to bushland and property in the Warragamba area and the Warragamba Township.

In March 2005, 25 claimants commenced a class action against the SCA and two other government agencies in the NSW Supreme Court seeking to recover damages for their loss. Of these claims, eight have now settled through court initiated mediation conducted in May 2008. Additional mediation conducted in November 2009 was not successful. No hearing date for the outstanding claims has been set by the Court.

Gundungurra people – native title claims

The Gundungurra people have made native title claims in the Federal Court of Australia over lands which are owned by the SCA or jointly managed by the SCA in conjunction with the Department of Environment, Climate Change and Water. The lands include those under the stored waters of Warragamba Dam.

In recognition of the strong cultural connection, supported by historical records, by the Gundungurra people to the area of land which is the subject of the claims it is proposed to finalise these claims and the court proceedings through the use of an indigenous land use agreement. The agreement would be entered into between the Gundungurra people, the NSW Government and relevant government agencies including the SCA.

The agreement would not constitute any admission or recognition by the State of NSW that native title exists over the agreement area. However the agreement would provide for the establishment of a consultative committee that would have a role in land management and in addition provide for training, business and employment opportunities and funding.

Negotiation of the agreement is continuing. On finalisation, the Gundungurra people have agreed to withdraw their native title claims and end the court proceedings.

Appendix 3 – Qualifications of current SCA Board

As at 30 June 2010 the Board comprised the following members:

Robert Rollinson - Chairman

Robert Rollinson is an experienced business executive and board director with over 40 years' international experience. He has held senior and chief executive positions in companies in Australia and overseas, mainly focused in the energy, utilities, infrastructure, and finance sectors. The companies he has worked for include Pacific Power, National Power, BurnVoor Partners, Chase Manhattan Bank and the Macquarie Group. He is currently a consultant to the Macquarie Group. Robert holds an Honours degree in Engineering, Master of Engineering Science, and a Postgraduate Diploma of Management. He is a Fellow of the Institution of Engineers Australia. Robert is a member of the Board's Catchments and Water Quality Committee, and Asset Management Committee.

Michael Bullen - Chief Executive

Michael Bullen has 25 years' experience in natural resource management. He has held senior executive positions at Forests NSW and was Director of Forests NSW Commercial Services Division. In this role he was responsible for the marketing, sales, and delivery of forest products generated from NSW owned forests. Mr Bullen has also held significant board positions including Australian Forestry Standard Limited, and the NSW Resource and Conservation Assessment Council. He holds a degree in Forestry and a Master of Business Administration. Michael is a member of the Board's Catchments and Water Quality Committee, and Asset Management Committee.

David Evans

David Evans was Managing Director of Sydney Water Corporation from April 2004 to August 2006. Previously, he was Managing Director of Hunter Water and Chief Executive Officer of the Regional Land Management Corporation. He was also Chairman of the Hunter Area Health Service. David Evans holds an Honours degree in Economics. He is a current board member of Country Energy and the Hunter Development Corporation. David is a member of the Board's Catchments and Water Quality Committee, and Chair of the Asset Management Committee.

John Asquith

John Asquith is the Nature Conservation Council of NSW nominee to the SCA Board. Mr Asquith is Chairman of the Community Environment Network and a member of the Hunter-Central Rivers Catchment Management Authority Board. He is a member of the Hunter National Parks and Wildlife Service Advisory Committee, and has been a trustee of the NSW Environmental Trust, as well as a member of the NSW Bushfire Coordinating Committee. Mr Asquith holds Bachelor of Engineering and Master of Arts degrees. He is a member of the Board's Asset Management Committee and Chair of the Audit and Risk Committee.

Kenneth Wheelwright

Kenneth Wheelwright is the NSW Farmers' Association nominee to the Board. He manages a grazing property on the upper reaches of the Wollondilly River and has an active interest in developing sustainable, regenerative and profitable farm management practices. Mr Wheelwright holds a Bachelor of Rural Science from the University of New England and a Bachelor of Business from Charles Sturt University. He has also trained in Holistic Management. He is a past director on the Hawkesbury-Nepean Catchment Management Authority Board. Mr Wheelwright is Chair of the Board's Catchments and Water Quality Committee.

Stephen Corbett

Stephen Corbett is Director of the Centre of Population Health, Sydney West Area Health Service. Since graduating in medicine at the University of Queensland in 1975, he has worked as a general practitioner, and an occupational and public health physician. He worked for NSW Health from 1990 to 2003, holding a number of key positions including Director of the Environmental Branch. He has been with the Sydney West Area Health Service since 2003. Stephen has been a member of national and international environmental health committees including the enHealth Council. He has published reports and papers in several international journals. Stephen is a member of the Board's Audit and Risk Committee, and Catchments and Water Quality Committee.

Louise Wakefield

Louise Wakefield is principal of Elevate Planning and Design, an integrated planning consultancy service providing advice on planning and building regulations, and promotion of environmentally responsible development. She has 12 years' experience in local government in rural NSW, more recently as Manager of Environment and Planning at Bland Shire Council. Louise holds a Bachelor of Applied Science (Environmental Health) degree and is a member of the Australian Institute of Environmental Health, and Planning Institute of Australia. Louise is a member of the Board's Audit and Risk Committee and Catchments and Water Quality Committee.

Larry Whipper

Larry Whipper is in his third term as an elected representative on Wingecarribee Shire Council. He is a strong environmental advocate and has served as a member of the Robertson Environment Protection Society (REPS) since 1992. Larry helped establish Wingecarribee Shire Council's Environment Committee and successfully advocated for an environment levy that has improved environmental protection and restoration in the Hawkesbury-Nepean Catchment since 2001. He is a councillor representative on the Hawkesbury-Nepean Local Government Advisory Group. He also served as a member of the Hawkesbury-Nepean Catchment Management Board from 2002 to 2003, and as Chair of the Hawkesbury-Nepean Catchment Management Authority Establishment Team until May 2004. Between July 2006 and November 2007, he was a councillor representative on the Upper Nepean Groundwater Community Reference Group. Larry was appointed to the Board as the new local government representative effective 11 June 2009. He is a member of the Board's Audit and Risk Committee and Asset Management Committee.

Lisa Hunt

Lisa Hunt resigned from the Board in December 2009

Lisa Hunt joined the SCA Board in June 2008. Lisa has a background in law and 12 years' experience in infrastructure development and operations. She has advised Australian governments at the highest levels on regulatory policy, project development and delivery, and risk management. Lisa has developed strong executive management skills as a former executive with one of Australia's top 40 ASX listed companies. She is

an experienced board director with service on both government and private sector boards. Lisa was the Chair of the Audit and Risk Committee.

Appendix 4 – Board and committee meeting attendance

Table 14 - Board meeting attendances 1 July 2009 to 30 June 2010

	Board meetings held during term	Board meetings attended
Robert Rollinson	11	10
Michael Bullen	11	11
John Asquith	11	10
Stephen Corbett	11	9
David Evans	11	11
Lisa Hunt*	6	5
Louise Wakefield	11	11
Kenneth Wheelwright	11	10
Clr Larry Whipper	11	10

*Lisa Hunt was a Board member to December 2009

Table 15 - Board committee meeting attendances 1 July 2009 to 30 June 2010

	Audit and Risk Committee		Catchments and Water Quality Committee		Asset Management Committee		Prosecutions Committee	
	Meetings held during term	Meetings attended	Meetings held during term	Meetings attended	Meetings held during term	Meetings attended	Meetings held during term	Meetings attended
Robert Rollinson (2,3,4)	5	2	3	3	3	3	1	1
Michael Bullen (2,3)	5	5	3	3	3	2	-	-
John Asquith (1,3)	5	5	-	-	3	3	-	-
Stephen Corbett (1,2)	5	3	3	2	-	-	-	-
David Evans (2,3,4)	5	1	3	3	3	3	1	1
Lisa Hunt* (1)	3	3	-	-	-	-	-	-
Louise Wakefield (1, 2)	5	5	3	3	-	-	-	-
Kenneth Wheelwright (2)	5	2	3	3	3	2	-	-
Clr Larry Whipper (1,3,4)	5	2	3	3	3	3	1	1

*Lisa Hunt was a Board member to December 2009

- (1) Audit and Risk Committee
- (2) Catchments and Water Quality Committee
- (3) Asset Management Committee
- (4) Prosecutions Committee

The SCA Board members also attended Board Strategy Sessions on 26 October 2009 and 7 May 2010 and a Board Workshop on 25 February 2010.

Appendix 5 – Board Code of Conduct

Principles of conduct

Responsibility and impartiality

Board members have an obligation, at all times, to comply with the spirit, as well as the letter, of the law, and with the principles contained in this code. Board members must comply with any administrative requirements and implementation of policies and decisions of the government of the day in an impartial manner.

Respect for people

People should be treated fairly and consistently, in a non-discriminatory manner and with proper regard to their rights and obligations. Board decisions should be reasonable, fair and appropriate to the circumstances, based on consideration of the relevant facts and supported by adequate documentation.

Honesty integrity and the public interest

Board members should promote confidence in the integrity of public administration and act honestly in the public interest. Board members should only use their authority and available resources and information for the purpose they are intended.

Responsive service

Board members must understand their role and the role of the Minister in relation to the Board. Members should have an understanding of the SCA's stakeholder needs and expectations.

Economy and efficiency

Board members should look for ways to improve organisation performance and promote high standards of administration.

Personal and professional behaviour

Board members must perform their functions with integrity, impartiality, honesty, conscientiousness and loyalty to the public interest. Board members must act honestly, in good faith and use the powers of office for a proper purpose and in the best interest of the Board as a whole. Board members should not engage in conduct likely to bring discredit upon the SCA or take improper advantage of their position.

Board members have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.

Accountability

Public expenditure

Board members must ensure efficient and responsible expenditure of public funds in accordance with government legislation, policy and guidelines.

Decision making

Board members will use board meetings as the appropriate forum for discussion of all relevant issues. Members must abide by the board processes regarding board meetings documented in the SCA's governing legislation and according to the SCA's Guidelines for Board Members.

Board members have an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board.

Use of public resources

Resources provided by the SCA for use by Board members in the undertaking of their duties will be used for that work and in accordance with the rules documented in the SCA's Guidelines for Board Members.

Use of official information

Confidential information received by a Board member in the course of the exercise of their duties remains the property of the SCA and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised or is required by law.

Gifts and benefits

Board members must be wary of accepting gifts and benefits as this can place a public official in a position where they feel obliged to act contrary to rules of integrity, impartiality and honesty.

It is illegal to be offered or seek money or gifts in order to obtain a benefit or favour.

Board members must not accept gifts or benefits that could place them under an actual or perceived financial or moral obligation to other organisations, or to individuals.

In accepting gifts or benefits you must be satisfied that your position will not in any way be compromised, or appear to be compromised by the acceptance. Guidance can be found in the SCA's Code of Conduct for Staff.

The SCA maintains a register of gifts to enable the receipt and disposal of gifts to be conducted in an open and transparent manner.

Disclosures

Board members must disclose their interest where there is a potential conflict regarding any contracts or the holding of an office. The SWCM Act (Schedule 1, 7(1) and (2)) sets out requirements regarding disclosure of pecuniary interest. Information regarding how a disclosure is to be made is included in the SCA's Guidelines for Board Members.

The SCA is required to maintain a register and report such interests to the Minister.

Conflicts of interest

Board members must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Board.

Board members have individual responsibility to fully disclose any conflict of interest. The Board must ensure that appropriate procedures are followed in handling conflict of interest issues. Conflicts of interest must be disclosed at the earliest opportunity and can be made on appointment, between meetings or prior to the relevant agenda item being discussed.

The proper management of conflicts or perceived conflicts of interest requires that they must be declared and that the processes are followed to deal with them. The SCA's Guidelines for Board Members provides examples of types of conflicts of interest that may occur and disclosure processes. Disclosures are recorded in the Board Minutes.

Reporting suspected corrupt conduct

The Chief Executive or Chairperson of the Board is required to report corrupt conduct or suspected corruption to the Independent Commission Against Corruption (ICAC). Corrupt conduct is the dishonest or partial exercise of public official functions. It may also involve the conduct of non-public officials which adversely affects the honest and impartial exercise of a public official's functions.

For conduct to be considered corrupt under the *ICAC Act* it has to be serious enough to involve a criminal offence, a disciplinary offence, or be grounds for dismissal.

A report must be made to the ICAC as soon as there is a reasonable suspicion that corrupt conduct may have occurred or may be occurring. Matters must be reported to the ICAC regardless of any duty of secrecy or other restriction on disclosure. Reports to the ICAC should be made without advising the person(s) to whom the report relates and without publicity.

The *Protected Disclosures Act 1994* protects public officials who voluntarily report suspected corrupt conduct. Board members can make reports to the Chairperson or to the Chief Executive in accordance with the SCA's internal reporting guidelines. The office of the NSW Ombudsman can be contacted regarding any matter pertaining to the *Protected Disclosures Act 1994*.

Members can report directly to the ICAC regarding corruption; the NSW Ombudsman regarding maladministration, and the NSW Auditor General regarding any serious and substantial waste of public money.

Appendix 6 – Qualifications of the SCA Executive

As at 30 June 2010 the SCA Executive comprised the following members:

- Michael Bullen BSc (Forestry), MBA – Chief Executive

- Graham Collins BBus, CPA – Chief Financial Officer
- Sarah Dinning BSc, BA, EMPA – General Manager Corporate Development and Sustainability
- George Dodds Dip Civil Eng, M Eng Sc (Environmental Engineering) – General Manager Catchment Operations
- Simone Greenaway BEc, MEc, EMPA – General Manager Corporate Relations and Governance
- Ian Landon-Jones BE (Civil), M Eng Sc – General Manager Technical Services
- Ian Tanner BSc (Civil Eng) – General Manager Water Supply.

