

Healthy catchments, quality water – always



SYDNEY CATCHMENT AUTHORITY

Annual Report

2010–11



Letter to the Minister



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31 October 2011

The Hon Katrina Hodgkinson MP
Minister for Primary Industries
Level 30 Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Minister

We are pleased to submit the 2010–11 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 Sector Employment and Management Act 2002*, 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 'R Rollinson'.

Robert Rollinson
Chairman

A handwritten signature in black ink, appearing to read 'M Bullen'.

Michael Bullen
Chief Executive

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Report from the Chairman and Chief Executive

The Sydney Catchment Authority (SCA) is responsible for managing and protecting the water supply for more than 4.5 million households, businesses and other users across south-eastern New South Wales.

For most of our 11 year history, our primary focus has been to ensure there is sufficient water during one of the longest droughts this country has seen. Over the past year, increased rainfall has resulted in returning our reservoirs to higher supply levels.

The SCA remains committed to conserving and protecting our water supply and making our business more efficient by developing and implementing strategies and plans that will prepare us to meet future challenges.

This financial year was marked by a number of key achievements, most significantly the bedding down of changes to our organisational structure – the result of a three year review of our functions, structure and processes.

Our efforts in this restructure were recognised by NSW Treasury in a performance review which found that the changes we implemented had helped us to deliver substantial productivity

outcomes, reduce costs and improve our ability to operate in an emerging competitive environment.

How we did this, and the results of our work, are outlined in this report. Notwithstanding our efforts to date, we will continue to seek ways of delivering further efficiency gains.

An important and historic event for the SCA this year was the celebration of the 50th anniversary of the construction of Warragamba Dam.

More than 15,000 visitors and 400 former workers and their families attended a special event on 17 October 2010 to mark the occasion.

The event was designed to acknowledge the multicultural workforce who built Warragamba Dam and honour the workers involved in its construction. Our staff were proud to be able to share stories with the dam builders and we thank everyone who participated.

Another milestone for us this year was the development of our new SCA Corporate Sustainability Strategy – designed to help us ensure the ongoing supply of reliable, quality water.

We also worked closely with local government bodies within our area to create the NorBE tool, an online computer application which allows councils to undertake their assessments of neutral or beneficial effects for low to medium complexity developments. This assists both the councils and SCA in reducing the number of development applications referred to the SCA.

Another significant achievement this year was the implementation of the Science Strategic Plan 2011–15. This plan was developed from a comprehensive review of SCA's scientific activities and an assessment of emerging issues which will require better scientific understanding. Accordingly, the plan outlines the science priorities for the SCA, building on past achievements and preparing us for the future.

Other highlights during 2010–11 included:

- Meeting the water supply requirements of all customers.
- Complying with our Bulk Water Supply Agreements with Sydney Water and other major customers.
- Providing raw water that was 99.9 percent compliant with health related Australian Drinking Water Guidelines.
- Playing a key role in the development of the 2010 Metropolitan Water Plan.
- Completing the Prospect Reservoir scour upgrade, Warragamba crest gates upgrade and Nepean Weirs projects.
- Completed the relining of the Kangaroo Pipeline which enables the transfer of water from the Shoalhaven system as required.
- Opening a new interactive exhibition centre at Warragamba Dam.
- Qualifying as an official 'Green Power' user.
- Creating a new Enterprise Risk Management framework.



Warragamba Dam's 50th anniversary celebrations. See pages 34 to 35 for more

- Supporting key incentive programs for landholders.
- Achieving a high level of safety of the SCA workforce.
- Building on our graduate and trainee development programs.
- Leadership training and supporting more than 60 of our staff to gain formal qualifications.

Importantly, there were no unplanned interruptions to water supply.

Meeting the challenges

As we move forward, the SCA faces a number of commercial, business and operating challenges that have the potential to impact on our performance. These include the effects of population growth, increased urbanisation and other developments within SCA catchments, the availability of desalinated water and climate change.

To prepare for such scenarios, we have established a number of initiatives and an Enterprise Risk Management Framework designed to identify the risks and ensure the appropriate mechanisms and plans are in place to manage them.

These important risk management activities are supported by a series of ongoing and targeted programs, where the SCA will continue to:

- Build our resilience to incidents, disruption or periods of change which may impact on critical business outcomes.
- Communicate effectively with the public on major issues of broad community concern.
- Maintain effective health and safety systems, processes and management to protect employees, contractors and visitors from significant harm.
- Address factors that contribute to short term deterioration in raw water quality due to naturally occurring contaminants that affect catchment health or contribute to water quality incidents.

- Manage the risks associated with catchment health, including wildfire events that may impact on catchment health or raw water quality in the storage facilities.
- Monitor and assess cumulative impacts from mining and other resource related activities in the catchments.
- Continue to develop options for the efficient delivery of dam safety.
- Monitor emerging risks including the impacts of carbon price on energy costs and pumping.

Preparing for the future

As the population of greater Sydney continues to grow, we need to ensure we are ready to meet the demand that will follow.

We do this through careful planning and by continuing to deliver reliable, high quality water to our customers.

As we move forward, we will build on previous achievements and continue to improve our systems and processes, as well as streamlining the management of our capital program.

We will also maintain an ongoing investment in our people through our graduate, trainee and professional development programs, while improving safety.

The SCA will work to understand and address the ramifications of increased urbanisation and utilise targeted science programs to assist in assessing the impacts of resource related activities within our catchments.

We would like to thank the staff of the SCA and our Board for their support and hard work over the past year.

We look forward to the year ahead, as we continue to deliver on our new Corporate Sustainability Strategy and meet our vision of *Healthy Catchment, Quality Water — Always*.



Robert Rollinson
Chairman



Michael Bullen
Chief Executive



Robert Rollinson, Chairman



Michael Bullen, Chief Executive



Our role

The role of the Sydney Catchment Authority (SCA) is to capture, store and supply quality raw water from well-managed catchments.

To do this, we have in place strategies that help drive the business, and values that guide and support our people.

About us

The SCA is responsible for managing and protecting drinking water catchments, dams and other water supply infrastructure assets across a 16,000 square kilometre area of south-eastern New South Wales.

Responsible to the Minister for Primary Industries, the agency was established in 1999.

Our customers include Sydney Water and Shoalhaven and Wingecarribee councils, who together supply water to 4.5 million households, businesses and other users in Sydney and the Illawarra, Blue Mountains, Southern Highlands and Shoalhaven regions.

The SCA works in partnership with catchment communities and other agencies including the Office of Environment and Heritage, the Department of Primary Industries and the catchment management authorities to manage and protect drinking catchments that stretch west through the Blue Mountains to Lithgow and south west past Goulburn to the headwaters of the Shoalhaven River near Cooma.

We also manage a network of 21 storage dams capable of holding more than 2.5 million megalitres of water.

By drawing on the best science and technical advice, we are able to ensure our catchments and water supply infrastructure assets are managed to world's best practice.

This helps us to achieve our vision *Healthy Catchment, Quality Water – Always*.

Although the SCA's drinking water catchment covers only two percent of the land area of NSW, it supplies drinking water to around 60 percent of the state's population.

SCA's drinking water catchments



The SCA Board

SCA Board members are appointed by the Minister and must include a nominee from the NSW Farmers' Association, 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 Board members to possess expertise in environmental protection and public health (individually or collectively), and in any other specialty areas deemed necessary by the Minister. All Board members must perform their duties in accordance with a Code of Conduct.

The functions of the Board are to:

- ensure that the water supplied by the SCA complies with appropriate quality standards
- determine the SCA's policies and long-term strategic plans
- endeavour to ensure the SCA meets all public health and environmental requirements set out in the Operating Licence and any relevant instrument
- oversee effective, efficient and economical management of the SCA
- prepare the Annual Report required under the *Annual Reports (Statutory Bodies) Act 1984* and any other reports required under the Act.

The Board has four standing committees:

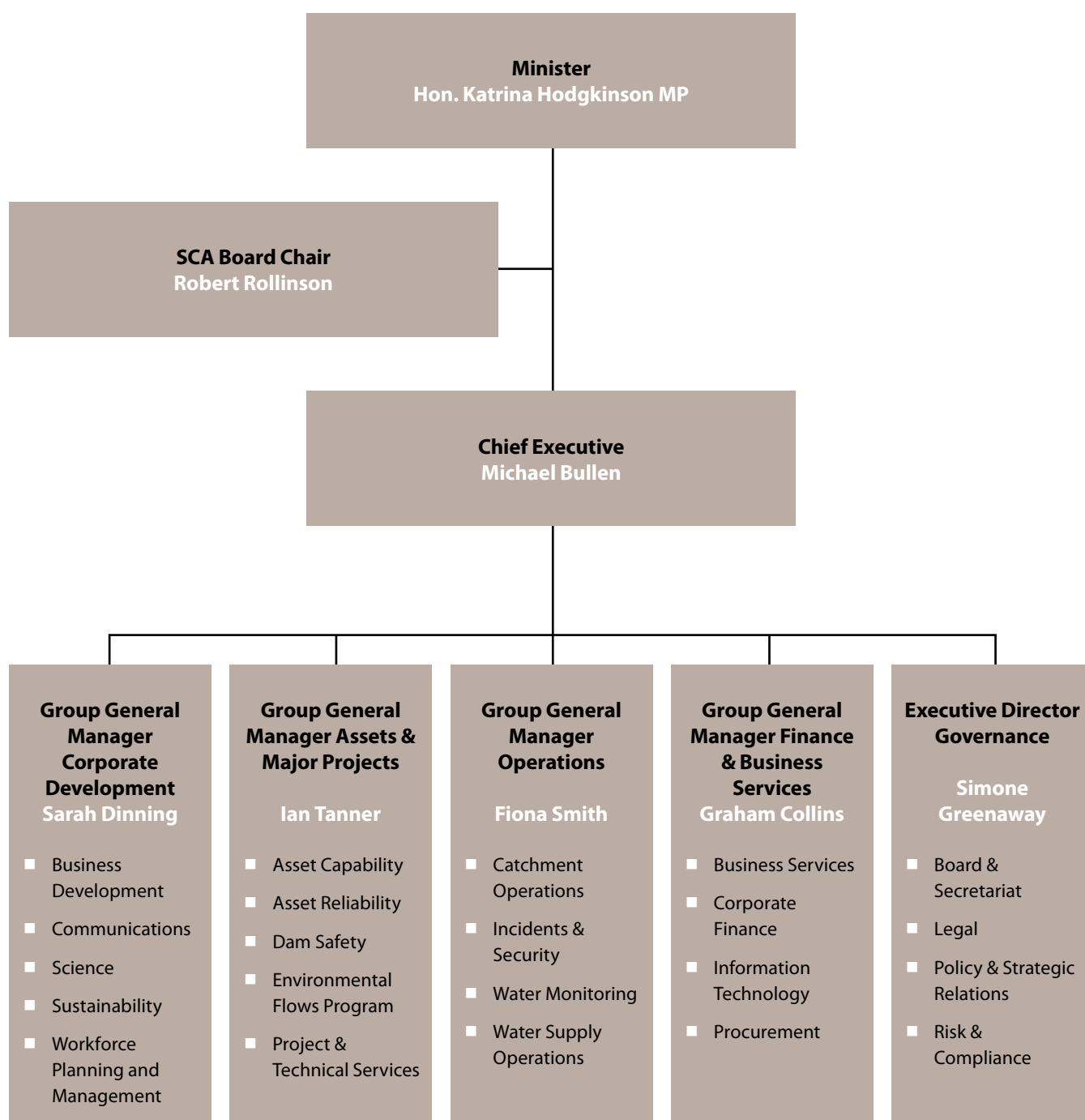
- **Audit and Risk Committee** – ensures the effectiveness of the SCA's internal and external audit processes.
- **Catchments and Water Quality Committee** – assists the Board with catchment operations, management and protection, and science and planning.
- **Asset Management Committee** – provides a strategic overview of the SCA's asset management and capital investment program.
- **Prosecutions Committee** – meets on an as need basis and considers decisions to prosecute under the SCA's Act and regulations.

Detailed profiles of our Board members and committees are featured in the Appendices (pages 151 and 152).

Our organisational structure

The statutory roles, functions and objectives of the SCA are delivered through the following corporate governance structure:

Figure 1 – SCA corporate structure at 30 June 2011



Corporate Sustainability Strategy

SCA activities during 2010–11 were measured for the first time against our new Corporate Sustainability Strategy 2010–2015.

The strategy concentrates on embedding our commitment to sustainability into our governance and structures, establishing systems to evaluate and report on performance and increasing the participation, and ownership, of sustainability practices amongst our employees.

It also takes into account the need to use sustainability as the primary influence on what we do on a day-to-day basis, as well as incorporating its principles into our business and operational plans. Doing this will help us respond to challenges and meet our objectives.

The strategy, and its associated business plan, will help us ensure the ongoing supply of reliable, quality water to meet the needs of our stakeholders and the community – now, and into the future.

Importantly, it defines Key Focus Areas (KFAs), objectives, strategies and priorities for the next five years, describing the key performance indicators that will be used to measure the success of our work.

Figure 2

SCA Corporate Sustainability Strategy 2010–2015

Key Focus Areas		
Engaged People	Stakeholder Relationships	Business Viability
Employees are committed, trusted, valued, safe and accountable in supporting SCA's long-term success.	SCA has excellent partnerships with stakeholders, customers and the community.	The SCA is a viable, commercially successful organisation that is able to adapt to changing business environments and meet customer needs and seek new services and markets.
Performance Indicators		
<ul style="list-style-type: none"> Zero harm target. 80% highly engaged employees. 	<ul style="list-style-type: none"> 80% of customers and stakeholders satisfied with SCA. 	<ul style="list-style-type: none"> Achieve return on asset target.
Strategies		
1.1 Provide a safe and healthy workplace where everyone takes responsibility for a safety culture. 1.2 Support, develop and reward employees so they will recommend SCA as an employer of choice. 1.3 Ensure SCA's organisational structure, and decision making processes support a commercial culture and accountable workforce. 1.4 Provide leadership and a clear direction for staff to support their commitment.	2.1 Formalise the SCA's knowledge management capability to share knowledge internally and externally. 2.2 Understand, meet and effectively manage the needs and expectations of stakeholders, customers and the community. 2.3 Represent SCA's interests in key local, state and national forums.	3.1 Position the organisation to be the Water Supplier of Choice. 3.2 Manage risk and pursue opportunities to support a resilient organisation. 3.3 Strive for cost efficiency through optimising operational expenditure and ensuring capital expenditure is efficient. 3.4 Provide reliable and effective systems, processes and tools to support business operations.

Our values

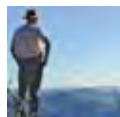
Our values help shape the culture and define the character of our organisation. They guide how we behave and how we make decisions.

Given their importance, we took time this year to review and update our values by conducting a series of staff workshops. Four were agreed upon by our staff.



Trust

We trust each other to be honest, fair and transparent in dealings and in sharing of information



Responsible

We are professional and take responsibility for our decisions and actions, delivering outcomes and performing our work to the right quality and in a timely manner



Confident

We are clear about our direction, understand our business, are courageous in making decisions and challenge the status quo for new and better ways of doing things



Respect

We respect and value each other, our customers and stakeholders, listening to their needs, acting on them and acknowledging their priorities. We embrace diverse ideas and thinking, in and outside of our organisation

Industry Excellence

The SCA is recognised as a leader within the Australian water sector for its organisational practices.

Reliable Water

The SCA provides reliable water of agreed quality and quantity to customers to minimise risk to public health.

Resource Optimisation

The SCA achieves sustainable outcomes through the optimisation of its resources and innovative use of assets.

- 100% of management responses implemented within agreed timeframe.

- 95% compliance with specified water quality characteristics.
- 100% continuity of water supply.

- Reduction in ecological footprint.

- 4.1 Ensure accountability and ethical behaviour through sound corporate governance.
- 4.2 Achieve excellence through benchmarking activities.
- 4.3 Maintain compliance with statutory, regulatory and industry requirements.
- 4.4 Implement contemporary knowledge management and intellectual property practices.

- 5.1 Protect and improve the health of the drinking water catchment through the delivery of the Healthy Catchments Strategy and sound scientific research.
- 5.2 Manage assets for improved efficiency, sound operations and safety.
- 5.3 Operate water supply system to deliver water to agreed quantity and quality criteria.
- 5.4 Achieve current and future water quality and quantity needs through water supply planning and asset investment.

- 6.1 Investigate additional sources of renewable energy.
- 6.2 Improve the impact of the SCA's activities on the environment.
- 6.3 Utilise resources in innovative ways and embrace new technology.
- 6.4 Manage lands to contemporary standards.

Our year in review

KFA 1 Engaged People

- Launched the new Corporate Sustainability Strategy
- Reduced number of workplace injuries
- Launched inaugural Innovation Safety Competition
- Launched new Graduate program
- Expanded the Entry Level Employment program

See page 14

KFA 2 Stakeholder Relationships

- Warragamba Dam's 50th Anniversary celebrations
- Opened new interactive exhibition centre at Warragamba Dam
- Provided an online NorBE (Neutral or Beneficial Effect) water assessment tool for councils
- Commenced the Review of the Bulk Water Supply Agreement with Sydney Water Corporation
- Supported the 2010 Metropolitan Water Plan

See page 24

KFA 3 Business Viability

- Met our Statement of Business Intent targets as agreed with NSW Treasury
- Managed within our current IPART price path requirements
- Maintained Investment Grade credit rating
- Developed a new Enterprise Risk Management Framework
- Undertook comprehensive review of water quality monitoring program
- Launched new Science Strategic Plan

See page 36

KFA 4 Industry Excellence

- Achieved 83 percent full to high compliance with the Operating Licence obligations audited
- Embedded benchmarking targets in our Corporate Sustainability Strategy
- Incorporated all relevant recommendations of the 2010 audit of the Sydney Drinking Water Catchment into our work plans

See page 46

KFA 5 Reliable Water

- Achieved 99.6 percent compliance with Bulk Water Supply Agreement with Sydney Water
- Achieved 99.9 percent compliance with Australian Drinking Water Guidelines (the primary reference on drinking water quality in Australia)
- No unplanned interruptions to water supply
- Developed our Asset Management System framework and policy

See page 54

KFA 6 Resource Optimisation

- Achieved 100 percent compliance with environmental flow requirements from storages and water supply weirs
- Achieved 100 percent compliance with the requirements of the water management licence
- Reduced water consumption at our Penrith office
- Developed and implemented an erosion and control plan for the Braidwood lands
- Established a working group to address resource optimisation across the SCA

See page 70

Our financial outcomes

Operational Expenditure and Income

Table 1: Operational Expenditure and Income for 2010–11 – Summary

	Actual \$'000	Budget \$'000	Variance \$'000
Revenues	194,218	198,655	(4,437)
Expenditure	141,756	149,058	7,302
Profit before tax	52,462	49,597	2,865

The financial result for the SCA for the 2010–11 year shows that profit exceeded budget by \$2.9 million. Lower than expected contractor expenses and financing charges offset by lower than anticipated water sales and higher depreciation contributed to the full year variance.

Capital Expenditure

Table 2: Capital Expenditure for 2010–11 – Summary

	Actual \$'000	Budget \$'000	Variance \$'000
Capital expenditure	27,580	34,420	6,840

1. The amount recorded as capital expenditure in the audited financial statements differs from the amount recorded here because the audited financial statements require the inclusion of non-monetary exchanges of assets and other accounting adjustments that resulted from transfers between asset classes.

Capital projects significantly impacting the year-to-date variance include:

Warragamba Dam crest gates

construction: Project expenditure was \$1.1 million (12 percent) under budget for the year due to project savings. Final completion of the project is scheduled for October 2011. The forecast project expenditure is \$35.7 million, compared to a budget of \$36.5 million. These savings have been the result of close management of the detailed mechanical design process and electrical installation work by the project team.

Warragamba Dam – major refurbishment valve house

overhead cranes: Project expenditure was \$502,000 (70 percent) under budget for the year due to savings. A contract was awarded in early 2011 for \$400,000, \$380,000 below the approved budget of \$780,000. The project is on track for completion in August 2011.

Upper Nepean environmental

flows: Project expenditure was \$407,000 (8 percent) under budget for the year. Persistent wet weather patterns resulted in significant delays to the project as it prevented essential works at weirs earlier in the year.

Upper Nepean transfer scheme:

Project expenditure was \$1.8 million (85 percent) under budget for the year. Stage 1 of the project, which includes feasibility investigations, an options report and business case has been finalised. The full expenditure for the project has been \$2.75 million compared to an approved budget of \$2.8 million.

Prospect Reservoir – scours upgrade:

Project expenditure was \$236,000 (8 percent) under budget for the year due to project savings of \$150,000 (3 percent) expected from an approved project budget of \$5.3 million.

Prospect Reservoir – upstream

stabilisation upgrade: Project expenditure was \$276,000 (50 percent) under budget for the year.

Kangaroo Pipeline – shaft relining:

Project expenditure was \$636,000 (22 percent) under budget for the year due to project savings. The savings were due to an innovative method implemented for grit extraction from the shaft. The work was completed in November 2010.

Wingecarribee Dam – safety upgrade:

Project expenditure was \$408,000 (41 percent) under budget for the year. The RTA has been engaged to undertake work on the dam wall and it is anticipated that the work will commence during August 2011.

SCADA – Upgrade: Project expenditure was \$892,000 (89 percent) under budget for the year. The timeframe for completion is June 2013 due to delays in commencing the project.

Our performance

This is the first year the SCA is reporting against its Corporate Sustainability Strategy, which was introduced in July 2010. The strategy includes key performance indicators which are helping us measure our success.

With the introduction of these new performance indicators, some measures have not been captured in previous years but will be reported against in future years.

Table 3: Our Performance

Key focus area	Key performance indicator	Target	Actual 2010–11	Actual 2009–10	Actual 2008–09	Actual 2007–08	Actual 2006–07
Engaged people	Zero harm target	0	2	3	6	9	2
Engaged people	% highly engaged employees*	80%	*	75%	*	*	*
Stakeholder relationships	% of customers and stakeholders satisfied with SCA**	80%		*	*	*	*
Business viability	Achieve return on assets	6.6%***	6.1%	7.5%	5.7%	3.5%	5.2%
Industry excellence	% of management responses implemented within agreed timeframes	100%	82%****	*	*	*	*
Reliable water	% compliance with specified water quality characteristics	95%	99.6%	99.7%	99.4%	99.1%	99.6%
Reliable water	% continuity of water supply	100%	100%	100%	100%	100%	100%
Resource optimisation	Reduction in ecological footprint	Electricity charges – an increase of 10.7% <i>Refer to Appendix 12</i>					

* An employee survey undertaken in March 2010 has been used as a baseline to measure the level of employee engagement at the SCA. The survey will be conducted every two years with the next survey scheduled in 2011–12. Findings from this survey are used to inform new initiatives to promote employee engagement at the SCA.

** To help us measure our customer and stakeholder satisfaction, a baseline will be created through stakeholder surveying scheduled for the 2011–12 financial year.

*** The target against achieving a return on assets will vary from year to year.

**** The percentage of Board actions completed on time has been used as an indicator against our management responses for this reporting period.



KFA 1

Engaged People

One of the primary goals of the Sydney Catchment Authority is to maintain a workforce that is engaged, enthusiastic and committed.

To do this, we need effective workplace strategies, an ongoing commitment to safety and clearly defined values. We also need to embrace diversity, welcome new ideas and encourage feedback.

Our Engaged People Key Focus Area is driven by our workforce plan 2010 – 2015, *Capturing Knowledge, Growing our Future*.

It helps us ensure we can manage existing and future demands, by putting in place effective employment initiatives, knowledge transfer programs, internal succession planning and career development opportunities.

As at 30 June 2011, 246 people were employed by the SCA – 174 based in our head office at Penrith and 72 in regional facilities across our catchment area.





Goal

To ensure employees are committed, trusted, valued, safe and accountable in supporting SCA's long term success.

Strategies

- 1.1** Provide a safe and healthy workplace where everyone takes responsibility for a safety culture.
- 1.2** Support, develop and reward employees so they will recommend SCA as an employer of choice.
- 1.3** Ensure SCA's organisational structure, and decision-making processes support a commercial culture and accountable workforce.
- 1.4** Provide leadership and a clear direction for staff to support their commitment.