Appendix 7 – Freedom of Information

Table 16 – Section A – Freedom of Information Applications

	FOI applications - Personal 2008-09	FOI applications - Personal 2009-10	FOI applications – Other 2008-09	FOI applications – Other 2009-10	Total FOI applications 2008-09	Total FOI applications 2009-10
A1 New	-	-	9	3	9	3
A2 Brought forward	-	-	-	-	-	-
A3 Total to be processed	-	-	9	3	9	3
A4 Completed	-	-	7	3	7	3
A5 Discontinued	-	-	2	-	2	-
A6 Total processed	-	-	9	3	9	3
A7 Unfinished (carried forward)	-	-	-	-	-	-

Table 17 - Section B – Discontinued applications

	FOI applications - Personal 2008-09	FOI applications - Personal 2009-10	FOI applications – Other 2008-09	FOI applications – Other 2009-10	Total FOI applications 2008-09	Total FOI applications 2009-10
B1 Request transferred out to another agency (s 20)	-	-	-	-	-	-
B2 Applicant withdrew request	-	-	2	-	2	-
B3 Applicant failed to pay advance deposit (s 22)	-	-	-	-	-	-
B4 Applicant failed to amend a request that would have been an unreasonable diversion of resources to complete (s 25(1) (a1))	-	-	-	-	-	-
B5 Total discontinued	-	-	2	-	2	-

Table 18 – Section C – Completed applications

	FOI applications - Personal 2008-09	FOI applications - Personal 2009-10	FOI applications – Other 2008-09	FOI applications – Other 2009-10	Total FOI applications 2008-09	Total FOI applications 2009-10
C1 Granted or otherwise available in full	-	-	2	2	2	2
C2 Granted or otherwise available in part	-	-	4	1	4	1
C3 Refused	-	-	-	-	-	-
C4 No documents held	-	-	1	-	1	-
C5 Total completed	-	-	7	3	7	3

Table 19 - Section D – Applications granted or otherwise available in full

	FOI applications - Personal 2008-09	FOI applications - Personal 2009-10	FOI applications – Other 2008-09	FOI applications – Other 2009-10	Total FOI applications 2008-09	Total FOI applications 2009-10
All documents requested were:	-	-	1	2	1	2
D1 Provided to the applicant	-	-	-	-	-	-
D2 Provided to the applicant's medical practitioner	-	-	-	-	-	-
D3 Available for inspection	-	-	-	-	-	-
D4 Available for purchase	-	-	-	-	-	-
D5 Library material	-	-	-	-	-	-
D6 Subject to deferred access	-	-	-	-	-	-
D7 Available by a combination of any of the reasons listed in D1-D6 above	-	-	-	-	-	-
D8 Total granted or otherwise available in full	-	-	1	2	1	2

Table 20 Section E – Applications granted or otherwise available in part

	FOI applications - Personal 2008-09	FOI applications - Personal 2009-10	FOI applications – Other 2008-09	FOI applications – Other 2009-10	Total FOI applications 2008-09	Total FOI applications 2009-10
Document made available were:	-	-	5	1	5	1
E1 Provided to the applicant	-	-	-	-	-	-
E2 Provided to the applicant's medical practitioner	-	-	-	-	-	-
E3 Available for inspection	-	-	1	-	1	-
E4 Available for purchase	-	-	-	-	-	-
E5 Library material	-	-	-	-	-	-
E6 Subject to deferred access	-	-	-	-	-	-
E7 Available by a combination of any of the reasons listed in D1-D6 above	-	-	-	-	-	-
E8 Total granted or otherwise available in part	-	-	6	1	6	1

Table 21 – Section F – Refused FOI applications

	FOI applications - Personal 2008-09	FOI applications - Personal 2009-10	FOI applications – Other 2008-09	FOI applications – Other 2009-10	Total FOI applications 2008-09	Total FOI applications 2009-10
F1 Exempt	-	-	-	-	-	-
F2 Deemed refused	-	-	-	-	-	-
F3 Total refused	-	-	-	-	-	-

Table 22 – Section G – Exempt documents

	FOI applications - Personal 2008-09	FOI applications - Personal 2009-10	FOI applications – Other 2008-09	FOI applications – Other 2009-10	Total FOI applications 2008-09	Total FOI applications 2009-10
Restricted documents only:	-	-	-	1*	-	-
G1 Cabinet documents (Clause 1)	-	-	-	-	-	-
G2 Executive Council documents (Clause 2)	-	-	-	-	-	-

G3 Documents affecting law enforcement and public safety (Clause 4)	-	-	-	-	-
G4 Documents affecting counter terrorism measures (Clause 4A)	-	-	1	-	1
Documents requiring consultation: G5 Documents affecting intergovernmental relations (Clause 5)	-	-	-	-	-
G6 Documents affecting the conduct of research (Clause 6)	-	-	-	1*	-
G7 Documents affecting business affairs (Clause 7)	-	-	2	-	2
G8 Documents affecting the conduct of research (Clause 8)	-	-	1	-	1
Documents otherwise exempt: G9 Schedule 2 exempt agency	-	-	-	-	-
G10 Documents containing information confidential to Olympic Committees (Clause 22)	-	-	-	-	-
G11 Documents relating to threatened species conservation (Clause 24)	-	-	-	-	-
G13 Plans of management containing information of Aboriginal significance (Clause 25)	-	-	-	-	-
G14 Private documents in public library collections (Clause 19)	-	-	-	-	-
G15 Documents relating to judicial functions (Clause 11)	-	-	-	-	-
G16 Documents subject to contempt (Clause 17)	-	-	-	-	-

G17 Documents arising out of companies and securities legislation (Clause 18)	-	-	-	-	-
G18 Exempt documents under interstate FOI legislation (Clause 21)	-	-	-	-	-
G19 Documents subject to legal professional privilege (Clause 10)	-	-	-	-	-
G20 Documents containing confidential material (Clause 13)	-	-	-	-	-
G21 Documents subject to secrecy provisions (Clause 12)	-	-	-	-	-
G22 Documents affecting the economy of the State (Clause 14)	-	-	-	-	-
G23 Documents affecting financial or property interests of the State or an agency (Clause 15)	-	-	-	-	-
G24 Documents concerning operations of agencies (Clause 16)	-	-	-	-	-
G25 Internal working documents (Clause 9)	-	-	-	-	-
G26 Other exemptions (eg Clauses 20, 22A and 26)	-	-	-	-	-
G27 Total applications including exempt documents	-	-	4	1* This one application had a number of documents with two different exemption categories	4

Table 23 – Section H – Ministerial Certificates (section 59)

	2008-09	2009-10
H1 Ministerial Certificates issued	-	-

Table 24 – Section I – Formal consultations

	2008-09	2009-10
I1 Number of applications requiring formal consultation	5	3
I2 Number of people formally consulted	52	7

Table 25 – Section J – Applications for amendment of personal records

	2008-09	2009-10
J1 Agreed in full	-	-
J2 Agreed in part	-	-
J3 Refused	-	-
J4 Total	-	-

Table 26 – Section K – Notation of personal records

	2008-09	2009-10
K1 Applications for notation	-	-

Table 27 – Section L – Fees and costs

	Assessed costs 2008-09	Fees received 2008-09	Assessed costs 2009-10	Fees received 2009-10
L1 All completed applications	\$1,110	\$90	\$1,110	\$90

* The Freedom of Information (Fees and Charges) Order 1989 sets out the fees and charges to be applied to all FOI applications and binds all agencies. Section 6 of the order permits the reduction (by 50 percent) of the fees charged under the following circumstances.

- an applicant who holds a pensioner health benefits card issued by the Commonwealth, or
- an applicant whose weekly income is less than the maximum weekly income allowable
- an applicant who is under the age of 18 years, or
- an applicant who is applying on behalf of a non-profit organisation that can demonstrate financial hardship, or
- an applicant whose application relates to information that it is in the public interest to make available.

The SCA reduces fees for all applicants who meet these criteria.

Table 27 – Section M – Fee discounts

	FOI applications - Personal 2008-09	FOI applications - Personal 2009-10	FOI applications - Other 2008-09	FOI applications - Other 2009-10	Total FOI applications 2008-09	Total FOI applications 2009-10
M1 Processing fees waived in	-	-	-	-	-	-

full						
M2 Public interest discounts	-	-	-	-	-	-
M3 Financial hardship discounts – pensioner or child	-	-	2	-	2	-
M4 Financial hardship discounts – non profit organisation	-	-	-	-	-	-
M5 Total	-	-	2	-	2	-

Table 28 - Section N – Fee refunds

	2008-09	2009-10
N1 Number of fee refunds granted as a result of significant correction of personal records	-	-

Table 29 – Section O – Calendar days taken to complete request

	FOI applications - Personal 2008-09	FOI applications - Personal 2009-10	FOI applications – Other 2008-09	FOI applications – Other 2009-10	Total FOI applications 2008-09	Total FOI applications 2009-10
O1 0-21 days – statutory determination period	-	-	-	-	-	-
O2 22-35 days – extended statutory determination period for consultation or retrieval of archived records (s 59B)	-	-	2	3	2	3
O3 Over 21 days – deemed refusal where no extended determination period applies	-	-	-	-	-	-
O4 Over 35 days – deemed refusal where extended determination period applies	-	-	5	-	5	-
O5 Total	-	-	7	3	7	3

Table 30 – Section P – Processing time - hours

	FOI applications - Personal 2008-09	FOI applications - Personal 2009-10	FOI applications – Other 2008-09	FOI applications – Other 2009-10	Total FOI applications 2008-09	Total FOI applications 2009-10
P1 0-10 hours	-	-	8		8	2
P2 11-20 hours	-	-	1		1	1
P3 21-40 hours	-	-	-		-	-

P4 Over 40 hours	-	-	-	-	-
P5 Total	-	-	9	9	3

Appendix 8 – Complaints

Table 31 - Complaints received

Total complaints received 2009-10	Total complaints resolved 2009-10	Total complaints remaining open 2009-10
5	8 (3 from 08-09)	0

Table 32 - Total complaints received and resolved 2009-10

Complaint number	Category	Date received	Interim response on time	Date resolved	Method of resolution
4393*	Other	12/02/2009	No	11/09/2009	Resolved by other means
4396*	Water quality - other	02/06/2009	Yes	10/03/2010	Resolved by explaining/providing information
4397*	Water quality - other	29/06/2009	Yes	10/03/2010	Resolved by explaining/providing information
4398	Water quality - other	09/11/2009	Yes	12/03/2010	Resolved by explaining/providing information
4399	Staff / contractors	21/12/2009	Yes	18/02/2010	Resolved by explaining/providing information
4400	Staff / contractors	26/01/2010	No	16/02/2010	Resolved by actions to correct situation
4401	Picnic area facilities	03/04/2010	Yes	13/05/2010	Resolved by explaining/providing information
4402	Customer service	10/05/2010	Yes	11/06/2010	Resolved by explaining/providing information

* Complaints received in previous year but resolved this year

Appendix 9 – Summary of Affairs

Section 1 - Policy Documents

The Sydney Catchment Authority (SCA) holds the following policies and procedures that may be accessed for information.

2007-2011 corporate plan

Access to published information

Access to special areas, controlled areas and water storages and application assessment procedure

Acquisition and disposal of land

Bendeela camping ground fact sheet

Catchment Management annual reports

Catchment protection and improvement grant guide and application form

Collaborative Research guidelines and application form
Code of conduct
Complaints handling policy and procedure
Corporate Risk Management Framework
Current Recommended Practices
Dams of Greater Sydney and Surrounds – Blue Mountains
Dams of Greater Sydney and Surrounds – Shoalhaven
Dams of Greater Sydney and Surrounds – Nepean
Dams of Greater Sydney and Surrounds – Woronora
Dams of Greater Sydney and Surrounds – Warragamba
Dealing with offences under the Sydney Water Catchment Management Regulation 2008
Energy management policy Environmental plan 2006-2011
Environmental impact assessment policy
Equity and diversity management plan
Exercising powers in the Special Areas under EPA authorisation
Healthy Catchments Strategy 2009-12
Heritage policy
How to make a complaint or offer a compliment
Incident management framework
Information for development adjoining controlled areas
Local government reference panel – charter and procedures
Metropolitan Water Plan 2006
Metropolitan Water Plan 2007 Progress Report
Metropolitan Water Plan 2008 Progress Report
Occupational Health and Safety Management system
On-site wastewater management grants guidelines and application form
Pesticide use notification plan
Picnic and camping ground notification form for large groups
Policy on internal environmental training
Prioritising catchment actions – the catchment decision support system 2009-10
Privacy Laws, the SCA and You
Privacy management plan
Prosecution and compliance guidelines
Raw Drinking Water Quality Management Framework 2007-12
Recreational facilities at Sydney Catchment Authority dams
Right to Information Procedures
Riparian management assistance guide and application form
Special areas strategic plan of management and charter of public disclosure
Special areas brochure – what you can and can't do
Sustaining the Catchments – Regional Plan
Use of the SCA conference centre and accommodation facilities

Water industry sponsorship guidelines and application form
Wingecarribee Swamp and special area plan of management

Section 2 – Statement of Affairs

The SCA's most recent Statement of Affairs is available on the SCA's website. Copies of the Statement of Affairs are held in the SCA's library and are available for inspection. Copies of the statement of affairs can be obtained by contacting the SCA's Right to Information Officer 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 Right to Information Officer.

The application should be addressed to:

The Right to Information Officer

Sydney Catchment Authority

PO Box 323

PENRITH NSW 2751

Access to policy documents, unless otherwise stated, are free of charge and access can be arranged by contacting the Right to Information Officer by phone 1300 722 468, facsimile 4725 2599, email info@sca.nsw.gov.au or in person at the address below between the hours of 8.30am and 5pm, Monday to Friday.

Sydney Catchment Authority

Level 4,

2-6 Station Street

PENRITH NSW 2750

Appendix 10 – SCA publications

Annual reports and corporate documents

SCA annual reports

SCA annual water quality monitoring reports

Annual catchment management reports

Annual reports on implementation of the Special Areas Strategic Plan of Management

Annual reports on implementation of the Wingecarribee Swamp and Special Area Plan of Management

SCA operating licence

SCA Corporate Plan 2007-2012

Statement of Affairs

Summary of Affairs

SCA Environmental Plan 2006-2010

SCA Energy Management Plan 2006-2010

SCA Energy Efficiency Opportunity Public Report 2008-09

Memoranda of understanding – Environment Protection Authority, NSW Health, Water Administration Ministerial Corporation

SCA prosecution and compliance guidelines

How to make a complaint or offer a compliment

Privacy Laws, the SCA and you

Dams and water supply

Dams of Greater Sydney and surrounds - Blue Mountains

Dams of Greater Sydney and surrounds - Shoalhaven

Dams of Greater Sydney and surrounds - Upper Nepean

Dams of Greater Sydney and surrounds - Warragamba

Dams of Greater Sydney and surrounds - Woronora

Maps of the SCA's drinking water catchments

Leakage and loss report 2007

Review of Sydney's water supply system yield

Raw drinking water quality management framework 2007-2012

Flooding rain following drought

Drinking water catchments

Draft Healthy Catchments Strategy 2009-2012

Healthy Catchments Program 2009-2010

Prioritising Catchment Actions – The Catchment Decision Support System 2009-2010

Application for consent to enter the SCA Special or Controlled Areas

Aerial map of Wingecarribee Swamp Reservoir

Aquatic ecological survey, Robertson NSW

Maps of Sydney's drinking water catchments

Hawkesbury-Nepean experimental environmental flow strategy

Hydrogeological and geophysical investigations of Wingecarribee Swamp

Quantitative analysis of flora at Wingecarribee Swamp 2001-2002

Special Areas

Special Areas brochure – What you can and can't do

Special Areas Strategic Plan of Management

Wingecarribee Swamp and Special Area Plan of Management

Bendeela camping ground fact sheet

Regional plan

Regional Plan – Overview

Regional Plan – Action Plan

Regional Plan – Summary brochure

Regional Plan – What has changed?

Regional Plan – Answering your questions

Regional Plan – Guide for agricultural development

Regional Plan – Neutral or beneficial effect on water quality assessment guidelines

Water quality objectives report

Grants

Water industry sponsorship guidelines and application form

Catchment protection and improvement grants guide and application form

Riparian management assistance grants guide and application form

On-site sewage management grants guidelines and application form

Consultation

Local Government Reference Panel – charter and procedures

Special Areas Strategic Plan of Management charter of public disclosure

Shoalhaven community reference group minutes

Upper Nepean groundwater community reference group minutes

Groundwater investigations – community information documents

Shoalhaven River water supply transfers and environmental flows – community information documents

SCA Groundwater Investigations Community Consultation and Submissions Report

Independent hydrogeological review – proposed Kangaloon borefield

Appendix 11 – Guarantee of service

Under the *Sydney Water Catchment Management Act 1998*, the SCA is required to enter into arrangements with Sydney Water regarding the supply of water. The original bulk water supply agreement was established in 1999 and reviewed in 2002. The latest revision was completed in April 2006.

Appendix 12 – Schedule of charges

Schedule of charges for regulated water supply services 2009-10

Table 33 - Schedule of charges

SCA charge	2009-10
Sydney Water Corporation	
Fixed availability charge (per calendar month)	6,301,913
Volumetric charge (per megalitre)	249.99
Wingecarribee Shire Council	
Volumetric charge (per megalitre)	236.36
Shoalhaven City Council	
Volumetric charge (per megalitre)	236.36
Unfiltered water	
Service charge for connection of nominal diameter:	
20 mm	84.39
25 mm	131.86
30 mm	189.88
32 mm	216.05
40 mm	337.57
Unfiltered water	

50 mm	527.46
80 mm	1,350.29
100 mm	2,109.83
150 mm	4,747.11
200 mm	8,439.31
>200 mm	(Meter size) ² x 20mm charge/400
Volumetric charge (per kilolitre)	
Bulk raw water	
Volumetric charge (per kilolitre)	0.95

In June 2009, the IPART determined a new price path for the SCA's charges from 1 July 2009 to 30 June 2012. The determination provides for the increase in certain charges to be linked to the movement in the Consumer Price Index (CPI) during the price path. The SCA has applied the increased charges effective from 1 July 2009.

Appendix 13 – SCA capital expenditure

Table 34 - Capital expenditure

Project	2009-10
Access deep storage – Warragamba Dam	21,000
Upper Nepean, Leonay and Wallacia groundwater	341,000
Shoalhaven transfers	5,000
Upper Nepean environmental flows	26,085,000
Tallowa Dam environmental flows and fishway	1,569,000
Warragamba dam spillway gate	10,384,000
Warragamba Dam landscaping and visitor centre	1,401,000
Warragamba Dam electrical upgrade	154,000
Warragamba Dam ladders and platforms	1,276,000
Warragamba pipelines and fittings	2,000
Lower Cascade Dam 600mm scour vane replacement	228,000
Internal access ladders for cranes - metropolitan dams	2,000
Upper Canal chlorination facilities upgrade	11,000
Upper Nepean transfer scheme	1,951,000
Prospect Reservoir scours	1,130,000
Prospect Reservoir - upstream embankment stabilisation upgrade	183,000
Wingecarribee Dam - safety upgrade	129,000
Kangaroo pipeline internal lining	66,000
Bendeela Pipeline Internal Lining Upgrade	23,000
Catchment security & fencing program	312,000
Shoalhaven expansion of SCARMS	541,000
Flood gauging winch - upgrades	11,000
Upper Canal - access roads upgrades	7,000
Asset replacement program	1,196,000
Hydrometric network renewals program	681,000

Project	2009-10
SCADA – upgrade	384,000
Regulatory and facilities capital signage	172,000
Metropolitan and Woronora dams reticulation and fire hydrants at various sites	27,000
Laptops and PDAs	334,000
E-office development	140,000
SCA business systems - upgrade and integration	660,000
Back office systems upgrade	370,000
IT desktop lifecycle - procurement	34,000
IT server lifecycle - replacement	75,000
Knowledge management system development	37,000
IT telecommunications general upgrade	14,000
Braidwood cottages and associated works	52,000
Land acquisition	46,000
Picnic ground refurbishment	19,000
Woronora Dam cottages upgrade	1,000
Burrawang office refurbishment	364,000
Penrith head office relocation	90,000
SCA motor vehicle fleet	3,576,000
Office equipment	23,000
Working plant and equipment	39,000
Seismic monitoring upgrade	24,000
Dam safety equipment upgrades	10,000
IT systems upgrade	5,000
Applications and development – software	23,000
Intranet and Web Content	27,000
Information Management – Software	60,000
Prior year adjustments	42,000
Total capital expenditure	54,357,000

Appendix 14 – Credit card use

The SCA operates a MasterCard credit card facility with Westpac Banking Corporation. The facility has been approved in accordance with the requirements of the *Public Authorities (Financial Arrangements) Act 1987*. There were eight credit cards issued as at 30 June 2010. The use of credit cards helps reduce the number of vendor accounts where minor once-off expenditure needs to be incurred.

Individual credit card limits range from \$3,000 to \$10,000, with the total limit off all credit cards on issue at 30 June 2010 totalling \$53,500. A direct debit facility has been established enabling the automatic payment of monthly credit card accounts. As a result, there were no late payment fees or interest incurred and all credit balances were paid in full by the due date.

Credit card use at the SCA must be in accordance with the SCA's approved Credit Card Policy, Premier's Memoranda and Treasurer's directions.

Appendix 15 – Payment of accounts

Action taken to improve payment performance

During the year the SCA focused on further improving the timeliness of payment processing by ensuring that goods and services were promptly receipted in the SCA's electronic procurement system.

Interest paid due to late accounts

During the year \$2,005.72 in interest was incurred on overdue accounts as follows:

- QBE Workers Comp (NSW) Limited: \$1,943.33
- Collecte Localisation Satellites: \$62.39

Table 35 - Performance paying accounts each quarter 2009-10

Quarter	Within due date	Less than 30 days overdue	Between 30 and 60 days overdue	More than 60 days overdue
	\$'000	\$'000	\$'000	\$'000
September	31,444	2,961	132	393
December	31,854	2,615	416	375
March	24,688	3,736	332	385
June	34,025	2,986	1022	249

Table 36 - Performance in paying accounts: Total accounts paid 0-30 days overdue

Quarter	Target %	Actual %	Target	Actual paid
			\$'000	\$'000
September	100	90	34,930	31,444
December	100	90	35,260	31,854
March	100	85	29,141	24,688
June	100	89	38,282	34,025

Figure 7 - Targets versus actual payment performance

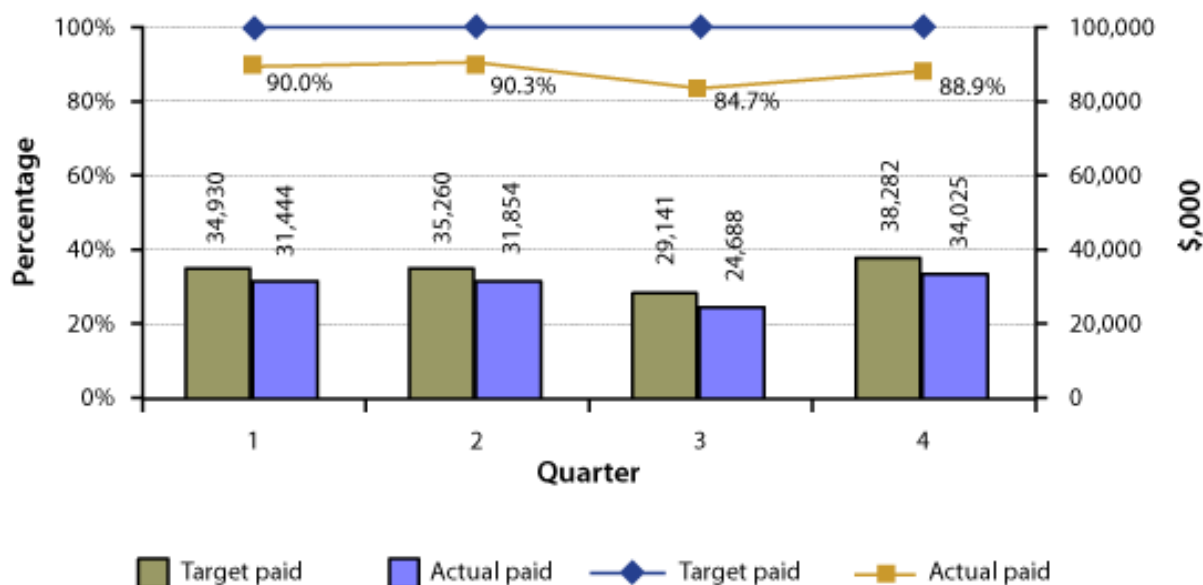
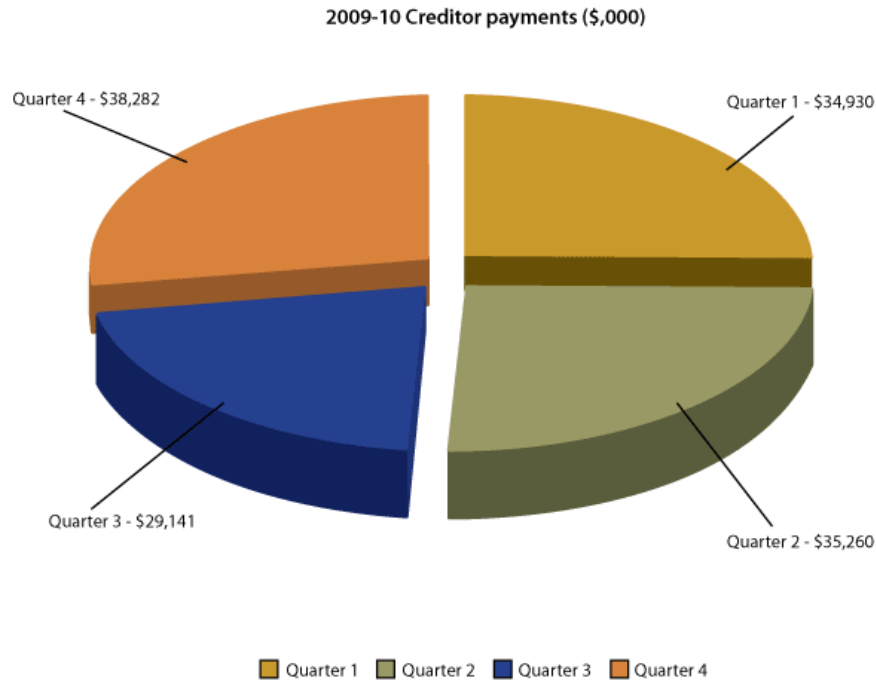


Figure 8 - Total dollar amount paid in quarter



Appendix 16 – Investment performance

Table 37 shows the annualised performance of T-Corp investment facilities as at 30 June 2010 by term of underlying liability.

Table 37 - Annualised performance of T-Corp investment facilities as at 30 June 2010

Term of underlying liability	T-Corp facility	Annualised return (%)			
		1 year	3 year	5 year	7 year
0–2 years	Hour-glass cash facility trust	4.46	5.54	5.74	5.65
2–4 years	Hour-glass strategic cash facility trust	4.62	--	--	--
4–7 years	Hour-glass medium term growth facility trust	8.69	2.87	5.13	6.20
7+ years	Hour-glass long term growth facility trust	11.28	(3.62)	3.56	6.37

The nature and terms of SCA's underlying liabilities is such that all surplus funds are invested in the Hourglass Cash Facility Trust. Table 38 reports the annualised performance of the Hourglass Cash Facility Trust against the portfolio's benchmark, the USB Bank Bill Index.

Table 38 - Annualised performance of Hour-glass cash facility trust

T-Corp Hour-glass cash facility trust	Annualised return (%)			
	1 year	3 year	5 year	7 year
Actual performance	4.46	5.54	5.74	5.65
Benchmark performance	3.89	5.56	5.77	5.69
Variance	0.57	(0.02)	(0.03)	(0.04)

Appendix 17 – Liability management performance

Debt portfolio position relative to benchmark

For compliance with the SCA's Interest Rate Risk Policy, the modified duration of the total debt portfolio approved by the Board is compared to the modified duration of the benchmark portfolio. The permitted duration range is +/- 0.5.

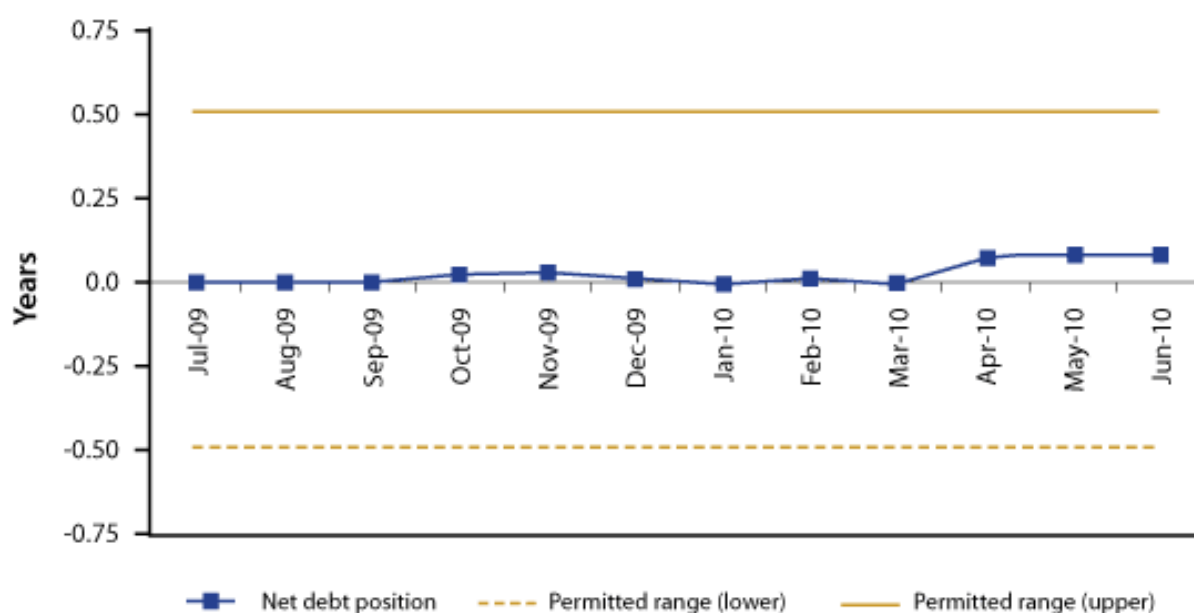
The modified duration of a portfolio represents the average maturity of the net present value of cash flows associated with the debt. It is used as an approximation for the percentage change in market value of the portfolio for a one percentage change in interest rates.

For example, if the portfolio's modified duration is greater than the benchmark, the portfolio is positioned to take advantage of a rise in interest rates. Conversely, if the portfolio's modified duration is less than the benchmark modified duration, the portfolio is positioned for a fall in rates.

Table 39 - Total debt portfolio position relative to benchmark by month for the year ended 30 June 2010

Month	Total portfolio modified duration (years)	Benchmark modified duration (years)	Net position long/(short) (years)
Jul 09	3.94	3.93	0.00
Aug 09	3.94	3.93	0.00
Sep 09	4.01	4.01	0.00
Oct 09	3.96	3.94	0.02
Nov 09	4.11	4.08	0.03
Dec 09	3.89	3.88	0.01
Jan 10	3.89	3.89	0.00
Feb 10	4.00	3.99	0.01
Mar 10	3.91	3.91	0.00
Apr 10	3.95	3.89	0.07
May 10	4.07	3.99	0.08
Jun 10	4.04	3.96	0.08

Figure 9 - Debt portfolio position relative to benchmark



Appendix 18 – Consultancies

Working with consultants

A consultant is a person or organisation engaged on a temporary basis to recommend and provide higher level specialist advice to help management make decisions. Generally, it is the advisory nature of the work that differentiates a consultant from other contractors.

Consultancies less than \$50,000

During the year five separate consultancies were engaged, each of which were less than \$50,000. The consultancies related to an organisational review as well as management services. A combined cost of \$104,078 (ex GST) was incurred on these consultancies.

Appendix 19 – SCA grants for non-government community groups

Table 40 – SCA grants to non-government community groups 2009-10

Applicant	Project	Amount
Lithgow Oberon Landcare Association	Supporting the Jenolan Caves Landcare Group initiating volunteer training days and treating sycamore in the reserve.	\$7,940
Upper Macquarie County Council on behalf of Kanimbla Valley Sport and Recreation Club Inc	Control of African Lovegrass along the banks of the Coxs River in the Kanimbla Valley.	\$2,990
Windellama Landcare Inc.	Continuing work at Shoalhaven River, Oallen Ford.	\$8,420
Goulburn Mulwaree Landcare	After removing willows along a section of the Mulwaree Chain of Ponds, this project aims to restore plant diversity, stabilise the banks and improve the water quality through community action and a community education program.	\$10,000
Blue Mountains City Council on behalf of Leura Creek Landcare	Control willows on both banks over 100m in upper reach of Leura Creek, Leura. Part of activities of Landcare group over 6 residential properties which will include revegetation.	\$5,000
Tallong Park Association Inc	Rehabilitation of Barbers Creek, Tallong which runs east-west across Tallong Park Estate through its golf course.	\$4,661
Bungonia Park Trust	To manage and rehabilitate a section of Woodward's Creek within the Bungonia Village Park.	\$7,700
Zig Zag Railway Co-op Ltd	Improvement of drainage within picnic area at Clarence Station. The project will improve runoff water quality by reducing the free flow of water across the picnic area.	\$1,168
Total		\$47,879

Appendix 20 – Heritage assets

The SCA is responsible for managing heritage items including water storages and associated infrastructure, weirs, homesteads, bridges and sites of significance to indigenous communities.