1.1 Provide a safe and healthy workplace where everyone takes responsibility for a safety culture.

Challenge: Achieving and maintaining a zero harm target.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none">■ 'Making Safety a Priority' program developed and approved for implementation.■ Total injuries down from three (last year) to two this year.■ Inaugural Innovation Safety Competition launched.	<ul style="list-style-type: none">■ Implementing the 'Making Safety a Priority' program to reinforce the SCA's safety culture.■ Continue to aim for zero harm.■ An OH&S work plan to be developed based on the recommendations from the 2010–11 OH&S gap analysis.

Safety is paramount to the SCA's long term success and maintaining a safe and healthy workplace is vital for the ongoing wellbeing of our people, contractors and members of the community who visit our facilities.

To do this, we regularly review and monitor our Occupational Health and Safety (OH&S) Policy, conform to all legislative requirements, conduct safety awareness campaigns and support injured employees in their rehabilitation and return to work.

When it comes to safety, our target is **zero harm**.

Reaching this remains a challenge, but in 2010–11, we recorded our lowest injury rate in four years, although total lost time days were up by 109 to 120 (compared to last year).

To achieve zero harm, the SCA has in place a range of important safety initiatives, educational programs, system audits, inspections, improvement programs and communication activities.

Making Safety a Priority

'Making Safety a Priority' is a corporate innovation project developed and approved in 2010–11 for implementation in 2011–12. It will focus on staff and contractor engagement, systems improvements and cultural change initiatives.

The concept grew from an innovation competition where employees were invited to submit ideas that would improve workplace safety – with a view to achieving our zero harm target.

Entrants were awarded with participation at an innovation workshop at Warragamba Dam to explore techniques for developing new ideas. Three ideas from the workshop were presented to the SCA Executive for endorsement, including 'Making Safety a Priority'.

The project will be implemented to reinforce the SCA's already strong safety culture.



Water monitoring at Cataract Dam

Injury management performance

Table 4: SCA Compensable Injury Figures

Financial year	Total injuries	Total lost time days	Average lost time days per compensable injury
2010–11	2	120	60
2009–10	3	11	3.7
2008–09	6	43	7.2
2007–08	9	124	13.8

While the downward trend in total injuries has continued, injuries sustained during the 2010–11 reporting period resulted in an increase in total lost time (up from 11 days to 120). This was due to the injury occurring to an individual with a previous medical condition. The SCA will continue to focus on achieving a zero harm target and improved injury management performance during 2011–12.

OH&S consultation and communication

Effective and responsive OH&S consultation is a priority to ensure everyone in the organisation remains committed to health and safety.

We achieve this by conducting bi-monthly OH&S meetings – overseen by our OH&S Executive Steering Committee (chaired by the Chief Executive) and our Area OH&S Committees. These meetings review OH&S incidents, table reports and establish program priorities. In addition, all corrective actions are monitored and tracked and site inspections carried out.

Employees are kept informed via a weekly OH&S focused newsletter. Safety Alerts, which provide information about managing specific risks, also assist to keep the safety message front of mind.

OH&S training

Staff attended a range of OH&S training workshops during 2010–11, covering topics which included:

- confined spaces
- first aid
- OH&S consultation
- chemical handling
- operating a four wheel drive vehicle – basic and advanced

- OH&S general induction for construction work
- emergency procedures
- chainsaw operation
- watercraft safety.

Online training module topics included: lone/remote worker, drugs and alcohol in the workplace, building emergency procedures, office ergonomics, manual handling and influenza awareness.

OH&S gap audit report, implementation plan and activities

In January 2011, a gap audit of the SCA's OH&S management system was completed. The objective was to identify opportunities for improvement.

The audit findings were presented to the Board and the Executive, and later presented at an employee information session.

An implementation plan – the Systems Audit, Inspections and Investigations Schedule – was developed to address recommendations from the audit. It commenced in April 2011. The schedule evaluates planned contract works, OH&S procedures and other relevant OH&S management system priorities.

The schedule also monitors and reviews current procedures and identifies ways to improve the SCA's OH&S Management System.

During 2011–12, recommendations arising from the gap analysis will form the basis of an integrated OH&S work plan focussing on the SCA's legal compliance. This will ensure the SCA continues to meet its requirements under the NSW Government's Working Together 2010–12 Strategy.

The SCA has also commenced a number of initiatives to ensure it is compliant with the new OH&S harmonisation legislation, which will take effect on 1 January 2012. These include information workshops for employees, small group seminars facilitated by WorkCover NSW, back to basics training for all employees and the implementation of an incident database which will enable the SCA to record and manage all incidents, including OH&S, in a more effective and timely manner.



1.2 Support, develop and reward employees so they will recommend SCA as an employer of choice.

Challenge: Delivering corporate learning and development initiatives to identify future skill shortages and succession planning and attracting suitable candidates to the SCA's entry level programs.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none">■ Developed our workforce plan 2010–2015, <i>Capturing Knowledge, Growing Our Future</i>.■ Launched a new graduate program and provided ongoing support to Cadetship and VET programs.■ FOCUS Staff Performance Program implemented.■ Staff trained in new or changed business systems.■ Reviewed the Equity and Diversity Management Plan.	<ul style="list-style-type: none">■ Continue offering placements in the Cadetship, Graduate and VET programs.■ Develop initiatives to celebrate and promote cultural and linguistic diversity.■ Finalise the Equity and Diversity Management Plan.■ Conduct Aboriginal Cultural Awareness training for relevant staff.■ Develop web-based and other e-learning initiatives.

Maintaining the respect and confidence of our employees is a priority for the SCA.

We have in place a number of educational and support programs which encourage career development, skills building and social responsibility.

This year we developed *Capturing Knowledge, Growing our Future*, our comprehensive workforce plan for 2010–2015. The all encompassing plan covers learning and development, staff performance, equity and diversity, recruitment and entry level employment programs.

Learning and Development Program

The introduction of a number of new or changed business systems and processes at the SCA required an increased emphasis on staff training this year.

Each staff member was provided with an average of five days of training. Staff members (192) were trained in the organisation's new electronic records management system and 207 trained in the Time Recording System (TRS).

A key priority in our Learning and Development Program was providing opportunities for staff to gain formal qualifications through the recognition

of prior learning. More than 60 staff enrolled in courses such as Certificate III and IV (Water Operations), Certificate IV (Government) and Diploma (Project Management). As at 30 June 2011, more than 30 had completed their qualifications, with the remainder due to complete courses in 2011–12.

The Learning and Development Program was complemented by a range of initiatives to facilitate professional and career development. This included the iNetwork (a young professionals program), supported study programs and management/leadership training.

To ensure we maintain a skills and knowledge base in an ageing workforce, the SCA continued supporting a range of entry level employment programs this year, including our ongoing Cadetship and VET programs and a new Graduate Program.

Cadetship Program

Established in January 2010, the SCA's Cadetship Program helps school leavers gain valuable on-the-job skills and knowledge. The initial intake of four cadets has been supplemented with the recruitment of two cadets in 2010–11. The program supports the NSW Government's base level employment initiative, which addresses skill shortages and enhances succession planning.

Graduate Program

The SCA's Graduate Program commenced in December 2010 with an intake of seven science and engineering graduates. During the 12-month program, each graduate will gain practical work experience and develop skills and organisational knowledge through a series of targeted training initiatives – supported by a new mentoring program. To increase our reach, we promoted our graduate trainee initiatives at the University of Western Sydney Engineering and Information Technology Expo held in April 2011.

Vocational Education Training (VET) Program

In November 2010, the SCA successfully piloted and implemented a week-long Vocational Educational Training (VET) work experience program for year 11 and 12 HSC students. In conjunction with the Schools Industry Partnership, we hosted five Business Administration students from Glenmore Park and Caroline Chisholm high schools. In September 2010, we promoted our entry level employment programs at the Western Sydney Apprenticeship & Traineeship Expo.

“I was apprehensive about studying, but the Certificate IV in Government recognised my knowledge and experience on the job. Gaining this qualification has given me the confidence and motivation to consider further studies to support my professional development.”

SCA employee

Equal Employment Opportunity (EEO)

The SCA is committed to the principles of equity and diversity. These principles underpin the way we relate to employees and members of the community.

We recognise that the workforce and the community consist of people who are diverse, with varying skills and abilities, offering a range of perspectives, opinions and knowledge. Valuing and drawing on this diversity enhances the performance of the SCA by equipping us to respond to the community, our customers and stakeholders.

The SCA inducted 42 new employees in 2010–11. A key component of the induction process is allocated to EEO awareness. The session covers the rights and responsibilities of staff and practical strategies to prevent, identify and manage harassment and bullying, legal obligations and how to deal with complaints.

EEO data collection statistics for SCA employees were updated this year, registering a response rate exceeding 80 percent.

The SCA's Equity and Diversity Management Plan was redrafted this year and seeks to increase the diversity of our workforce. The plan will encompass not only our obligations to produce an EEO Management Plan, a People with Disabilities Action Plan, and a Multicultural Policies and Services Plan, but also, for the first time, an Aboriginal Employment Strategy.

This plan was developed with input from key SCA staff and 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.

Disability and equitable access

The SCA's ongoing recognition of people with disabilities saw the agency sponsor the NSW Department of Ageing, Disability and Homecare 2010 'Don't DIS my ABILITY' campaign in December 2010.

This state-wide initiative promotes a culture of participation and awareness and celebrates the achievements of people with disabilities. It reflects the approach taken by the SCA in our EEO framework.

We have incorporated employing people with disabilities in our 2012–14 Equity and Diversity Management Plan. We are working to attract suitable candidates and retain the relevant skills needed within the SCA, and provide opportunities to people who might otherwise be excluded in the mainstream workforce.

This plan was in draft mode at the end of 2010–11 and will be finalised in 2011–12.

“The SCA launched a new graduate program this year, accepting seven science and engineering graduates. During the 12-month program, each graduate will gain practical work experience and develop skills through targeted training.”

In creating our new 'Water for Life' exhibition at the Warragamba Dam Visitor Centre, the SCA sought advice from Vision Australia and other experts in disability access to ensure the state-of-the-art displays met the required standards. This covered things like the colour, contrast, font and display height of media panels and the inclusion of audio-based information for multimedia displays. The exhibition includes detailed information about the SCA's dams and catchments, as well as historic items and a cutting edge 'drops of wisdom' interactive table.



'Water for Life' exhibition at Warragamba Dam



'Water for Life' includes detailed information about the SCA's dams and catchments

Multicultural Policy and Services Plan

The SCA supports cultural diversity amongst our staff in many ways.

This includes leave entitlements, flexible working hours and purchased leave for religious observance and cultural obligations. It also includes providing work experience for skilled volunteer migrants as part of the NSW Government's Skilled Migrant Mentoring Program.

Each year we celebrate Harmony Day at our Penrith, Warragamba and Campbelltown offices. Organised by the SCA Social Club, the events are part of the nationwide A Taste of Harmony campaign (held every March) which embraces cultural diversity. More than 60 staff members attended a feast at our Penrith office this year, sampling food from 15 international cuisines.

Other activities this year included the accreditation of six staff members under the Government's Community Language Allowance Scheme, which recognises the use of their community language skills in aspects of SCA work.

Aboriginal Employment Strategy

This year, a new Aboriginal Employment Strategy was embedded in the Draft Equity and Diversity Management Plan 2011–2014. An important inclusion was the requirement to include an Indigenous person in the 2012 Cadetship Program intake. The activities outlined in this plan were developed around the 'Making it Our Business' NSW Aboriginal Employment Action Plan 2009–2012.

To further advance Aboriginal cultural awareness amongst SCA staff members, a specialist adviser will be appointed in 2011–12. The ongoing training will foster a greater appreciation and understanding for Indigenous Australians and provide participants with the knowledge and practical tools to manage projects that involve Indigenous issues.

Managing performance and recognising staff achievements

A program designed to further enhance the performance and capability of the SCA – by identifying and addressing skills gaps in employees – was launched this year.

The FOCUS Staff Performance Program was introduced following consultation with unions, managers and staff. It provides set objectives aligned to our new Corporate Sustainability Strategy.

This ongoing program is supported by a suite of training courses for managers, team leaders and other employees.

As we move forward, a range of initiatives have been developed to ensure the ongoing professional development of SCA employees and the retention of skills and capabilities of the organisation. These include:

- effective succession planning/management
- development of relevant learning programs to address the capability gaps
- implementation of a learning framework which ensures training needs are provided for all employees and are position specific
- promotion and development of a sustainable performance based culture that recognises and rewards employee contribution.

Twenty long serving staff members were acknowledged at a special SCA Staff Day Awards Ceremony held on 3 November 2010. Seven staff members were recognised for 10 years' service, 11 for 20 years and two for 30 years.



Water System Operator Peter Morgan (left) is congratulated by SCA Chairman Robert Rollinson (right) on his 30 years of service

Encouraging social responsibility

Through our staff, the SCA is an ongoing supporter of many worthy charities. As a major component of its social responsibility, the SCA has a three year support program for WaterAid Australia. WaterAid's mission is to overcome poverty by enabling the world's poorest people to gain access to safe water, sanitation and hygiene education. Over the past year the SCA and staff donated \$5,795 to WaterAid Australia. The SCA will continue to support WaterAid Australia. Our ongoing fundraising efforts help empower the lives of people in Timor Leste and Papua New Guinea.

During 2010–11 our staff Social Club helped raise funds and support for an international lunch (to celebrate workplace diversity), Australia's Biggest Morning Tea (supporting the Cancer Council) and the Christmas gift and food drive (supporting the work of the Salvation Army).

The initiatives for 2010–11 were aligned with our Corporate Sustainability Strategy and included in the SCA Equity and Diversity Management Plan within the Workforce Management and Planning Strategy.

Moving forward, a range of initiatives to celebrate and promote cultural diversity are being developed and will be launched following stakeholder consultation and with employee involvement.

1.3 Ensure SCA's organisational structure, and decision making processes support a commercial culture and accountable workforce.

Challenge: Providing an effective organisational structure that supports sound decision making processes.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none">■ Review conducted to optimise organisational performance.■ Strengthened corporate governance arrangements by establishing the Governance and Secretariat Office.	<ul style="list-style-type: none">■ Revise and update the SCA Privacy Management Plan.■ Continue drive to achieve a commercial culture.

An efficient organisational structure that allows for sound and effective decision making is important for the SCA's long term success, and for the accountability of our staff.

Realignments and organisational reviews

Adjustments were made this year to the SCA organisational structure to realign responsibilities and reporting lines and clarify certain functions being performed within the agency.

This organisational review resulted in the consolidation of the number of divisions within the SCA – reducing them from six to four – and the establishment of the Governance & Secretariat Office. The transition to the new structure commenced in October 2010 and was implemented by January 2011.

The realignment ensures that all duties and responsibilities accurately reflect position expectations and are aligned to

organisational performance measures and values. This enhances the contribution each employee makes to the SCA as it supports an effective method of measuring the return on investment of all functions by way of more effective performance measures.

The consolidated organisation structure has better positioned the SCA to:

- maintain and improve the integrity of our infrastructure
- integrate the catchment to reservoir relationship
- partner with our customers, stakeholders and the community
- encourage and support the development of our staff.

This all helps to ensure that the SCA is well positioned to support a commercial culture and accountable workforce.

Privacy Management Plan

The SCA ensures that staff are aware and comply with the requirements of the *Privacy and Personal Information Protection Act 1998* and the *Health Records and Information Privacy Act 2002* in applying processes for protecting personal information about employees, stakeholders, clients or other people.

Public Interest Disclosure Program

Consistent with changes incorporated in the *Public Interest Disclosures Amended Act 2011*, the SCA has reviewed our internal procedures to ensure staff have access to the SCA's Disclosure Officer and are supported in reporting wrongdoing in the workplace.

1.4 Provide leadership and a clear direction for staff to support their commitment

Challenge: Ensuring staff have access to good information and are provided with clear leadership and direction.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> ■ Introduced the new Corporate Sustainability Strategy. ■ Staff workshops held to develop and discuss new corporate values. ■ All Staff Safety Day held in November 2010. 	<ul style="list-style-type: none"> ■ Conduct an All Staff Safety Day in 2011. ■ Further development and implementation of corporate values. ■ Ongoing staff information sessions.

Providing leadership and guidance to staff is imperative to maintain an engaged and committed workforce.

We do this through information sessions, staff meetings, our internal newsletter, an annual Staff Safety Day and regular updates to our policies and procedures.

Corporate Sustainability Strategy

The SCA Corporate Sustainability Strategy 2010–2015 sets the agency's strategic direction, values and key focus areas. It was introduced in July 2010, replacing the previous Corporate Plan 2007–2012.

The strategy recognises that the SCA must continue to change the way we do business – in order to balance our social, environmental, and economic responsibilities. Team business planning sessions held during the year ensured staff members understood how the key focus areas applied to their team and their individual roles.

Information sessions, team briefings and regular updates (in the internal staff newsletter iScan) ensured staff were kept up to date with the introduction of the new strategy and values.

New corporate values developed

The Corporate Sustainability Strategy is underpinned by the SCA's values and behaviours. These four new values are confidence, trust, respect and responsibility.

Staff participated in workshops this year to refine the values and discuss the associated behaviours. This collaborative process helped to ensure participating staff understood, and were committed to, the new values. Posters and flyers distributed throughout the year provided a visual reminder of the values. Further work to embed the values in our organisational culture will happen in 2011–12.

Staff Safety Day 2010

The annual SCA Staff Safety Day was held on 3 November 2010. The aim of this day is to discuss employee safety and wellbeing, communicate our strategic direction, and update staff on key initiatives.

At the event staff participated in health checks, including cholesterol and body max index assessments, and attended a session on the importance of postural health. Sessions were also held on resilience and sustainability.

Presentations and question and answer responses by the Chairman and Chief Executive ensured staff heard, first-hand, of changes in the external operating environment and how the SCA is responding to these developments.

Staff information sessions

In addition to the annual Staff Safety Day, the Chief Executive holds regular staff information sessions to update employees on key issues and new developments.

In 2010–11, staff were briefed on key areas for focus or change – including our submission to IPART for review of our prices, a new communication strategy and workforce planning.

Milestone for iScan staff newsletter

The SCA's weekly email newsletter, iScan, celebrated its 100th edition this year by introducing a host of new features. The changes followed staff feedback from an agency-wide survey.

One of the new features includes a team profile section that helps staff understand the roles of other teams, and encourages information sharing and collaborative work practices across the organisation.

Other regular features include new policies and procedures, job vacancies and development opportunities, and Social Club updates.



KFA 2

Stakeholder Relationships

Maintaining good relationships with our stakeholders, customers and the community is vital to the continued success of the SCA.

Understanding and managing the needs of our stakeholders helps us to fulfil our commitment to provide an ongoing supply of quality raw water from well managed catchments.

We nurture our stakeholder relationships by operating in an open and ethical manner, providing best practice advice and information, and by maintaining effective partnerships with like industry groups and forums.





Goal

To ensure the SCA has excellent partnerships with stakeholders, customers and the community

Strategies

- 2.1** Formalise the SCA's knowledge management capability to share knowledge internally and externally.
- 2.2** Understand, meet and effectively manage the needs and expectations of stakeholders, customers and the community.
- 2.3** Represent SCA's interests in key local, state and national forums.

2.1 Formalise the SCA's knowledge management capability to share knowledge internally and externally.

Challenge: Sharing knowledge effectively across a geographically dispersed management area.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> ■ Completely redeveloped our online Neutral or Beneficial Effect (NorBE) water assessment tool. ■ Developed 'Science Bites' – a new internal information exchange program. ■ Updated our Pollution Source Assessment Tool (PSAT). ■ Provided councils with Strategic Land and Water Capability Assessment (SLWCA) data, maps, draft guidelines and ongoing advice. 	<ul style="list-style-type: none"> ■ Providing ongoing support for NorBE. ■ Making the SLWCA information available to the public through a tool on the Land and Property Information Authority website. ■ Finalising our Planning Proposal Guidelines for councils. ■ Investigating new webinar technology. ■ Incorporating our Local Environmental Plan Review and Guideline for Strategic Land and Water Capability Assessments into our planning proposal guideline.

The SCA actively shares knowledge with our staff members, councils, industry colleagues and the community.

We do this through the internet, face-to-face meetings, teleconferencing and the preparation and presentation of studies and reports.

Our website provides access to a wide range of information resources including updates on transfer schedules, dam levels, supply and rainfall data.

Regular information streams include:

- weekly storage and supply reports – summarising catchment rainfall, supply and storage levels
- daily catchment rainfall figures
- environmental flow information
- weekly Shoalhaven transfer schedule (when relevant).

We also share knowledge by making available reports and studies that highlight the policies and direction of the SCA.

Examples this year included the launch of the Corporate Sustainability Strategy 2010–2015 and the Science Strategic Plan 2010–2015.

Our Corporate Sustainability Strategy outlines our business objectives and key areas of focus to 2015. It also shares with stakeholders our corporate values of trust, confidence, responsibility and respect. The Science Strategic Plan allows us to better focus our science priorities across seven program areas.

This year we also developed 'Science Bites' – a new internal information exchange program which shares the expertise, experience and professional enthusiasm of SCA staff by demonstrating how science contributes to priority setting and operations. Topics have included modelling catchment landscapes and our current knowledge on Cyanobacteria.

Geographical distance can be a challenge for knowledge sharing across the drinking water catchments.

We deal with this by using teleconferencing and broadband facilities, ensuring that information is easily transferable, allowing staff members to participate in meetings and seminars regardless of their location.

Sharing our knowledge with local councils

The SCA works to share knowledge, build capacity and further support local councils.

Neutral or Beneficial Effect – NorBE

The State Environmental Planning Policy (Sydney Drinking Water Catchment) 2011 requires local councils, as consent authorities, to ensure that development proposed in the catchment has a neutral or beneficial effect on water quality (NorBE).

The SCA worked with catchment councils this year to develop an online NorBE assessment tool that allows them to determine if a development proposal will have a neutral or beneficial effect on water quality, and if the application needs to be referred to the SCA. A wastewater effluent model was integrated into the NorBE tool to enable wastewater assessments in unsewered areas to be carried out.

Strategic Land and Water Capability Assessments

Under the Local Planning Direction 5.2 – Sydney Drinking Water Catchments, councils in the drinking water catchment are required to consider the outcomes of the SCA's Strategic Land and Water Capability Assessments (SLWCA) when developing planning proposals.

To assist councils in meeting this requirement, we provided them with SLWCA data, maps, draft guidelines and ongoing advice. This helps with the preparation of planning proposals, including comprehensive local environmental plan (LEP) revisions. SLWCA maps are available on our website.

Pollution Source Assessment Tool

The Pollution Source Assessment Tool (PSAT) is an evidence-based prioritising system that informs us on where in our drinking water catchments we should focus our interventions. The PSAT is built from a complex interaction of information sources. Its goal is to identify and rate pollution sources across a range of land uses, management practices, landscape and climatic conditions in the drinking water catchments.

The four modules have been updated in PSAT to incorporate new data, with the outputs informing the Healthy Catchments Strategy 2012–2016.

The benefits of NorBE

Our NorBE tool allows councils to undertake their NorBE assessments for low to medium complexity developments online, reducing the number of development applications referred to the SCA. Reports for individual assessments and determined applications can also be generated directly from the tool.

Up to 30 June 2011, we had provided comprehensive training to more than 100 council staff members.

To assist councils in using the tool, the SCA is providing help desk support, on-site mentoring and a detailed user guide, which provides step-by-step instructions on how to use the tool.

The NorBE tool went live on 1 March 2011. Since then, we have seen a reduction in the number of development applications being received by the SCA.



The NorBE tool helps councils to assess low to medium complexity developments

“The development and implementation of a new online water assessment tool this year has allowed the SCA to share knowledge, build capacity and further support local councils.”