The SCA and DECCW jointly manage heritage in 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.

In 2009-10 the SCA finalised its Section 170 Heritage and Conservation Register and submitted it to the Heritage Office for consideration and approval. The SCA owns 32 State Heritage listed items and has other local heritage assets listed on its register.

The reporting requirements for the Heritage and Conservation Register required under the Heritage Regulation 2005 were changed on 29 January 2010. The amendments now clearly define the heritage items that are required to be placed on the SCA's Register and the specific information required for each item. These amendments have resulted in changes to the information that is reported.

A review was undertaken of the Heritage Asset Management Strategy (HAMS) which was finalised in 2009-10. The HAMS was developed to implement the principles and guidelines outlined in the document State-owned Heritage Management Principles.

The SCA is developing conservation management plans covering all of its 32 State Heritage items. The conservation management plan for the Warragamba system will include 14 of the SCA's heritage items. During the year the SCA continued to develop and finalise CMPs for the Medlow Dam and the Prospect Reservoir and is on schedule to finalise all required CMPs by June 2014. The SCA has prepared CMPs for 53 percent of State Heritage listed items, up from 40 percent in 2008-09.

The SCA is incorporating maintenance schedules for all state heritage items into its broader SCA asset management system and is on schedule to complete the schedules by December 2011.

Table 41 - SCA's Section 170 Register and proposed heritage significance

Item	Proposed Heritage Significance	Item Number
Arnprior	State	4580166
Avon Dam	State	4580027
Cataract Dam	State	4580028
Cordeaux Dam	State	4580029
Glen D'or	Local	4580057
Khama Lea	Local	4580059
La Vista	Local	4580164
Mayfield	State	4580058
Medlow Dam	State	4580041
Nepean Dam	State	4580032
Ooranook	Local	4580165
Upper Nepean Scheme	State	4580004
Upper Nepean Scheme – Broughtons Pass Weir		4580035
Upper Nepean Scheme – Hudson's Emergency Scheme		4580026
Upper Nepean Scheme – Nepean Tunnel		
Upper Nepean Scheme – Pheasants Nest Weir		4580033
Upper Nepean Scheme – Upper Canal		4580036
		4580005
Upper Nepean Scheme – Prospect Reservoir	State	4580067
Virginia	State	4580060

Warragamba Emergency Scheme	State	4580051
Warragamba Emergency Scheme – Megarritys Bridge		4580053
Warragamba Emergency Scheme – Warragamba Weir		4580052
Warragamba Emergency Scheme – Water Pumping Station		4580064
Warragamba Supply Scheme		4580161
Warragamba Supply Scheme – 18 Ton Cableway		4580046
Warragamba Supply Scheme – Crest Gantry Crane		4580019
Warragamba Supply Scheme – Early Dam Model		4580054
Warragamba Supply Scheme – Haviland Park		4580049
Warragamba Supply Scheme – Main Dam Wall		4580061
Warragamba Supply Scheme – Pipelines 1 and 2		4580021
Warragamba Supply Scheme – Production Office		4580162
Warragamba Supply Scheme – Suspension Bridge		4580047
Warragamba Supply Scheme - Valve House		4580017
Windmill Hill Group	State	4580168
Wingecarribee Swamp	State	4580138
Woodford Dam	Local	4580044
Woronora-Penshurst Pipeline	Local	4580022
Woronora Dam	State	4580034

Appendix 21 – Waste reduction and purchasing policy (WRAPP) implementation

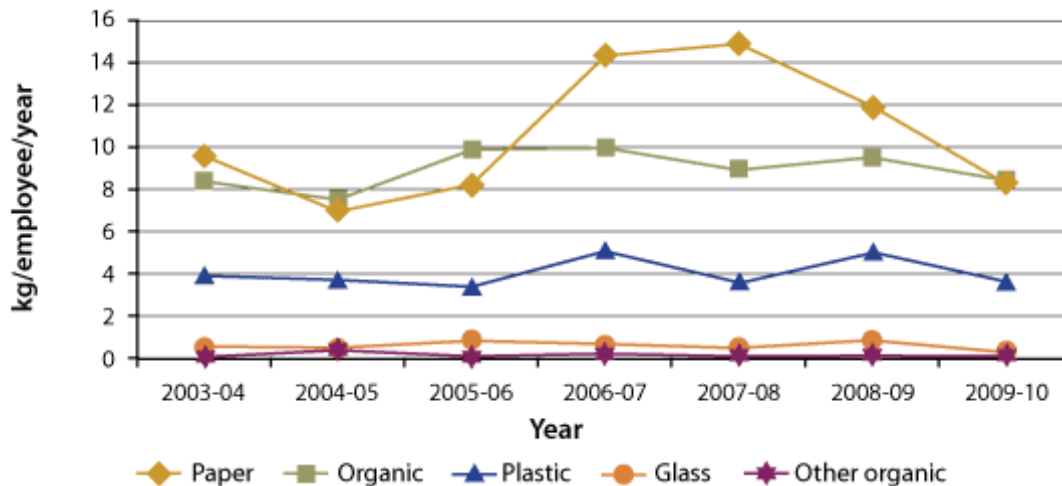
Waste avoidance and minimisation

The SCA environment plan commits the SCA to managing and minimising resource use and waste generation, as well as reducing the environmental impacts of our operations.

Each year the SCA conducts an annual waste audit to monitor and improve waste management and recycling. The SCA's 2009-10 waste audit was conducted in December 2009 and the audit report was finalised in June 2010, with all recommendations being addressed. In 2009-10 the SCA generated 20,514 kg of waste. This is a 29 percent decrease from the 28,911 kg of waste generated in 2008-09. The 2009-10 figure equates to 76 kg of waste generated per person per year, a reduction from the 96 kg per person waste generated for 2008-09. The large reduction in waste generated may be attributed to the removal of general rubbish bins from desks.

Of the waste generated, the amount sent to landfill in 2009-10 is estimated to have decreased by 36 percent, from 8,495 kg in 2008-09 to 5,615 kg in 2009-10. Figure 10 shows a breakdown of the type of waste sent to landfill since 2003-04.

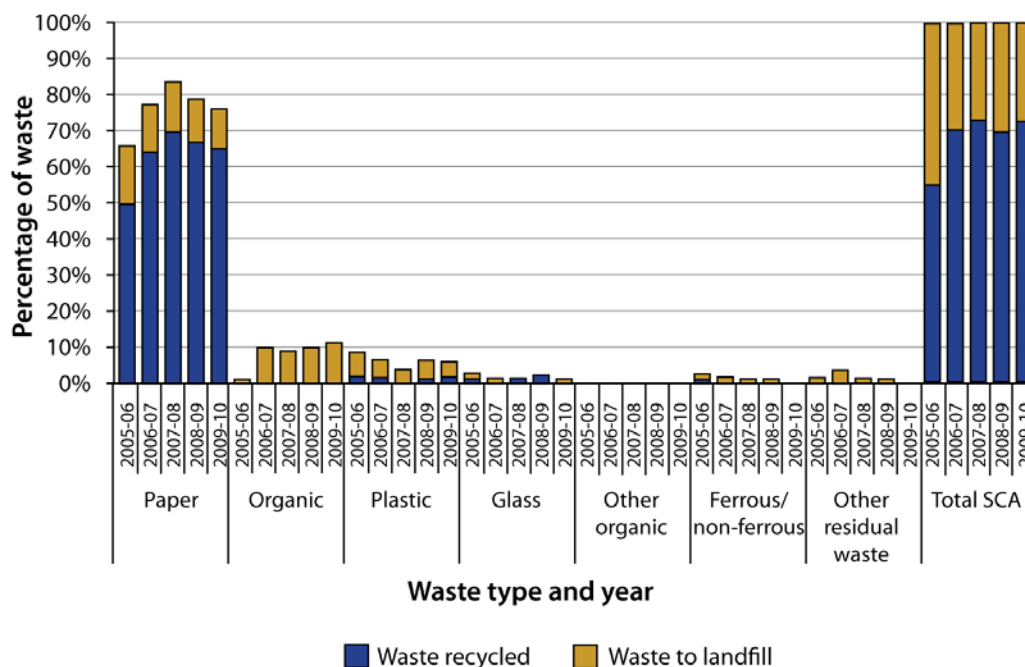
Figure 10 – Estimated waste to landfill by type



Resource recovery (waste reuse and recycling)

In 2009-10, 14,899 kg of the waste generated was recovered from landfill via the various recycling systems the SCA has in place. This equates to 73 percent and shows improvement when compared to 70 percent in 2008-09. The best material recovery rate was paper at 93 percent. This compares favourably with government average of 80 percent. The materials recovered (recycled) comprised 13,452 kg of paper (including writing paper, newspaper and cardboard) as well as 1,447 kg of co-mingled recyclable material such as glass, plastics, aluminium and steel cans. Figure 11 shows the breakdown of waste recycled by type as a percentage of total waste generated.

Figure 11 - Waste recycled by type as a percentage of total waste generated 2005-06 to 2009-10



The SCA recycled approximately 12.1 tonnes of paper (copy paper, newspapers, brochures, cardboard etc). This equates to a savings of five tonnes of carbon dioxide per annum in greenhouse gas emissions. However the SCA's recovery rate for co-mingled recycling was only 57 percent, which is well below the government average of 85 percent and highlights the need for greater awareness and commitment in the use of the recycling systems by staff. The Waste Audit Report made a number of recommendations for improving performance which are being addressed.

The SCA buys and uses environmentally responsible products and has initiatives in place to promote waste avoidance and minimisation. In the office, all SCA printers default to double sided printing and staff are

encouraged to use electronic documents and to only print if necessary. Recycled paper is used for notepaper and printing, where appropriate.

The SCA provides opportunities for staff to reuse and recycle resources where appropriate. Staff have access to paper, cardboard and newspaper recycling services. Most offices also have systems in place for mixed recycling (glass, plastics, aluminium, and steel). The SCA also recycles toner cartridges, computers and mobile phones.

To raise awareness and educate new staff, the SCA's induction program contains information about waste avoidance, waste minimisation and recycling. Regular information on waste management and tips and hints on recycling is communicated to staff via the intranet and staff newsletter.

To encourage staff to avoid waste, the SCA has recently negotiated a promotion with several local coffee shops whereby staff who purchase and re-use a travel mug are entitled to a discount on their coffee.

The SCA implements waste avoidance initiatives such as mulching fallen trees where appropriate, and reusing this mulch on sites, using concrete barrier fencing constructed from surplus concrete that would otherwise be waste, and refilling helicopter aviation fuel drums. Where possible, the SCA refurbishes valves rather than replacing them. Erosion control projects requiring engineered log jams reuse trees from areas cleared for development or road works.

Waste management clauses in all SCA contract documents require contractors, where possible, to separate and recycle waste.

Where possible, fill and virgin excavated natural material from construction projects is used or stockpiled on site. In 2009-10 the SCA recycled approximately 0.73 tonnes of waste oil from its generators and air compressors as part of the SCA's civil, mechanical and electrical maintenance contracts.

The SCA participates in the national DrumMuster program, and in 2009-10 recycled forty 20 litre and twenty 5 litre chemical containers used for herbicides through this program. All chemicals are used up in programs and not disposed of in the waste stream.

Recycled material

It is SCA policy to purchase and use recycled or environmentally responsible materials. SCA contracts contain clauses requiring contractors to purchase recycled content construction and landscaping materials where appropriate.

Over 90 percent of paper purchased has a minimum of 60 percent recycled content. The general paper use for black and white printing has 80 percent recycled content.

Where possible, publications are printed by environmentally responsible companies with ISO 14001 accreditation, and items are printed digitally in small numbers, or on demand which significantly reduces the total amount of paper used.

Appendix 22 – Water conservation

In 2009-10, the SCA used an estimated (determined by the percentage of floor space occupied) 1,198 kilolitres of water at its Penrith office, compared to 1,451 kilolitres in 2008-09, 3,215 kilolitres in 2007-08 and 3,599 kilolitres in 2006-07 and 2,938 kilolitres in 2005-06. This is a 40 percent decrease in water consumption since 2005-06 and exceeds the SCA's Environment Plan target of a 15 percent decrease in Penrith office water consumption compared to 2005-06 water consumption figures.

The large decrease in water consumption at the SCA's Penrith office since 2005-06 can be attributed to the office relocation to the Penrith Government Office Building in November 2008. The new building features dual flush toilets, water-saving taps and showers, and rainwater tanks.

A leakage and loss report was provided to the Independent Pricing and Regulatory Tribunal (IPART) in April 2007 detailing the SCA's actions to address water leakage and loss. We report annually on progress against these actions, and the report can be found on the SCA website www.sca.nsw.gov.au.

The SCA collaborates with Sydney Water and its other customers to ensure consistent approaches to demand management and water conservation. The Water Wrap newsletter which accompanies Sydney Water's billing notices for customers and SCA billing notices for retail customers, delivers quarterly water conservation messages.

The SCA continues to play an active role in the interagency Metropolitan Water Education Group comprising representatives from the NSW Office of Water, Sydney Water, the Office of the Hawkesbury Nepean and the

Department of Environment, Climate Change and Water. The group oversees the implementation of the Water for Life education program.

The SCA continued to participate in the group and provided extensive in-kind support including:

- supporting the development of a communication strategy for the 2010 Metropolitan Water Plan
- input to the planning and evaluation of mass media Water for Life community education campaigns
- developing animations and graphics as well as fact sheets and other material to support consultation around the 2010 Metropolitan Water Plan
- contributing to the development of key messages for use across the water sector.

The SCA has continued to deliver water conservation messages in its school education program at Warragamba Dam and in the Warragamba Dam Visitor Centre and exhibition.

Appendix 23 – Cost of 2009–10 Annual Report

The estimated external production cost of the SCA Annual Report 2009-10 was \$6,124.

Appendix 24 – Operating licence requirements reported to IPART

The 2006-2010 operating licence requires the SCA to provide specific information to IPART by 1 September of each year. Condition 1.12.2 requires the SCA to make this information available to the public after it is provided to IPART.

Table 42 – SCA operating licence requirements

Licence condition	Requirement	Annual report reference
4.3.3	The SCA must provide information to IPART by 1 September of each year on its compliance with the Regional Environmental Plan.	Goal 2 - The Drinking Water Catchments Regional Environmental Plan No 1
5.1.5	By 1 September of each year the SCA must provide information to IPART on progress for the previous financial year in meeting the Environment Plan. This includes the SCA's compliance with targets and timetables in the plan.	Goal 2 - Assessing environmental impacts of SCA projects Goal 4 - Achievements in environmental performance Appendix 20 - Heritage assets Appendix 21 - Waste reduction and purchasing policy (WRAPP) implementation Goal 4 - Summary of SCA energy related achievements 2009-10 Appendix 22 - Water conservation
Licence condition	Requirement	Annual report reference
6.4.2 (a)	The SCA must provide by 1 September of each year information for the previous financial year on demand management and supply augmentation including any obligations under any licence or approval under the <i>Water Act 1912</i> , <i>Water Management Act 2000</i> and the Metropolitan Water Plan.	Goal 1 - Metropolitan Water Plan Appendix 22 - Water conservation

8.3.5	<p>The SCA must provide by 1 September of each year the following details concerning complaints:</p> <ul style="list-style-type: none"> (a) number and type (b) number and type resolved or not resolved in sufficient detail and with sufficient classification to enable IPART to gain a reasonable understanding of how complaints were resolved or why they were not resolved (c) where there are 20 or more complaints on a similar problem or issue, details of that problem or issue. 	<p>Goal 4 - Complaints</p> <p>Appendix 8 – Complaints</p>
8.4.2	<p>The SCA by 1 September of each year must provide information on its consultation activities under clause 8.4.1 (the SCA must regularly engage in consultation with customers and the community on issues relevant to the performance of the SCA's obligations under the licence).</p>	<p>Goal 4 - Consulting to make the best decisions</p>
5.2 and schedule 2	<p>Indicators of the SCA's impacts on the environment:</p> <ul style="list-style-type: none"> • Energy • Water consumption • Waste • Heritage • Compliance with water releases. 	<p>Goal 4 - Achievements in environmental performance</p> <p>Table 1 - Key areas of performance 2009-10</p> <p>Appendix 21 - Waste reduction and purchasing policy (WRAPP) implementation</p> <p>Appendix 20 - Heritage assets</p>

Information to meet the requirements of conditions 6.4.2(b) and 6.4.2(c) is published directly on the SCA website www.sca.nsw.gov.au



Sydney Catchment Authority Division of the Government Service Annual Report 2009-10

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Letter to the Minister

Sydney Catchment Authority
Level 4
2 – 6 Station Street
Penrith NSW 2750

The Hon P J Costa MP
Minister for Water
Level 34 Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Minister

It gives me great pleasure to submit the 2009-10 Annual Report of the Sydney Catchment Authority Division of the Government Service for presentation to the Parliament of NSW.