2.2 Understand, meet and effectively manage the needs and expectations of stakeholders, customers and the community.

Challenge: Managing and meeting the needs of our stakeholders and providing information that is appropriate, relevant and accessible.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> ■ Acknowledged the significance of SCA's social history by reconnecting with the workforce that built Warragamba Dam during its 50th anniversary. ■ Launched a new exhibition centre at Warragamba Dam. ■ Updated our website to include revised recreational maps and dam information aimed at improving the visitor experience. ■ Reviewed the MoU with NSW Health, Office of Environment and Heritage and Catchment Management Authorities. ■ Reviewed the Bulk Water Supply Agreement with Sydney Water Corporation. 	<ul style="list-style-type: none"> ■ Provide input to the review of the Environmental Planning and Assessment Act and Regulation. ■ Improve communication strategies by including benchmarking and surveying of stakeholders, producing a new external newsletter and making enhancements to our website. ■ Participate in further reforms in the NSW Planning System. ■ Development of a new Special Area Strategic Plan of Management.

Engaging with stakeholders, customers and the community to understand their views is an important part of the SCA's work and helps to inform our decisions.

We undertake consultation through all the different stages of our projects. This ensures that stakeholder and community feedback is considered before, during and at the end of our projects and policy reviews.

On all major projects, we consult directly with stakeholders or the committees that represent their interests through forums such as community reference groups, and take into account the outcomes of the consultation process when making decisions.

Stakeholder communications

The SCA is committed to effectively managing the needs and expectations of our stakeholders, including our customers and metropolitan and catchment communities.

We do this by providing advice, important water resource information and access to online applications and tools.

Our challenge is to provide information that is appropriate, relevant and accessible.

Key activities this year included:

- Introducing a data feed to the Bureau of Meteorology on our website, enhancing community access to SCA dam level information.
- Updating our website to include revised recreational maps and dam information aimed at improving the visitor experience.
- Providing advice to both the Department of Planning and Infrastructure and local councils on planning directions, strategies, policies, instruments and proposals, and development control plans relevant to the drinking water catchment or affecting SCA infrastructure.
- Assisting development proponents to prepare their applications and provide adequate information to allow a full NorBE assessment to be carried out by councils or the SCA. We did this via two documents: 'Developments in Sydney's Drinking Water Catchment – Water Quality Information Requirements' and 'Using a Consultant to Prepare Your Water Cycle Management Study'.

- Delivering a sustainable grazing website (hosted on our website) in partnership with the Department of Primary Industries (DPI). It includes comprehensive information about effective grazing practices to minimise water quality impacts and supports our partnership education program with DPI, which provides training to graziers across the drinking water catchments.
- Working with the media to highlight key activities and engage with the community on water quality, catchment management and other areas of SCA business. Community and media interest in water issues has been less active than it was during the drought years, requiring us to consider alternative means of communication.

Interagency consultation

The SCA shares certain responsibilities with other government agencies in managing water quality and the environment and maintains close working relationships with these agencies.

As required by the *Sydney Water Catchment Management Act 1998*, the SCA has in place a Memorandum of Understanding (MoU) with NSW Health, which formally outlines the cooperative relationship between the two agencies – including research, reporting and information sharing. This includes regular strategic and operational forums to discuss and manage matters of mutual interest and to share appropriate information.

The SCA is also required to have a MoU with the Environment Protection Authority, whose statutory functions are carried out by the Office of Environment and Heritage (OEH). During 2010–11, the SCA and the OEH established closer liaison through regular scheduled strategic and operational forums, similar to those operating between the SCA and NSW Health. The forums assist the agencies to cooperatively manage issues relating to land management, enforcement, data acquisition, monitoring and policy development.

As the SCA's MoU with NSW Health is due for renewal by September 2011, it was considered timely to review both MoUs concurrently. With assistance from NSW Health and the OEH, the SCA undertook a review of both MoUs during the year. As required by the legislation, drafts of both MoUs were placed on exhibition for public comment.

Sydney Water

The SCA continued working closely with Sydney Water this year to provide safe drinking water to Sydney, Illawarra and the Blue Mountains. Activities this year included:

- Supplying the requested quantity of raw water for treatment (within Australian Drinking Water Guidelines).
- Facilitating water quality information and planning sessions with Sydney Water.

- Conducting interagency simulation exercises to test readiness for incidents.
- Reviewing the Bulk Water Supply Agreement.
- Assisting Sydney Water in the planning, construction and commissioning of Sydney Water's mini hydro turbine at Prospect.

Shoalhaven City Council

The SCA supplies raw water to Shoalhaven City Council for the supply of (treated) drinking water to the Kangaroo Valley township and Nowra. Activities this year included:

- Supplying the requested quantity of raw water for treatment (to within Australian Drinking Water Guidelines).

Wingecarribee Shire Council

The SCA supplies raw water to Wingecarribee Shire Council for the supply of (treated) drinking water to communities in the Southern Highlands. Activities this year included:

- Supplying the requested quantity of raw water for treatment (to within Australian Drinking Water Guidelines).
- Liaising with the Council regarding the impending upgrade of Wingecarribee Dam during 2011–12 and 2012–13.
- Holding a joint meeting between the SCA Board and Wingecarribee Shire Council on 25 November 2010.

Wollondilly Shire Council

Many of the SCA's dams and water supply infrastructure fall within the Wollondilly Shire Council local government area. The SCA Board held a joint meeting with Wollondilly Shire Council on 24 March 2011.

NSW Office of Water

The SCA holds a water management licence issued by the NSW Office of Water under the *Water Act 1912*. The licence regulates access to water resources by authorising us to use water from specified water sources and water management works, and to extract and release water to rivers. The SCA liaised closely with the NSW Office of Water during 2010–11. Activities this year included:

- Achieving 100 percent compliance with the requirements of the Water Management Licence.
- Providing extensive input into the development of the Greater Metropolitan Water Sharing Plan.
- Developing operating protocols for the implementation of the Greater Metropolitan Water Sharing Plan.
- Assisting with the Metropolitan Water Plan.

Local Government Reference Panel

The SCA shares information with local councils in the catchment through the Local Government Reference Panel. We chair this panel, with most of the 15 councils in the catchment areas represented.

The panel met on 2 August 2010, 1 November 2010 and 8 February 2011 to consider reports and provide feedback on a range of matters including:

- onsite wastewater systems
- Healthy Catchments Strategy
- NorBE tools
- current recommended practices
- catchment audit
- mining in the catchments
- educational partnerships
- Metropolitan Water Plan activities
- catchment operational activities.

Catchment management authorities (CMAs)

The SCA has close working relations with the two catchment management authorities (CMAs) that operate within our area of operations – Hawkesbury Nepean and Southern Rivers. During 2010–11 a plan for regular strategic and operational forums involving the CMAs was established, with a view to sharing information and coordinating catchment management initiatives.

The Hawkesbury Nepean and Southern Rivers CMAs and the Department of Primary Industries (DPI) together deliver the Catchment Protection Scheme (CPS), the Grazier Incentives Program (GIP) and the Sustainable Grazing Program (SGP).

In 2010–11 the partnerships delivered:

- LANDSCAN and PROGRAZE courses to 180 graziers in 10 sub-catchments
- funding to 29 graziers to assist to implement the best management practices identified in these courses
- more than \$631,000 to assist in the treatment of major gully erosion
- a new Farm Dams Handbook that focuses on water quality and aquatic weed management.

The SCA and the CMAs worked hard to negotiate common ground on the priority areas for grazing and erosion control activities. This has tightened the focus of our work, which is expected to improve our ability to assess temporal changes.

The SCA will continue to work in partnership with the CMAs to deliver the CPS, GIP and SGP. Our aim for 2011–12 is to improve our ability to monitor, report and evaluate the water quality outcomes of these activities.

Consultation activities

Some major consultation initiatives undertaken during 2010–11 are described below.

Warragamba Dam 50th Anniversary

Warragamba Dam celebrated its 50th anniversary in October 2010.

In preparation for this, the SCA engaged with a wide range of people, including Indigenous stakeholders and former dam builders, and invited them to attend a reunion as part of the celebration activities.

A community reference group was established in 2009 to help inform the development and delivery of the 50th anniversary event, as well as the reopening of the Warragamba grounds in November 2009. This reference group met in July, August and October in 2010.

We also worked closely with the families of the men who died during the construction of the dam to create a special memorial. This became an important part of the official celebrations on 17 October 2010.

Infrastructure upgrade of Wingecarribee Dam

A community engagement plan was developed this year to guide consultation activities for the Wingecarribee Dam, which is due for a major infrastructure upgrade commencing in 2011–12.

Bendeela Recreation Area upgrade

Owned and managed by the SCA, the Bendeela Recreation Area is a rustic picnic and camping ground near Kangaroo Valley south of Sydney. A master planning process commenced this year to upgrade the grounds. Initial consultation was conducted with key stakeholders in May and June 2011 to help inform development concepts for a draft masterplan. Further stakeholder and community consultation will be conducted during 2011–12.

Review of Water Monitoring Program

A requirement of our Operating Licence, the SCA's Water Monitoring Program 2010–15 was reviewed this year. This involved extensive stakeholder consultation (including customers), resulting in final endorsement of the revised program by NSW Health and the NSW Office of Water.

Review of Bulk Water Supply Agreement with Sydney Water Corporation

The *Sydney Water Catchment Management Act 1998* requires regular review of the water supply arrangements between the SCA and Sydney Water Corporation. The latest review commenced in November 2010 and featured a public exhibition of the existing arrangements. As at 30 June 2011, negotiations were in their final stages. Once complete, the revised Water Supply Agreement will be placed on public exhibition for comment.

Review of the Raw Water Quality Incident Response Plan

A review of the Raw Water Quality Incident Response Plan was completed in August 2010. Wholesale customers and stakeholders were kept informed of progress and were invited to comment on the draft revised plan. Sydney Water and NSW Health were engaged through Joint Operational Group and Strategic Liaison Group meetings. NSW Health endorsed the final revised plan, which was implemented from October 2010. The SCA uses this plan to provide an effective, timely and consistent response to any water quality incidents – in consultation with wholesale customers and NSW Health.

Household chemical collections

Unwanted household chemicals are a threat to water quality if they are not disposed of properly. The SCA partnered with six councils this year to hold household chemical collections at Crookwell, Goulburn, Picton, Wallerawang, Lithgow, The Oaks, Braidwood, Tarago, Marulan and Moss Vale. The events enabled 1,263 people to safely dispose of almost 61 tonnes of household chemical waste.

2.3 Represent SCA's interests in key local, state and national forums

Challenge: Enhancing the SCA's profile across partner agencies and the water industry.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> ■ Actively participated in key industry forums. ■ Supported the development of the 2010 Metropolitan Water Plan. ■ Represented on the NSW Dams Safety Committee and working groups of the International Commission on Large Dams. ■ Made representation to the Department of Planning on six mining and coal seam gas proposals. ■ Played an active role in a 'whole-of-government' asset management working group. 	<ul style="list-style-type: none"> ■ Deliver initiatives outlined in SCA's communications strategy to help enhance sharing of information with our stakeholders, including other government and partner agencies. ■ Continue to undertake and present research into the impacts of longwall mining on water resources in the Special Areas.

Participating in forums helps us to interact with our industry colleagues, share knowledge and promote the activities of the SCA.

In doing this, we take a proactive approach to managing risk by developing mutually supportive networks at the national, state and local level – enhancing our profile so the SCA is engaged early on matters that affect water quality.

We also manage risk through our involvement in established committees and ongoing liaison with various security and emergency management contacts.

■ Metropolitan Water Plan

The SCA is an active member and contributor to the process for developing the Metropolitan Water Plan (MWP). This includes membership of the Senior Officers Group and a range of associated committees. The SCA's Water Headworks Network (WATHNET) modelling software is used extensively to model performance of potential measures and provides the input data for the economic, environmental and social assessments used in the MWP.

■ Australian National Committee on Large Dams

The SCA is an active member of the Australian National Committee on Large Dams (ANCOLD), an 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 is represented on the NSW Dams Safety Committee, and two working groups of the International Commission on Large Dams. This helps ensure SCA dam safety management practices are in line with international best practice.

■ Water Services Association of Australia

The SCA is a member of various Water Services Association of Australia (WSAA) networks, collectively sharing information and focussing on key and emerging issues in the sector.

■ Subsidence Management Plan Review Committee

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

■ Asset Management Working Group

The SCA has played an active role in this 'whole-of-government' group, with a particular focus on asset systems.

■ Climate change research

The SCA is a major contributor to climate change research being carried out by OEH on behalf of the NSW and ACT governments, which aims to further model and investigate the impacts of climate change.

■ **Metropolitan Water Education Group**

The SCA is represented on this group, which supported the development and launch of the 2010 Metropolitan Water Plan. We also had input into the planning and evaluation of mass media Water for Life community education campaigns and contributed to the development of key messages for use across the water sector.

■ **eWater Cooperative Research Centre (CRC)**

The SCA is a member of eWater, 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.

■ **Water Quality Research Australia Limited (WQRA)**

The SCA participates in Water Quality Research Australia (WQRA) projects. The WQRA is a research centre that focuses on nationally applicable collaborative research about drinking water quality, recycled water and relevant areas of wastewater management.

■ **Australian Paint Approval Scheme**

The SCA is a subscribing member of the CSIRO's Australian Paint Approval Scheme. Given the magnitude of surface protection required to keep SCA assets in optimum condition, we hope to leverage some benefits in product advancement and efficiencies.

Mining beneath SCA Special Areas and infrastructure

Mining and coal seam gas activities are regulated by the Department of Trade and Investment, Regional Infrastructure and Services and the Department of Planning and Infrastructure. The SCA provides expert advice on how these may affect stored water, water supply infrastructure and related land before consent is granted.

The SCA made representation this year to the Department of Planning (DoP) on six mining and coal seam gas proposals. We also continued to review mining company annual environmental management reports, subsidence monitoring data and compliance with operational management plans. Rectification action is sought where inspections and monitoring find that operations are non-compliant.

The SCA continued researching the impacts of longwall mining on water resources in the Special Areas. The three year Collaborative Research Program on the 'Impacts of Longwall Mining on Subsidence, Flow and Water Quality in the Waratah Rivulet' was completed and peer reviewed in 2010–11. It confirmed the interaction between groundwater and surface water in the Waratah Rivulet and provided some estimates of the rates of flow between streams and the groundwater system in the area affected by mining.

Three mining companies – BHP Billiton Illawarra Coal Holding Pty Ltd, Peabody Pacific Helensburgh Coal Pty Ltd and Gujarat NRE Minerals Ltd – have active longwall coal mining operations and coal seam gas interests under the Metropolitan and Woronora Special Areas.

The SCA is actively engaging these companies as their operations have the potential to impact on water quality and quantity, and water supply infrastructure.

We will continue to assess, and make representations on, mining proposals that affect the Special Areas and water supply infrastructure. We will also continue to monitor mining company compliance with development and access conditions.

A research project to assess the cumulative impacts of mining in the Waratah Rivulet commenced during 2010–11 and will continue in 2011–12. The first phase involves the application of tracers to investigate water loss and surface groundwater interactions. The second phase will develop an integrated surface water groundwater model based on the results of the first phase.

Phase 1 of the project is expected to be completed in 2011–12, with phase 2 estimated for completion 12–18 months later.

“We will continue to assess, and make representations on, mining proposals that affect the Special Areas and water supply infrastructure. We will also continue to monitor mining company compliance with development and access conditions.”

Case study

SCA Mining Principles

Applications for mining and coal seam gas activities are the responsibility of the Department of Planning and Infrastructure or the Department of Trade and Investment, Regional Infrastructure and Services.

Mining and coal seam gas activities have the potential to adversely affect the quantity and quality of water in the catchment and reservoirs, SCA infrastructure and the ecological health of the Special Areas.

The SCA has developed a set of Mining Principles, designed to protect water, infrastructure and ecosystems and ultimately the drinking water supply for the 4.5 million people of Sydney, Illawarra, Blue Mountains, Southern Highlands and the Shoalhaven.

These principles underpin the SCA's advice to the Department of Planning and Infrastructure and the Department of Trade and Investment, Regional Infrastructure and Services. The principles are used to structure and frame our submissions on mining and coal seam gas activities. They help us shape our ongoing science and research into the potential impacts of these activities. We also use the principles in our consideration of applications for access consent made by mining or coal seam gas companies wishing to access land managed by the SCA.

The SCA Mining Principles are:

1. **Protection of water quantity** – Mining and coal seam gas activities must not result in a reduction in the quantity of surface and groundwater inflows to storages or loss of water from storages or their catchments.
2. **Protection of water quality** – Mining and coal seam gas activities must not result in a reduction in the quality of surface or groundwater inflows to storages.
3. **Protection of water supply infrastructure** – The integrity of the SCA's infrastructure must not be compromised.
4. **Protection of human health** – Mining and coal seam gas activities must not pose increased risks to human health as a result of using water from the drinking water catchments.
5. **Protection of ecological integrity** – The ecological integrity of the Special Areas must be maintained and protected.
6. **Sound and robust evidence regarding environmental impacts** – Information provided by proponents, including environmental impact assessments for proposed mining and coal seam gas activities, must be detailed, thorough, scientifically robust and holistic. The potential cumulative impacts must be comprehensively addressed.



Celebrating 50 years of Warragamba Dam

More than 15,000 visitors and 400 former workers and their families attended a special event on 17 October 2010 to mark the 50th anniversary of the construction of Warragamba Dam.

The anniversary event was logistically complex requiring significant engagement with stakeholders, including former workers, to ensure the milestone event was meaningful. The Indigenous community was consulted about appropriate recognition and participation in the event ceremony and were important participants and stakeholders. A community reference group, which included representation from the local Warragamba township, also helped us design the celebration activities.

The event was designed to acknowledge the multicultural workforce who built Warragamba Dam and honour the workers involved in its construction.

A new permanent memorial was unveiled to the 14 men who died during the construction of the dam. Engagement with the families of the men, who are honoured in this memorial, formed a crucial part of the event planning.

The SCA was committed to ensuring these families had the opportunity to participate in the design of the memorial and play a significant role in the unveiling of the memorial on the day.

The day began with an official ceremony to commemorate the contribution of the dam builders. The multicultural workforce responsible for building the dam was recognised with a procession of flags carried by children from Warragamba Public School, many of whom are descendents of dam builders.

This was followed by the unveiling of the permanent memorial to honour the men who died building the dam. Many of these men were represented at the ceremony by their widows, siblings, children, grandchildren and great grandchildren.



Dam builders enjoyed a reunion lunch with former workmates, where stories and memories were exchanged. Some people had not seen each other for 50 years. SCA staff mingled with former workers to share stories about the construction of the dam and its modern day management.

Music, educational activities, a mini zoo and water show were popular attractions for the broader community visitors at the event. Construction work on the dam wall was stopped temporarily for the celebration to allow people to walk across a portion of the dam wall for the first time in 10 years.



Left: Images from the construction of Warragamba Dam

Above: Former workers and other guests attended a special event on 17 October 2010 to mark the 50th anniversary of the construction of Warragamba Dam

Warragamba Dam exhibition centre opens

In September 2010, a new exhibition centre was launched at Warragamba Dam. This showcases the rich history behind the construction of the dam, the original Indigenous and settler residents of the Burratorang Valley, and the many local and migrant workers who built the dam and its township. Since it opened, the visitor centre and 'Water for Life' exhibition has been visited by more than 100,000 people.

KFA 3

Business Viability

Conducting business in a new, competitive market brings with it many challenges.

It requires a strong commercial focus and the ability to adapt to a rapidly changing environment.

The SCA continues to ensure our business viability by overseeing a sound financial control framework that includes security, risk, incident and business continuity initiatives.

We aim to deliver effective business and administrative services and operations supported by reliable systems, processes and tools.





Goal

To ensure the SCA is a viable, commercially successful organisation that is able to adapt to changing business environments, meet customer needs and seek new services and markets.

Strategies

- 3.1** Position the organisation to be the Water Supplier of Choice.
- 3.2** Manage risk and pursue opportunities to support a resilient organisation.
- 3.3** Strive for cost efficiency through optimising operational expenditure and ensuring capital expenditure is efficient.
- 3.4** Provide reliable and effective systems, processes and tools to support business operations.

3.1 Position the organisation to be the water supplier of choice.

Challenge: Responding effectively to the changing environment of the water sector in NSW.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none">■ Undertook comprehensive review of water monitoring program.■ Launched new Science Strategic Plan.	<ul style="list-style-type: none">■ Respond to requirements of the Greater Metropolitan Water Sharing Plan.■ Participate in investigations for new environmental flows from Warragamba Dam.

The SCA has positioned itself to respond to the changing environment of the water sector in New South Wales.

During 2010–11, we continued to deliver ready-to-treat quality water in accordance with the Australian Drinking Water Guidelines.

We also undertook a comprehensive review of our water monitoring program, based on an SCA/Sydney Water/NSW Health catchment to tap risk assessment informed by our Catchment Decision Support System (CDSS).

The review identified a number of sites that can be removed from the program and additional sites that will better inform the SCA on catchment water quality.

To ensure a continued supply of quality water, we need to understand the dynamics of the catchment and its reservoirs. To help, this year we introduced the Science Strategic Plan 2010–2015. It establishes the direction for the organisation's science effort.

Future challenges include the integration of the desalination plant and its rules for dispatch, the implications of the Greater Metropolitan Water Sharing Plan, the implementation of new environmental flows from Warragamba Dam and the impacts these may make on available drinking water supply.

The SCA is well placed to supply water to meet quality and quantity requirements in the short and long term.



The SCA launched its Science Strategic Plan 2010–2015 this year

3.2 Manage risk and pursue opportunities to support a resilient organisation.

Challenge: Managing risk in an increasingly competitive environment.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> ■ New Enterprise Risk Management Framework developed to implement the new international standard on risk management, ISO 31000. ■ Complied with the requirements of the Internal Audit and Risk Management Policy for NSW Government Agencies. ■ Initiated new contract for internal audit services. ■ Significant reductions secured in insurance premiums. 	<ul style="list-style-type: none"> ■ Improve physical security at our infrastructure sites. ■ Continue our focus on incident reporting. ■ Enhance our business continuity plans and disaster recovery arrangements. ■ Implement revised fraud and corruption control strategy and action plan.

Understanding and managing risk is vital to maintaining a sustainable business.

To do this, the right systems and processes must be in place.

In 2010–11, the SCA established an Enterprise Risk Management Framework that meets the ISO 31000 international risk management standard and NSW Treasury TPP 09-05 Internal Audit and Risk Management Policy. This provides a sound basis for consistently managing risk to support achievement of business objectives.

We also worked on refining the security strategy and better integrating controls into the way we manage security risk. Effectively managing security risks helps to ensure the continuity of high quality water supply and a sustainable water business.

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 our security strategy.

Fraud and corruption control

The SCA's Fraud and Corruption Control Strategy is a key element of our approach to risk management. During 2010–11, we progressively delivered our Fraud and Corruption Control Strategy to prevent, detect, report and investigate fraud and corruption. All staff undertook training in relation to fraud and corruption control. A review of this strategy began this year, with the revised strategy and new action plan to be implemented during 2011–12.

There were no reported incidents of suspected fraud or corruption by staff during 2010–11.

Insurance

Our insurance renewal strategy this year was to ensure the stability and consistency of our insurance cover without incurring any premium increases.

Thanks to a comprehensive review, we achieved more than that, securing a significant reduction in our premiums.

Key features of our renewal included:

- industrial special risks (property) cover
- underwriter honouring a long-term agreement which protected us from rate rises (caused by natural disaster claims)
- the renewal of our combined liability (public and product) insurance at competitive 2010 prices
- premium reduction of 10 percent for directors and officers (compared with 2010)
- discount on motor vehicle insurance.

We also purchased insurance covering travel, group personal accident, aviation liability and statutory liability and legal defence costs. The SCA only buys insurance from underwriters with the expertise and financial reserves to cover our needs and risk profile.

Internal auditing

A key component of the SCA's risk management strategy is our robust internal audit program.

In 2010–11, internal auditors reviewed the following business areas:

- access permits, catchment and dams
- recruitment – validating credentials
- OH&S (working on or near water)
- review of Fraud and Corruption Control Strategy
- IT (backup and recovery) and (perimeter network testing)
- leases and licences
- Board effectiveness
- environmental management audit
- SCA access to DRIVES (Driver and Vehicle Information System database, Roads and Traffic Authority)
- procurement
- minerals and gas exploration.

Internal audit findings and management responses are reported to the Board's Audit and Risk Committee. The committee monitors implementation of the management responses.

The SCA complied with the requirements of the Internal Audit and Risk Management Policy for NSW Government Agencies this year. The SCA's internal audit functions and the Audit and Risk Committee Charter aligned with the policy. The Board provided a 'No Exceptions' attestation to NSW Treasury, as required by the policy.