The report is prepared in accordance with the *Public Sector Employment and Management Act 2002*. The report adheres to the *Annual Report (Statutory Bodies) Act 1984*, the Annual Report (Statutory Bodies) Regulation 2010, the *Public Finance and Audit Act 1983*, and the Public Finance and Audit Regulation 2010.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Bullen', with a large, stylized loop at the end.

MICHAEL BULLEN
Division Head
Sydney Catchment Authority Division of the Government Service

29 October 2010

About the SCA Division of the Government Service

The *Public Sector Employment and Management Act 2002* established the Government Service of New South Wales. The Service is comprised of those persons employed by the Government in the service of the Crown. These persons are the former employees of statutory corporations like the SCA and agencies who previously employed their own staff.

The Government Service is divided into divisions. The Sydney Catchment Authority Division is a division created by the Act. The SCA 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.

Under these arrangements, the SCA Division is a special purpose service entity 'that provides personnel services to a single statutory corporation where the service entity has no functions other than employment functions'. The SCA Division is required to produce separate financial reports.

The annual report for the SCA Division is in two sections. Section one reports on the personnel services that the Division provides to the SCA. Section two contains the Division's financial reports required by Treasury.

GOAL 4 - Successful business

The Sydney Catchment Authority Division of the Government Service (SCA Division), as a statutory corporation, includes details of its human resources and employee related matters in its annual report.

The SCA Division employs around 285 staff who enable us to deliver on our statutory obligations. The Division aims to provide a safe and equitable work environment for all employees and to be an employer of choice in the water industry.

The SCA Division delivered on a broad range of employee related strategies and programs during the year.

Highlights

- Continuous improvement in injury statistics and injury management, with a 50 percent decrease in days lost per compensable injury and a 74 per cent decrease in total lost time days compared to previous years' performance.
- Finalist in WorkCover NSW Safe Work Awards category Best Workplace Health and Safety Management System.
- Developed a cadetship program in support of the NSW Government base level employment initiatives.
- More than 110 SCA staff across all work areas attended a leadership development program called The Leader Within.
- Commenced an expanded induction program for new staff.
- Developed a plan to address issues of an ageing workforce and potential future skills shortages through new entry level employment programs for trainees, cadets and graduate recruits, and through knowledge transfer, accelerated development and young professionals initiatives.

People are safe at the SCA

Occupational health and safety

The SCA Division is committed to the safety, health and well-being of staff, contractors and visitors to our facilities and the effective rehabilitation of injured employees. The Division has set a zero injury target as a goal to be achieved and maintained.

During 2009-10, the Division continued to enhance internal consultation arrangements and occupational health and safety (OH&S) outcomes through previously established area OH&S committees, and an OH&S Executive Steering Committee chaired by the Chief Executive.

Effective and responsive OH&S consultative arrangements are a corporate priority for the Division to ensure sustained management and employee focus on OH&S performance.

Overview of injuries

The SCA has continuously improved on previous years' performance related to injury statistics and injury management outcomes. These are reported in Table 43 below.

Table 43 - SCA compensable injury figures

Financial year	Total injuries	Total lost time days	Average lost time days per compensable injury
2007-08	9	124	13.8
2008-09	6	43	7.2
2009-10	3	11	3.7

Ongoing injury management performance has improved in alignment with the SCA's OH&S management system introduced in 2007-08.

Total compensable injury figures represent a 50 percent decrease from the previous year. Total lost time days have decreased by 74 percent.

In addition to significant decreases in compensable injuries, the SCA achieved significant cost savings to its workers compensation insurance premium. This was a positive result for the SCA and supported the sustained focus by the SCA to promote zero injury, and effective injury management processes promoting early return to work and bottom line performance results. The anticipated ongoing zero or low injury rates into the 2010-11 policy year will support further premium reductions.

In March 2010 the Auditor-General released the report 'Injury Management in the NSW Public Sector'. The report addressed how government agencies had performed against injury management targets in the Working Together Strategy 2005-2008.

The SCA is pleased to report that the Division's results exceeded NSW public sector performance.

WorkCover Safe Work Awards 2009

In October 2009 the SCA was recognised as a finalist in the category Best Workplace Health and Safety Management System at the WorkCover Safe Work Awards.

Staff day 2009

On 22 October 2009 the SCA held its annual staff day with the focus on health, wellbeing and sustainability. The event was well attended and provided employees with health and wellbeing advice, complimentary health checks and presentations delivered by managers, the Executive and guest speakers.

Planned OH&S priorities 2010-11

The SCA's OH&S priorities for 2010-11 are:

- review and update the OH&S management system framework and associated procedures
- establish a staff wellbeing program
- ensure the SCA complies with the Government's Working Together 2010-12 strategies.

We have the right people with the right skills at the right time

The Division's learning and development programs throughout 2009-10 aimed to foster the development of skills and capabilities to meet current and future business needs (see Appendix 4 for details).

The Division is developing a wide ranging program to provide opportunities for new staff as trainees through TAFE and university, as well recruiting new graduates.

The program is motivated by the SCA's need to address the issues of an ageing workforce (59.5 percent of staff are aged 45 years and over) and potential future skills shortages. This program has been enthusiastically endorsed by the SCA Board.

Other aspects of the program include a young professionals program, knowledge transfer through coaching and mentoring, and providing opportunities for accelerated development through management and leadership training, the assignment of high level tasks and projects, secondments and study tours.

Case study – workforce planning

The Division's learning and development programs throughout 2009-10 aimed to foster the development of skills and capabilities to meet current and future business needs (see Appendix 4 for details).

In 2009-10 the Division developed a plan to address the issues of an ageing workforce and potential future skills shortages. The plan was enthusiastically endorsed by the SCA Board.

Key elements of the plan include new entry level employment programs and initiatives encouraging knowledge transfer, accelerated development and young professionals in our existing workforce.

Entry level programs focus on recruiting and supporting trainees, cadets and graduate recruits. Four cadets were employed in 2009-10 as part of the new cadetship program. The trainee program and graduate recruits program will commence in 2010-11.

Cadetship program

The Division has developed a cadetship program in support of the NSW Government base level employment initiatives. The SCA's cadetship program supports the management strategies being developed in relation to entry level employment programs. The initial intake consisted of four cadets who commenced in January 2010 and are employed for a period of two years.

The cadetship provides practical work experience and development of skills combined with relevant part time TAFE study. Each cadet is assigned to a work area, with a three rotation placement of eight months duration. During the program each cadet gains a broad range of skills, knowledge and experience.



Caption: The 2010 SCA cadets pictured with Valerie Rhodes, Cadetship Coordinator (from left) Valerie Rhodes, Nicole Wallwood, Vaughan Hildebrand, Todd O'Kelly and Ryan Heaton.

Cadetship program

The Division has developed a cadetship program in support of the NSW Government base level employment initiatives. The SCA's cadetship program supports the management strategies being developed in relation to entry level employment programs. The initial intake consists of four cadets who commenced in January 2010 and are employed for a period of two years. Each cadet is assigned to a work area, with a three rotation placement of eight months in each area. During the program each cadet gains a broad range of skills, knowledge and experience.

The cadetship provides practical work experience and development of skills combined with relevant part time TAFE study.

Long service awards

The SCA Long Service Awards procedure was reviewed and updated in 2009. The procedure recognises staff with prior service in other areas of the NSW Government, not only from the SCA and Sydney Water. The service milestones awards are:

- 40 years' service – Nomination for NSW Service Medallion
- 30 years' service
- 20 years' service
- 10 years' service.

A long service awards ceremony was held in October 2009. Five staff were recognised for 40 years' service, 14 staff for 30 years' service, 19 staff for 20 years' service, and 46 staff for 10 years' service.

Consulting with unions

A Joint Consultative Committee provides a forum for peak level discussions between the Division, the Australian Services Union, and the Association of Professional Engineers, Scientists and Managers Australia.

During the year the committee worked collaboratively to implement the SCA organisational realignment. No disputes involving the SCA were lodged or heard in the Industrial Relations Commission of NSW during the year.

The parties progressed with work to rewrite the Sydney Catchment Authority Consolidated Award for the period 1 December 2008 to 30 June 2011 to modernise and streamline conditions and remove obsolete clauses.

Realignments and organisational reviews

During 2009-10 the SCA undertook a realignment process to re-define business areas and priorities and align work groups and functions across the organisation. This work has resulted in new structures that now underpin the SCA as a sustainable business for the future. The SCA realignment process was completed in January 2010.

The SCA realignment provided opportunities for SCA staff, supported the attraction of new staff to the SCA, and opened up further opportunities for trainees and other entry level employment programs. It has ensured that the organisation is positioned to meet future challenges and work priorities.

Managing performance and recognising staff achievements

During 2009-10 a comprehensive review was undertaken of the SCA's performance management system. The review included consultation with managers and staff across the organisation. A new program has been designed that will enable focussed performance planning and review, as well as providing a simplified performance management system and process. The new performance management system is proposed to be implemented in 2010-11.

Corporate induction

The SCA values the intake of new staff to be part of its current and future workforce. During the year the SCA made improvements to the organisation's induction process for new employees. A comprehensive program for new staff commenced in January 2010, including introduction to SCA policies, processes and systems, on-line training and a tour of SCA infrastructure.

Leadership development

During 2009-10 more than 110 SCA staff across all work areas attended a leadership development program called The Leader Within. The three-day residential program was designed to respond to key challenges faced by individuals, teams and organisations. It provides a framework for current and emerging leaders to be more effective in a complex and challenging business environment. The program aims to build capabilities in the areas of people skills, workplace relationships, team effectiveness, team and individual development, change and innovation facilitation, managing work priorities and professional development.

Certificate IV – Government program

During 2009-10, 25 SCA staff enrolled in the Certificate IV – Government program. This accredited program will provide staff with qualifications in government through the recognition of prior learning. The SCA is working with TAFE NSW (St George Institute) to deliver this innovative program that recognises the skills, knowledge and capabilities of its staff.

Complete Human Resources Information System

The SCA's Complete Human Resources Information System (CHRIS) was upgraded during the year with an enhanced version of Employee Self Service (ESS) making it easier to use and navigate for staff. The system has been operating since 2006 and provides on line information to staff and managers. The enhanced version of ESS was successfully launched on 18 May 2010. A benefit of the enhanced version is the additional feature of a leave planner available for managers to support review and approval of staff leave, assisting with staff resourcing and leave planning. A new first line management approval process aligned with the revised SCA Authorisations Manual was also implemented. Future planned enhancements to the system include a performance management module and the implementation of the full functionality of the training module.

Equity and Diversity Management Plan

The Division is required by legislation and government policy to develop a number of management plans relating to equity and diversity. The SCA has combined these plans into a single Equity and Diversity Management Plan that details relevant initiatives. The plan comprises an Equal Employment Opportunity Management Plan, a Disability Action Plan, and a Multicultural Policies and Services Plan.

The current Equity and Diversity Management Plan was developed in consultation with staff from across the organisation. The plan is based on guidelines issued by the Public Sector Workforce Office in the Department of Premier and Cabinet, Department of Ageing, Disability and Home Care, and Community Relations Commission. It is endorsed by the SCA Executive and approved by the Chief Executive and has been submitted to all relevant agencies.

All staff members are responsible for actioning the plan and those with direct responsibilities have actions specified in their performance agreements.

Equal employment opportunity activities

Activities in 2009-10

The Division launched a new induction program for all new employees in January 2010. The program dedicates a separate component for equal employment opportunity awareness and the prevention of harassment and bullying. The session covers the rights and responsibilities of staff, practical strategies to prevent, identify and manage harassment and bullying, legal obligations and how to deal with complaints.

The SCA is finalising a Breastfeeding at Work procedure that provides paid lactation breaks for women who need to breastfeed or express milk, and facilities such as a private room and refrigeration.

The SCA regularly sponsors employees to enrol in the Public Sector Management Program. The program is a national tertiary level program focused on building management skills. This year, one female and one male employee undertook the course.

Table 44 - Trends in representation of EEO groups 2009-10

A. Percentage of total staff representation

EEO Group	Benchmark or target	2006 (%)	2007 (%)	2008 (%)	2009 (%)	2010 (%)
Women	50	38	40	41	40	38
Aboriginal people and Torres Strait Islanders	2.6*	2	2	2	2	1.7
People whose first language was not English	19*	15	18	19	18	17
People with a disability	12	3	3	2	2	3
People with a disability requiring work-related adjustment	7	1	1	0.5	0.5	0.6

* Targets changed from December 2009 (previously 2% and 20% respectively)

B. Distribution index

EEO Group	Benchmark or target	2006 (%)	2007 (%)	2008 (%)	2009 (%)	2010 (%)
Women	100	85	85	87	86	89
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	107	106	107	109	108
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

C. External appointments EEO percentages

EEO group	2006-07	2007-08	2008-09	2009-10
No of external appointments (new employees) (1)	43	34	13	15
No of responses to EEO questionnaires received	35	23	11	10
Women (2)	54%	47%	54%	40%
Aboriginal people and Torres Strait Islanders (3)	0%	4%	0%	0%
People from a non-English speaking background (3)	26%	22%	0%	0%
People with a disability (3)	3%	4%	0%	0%

People from a racial, ethnic or ethno-religious minority group (3)	29%	22%	0%	7%
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1. This information was based on external appointments for each financial year (it has not been reduced by terminations).
2. Based on the number of new external appointments
3. Category percentages are based on the number of EEO questionnaires received

Other planned activities 2010-11

A new equity and diversity management plan for the SCA is being finalised. This new plan will not only combine our obligations to produce an equal employment opportunity management plan, a disability action plan and a multicultural policies and services plan but will also embed actions relating to an Aboriginal employment strategy. The new plan will cover actions going forward to 2012.

In line with proposed measures in the equity and diversity management plan the SCA will target positions to increase the representation of EEO group members in the SCA, particularly indigenous people and people with a disability. The SCA has had discussions with an employment agency specialising in placing people with a mental disability about employment opportunities at the SCA in the coming year.

Disability and equitable access

The SCA's policies, procedures and work practices reflect the provision of equitable access and opportunities for employees and, where applicable, members of the community, in the following areas:

- employment and development
- premises, services and facilities
- relevant information and communications
- participation in decision-making.

The SCA endeavours to promote positive community attitudes towards people with disabilities.

Activities in 2009-10

The Warragamba Visitor Centre was officially opened in November 2009. Physical access to buildings complies with the Australian standards for access and mobility. The redevelopment of Haviland Park and surrounds for visitors at Warragamba Dam includes access for people with mobility and sensory impairment.