SCA Attestation Statement for 2010-11

No Exceptions

Internal Audit and Risk Management Statement for the 2010-2011 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:

- * Louise Wakefield, independent Member (May 2008 - October 2011; Chair from March 2011 to present)
- * John Asquith, independent Member (May 2008 - May 2014; Chair from January 2010 - March 2011)
- * Stephen Corbett, non-independent Member (May 2008 - May 2014)
- * Larry Whipper, independent Member (June 2009 - May 2012)

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 29 July 2011 to approve the Chairman's attestation statement in relation to the SCA's compliance with the Internal Audit and Risk Management Policy.

A handwritten signature in black ink, appearing to read "R. Rollinson".

Robert Rollinson
Chairman
29 July 2011

Building resilience, managing incidents and business continuity

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

We define incidents as ‘occurrences or situations that could cause harm’. During the year we managed 205 incidents, most of them of a minor nature. Following the recommissioning of a pipeline after essential maintenance there was a discharge of water from the pipeline causing localised erosion and sedimentation into a local creek. Improvement opportunities identified in the debrief of this incident are being implemented.

A summary of incidents by type appears in Figure 3.

The number of incidents was lower than previous years, but the types of incidents remained consistent.

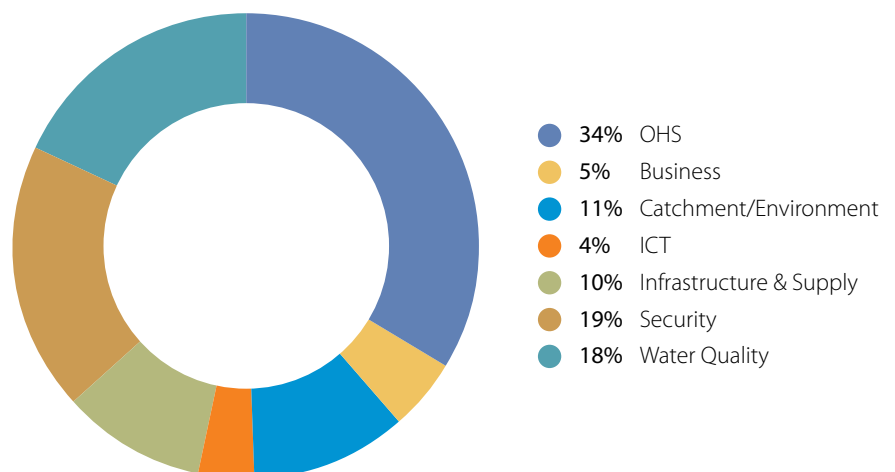
During 2010–11, the SCA maintained the Corporate Incident Management Framework and supporting procedures. Continuous improvement actions identified from lessons learned during incidents and exercises continued to be progressively implemented.

A business impact analysis was conducted to enhance and improve business continuity plans and arrangements for critical business processes. The development of these plans, as well as disaster recovery arrangements, is ongoing.

The SCA also conducted, and participated in, a range of simulation exercises to test our readiness for floods, dam safety, wildfires and cyber security threats.

We maintained our proactive approach to managing risk through active membership of the Australian Trusted Information Sharing Network for Critical Infrastructure Resilience and held an executive role in its water sector group. We also continued to participate in a number of security, risk and resilience forums and networks in NSW and nationally.

Figure 3 – SCA incidents by type 2010–11



“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 our security strategy.”

3.3 Strive for cost efficiency through optimising operational expenditure and ensuring capital expenditure is efficient.

Challenge: Ensuring our operating and capital expenditure programs are prudent and delivered efficiently.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none">■ Met our Statement of Business Intent targets as agreed with NSW Treasury.■ Managed within our current IPART price path requirements.■ Reduced workers' compensation expenses by 15.4 percent.■ New processes implemented to manage our capital and operating programs.	<ul style="list-style-type: none">■ Continue to monitor and manage our capital and operating programs to ensure they are delivered efficiently.

The SCA's operating and capital expenditure requirements are driven by our new Corporate Sustainability Strategy. This ensures project delivery aligns with the identified needs and commitments of the organisation.

We have in place robust processes to ensure our operating and capital expenditure is prudent and delivered efficiently.

In our 2008 submission to IPART, and in preparation for the new operating environment, the SCA undertook to reduce our operating expenses from \$86 million to \$80 million per year and maintain this expenditure (in real terms) throughout the determination period. This provides us with the ability to manage our business within a reduced sales environment – a consequence of the desalination plant's entry into the bulk water supply market. We continued to operate this way during 2010–11, reducing our operating expenses, (excluding depreciation and amortisation) by 0.8 percent. We also met our Statement of Business Intent targets as agreed with NSW Treasury.

A process for the development and management of our capital and operating programs was established and implemented this year. The process aligns with our Project Management Framework, which ensures we select and deliver programs and projects that are financially viable, align with our Corporate Sustainability Strategy and deliver clear business benefits.

3.4 Provide reliable and effective systems, processes and tools to support business operations.

Challenge: Implementing new purchasing, contract management, project management and document management systems.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> ■ Implemented interagency service level agreements and panels of pre-qualified service providers to optimise our procurement and contracting activities. ■ Implemented a revised Business Management Framework. ■ Upgraded our eTendering profile via a dedicated page on the NSW eTenders website. ■ Implemented agency-wide electronic document management system. ■ Improved efficiency of IT systems. 	<ul style="list-style-type: none"> ■ Continuing to integrate business systems across the organisation and improve the way we use processes, systems and tools. ■ Implementing a new corporate project management information system. ■ Rolling out SCADA technology – creating significant changes for front line operations. ■ Implementing the new purchasing module (iPOS) for the financial system.

To continue operating as a viable and successful business, the SCA needs reliable and effective systems, processes and tools.

This covers everything from our business management framework through to procurement, IT, purchasing policies, tendering processes, project management and disaster recovery procedures.

Procurement

The SCA implements interagency service level agreements and oversees panels of pre-qualified service providers to optimise our procurement and contracting activities.

These arrangements complement our use of NSW State Contracts Control Board period agreements for goods and services.

The SCA continues to improve procurement outcomes by:

- 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 the State Contract Control Board (SCCB) panel and period contracts – where applicable
- using standard government construction contract forms
- providing contract/project management training and implementation.

These initiatives continue to reduce processing time and cost, improve responsiveness to emerging needs and maintain alignment with NSW Procurement Guidelines (July 2010).

Electronic tendering

The SCA has upgraded our 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 very beneficial, attracting a wider range of potential suppliers. All competitive tenders for major SCA contracts are invited through this arrangement. This approach also enables transparency in the procurement process and ensures disclosure requirements are met.

Electronic purchasing

The SCA is moving to an electronic purchasing model where orders and invoices are data matched electronically.

This will improve the efficiency of our purchasing activities and will lead to reduced payment processing timeframes and reduce delays in creditor payments. The process will require a supplier to include a purchase order on invoices, reducing the disconnect between the supply and delivery documentation. It will also reduce the requirement for manual intervention that can lead to processing delays.

We are also investigating a new tendering and contract reporting system to support and enhance the SCA's procurement process.

Fleet management

During 2010–11, the SCA reduced our vehicle fleet from 106 to 84 without losing any functionality in the field.

Improving our processes

The SCA undertook a review this year of our Business Management Framework to align it with our current business activities. The new framework was embedded into the business by using it as the new classification scheme in our document management system.

We also adopted our first agency-wide, centrally managed electronic document control process. This reduced five stand alone systems to one and improved the way policies and procedures are developed and managed to support business operations.

In conjunction with the Finance and Business Systems Project, the SCA analysed 13 high level processes. This critical information was used to redesign each tool and configure the relevant system. Implementation plans were used to deploy these new processes across the business.

This work provided a clear path for the changes being made to our financial, document management, procurement and time recording tools.

Finance and Business Systems Project

The SCA commissioned a review of its finance and business functions in 2009 culminating in the creation of a Finance and Business System Project. This project commenced in 2010 with an expected project duration of two years. The SCA engaged a project manager to implement proposed recommendations following the review including a consolidation of SCA core systems, simplifying and reducing complexity, reviewing and redefining business processes and identifying required business needs in the development of supporting systems.

The Finance and Business System Project completed the following system enhancements during 2010–11:

- 1) Undertook a review of all finance and business system processes culminating in the development and implementation of refined and simplified system processes.
- 2) Consolidated and configured systems to meet the SCA defined business requirements and delivered the following systems enhancements:
 - upgrade to SCA core finance system
 - new finance management reporting module
 - new electronic document management system
 - new fixed asset module
 - new labour costing and time recording system
 - new budgeting and forecasting system incorporating management reporting
 - conducted a major upgrade of the CHRIS21 payroll system to support changes required by the Australian Tax Office.

The Finance and Business System Project remains on track for completion during 2011–12 with the realignment of the SCA purchasing processes and development and implementation of new purchasing and expense management modules. The SCA is also finalising the asset maintenance system realigning the system to its core functions and redefining asset maintenance management processes.

Information technology

The introduction of new efficiency measures in information technology at the SCA resulted in a five percent reduction in information technology costs this year.

This took place without impacting service delivery or affecting our certification under AS/NZ/ISO27001.

A number of new systems were implemented this year to support the business needs of the SCA. These included:

- Upgrading our Reservoir Management System (SCARMS) to enhance our modelling capability and improve performance. We also expanded capacity to include the Shoalhaven system.
- Implementing the foundations of the networked SCADA system by introducing SCADA at the Nepean Weirs.
- Working towards a paperless office by upgrading and enhancing our Intranet (including integration with the SCA's document management system).
- Using our document management systems for compliance management.
- Continuing to decrease the costs of telecommunications through improved management, taking advantage of the whole of Government Telecommunication Agreement.
- Improving the efficiency of work processes by removing paper based systems during the implementation of the new Civil, Mechanical and Electrical (CME) contract. This will be delivered during 2011–12 through Field Force Automation (FFA). This computer based functionality will allow contractors to enter works data in the field, which will upload into the SCA's new Enterprise Asset Maintenance System (EAMS). This process will provide us with 'real time' condition data and reduce administration time.
- Implementing the Land Management Database.
- Further developing our water quality/quantity databases.

We also introduced a number of new technologies that will ensure our future IT capability is well supported.

Project and program management

Our Project Management Framework was updated and simplified this year to accommodate the changing needs of the SCA.

Developed using industry standards, the framework establishes the fundamental principles for achieving project outcomes and consistency in project implementation.

Each project must go through five phases – concept, initiation, implementation, transition and closure – as well as meeting the requirements of review gates throughout the project lifecycle.

A peer review process is undertaken at the review gates via the Project Review Panel. The panel undertakes independent review and assessment of project briefs, business cases, project and program changes, project closure reports, project portfolio status and implications for both the capital and operating project portfolios.

The panel critically reviews all programs and projects and has the capacity to recommend the proposed program or project be suspended, reworked, continued or withdrawn. Projects can only be placed on the Annual or Forward Operating and Capital Programs after their project briefs and business cases have received endorsement from the Project Review Panel. The SCA Board through its Asset Management Standing Committee then reviews and approves the overall Forward Program.

This process ensures the SCA selects and delivers programs and projects that are financially viable, align with the Corporate Sustainability Strategy and deliver clear business benefits.

During 2010–11, 17 people completed a Diploma in Project Management, further enhancing the skills base of the SCA in project and program management. This was part of an ongoing project management training package.

As at 30 June 2011, the SCA was well advanced in rolling out a new Project Management Information System. This system will enhance and further streamline project and program management and reporting processes at the SCA.



New systems are helping support SCA business needs



KFA 4

Industry Excellence

The SCA has in place key strategies to ensure we continue to achieve industry excellence and maintain our role as a recognised leader in the Australian water sector.

These include a strong corporate governance policy, ongoing benchmarking activities (to measure and improve our performance) and a commitment to innovation.

We deliver our services in an accountable and ethical way and comply with statutory, regulatory and industry requirements.



Goal

The SCA is recognised as a leader within the Australian water sector for its organisational practices.

Strategies

- 4.1** Ensure accountability and ethical behaviour through sound corporate governance.
- 4.2** Achieve excellence through benchmarking activities.
- 4.3** Maintain compliance with statutory, regulatory and industry requirements.
- 4.4** Implement contemporary knowledge management and intellectual property practices.