The new visitor centre will house a permanent exhibition called Water for Life. The SCA has sought advice for the displays from experts in disability access, such as Vision Australia, in terms of colour, contrast, font and display height. Multimedia displays are also a feature and audio-based information will be used wherever possible.

The SCA sponsored the NSW Department of Ageing, Disability and Homecare 2009 Don't DIS my ABILITY campaign which aims to promote a culture of participation and awareness and celebrate the achievements of people with disabilities.

Planned activities 2010-11

The SCA is required by legislation to develop a Disability Action Plan. The new plan is embedded in the Equity and Diversity Management Plan 2010-2012 and is pending approval.

The plan was developed using the guidelines in the Disability Action Plan by NSW Government agencies and is structured around five key outcomes:

- identifying and removing barriers to services for people with a disability
- providing information and services in a range of formats that are accessible to people with a disability
- making SCA buildings and facilities physically accessible to people with a disability
- assisting people with a disability to participate in public consultations and to apply for and participate in SCA advisory boards and committees
- increasing employment participation of people with a disability in the SCA.

The SCA will consider once again sponsoring the NSW Department of Ageing, Disability and Homecare 2010 Don't DIS my ABILITY campaign.

Multicultural Policies and Services Plan

The SCA recognises its staff and the community include people from culturally and linguistically diverse backgrounds who offer a variety of skills, abilities and perspectives. Valuing and drawing on this diversity enhances the SCA's performance.

Activities in 2009-10

In January 2010 the SCA launched a new induction program for all new employees. The program dedicates a separate component for equal employment opportunity awareness and includes information on relevant legislation, discrimination and harassment with regard to cultural, ethno-religious and racial background, and the prevention of harassment and bullying.

Six staff members were accredited under the Government's Community Language Allowance Scheme that recognises the use of their community language skills in aspects of SCA work.

Harmony Day was celebrated with international feasts held at the SCA's Penrith, Warragamba and Campbelltown offices. Organised by the SCA Social Club, the SCA participated in the nation-wide A Taste of Harmony campaign embracing cultural diversity. At least 100 staff attended the Penrith office feast alone, sampling food from close to 20 international cuisines.

The SCA continues to provide employees with access to leave entitlements, flexible work hours, and purchase leave for religious observance and cultural obligations and duties.

Planned activities 2010-11

A new Multicultural Policy and Services Plan is embedded in the Equity and Diversity Management Plan 2010-2012 and is pending Executive approval. The plan was developed around the NSW Community Relations Commission Multicultural Planning Framework.

The SCA will continue to be involved with providing work experience for skilled volunteer migrants as part of the NSW Government Skilled Migrant Mentoring Program.

The SCA is in the process of investigating cultural awareness training for relevant staff.

Privacy management

The SCA has a Privacy Management Plan and Privacy Action Plan that are available to all staff on the intranet. Staff were trained in their privacy obligations when the Privacy Management Plan was implemented.

Activities in 2009-10

Staff trained in the new version of the Employee Self Service (ESS) payroll system were explicitly reminded of information security policies and privacy obligations. The new version of ESS incorporates a new log-on protocol requiring the user to log on to ESS separately but use the same password as the Windows system. This has increased the security of the system while eliminating the need for several different passwords.

A new induction program was implemented in 2010 that requires new staff to sign an agreement to comply with the SCAs policies on information security. A half hour session on security of SCA and personal information is delivered to all new starters by a senior member of the Information Technology group as part of the induction program.

Planned Activities 2010-11

The SCA Privacy Management Plan is being revised and updated to ensure compliance with legislation and Government policy. Implementation of a new plan will incorporate training for SCA staff.

SCA Division financial reporting

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GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Sydney Catchment Authority Division

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Sydney Catchment Authority Division (the Division), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Division as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Chief Executive's Responsibility for the Financial Statements

The Chief Executive of Sydney Catchment Authority is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Division's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive of the Sydney Catchment Authority, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Division
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

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

A handwritten signature in dark ink, reading 'M T Spriggins'. The signature is written in a cursive, flowing style with a large 'M' and 'S'.

M T Spriggins
Director, Financial Audit Services

19 October 2010
SYDNEY

Sydney Catchment Authority Division

Financial Statements for the year ended 30 June 2010



**SYDNEY CATCHMENT AUTHORITY DIVISION
OF THE GOVERNMENT SERVICE**

FINANCIAL STATEMENTS

In my opinion, as the Division Head, Sydney Catchment Authority Division of the Government Service, the accompanying Financial Statements:

- a) exhibit a true and fair view of the financial position of the Sydney Catchment Authority Division of the Government Service as at 30 June 2010 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date;
- b) comply with applicable accounting standards, the Public Finance & Audit Act 1983, the Public Finance & Audit Regulation 2010, the Treasurer's Directions and other mandatory professional and statutory requirements where applicable.

I am not aware of any circumstances that would render any particulars in the financial statements to be misleading or inaccurate.



Michael Bullen
Division Head
Sydney Catchment Authority Division of the Government Service

19 OCT 2010

Sydney Catchment Authority Division

Statement of comprehensive income

for the year ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Personnel services revenue	2	36,106	49,853
Employee related expenses	3	(31,389)	(38,461)
Operating result for the year		4,717	11,392
Other comprehensive income			
Defined benefit plan actuarial gains (losses)	7a	(4,717)	(11,392)
Other comprehensive income for the year		(4,717)	(11,392)
Total comprehensive income for the year		-	-

The accompanying notes form part of these financial statements

Sydney Catchment Authority Division

Statement of changes in equity

for the year ended 30 June 2010

	Accumulated Funds		Total Equity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the reporting year	-	-	-	-
Comprehensive income				
Profit (loss) for the year	4,717	11,392	4,717	11,392
Defined benefit plan actuarial gains (losses)	(4,717)	(11,392)	(4,717)	(11,392)
Total comprehensive income for the year	-	-	-	-
Balance at the end of the reporting year	-	-	-	-

The accompanying notes form part of these financial statements

Sydney Catchment Authority Division

Statement of financial position

as at 30 June 2010

	Note	2010 \$'000	2009 \$'000
ASSETS			
Current assets			
Trade and other receivables	4	33,143	31,995
Other non-financial assets	5	379	271
Total current assets		33,522	32,266
Total assets		33,522	32,266
LIABILITIES			
Current liabilities			
Trade and other payables	6	182	701
Provisions	7	12,831	15,644
Total current liabilities		13,013	16,345
Non-current liabilities			
Provisions	7	20,509	15,921
Total non-current liabilities		20,509	15,921
Total liabilities		33,522	32,266
Net assets		-	-
EQUITY			
Accumulated funds		-	-
Total equity		-	-

The accompanying notes form part of these financial statements

Sydney Catchment Authority Division

Statement of cash flows

for the year ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Net cash provided by (used in) operating activities	11	-	-
Cash flows from investing activities			
Net cash provided by (used) in investing activities		-	-
Cash flows from financing activities			
Net cash provided by (used in) financing activities		-	-
Net increase (decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period		-	-

The accompanying notes form part of these financial statements

SYDNEY CATCHMENT AUTHORITY DIVISION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

REPORTING ENTITY

Sydney Catchment Authority Division is a Division of the Government Service, established pursuant to Part 2 and Part 3 of Schedule 1 of the *Public Sector Employment and Management Act 2002* (PSEMA). It is a not-for-profit entity that is consolidated as part of the NSW Total Sector Accounts. It is domiciled in Australia and its principal office is at Level 4, 2-6 Station Street, Penrith NSW 2750.

Sydney Catchment Authority Division commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of the Sydney Catchment Authority. The Sydney Catchment Authority Division's objective is to provide personnel services to Sydney Catchment Authority.

The Sydney Catchment Authority Division is regarded as a special purpose entity as it was established specifically to provide personnel services exclusively to the Sydney Catchment Authority to enable it to exercise its functions outlined in its enabling legislation. The Sydney Catchment Authority Division undertakes no other activities other than the provision of personnel services to the Sydney Catchment Authority.

The Sydney Catchment Authority Division is a reporting entity that is subject to the control of the Sydney Catchment Authority. Accordingly it is consolidated by the Sydney Catchment Authority.

The financial statements were authorised for issue by the Chief Executive on 19 October 2010.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Statement of compliance

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

b) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (which includes Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983* and Regulation.

The financial statements have been prepared on an historical cost basis; except for defined benefit assets are measured as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

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

c) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Sydney Catchment Authority Division's accounting policies, management is required to make judgments, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgments in applying the Sydney Catchment Authority Division's accounting policies

The following are the critical judgements that management has made in the process of applying the Sydney Catchment Authority Division's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Not-for-profit status

Management judgement has been applied in determining Sydney Catchment Authority Division's classification as a 'not-for-profit' entity. In making this assessment, the Sydney Catchment Authority has considered the guidance provided by NSW Treasury Policy 05-4 'Distinguishing For-Profit from Not-For-Profit Entities' and TC 06/13 'Financial Reporting and Annual Reporting Requirements Arising from Employment Arrangements'.

SYDNEY CATCHMENT AUTHORITY DIVISION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Provision for Employee Entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at reporting date:

- Future increases in wages and salaries;
- Future on-cost rates; and
- Experience of employee terminations, gender profiles and periods of service

(ii) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other sources of estimation uncertainty at reporting date, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next reporting period:

Superannuation plan assumptions

The Sydney Catchment Authority Division has used actuarial assumptions to estimate its defined benefit superannuation obligation. The assumptions underlying the estimate are disclosed in Note 7(a).

d) Revenue

The Sydney Catchment Authority Division recognises revenue when the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the Sydney Catchment Authority Division. The amount of revenue is not considered to be reliably measureable until all contingencies associated with a transaction are resolved.

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

e) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of associated GST, except where the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the Statement of Financial Position.

As allowed by the *A New Tax System (Goods and Services Tax) Act 1999* the Sydney Catchment Authority Division is grouped with Sydney Catchment Authority for GST purposes.

f) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Short-term receivables are not discounted because the effect of discounting is considered immaterial. Trade receivables are due for settlement no more than 30-days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for impairment is established where there is objective evidence that the Division will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of the debtor; the probability that the debtor will enter bankruptcy or financial reorganisation; or default or delinquencies in payments (more than 30 days overdue) are considered indicators that the receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the amount expected to be recovered.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Where a receivable is deemed uncollectible, it is written off against the allowance for impairment. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

g) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Sydney Catchment Authority Division prior to the end of the reporting period, which remain unpaid. The amounts are unsecured and are usually paid within 30-days of recognition. NSW Government guidelines allow for the Chief Executive or his delegate to award interest for late payment of trade and other payables.

**SYDNEY CATCHMENT AUTHORITY DIVISION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

h) Employee Benefits

(i) Wages and salaries, annual leave, sick leave and associated on-costs

Liabilities for wages and salaries (including non-monetary benefits) and annual leave expected to be settled within 12-months of the reporting date are recognised as a payable or provision in respect of employees' service up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12-months after the reporting date, in which case it is classified as a non-current liability.

The portion of the liability expected to be settled later than 12-months is measured at the present value of the estimated future cash flows expected to be paid by the Sydney Catchment Authority Division with respect of services provided by employees up to reporting date.

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

Outstanding amounts of payroll tax, workers' compensation insurance premiums, superannuation and other associated on-costs, 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 liability for long service leave is recognised as an employee benefit and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. When determining the liability, consideration is given to expected future wage and salary levels; experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms and maturity and currency that match, as closely as possible, the estimated future cash outflows. Amounts expected to be settled within 12 months of reporting date are not discounted.

(iii) Superannuation

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity but has no legal or constructive obligation to pay any further amounts. Contributions to defined contribution superannuation plans are recognised as an expense when employees have rendered service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Defined benefit plans

The Sydney Catchment Authority Division's defined benefit superannuation plans provides defined lump sum benefits based on years of service and final average salary.

A liability or asset in respect of defined benefit superannuation plans is recognised in the Statement of Financial Position, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to future salary and wage levels, experience of employee departures and periods of service. Prepaid contributions are recognised as an asset to extent that cash refund/reduction in future payments is available.

AASB 119 'Employee Benefits' does not specify whether an entity shall distinguish current and non-current portions of assets and liabilities arising from post-employment benefits because at times the distinctions may be arbitrary. Based on this, the Sydney Catchment Authority Division has decided to disclose all its liabilities as non-current as this best reflects when the Sydney Catchment Authority Division expects to settle the liability.

Expected future payments are discounted using market yields at reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses are recognised in full in the Statement of Comprehensive Income in the period in which they occur.

SYDNEY CATCHMENT AUTHORITY DIVISION **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2010**

Past service costs are recognised immediately as an expense in profit or loss unless the changes to the superannuation fund are conditional on employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Sydney Catchment Authority Division is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement age, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits are only recognised if it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Benefits falling due more than 12-months after reporting date are discounted to present value.

i) Comparative amounts

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

j) Standards and Interpretations issued but not yet effective

At the date of authorising the financial statements, the following Standards were issued but not yet effective. Initial application of these Standards and Interpretations are not expected to have any material impact on the financial statements of the Sydney Catchment Authority Division.

- | | |
|--|--|
| ▪ AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' [AASB 5, 8, 101, 107, 117, 118, 136 & 139] - May 2009 | ▪ Annual reporting period beginning on or after: 1 January 2010 |
| ▪ AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions' [AASB 2] - July 2009 | ▪ Annual reporting period beginning on or after: 1 January 2010 |
| ▪ AASB 2009-9 'Amendments to Australian Accounting Standards – Additional Exemptions for First-Time Adopters' [AASB 1] - September 2009 | ▪ Annual reporting period beginning on or after: 1 January 2010 |
| ▪ AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] - October 2009 | ▪ Annual reporting period beginning on or after: 1 February 2010 |
| ▪ AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023, 1038 and Interpretations 10 & 12] - December 2009 | ▪ Annual reporting period beginning on or after: 1 January 2013 |
| ▪ AASB 2009-12 'Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] - December 2009 | ▪ Annual reporting period beginning on or after: 1 January 2011 |
| ▪ AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] - December 2009 | ▪ Annual reporting period beginning on or after: 1 January 2011 |
| ▪ AASB 124 'Related Party Disclosures - revised December 2009 | ▪ Annual reporting period beginning on or after: 1 January 2011 |
| ▪ AASB 9 'Financial Instruments' - December 2009 | ▪ Annual reporting period beginning on or after: 1 January 2013 |
| ▪ AASB 2010-1 'Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters [AASB 1 & AASB 7] - February 2010 | ▪ Annual reporting period beginning on or after: 1 July 2010 |
| ▪ AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements - June 2010 | ▪ Annual reporting period beginning on or after: 1 July 2013 |

**SYDNEY CATCHMENT AUTHORITY DIVISION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

- AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]' - June 2010
- AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]' - June 2010
- Annual reporting period beginning on or after: 1 July 2010
- Annual reporting period beginning on or after: 1 January 2011

Sydney Catchment Authority Division

Notes to the financial statements

for the year ended 30 June 2010

2010	2009
\$'000	\$'000

NOTE 2. PERSONNEL SERVICES REVENUE

Personal services revenue	36,106	49,853
Personnel services revenue	36,106	49,853

NOTE 3. EMPLOYEE RELATED EXPENSES

Salaries and wages (including recreation leave and redundancies)	26,516	30,136
Superannuation	2,116	2,034
Long service leave	570	3,840
Workers compensation insurance	315	474
Payroll tax and fringe benefits tax	1,872	1,977
Employee related expenses	31,389	38,461

NOTE 4. TRADE AND OTHER RECEIVABLES

Trade and other receivables	33,143	31,995
Trade and other receivables	33,143	31,995

99.98 percent (2009: 99.97 percent) of the trade and other receivables balance is receivable from Sydney Catchment Authority. Trade and other receivables are neither past due nor impaired. There is no indication that the Sydney Catchment Authority will be unable to settle amounts owing to the Sydney Catchment Authority Division as and when they fall due.

No trade or other receivables that have or are being renegotiated (such that they would be past due or impaired had the renegotiation not occurred) (2009: Nil).

(a) Foreign exchange and interest rate risk

The carrying amount of trade and other receivables does not include any receivables that are denominated in a foreign currency (2009: Nil)

The Sydney Catchment Authority Division does not hold any interest bearing receivables at reporting date (2009: Nil)

(b) Fair value and credit risk

Because of the short-term nature of receivables, the carrying amount is assumed to approximate the receivable's fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The Sydney Catchment Authority Division holds no collateral in relation to these receivables (2009: Nil).

Refer to Note 12 for the credit risk management policy of the Sydney Catchment Authority Division.

Sydney Catchment Authority Division

Notes to the financial statements

for the year ended 30 June 2010

2010	2009
\$'000	\$'000

NOTE 5. OTHER NON-FINANCIAL ASSETS

Prepaid workers' compensation	196	-
Prepaid salaries and wages	183	271
Other non-financial assets	379	271

NOTE 6. TRADE AND OTHER PAYABLES

Accrued payroll tax	174	192
Other salary related oncosts	8	509
Trade and other payables	182	701

a) Fair value and liquidity risk exposures

Trade and other payables includes non-interest bearing liabilities expected to be settled no later than 12 months from reporting date and as such, are recorded on an undiscounted basis. Because of the short-term nature of the payables, the carrying amount is assumed to approximate fair value.

b) Foreign exchange risk

The carrying amount of trade and other payables does not include any payables that are denominated in a foreign currency (2009: Nil)

NOTE 7. PROVISIONS

Current provisions expected to be settled within 12 months

Employee benefits		
Annual leave	2,357	2,129
Long service leave	929	1,386
Redundancies	-	1,930
	3,286	5,445
Fringe benefits tax ¹	48	42
	3,334	5,487

Current provisions expected to be settled after more than 12 months

Employee benefits		
Annual leave ²	1,664	2,177
Long service leave ³	7,833	7,980
	9,497	10,157
Current provisions	12,831	15,644

Sydney Catchment Authority Division

Notes to the financial statements

for the year ended 30 June 2010

2010	2009
\$'000	\$'000

NOTE 7. PROVISIONS (continued)

Non-current provisions

Employee benefits		
Long service leave ³	589	566
Unfunded defined benefit superannuation liability	19,920	15,355
Non-current provisions	20,509	15,921

¹ The amount provided for Fringe Benefit Tax is based on the actual fringe benefit liability for the fringe benefit tax liability year ending 30 April 2010. As a result, there is inherent uncertainty over what the actual liability will be until it is calculated at the end of the fringe benefit reporting year (30 April 2011).

² The bond rate used to discount long-term annual leave to its present value at reporting date was 5.10 percent (2009: 5.52 percent). This rate represents the yield that matches as closely as possible the estimated timing of payments .

³ The bond rates used to discount long service leave expected to be settled later than 12 months from reporting date to its present value ranged from 4.6 percent to 6.1 percent (2009: 2.56 percent to 4.61 percent). These rates represent the yields that match as closely as possible the estimated timing of payments .

a) Defined benefit superannuation schemes

Accounting Policy

Actuarial gains and losses are recognised immediately in other comprehensive income in the year in which they occur.

Fund Information

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

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 closed to new members.

Sydney Catchment Authority Division

Notes to the financial statements

for the year ended 30 June 2010

NOTE 7. PROVISIONS (continued)

Reconciliation of the present value of the defined benefit obligation

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
<i>Present value of partly funded defined benefit obligations at beginning of the year</i>	13,915	3,137	33,375	13,077	2,890	27,541
Current service cost	410	153	362	382	152	338
Interest cost	758	170	1,849	830	182	1,787
Contributions by fund participants	251	-	320	244	-	344
Actuarial (gains)/losses	822	380	2,432	(414)	(32)	4,902
Benefits paid	(2,612)	(656)	(468)	(204)	(55)	(1,537)
<i>Present value of partly funded defined benefit obligations at beginning of the year</i>	13,544	3,184	37,870	13,915	3,137	33,375

Reconciliation of the fair value of fund assets

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
<i>Fair value of Fund assets at beginning of the year</i>	11,407	2,259	21,406	11,844	2,417	24,793
Expected return on fund assets	971	193	1,828	948	195	2,007
Actuarial gains/(losses)	(795)	(2)	(287)	(1,915)	(468)	(4,553)
Employer contributions	430	153	279	490	170	352
Contributions by Fund participants	251	-	320	244	-	344
Benefits paid	(2,612)	(656)	(468)	(204)	(55)	(1,537)
<i>Fair value of Fund assets at end of the year</i>	9,652	1,947	23,078	11,407	2,259	21,406

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
Present value of partly funded defined benefit obligation at end of year	13,544	3,184	37,870	13,915	3,137	33,375
Fair value of fund assets at end of year	(9,652)	(1,947)	(23,078)	(11,407)	(2,259)	(21,406)
<i>Liability/(Asset) recognised in statement of financial position at end of year</i>	3,892	1,237	14,792	2,508	878	11,969

Expense recognised in profit or loss

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
Components Recognised in profit or loss						
Current service cost	409	153	362	382	152	338
Interest cost	758	170	1,849	830	182	1,787
Expected return on Fund assets	(971)	(193)	(1,828)	(948)	(195)	(2,007)
<i>Expense/(income) recognised¹</i>	196	130	383	264	139	118

Sydney Catchment Authority Division

Notes to the financial statements

for the year ended 30 June 2010

NOTE 7. PROVISIONS (continued)

Amounts recognised in the consolidated entity's Statement of Comprehensive Income

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
Actuarial (gains) / losses	1,617	382	2,718	1,501	436	9,455

The total amount recognised in the consolidated entity's statement of comprehensive income was \$4.717 million (2009: \$11.392 million).

Cumulative amounts recognised in the Statement of Comprehensive Income

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains) / losses	3,994	1,274	13,604	18,872

Fund assets

The percentage invested in each asset class at the reporting date:

	30-Jun-10	30-Jun-09
Australian equities	31.0%	32.1%
Overseas equities	26.8%	26.0%
Australian fixed interest securities	6.1%	6.2%
Overseas fixed interest securities	4.3%	4.7%
Property	9.5%	10.0%
Cash	9.6%	8.0%
Other	12.7%	13.0%

Fair value of Fund assets

All Fund assets are invested by SAS Trustee Corporation at arm's length through independent fund managers.

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual Return on Fund Assets

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
Actual return on Fund assets	1,072	192	1,946	(1,216)	(274)	(2,433)

Valuation method and principal actuarial assumptions at the reporting date

a) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

b) Economic Assumptions

	30-Jun-10	30-Jun-09
Salary increase rate (excluding promotional increases)	3.5% pa	3.5% pa
Rate of CPI Increase	2.5% pa	2.5% pa
Expected rate of return on assets backing current pension liabilities	8.6%	8.1%
Discount rate	5.17% pa	5.6%

c) Demographic Assumptions

The demographic assumptions at 30 June 2010 are those relating to the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

Sydney Catchment Authority Division

Notes to the financial statements

for the year ended 30 June 2010

NOTE 7. PROVISIONS (continued)

Historical information

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
Present value of defined benefit obligation	13,544	3,184	37,870	13,915	3,137	33,375
Fair value of Fund assets	(9,652)	(1,947)	(23,078)	(11,407)	(2,259)	(21,406)
(Surplus)/Deficit in Fund	3,892	1,237	14,792	2,508	878	11,969
Experience adjustments – Fund liabilities	822	380	2,431	(414)	(32)	4,902
Experience adjustments – Fund assets	795	1,566	287	1,915	468	4,553

Aggregate Historical information¹

	Financial Year to 30 June 2010 \$'000	Financial Year to 30 June 2009 \$'000	Financial Year to 30 June 2008 \$'000	Financial Year to 30 June 2007 \$'000	Financial Year to 30 June 2006 \$'000	Financial Year to 30 June 2005 \$'000
Present value of defined benefit obligation	54,597	50,427	43,509	42,425	39,001	38,866
Fair value of Fund assets	(34,677)	(35,071)	(39,055)	(42,373)	(35,998)	(29,834)
(Surplus)/Deficit in Fund	19,920	15,356	4,454	52	3,003	9,032
Experience adjustments – Fund liabilities	3,633	4,456	(603)	1,222	(3,615)	-
Experience adjustments – Fund assets	2,648	6,936	5,659	(3,300)	(2,519)	-

¹Aggregate historical information includes SASS, SANCS and SSS

Expected contributions

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
Expected employer contributions	477	174	298	464	178	320

Funding arrangements for employer contributions

(a) Surplus/deficit

The following is a summary of the financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*

	SASS Financial Year to 30 June 2010 \$'000	SANCS Financial Year to 30 June 2010 \$'000	SSS Financial Year to 30 June 2010 \$'000	SASS Financial Year to 30 June 2009 \$'000	SANCS Financial Year to 30 June 2009 \$'000	SSS Financial Year to 30 June 2009 \$'000
Accrued benefits	12,131	2,843	25,122	12,852	2,851	23,522
Net market value of Fund assets	(9,652)	(1,947)	(23,078)	(11,408)	(2,258)	(21,406)
<i>Net (surplus)/deficit</i>	2,479	896	2,044	1,444	593	2,116

(b) Contribution recommendations

Recommended contribution rates for the Sydney Catchment Authority for the current and previous reporting period are:

SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
190	2.50	0.93

Sydney Catchment Authority Division

Notes to the financial statements

for the year ended 30 June 2010

NOTE 7. PROVISIONS (continued)

(c) Funding method

Contribution rates are set after discussions between the employer, SAS Trustee Corporation and NSW Treasury.

(d) Economic assumptions

The economic assumptions adopted for the last actuarial review of the Fund were:

Weighted-Average Assumptions	30-Jun-10	30-Jun-09
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa	7.3% pa
Expected salary increase rate	4.0% pa	4.0% pa
Expected rate of CPI increase	2.5% pa	2.5% pa

Nature of asset/liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary. Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

NOTE 8. SEGMENT REPORTING

The Sydney Catchment Authority Division operates exclusively as one business segment in the provision of personnel services to the Sydney Catchment Authority. Its area of operations is wholly within the State of New South Wales.

NOTE 9. COMMITMENTS

Sydney Catchment Authority Division has no commitments contracted for at the reporting date that have not yet been recognised as liabilities (2009: Nil).

NOTE 10. REMUNERATION OF AUDITORS

The audit fee for the financial audit of the Sydney Catchment Authority Division is assumed by the Sydney Catchment Authority. The audit fee for the Sydney Catchment Authority Division was \$4,620 (2009: \$3,685).

Sydney Catchment Authority Division

Notes to the financial statements

for the year ended 30 June 2010

2010
\$'000

2009
\$'000

NOTE 11. RECONCILIATION OF OPERATING RESULT TO CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES

Operating result	4,717	11,392
Adjustments for revenues and expenses recognised directly to equity:		
Actuarial gains (losses) on defined benefit superannuation schemes	(4,717)	(11,392)
Net movement in Statement of Financial Position items applicable to operating activities:		
Increase (decrease) in trade and other receivables	1,147	16,518
Increase (decrease) in other non-financial assets	108	223
(Increase) decrease in trade and other payables	519	(1,968)
(Increase) decrease in provisions	(1,774)	(14,773)
Net cash provided by (used in) operating activities¹	-	-

¹ The Sydney Catchment Authority Division does not have a bank account. All cash related transactions are paid for or received by Sydney Catchment Authority and subsequently charged back to Sydney Catchment Authority Division using inter-entity accounts.

NOTE 12. FINANCIAL RISK MANAGEMENT

The Sydney Catchment Authority Division's activities could potentially expose the entity to a variety of financial risks: Market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Sydney Catchment Authority Division's overall risk management program focuses on minimising potential adverse effects on the Sydney Catchment Authority Division's ongoing financial viability.

There has been no change in the Sydney Catchment Authority Division's exposure to these risks or how it arises from the last reporting period. In addition, there has been no change in the Sydney Catchment Authority Division's objectives, policies and processes for managing these risks from the previous reporting period.

a) Market risk

(i) Currency risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. On identification of a significant foreign currency exposure, the Sydney Catchment Authority Division fully hedges the transaction within two days of the exposure arising. There were no foreign currency exposures during the current or previous reporting period.

(ii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The nature of Sydney Catchment Authority Division's financial instruments is such that it has not been exposed to price risk in the current or previous reporting period.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The nature of Sydney Catchment Authority Division's financial instruments is such that it is not exposed to price risk in the current or previous reporting periods.

b) Liquidity risk

Liquidity risk is the risk that the Sydney Catchment Authority Division will encounter difficulty in meeting obligations associated with financial liabilities.

All transactions are paid for or received by Sydney Catchment Authority and subsequently charged back to Sydney Catchment Authority Division using inter-entity accounts. The parent entity (Sydney Catchment Authority) uses cash flow forecasting techniques to ensure that it maintains sufficient working capital to service Sydney Catchment Authority Division's cash flow needs.

A maturity analysis for Sydney Catchment Authority Division's financial liabilities is disclosed at Note 6.

Sydney Catchment Authority Division

Notes to the financial statements

for the year ended 30 June 2010

NOTE 12. FINANCIAL RISK MANAGEMENT (continued)

c) Credit risk

Credit risk is risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposures to credit risk exist in respect of financial assets such as trade and other receivables.

The maximum exposure to credit risk is represented by the carrying amount of financial assets included in the Balance Sheet. There is no collateral held as security over receivables or other credit enhancements in the current and previous reporting period

With respect to trade and other receivables, the Sydney Catchment Authority Division monitors the balance outstanding on an ongoing basis as a means of mitigating against the risk of financial losses from default.

The Sydney Catchment Authority Division is not exposed to credit risks in overseas countries.

d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial instruments are carried at fair value. For trade and other receivables and trade and other payables, the carrying amount is considered to approximate its fair value. This is because of the short-term nature of these financial assets and financial liabilities.

NOTE 13. CONTINGENT LIABILITIES

The Sydney Catchment Authority Division has no legal matters outstanding or other contingent liabilities which are expected to result in material claims against it (2009: Nil).

-- End of audited financial statements --

SCA Division appendices

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Appendix 4 – Staff training and development	179

Appendix 1 – Overseas visits by staff

Overseas visits by staff

The Minister approved the following overseas visits for Sydney Catchment Authority (SCA) staff members in 2009-10.

Name of Officer: Ian Landon-Jones
 Dates of visit: 20 May – 30 May 2010
 Destination: Hanoi, Vietnam
 Event: International Commission on Large Dams annual meeting and study tour
 Cost: \$2784

Appendix 2 – Categories of staff

Table 45 – Categories of staff over four years

Category	2006-07	2007-08	2008-09	2009-10
Chief Executive	1	1	1	1
Managing Director	-	-	-	-
SCA Executive (1)	6	5	6	6
Contract staff (2 and 3)	2	2	2	2
Award staff	302	297	273	238
Total numbers (4)	311	305	282	247
Total FTE numbers (5)	297.81	289.37	271.9	240.95

Footnotes to Table	2006-07	2007-08	2008-09	2009-10
(1) Women in this category	1	1	3	2
(2) Women in this category	1	1	1	1
(3) Temporary employees in this category	-	-	-	-
(4) No of employees in this category with an FTE of less than 1	27	27	21	10
(5) FTE equivalent for employees in footnote 4	11.43	14.39	12.9	5.95

Appendix 3 – Executive remuneration rates

Executive Officers above SES level 5

Chief Executive Michael Bullen - \$300,800 - SES 6.

It is pleasing to see under Mr Bullen's leadership strong financial outcomes for the SCA again this year with a focus during the year on improving the systems and procedures that underpin that performance.

A key achievement for the Chief Executive and the agency was the excellent occupational health and safety outcomes for the year which reflect Mr Bullen's commitment to building on the agency's occupational health and safety practices and procedures.

Mr Bullen has actively supported the development of decision support tools for catchment management that provide evidence based information that mean catchment activities and assessments have a foundation based on good applied science.

Most importantly, Mr Bullen has ensured that the organisation has continued to deliver on its core business of delivering an uninterrupted supply of high quality water to its customers.

Appendix 4 – Staff training and development

Table 46 - Staff training and development

Training	Numbers 2009-10
Induction	22
Communication	74
Computer education	66
Engineering / technical / para-professional	89
Employee relations (includes diversity and performance management)	63
Environment	10
Fraud and corruption prevention	243
Leadership programs	73
Management (includes incident, projects, contracts)	67
Office management	1
Occupational health and safety	324
Operations	120
Quality	3
Temporary arrangements to other positions	143
Business related (SCA supported study)	10
Environment related (SCA supported study)	3
SCA sponsored study: Public sector management	2

Glossary

Term	Definition
Aqueduct	A transport channel for water
Aquifer	A permeable geological formation that allows groundwater movement through it
Aquitard	A geological formation that restricts groundwater movement
Baseflow	Normal flow conditions in a stream or river
Catchment	An area where water is collected by the natural landscape – in a catchment, all rain and run-off water eventually flows into a creek, river, lake or ocean or into the groundwater system
Deep storage	Water that lies at the bottom of some dams and reservoirs – it is usually below the lowest outlet point in a dam that water can be extracted from, or below the level where gravity can draw water out of the dam
Environmental flows	Flows of water released from dams into a river, stream or other natural waterway to protect and improve river health
Exfiltration	Seepage
Groundwater	All water found below ground level in saturate soil or rocks
Hydroclimatic	Influence of long-term climate on water bodies
Hydrogeology	The study of distribution and movement of groundwater
Hydrology	The study of water movement
Joule	The work done to produce the power of one Watt continuously for one second
Land	Includes rivers, streams and other watercourses
Macroinvertebrate	Aquatic invertebrates including insects, molluscs, crustaceans and worms that can be indicators of aquatic health
Megalitre	A volume equal to one million litres
Operating storage	Amount of water available for water supply in a lake or reservoir
Pathogen	Micro-organisms that can be found in water and which can sometimes cause illness in humans
Petajoule	One million billion joules
Rain event	Rainfall exceeding a threshold value set according to catchment size
Raw water	Water that has not been treated
Regional plan	Regional plan for Sydney's drinking water catchments and adjacent regional centres
Riparian	Refers to land adjacent to a water course such as a riverbank
Sewage	Wastewater from domestic sources
Sewerage	Pipe network that transports wastewater from domestic sources to sewage treatment plants
Special Areas	Land set aside to protect drinking water quality, usually located close to the water supply
Subsidence	Downward movement of the Earth's surface
Terajoule	One million, million joules
Upper Canal	The 65 kilometre channel that transports water from Metropolitan water storages to Prospect Water Treatment Plant
Upsidence	Upward movement of the Earth's surface

Water storages	The SCA's dam walls, pumps and other works used for extracting and storing water in rivers and lakes, water occurring naturally on the surface of the ground and sub-surface waters
Water supply	The SCA's dams, pipelines of associated works, and infrastructure monitoring devices
Yield	The amount of water that can be continually withdrawn from a reservoir on an ongoing basis with an acceptably small risk of reducing the storage to zero

Acronyms

ANCOLD	Australian National Committee on Large Dams
CMA	Catchment Management Authority
CHRIS	Complete Human Resources Information System
CMP	Conservation Management Plan
CRC	Cooperative Research Centre
CRG	Community Reference Group
CRP	Current Recommended Practice
CDSS	Catchment Decision Support System
DECCW	Department of Environment, Climate Change and Water
DPI	NSW Department of Primary Industries
DSC	NSW Dams Safety Committee
DSTA	NSW Department of Services, Technology and Administration
EEO	Equal Employment Opportunity
EP&A Act	Environmental Planning and Assessment Act 1979
FOI	Freedom of Information
GPS	Global Positioning System
HCP	Healthy Catchments Program
HCS	Healthy Catchments Strategy
IPART	Independent Pricing and Regulatory Tribunal
MoU	Memorandum of Understanding
MWP	Metropolitan Water Plan
NorBE	Neutral or beneficial effect on water quality
NoW	NSW Office of Water
OH&S	Occupational health and safety
RAP	Rectification action plan
REP	Drinking Water Catchments Regional Environmental Plan No 1
SASPoM	Special Areas Strategic Plan of Management
SCA	Sydney Catchment Authority
SCARMS	Sydney Catchment Authority Reservoir Management System
SLWCA	Strategic land and water capability assessment
SOC	State owned corporation
SWCM Act	Sydney Water Catchment Management Act 1998
WRAPP	Waste Reduction and Purchasing Policy
WQRA	Water Quality Research Australia Ltd.
WSAA	Water Services Association of Australia

2009–10 Annual report compliance checklist

Section	Legislative reference	Reporting requirements for statutory bodies	Annual report reference
Letter of submission	ARSBA S9A	Stating report submitted to Minister for presentation to Parliament Provisions under which report prepared If applicable, length of lateness in submitting report and reasons If no application for extension, reasons for lateness and lack of application To be signed by two members of statutory body or, if without members, by the CEO	Page 4
Charter	ARSBR Sch.1	Manner in which and purpose for which agency was established Principal legislation under which statutory body operates	About the SCA
Aims and objectives	ARSBR Sch.1	What agency sets out to do Range of services provided Clientele/community served	About the SCA
Access	ARSBR Sch.1	Address of principal office/s Telephone number of principal office/s Business and service hours	Back cover
Management and structure	ARSBR Sch.1	Names of members and their qualifications Method and term of appointment of board members Frequency of meetings and members' attendance at meetings Names, offices and qualifications of senior officers Organisation chart indicating functional responsibilities	Corporate Governance Our Organisation App 3, 4,5,6
Summary review of operations	ARSBR Sch.1	Narrative summary of significant operations Financial and other quantitative information for programs or operations	Goals 1-4
Funds granted to non-government community organisations	PM 91-34 ARSBR Sch.1	Name of recipient organisation Amount of grant Program area as per Budget paper Program as per Budget paper Nature and purpose of the project including aims and target clients	App 19
Legal change	ARSBR Sch.1; ARSBA s9(1)(f)	Changes in Acts and subordinate legislation Significant judicial decisions affecting agency or users of its services	App 1 and 2

Section	Legislative reference	Reporting requirements for statutory bodies	Annual report reference
Economic or other factors	ARSBR Sch.1	Affecting achievement of operational objectives	Goal 4
Management and activities	ARSBR Sch.1	Describe nature and range of activities If practicable, qualitative and quantitative performance measures showing efficiency and effectiveness Nature and extent of internal and external performance reviews conducted and resulting improvements in achievements Benefits from management and strategy reviews Management improvement plans and achievements reaching previous targets Major problems and issues which arose Major works in progress, cost to date, dates of completion, significant cost overruns or delays/amendments/deferments/cancellations	Goals 1-4
Research and development	ARSBR Sch.1	Completed and continuing research and developmental activities including resources allocated Unless will adversely affect business	Goals 1 and 3
Human resources	ARSBR Sch.1	No of officers and employees by category and compare to prior three years Exceptional movements in wages, salaries or allowances Personnel policies and practices Industrial relations policies and practices	SCA Division AR: Goal 4 App 2
Consultants	PM 2002-07 ARSBR Sch.1	For each engagement costing equal to or greater than \$50,000: - Name of consultant - Title of project (shown in a way that identifies the nature of the work) - Actual costs For engagements costing less than \$50,000: - Total number of engagements - Total cost Categorised by the nature of the consultancy, such as: finance and accounting/tax; information technology; legal; management services; environmental; engineering; organisational review; training Or a statement that no consultants were used	App 18
Equal employment opportunity (EEO)	TC 07/20 ARSBR Sch.1	Major EEO outcomes during the reporting period accounting for planned outcomes set the previous year. Major planned EEO outcomes for the following year, which reflect the agency's corporate priorities identified in	SCA Division AR: Goal 4

Section	Legislative reference	Reporting requirements for statutory bodies	Annual report reference
		<p>planning documentation.</p> <p>Table of trends in (A) representation and (B) distribution of EEO groups. Refer tables A and B Treasury Circular 02/17</p>	
Disability plans	<p>PSEMA Sch. 1</p> <p>DSA s9,</p> <p>ARSBR Sch.1</p>	Statement setting out the process to implement a disability plan if required as per the <i>Disability Services Act 1993</i> (only for those required according to PSEMA)	SCA Division AR: Goal 4
Land disposal	ARSBR Sch.1	<p>Total number and value of properties disposed of during the year</p> <p>If value greater than \$5 million and not sold by public auction or tender</p> <ul style="list-style-type: none"> - list of properties - for each case, name of person who acquired the property and proceeds <p>Details of family or business association between purchaser and person responsible for approving disposal</p> <p>Reasons for the disposal</p> <p>Purpose/s for which proceeds were used</p> <p>Statement that access to documents relating to the disposal can be obtained under the <i>Freedom of Information Act</i></p>	Goal 4
Promotion	ARSBR Sch.1	Overseas visits by employees and officers with main purposes highlighted	SCA Division AR: App 1
Consumer response	ARSBR Sch.1	<p>Extent and main features of complaints</p> <p>Services improved/changed in response to complaints/suggestions</p>	Goal 4 and App 8
Payment of accounts	<p>TC 06/26</p> <p>ARSBR Sch.1</p>	<p>Details of performance in paying accounts for each quarter:</p> <ul style="list-style-type: none"> - 0-30, 30-60, 60-90 and 90+ \$ amounts - Target %, actual % and \$ for on time - Total dollar amount paid in quarter <p>Details of action taken to improve performance</p>	App 15
Time for payment of accounts	ARSBR Sch.1; TC 06/26	Where interest was paid due to late payments, list of instances and reasons for delay which caused late payment	App 15
Risk management and insurance activities	ARSBR Sch.1	Report on the risk management and insurance arrangements and activities affecting the agency	Goal 4
Internal audit and risk	TPP 09-5	Governing board of statutory body must report compliance	Goal 4

Section	Legislative reference	Reporting requirements for statutory bodies	Annual report reference
management policy attestation	TC 09/08	with core requirements of the policy for the financial year Must use relevant template provided in TPP 09-5 Must co-locate the statement with the existing disclosure on 'risk management and insurance activities' The above requirement does not apply to SOCs	
Disclosure of Controlled Entities	ARSBR Sch.1	For each controlled entity: - Name, objectives, operations, activities - Performance targets and actual performance measures	About the SCA SCA Division AR: Goal 4
Multicultural Policies and Services Program	ARSBR Sch.1	Statement setting out the key multicultural strategies proposed for the following year Progress in implementing the statutory body's multicultural policies and services plan Information as to the multicultural policies and services plans of any bodies reporting to the agency	SCA Division AR: Goal 4
Agreements with the Community Relations Commission	ARSBR Sch.1	Description of any agreement entered into with Community Relations Commission under the <i>Community Relations Commission and Principles of Multiculturalism Act 2000</i> and statement setting out progress in implementing any agreement	N/A
Occupational Health and Safety	ARSBR Sch.1	Statement setting out OH&S performance Details of injuries and prosecutions under <i>Occupational Health and Safety Act 2000</i>	SCA Division AR: Goal 4
Waste	ARSBR Sch.1	Statement on implementation of government's Waste Reduction and Purchasing Policy and progress on: - Reducing generation of waste - Resource recovery - Use of recycled material	App 21
Budgets	ARSBA s7(1)(iii) ARSBR c6-7	Detailed budget for the year reported on. Including details of: - If this is the first budget approved - Adjustments to first budget approved Outline budget for following year	Goal 4
Financial statements	ARSBA s7(1)(a) (i) - (ii)(a)	Inclusion of financial statements Controlled entities' financial statements Audit opinion on financial statements Response to significant issues raised by Auditor-General	Financial reporting
Identification of audited	ARSBR c5	At start and finish	Financial

Section	Legislative reference	Reporting requirements for statutory bodies	Annual report reference
financial statements			reporting
Inclusion of unaudited financial statements	ARSBR c6	Unaudited financial information to be distinguished by note or otherwise	N/A
Additional matters for inclusion in annual reports	ARSBR c8	<p>Total external costs (such as fees for consultants and printing costs) incurred in the production of the report.</p> <p>Whether the report is available in non-printed formats (such as on the internet or on CD-ROM)</p> <p>The internet address at which the report may be accessed (disclosure of the statutory body's homepage address is sufficient).</p> <p>Statement of the action taken by the body in complying with the requirements of the <i>Privacy and Personal Information Protection Act 1998</i> (PPIPA) and statistical details of any review conducted by or on behalf of the body under Part 5 PPIPA</p>	<p>App 26</p> <p>Inside back cover</p> <p>SCA Division AR: Goal 4</p>
Investment performance	ARSBR c12; TC 09/07	<p>In the form of a comparison with a choice of "Hour Glass investment Facilities" from Treasury Corporation</p> <p>Choice of comparison based on nature and term of underlying liability</p> <p>Stated in terms of annual compound percentage rate of return</p>	<p>Financial statements</p> <p>App 16</p>
Liability management performance	ARSBR c13; TC 09/07	<p>Only if debt is greater than \$20 million</p> <p>In the form of a comparison, details of agency's liability portfolio performance versus benchmark</p> <p>Benchmark is notional portfolio constructed as risk neutral per Treasurer</p>	<p>Financial statements</p> <p>App 18</p>
Performance and numbers of executive officers	ARSBR c11,14	<p>No of female executive officers for current and previous reporting years</p> <p>No of executive positions at each level for current and prior year (or total no at equivalent to SES 1 pay or higher for state owned corporations (SOCs))</p> <p>For each executive officer \geq level 5 (or equivalent pay for SOCs) and a chief executive officer not holding an executive position:</p> <ul style="list-style-type: none"> - A statement of performance by person responsible for their review, with regard to agreed performance criteria - Details of performance pay, and summary of criteria determining this - Name, title and remuneration package - Level (except SOCs) 	SCA Division AR: App 2 and 3
<i>Freedom of Information</i>	FOIA s68	Statistical information per FOIM	App 7

Section	Legislative reference	Reporting requirements for statutory bodies	Annual report reference
<i>Act</i>	FOIR s10 FOIM App. B ARSBA s5A(2)	Comparison with prior year requirement Impact of activities on FOI requirements Major issues arisen during year Circumstances and outcomes of investigations or applications for review	
Implementation of price determination	IPARTA s18(4)	If agency subject to determination or recommendation of Tribunal then: - Statement that it was implemented and details of implementation, or - Reasons for not being implemented	App 12
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Requirements arising from employment arrangements	TC 06/13 ARSBA s15(1)	Additional requirements, where statutory body receives personnel services from a Department or special purpose service entity -- refer sections 6.1, 7.1.2 and 7.2.2 of TC 06/13	SCA Division AR: Goal 4
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Contact information

SCA Penrith Office
Sydney Catchment Authority
Level 4, 2-6 Station Street, Penrith NSW 2750
PO Box 323, Penrith NSW 2751

Telephone + 61 2 4724 2200
1300 SCA GOV (1300 722 468)
Fax + 61 2 4725 2599
Office hours 8.30am to 5pm Monday to Friday
Website www.sca.nsw.gov.au
Email info@sca.nsw.gov.au

Warragamba Dam Visitor Centre
Telephone + 61 2 4774 4433
Hours 10am to 4pm daily
Except Christmas Day and Good Friday

Other dams, reservoirs and camping grounds
Telephone 1300 SCA GOV (1300 722 468)
Monday to Friday

Operational offices
Blue Mountains
Burrawang
Campbelltown
Warragamba Dam

Emergency reporting (fires, chemicals, spills)
Telephone 1800 061 069

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