4.1 Ensure accountability and ethical behaviour through sound corporate governance.

Challenge: Providing sound corporate governance that ensures accountable and ethical behaviour.

ACHIEVEMENTS (2010–11)

- Evaluation of Board and Board Committee performance.
- Board members undertook Australian Institute of Company Directors (AICD) education program.

FUTURE DIRECTIONS (2011–12)

- Ongoing commitment to sound corporate governance.

The SCA takes accountability and ethical behaviour very seriously. It defines our approach to business and is deeply instilled across the organisation.

This is driven from the top down, starting with our Board.

The Board is responsible for ensuring that water supplied by the SCA complies with appropriate quality standards and that we conduct ourselves in an ethical and transparent way.

Our Board

SCA Board members are appointed by the Minister in accordance with Section 7 of the *Sydney Water Catchment Management Act 1998 (SWCM Act)*.

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

SCA Board Members

(as at 30 June 2011)

Robert Rollinson – Chairman

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

John Asquith

Stephen Corbett

David Evans

Louise Wakefield

Kenneth Wheelwright

Larry Whipper

Please refer to Appendix 1 for details of meeting and committee attendances.

Code of Conduct

Members of the SCA Board discharge their duties under the *SWCM Act* and relevant NSW statutes and follow 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 1 and is available on the SCA's website www.sca.nsw.gov.au.

Performance

In accordance with sound corporate governance principles, the Board once again reviewed and evaluated its performance and that of its committees. Internal auditor, Deloittes, was engaged to undertake an independent performance review.



Left to right: Robert Rollinson, Michael Bullen, John Asquith and Stephen Corbett

This review considered performance in relation to the Board's roles and responsibilities under the *SWCM Act*, NSW Treasury's Commercial Policy Framework: Guidelines for Boards of Government Businesses, and the NSW Audit Office On Board: Guide to Better Practice for Public Sector Governing and Advisory Boards 1998. It also considered the composition of Board committees, the interaction between the committees, participation and attendance at Board and committee meetings and Board members' contribution to, and consideration of, the SCA's financial and stakeholder obligations.

Board members completed an Australian Institute of Company Directors (AICD) education program as a component of their continuing professional development. They also became members of the AICD.

SCA committees

The SCA has in place a number of committees to ensure sound governance in the management of its operations.

Occupational Health and Safety Executive Steering Committee

This committee provides strategic direction and facilitates the effective implementation of the SCA's Occupational Health and Safety (OH&S) Management System including its review, oversees OH&S performance and coordinates the SCA's response to OH&S related incidents.

Project Review Panel

The panel provides independent peer review and assessment of project briefs, business cases, project and program changes, project portfolio status and implications for the Forward Capital and Operating Programs.

Information Management and Communications Technology (IM&CT) Executive Steering Committee

This committee ensures IM&CT resources effectively support the business needs and the strategic direction of the SCA.

Science Executive Steering Committee

This committee oversees the implementation of the Science Strategic Plan.

Business Resilience Committee

This committee provides executive oversight and guidance in the development and management of business resilience functions (risk, security, business continuity and incident management) and the internal audit program to ensure a consistent and integrated approach to resilience management across the SCA.

Grants Committee

This committee assesses community grant applications and makes recommendations regarding individual grant applications, grant variations and new grant programs.



Left to right: David Evans, Louise Wakefield, Kenneth Wheelwright and Larry Whipper

4.2 Achieve excellence through benchmarking activities.

Challenge: Seeking opportunities for improvement through benchmarking.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none">■ Embedded benchmarking targets in our Corporate Sustainability Strategy.■ Positive result from NSW Treasury review of the SCA's performance.■ Benchmarked internal project management costs and performance against industry levels.	<ul style="list-style-type: none">■ Participate in WSAA Asset Management Benchmarking.■ Continue to participate in the National Water Initiative performance program.■ Conduct benchmarking exercise with local government and education stakeholders.

The SCA continues to evolve and improve by using systems and processes that measure our performance against our targets. We set these targets by observing benchmarks within our organisation and across the water industry more broadly.

The National Water Initiative performance reporting process helps us to set these benchmarks and achieve excellence. This process measures the performance of water utilities across a range of indicators, and acts as a guide to 'best practice'.

The 2009–10 National Performance Report on urban water utilities identified a 10 percent increase in water recycling across the industry and a high level of compliance with microbiological water quality standards.

It attributed the increase in water use to an easing of water restrictions over most of the country. Combined with higher water prices, this meant increased revenue for most utilities, including the SCA. This year we recorded an increased profit after tax.

We are also seeking to benchmark the satisfaction of our stakeholders so we have a baseline to measure our performance in future years. In 2011–12 we will research our performance with our local government and education stakeholders and implement findings from this exercise into our business and service delivery.

Strategic performance review of SCA

The success of the SCA's overall business was confirmed through a review conducted by NSW Treasury this year. In November, NSW Treasury engaged KPMG to conduct a strategic performance review of the SCA. The review found the SCA was operating efficiently with sound practices in relation to governance. It found the SCA review of its functions, structure and processes over the past three years has delivered substantial productivity outcomes, reduced costs and improved the ability to operate in the new competitive environment with the construction of the desalination plant.

Benchmarking of project management costs and performance

As part of a project delivery strategy, the SCA undertook a benchmarking exercise to determine how its project delivery costs compared to industry standards. The results showed that the costs of project management were less than 10 percent, (compared to total project budget) compared to industry standards of between 15 and 20 percent.

“The 2009–10 National Performance Report on urban water utilities identified a 10 percent increase in water recycling across the industry and a high level of compliance with microbiological water quality standards.”

4.3 Maintain compliance with statutory, regulatory, and industry requirements.

Challenge: Maintaining compliance with multiple statutory and regulatory requirements.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> Achieved 83 percent high to full compliance in our annual Operating Licence audit. Incorporated all relevant recommendations of the 2010 audit of the Sydney Drinking Water Catchment into our relevant workplans. Continued to implement the SCA's Dam Safety Management Program. 	<ul style="list-style-type: none"> Training councils and developers to use SCA developed current recommended practices. Continuing to improve the SCA's rate of response to development assessment matters. Ensuring all development and activities in the catchment have a neutral or beneficial effect on water quality.

Operating Licence compliance

The *Sydney Water Catchment Management Act 1998* (SWCM Act) requires IPART to report annually to the Minister on its audit of the SCA's Operating Licence. The 2009–10 report was tabled in Parliament on 24 December 2010.

The report indicated we performed well against our Operating Licence, achieving 83 percent high to full compliance in the audit. Of the conditions assessed, we achieved full compliance for 72 percent and high compliance for 11 percent.

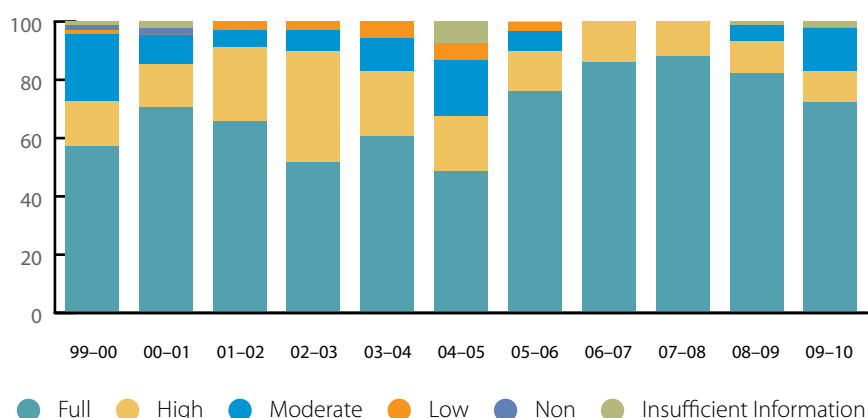
The report also noted that moderate or high compliance assessments did not represent significant issues for the SCA's overall compliance within its Operating Licence obligations.

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 was reissued on 29 April 2011 to include water allocations under the Water Sharing Plan for the Greater Metropolitan Region Unregulated River Water Sources (made on 2 March 2011). From 1 July 2011, the Water Management Licence will be replaced by water access licences and work approvals under the Water Sharing Plan.

Figure 4 – Annual Operating Licence performance 2000–10



The SCA maintained 100 percent compliance with its Water Management Licence in 2010–11.

Catchment audit

Section 42A of the *Sydney Water Catchment Management Act 1998* specifies that the catchment area is subject to periodic audits by an auditor appointed by the Minister.

The 2010 audit of the Sydney Drinking Water Catchment was undertaken by the Department of Environment, Climate Change and Water (DECCW) on behalf of the Minister for Water and covers the period of 1 July 2007 to 30 June 2010.

The catchment audit assesses the state of the catchment, and takes into account the catchment health indicators approved under section 42 of the *SWCM Act*. DECCW presented the final report to the Minister on 29 November 2010. The Minister

tabled the report in Parliament on 24 December 2010.

The report acknowledged the significant work conducted in the catchment by the SCA during the audit period. The report contained 28 recommendations, 19 of which are relevant to the SCA and were incorporated into our work plans.

Dam safety

The SCA owns 21 water storage facilities that are prescribed by the NSW Dams Safety Committee (DSC) under the *Dams Safety Act 1978*. Our five year Dam Safety Management Program assists the SCA in complying with the DSC requirements and the Australian National Committee on Large Dams (ANCOLD) guidelines.

4.4 Implement contemporary knowledge management and intellectual property practices.

Challenge: Putting in place sound knowledge management practices and protecting our intellectual property.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> ■ Work commenced on a new intellectual property policy. ■ Maintained AS27001 certification for information security. ■ Software licence agreement for PSAT tool signed. ■ Completion of nine collaborative research projects. ■ Established science executive steering committee. 	<ul style="list-style-type: none"> ■ Continue to seek opportunities for contemporary knowledge management. ■ Finalise intellectual property policy. ■ Develop data custodianship policy. ■ Review research partnerships. ■ Prepare state of the science reports.

The SCA seeks to be recognised as a leader in the Australian water sector for its organisational practices. We strive for innovation and best practice. Contemporary knowledge management and intellectual property practices are important to protect the organisation's investment and to ensure our information and knowledge is shared appropriately.

Improved contemporary knowledge management

During the year, the SCA implemented a range of measures designed to ensure continued improvement in contemporary knowledge management with particular emphasis on science data and models. The Science Executive Steering Committee was established to set strategic scientific direction, scrutinise scientific initiatives, and oversee knowledge management and information transfer. A series of staff seminars was held to increase the awareness and accessibility of scientific knowledge in the SCA for decision-making.

The progress of all science projects is reported to the SCA Board twice a year, with an evaluation of scientific achievements and the status of scientific knowledge and tools reported annually. The design format and distribution of reports of science project outcomes was revised to ensure that the latest results are available as the scientific reference for decision making.

The SCA prepared a draft State of the Science – Catchment Impacts report to:

- describe the current state of the SCA's scientific knowledge as a centralised reference source for our scientists and managers
- critically assess scientific confidence in the analytical/evaluation methods and results
- identify gaps and issues in the state of knowledge
- recommend ongoing research and development priorities.

The report describes the SCA's current knowledge about key pollutant groups, including sediments, nutrients, pathogens and metals. It is based on 10 years (2000–09) of water quality monitoring data, 56 previous scientific and evaluation studies, modelling and risk assessments. Over the next year, State of the Science reports will be prepared for reservoir dynamics, and for water quantity and quality modelling in a raw water supply environment.

The SCA continues to ensure its knowledge base is current by collaborating with the broader scientific community. In 2010–11 nine collaborative projects were completed, with a further seven nearing completion. The findings of these projects help validate and improve decisions and tools to manage our catchments and reservoirs.

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

- **eWater Cooperative Research Centre** – We use eWater’s MUSIC model to assess the water quality effect of stormwater management quality in development applications. The SCA also trialled an eWater contaminant modelling tool in the Nattai catchment and is comparing the results to other models.
- **Water Quality Research Australia Limited (WQRA)** – The SCA is involved in joint research into the growth of Cyanobacteria in reservoirs, establishing health-based targets for microbial water quality, and investigating the cause of low recovery of *Cryptosporidium* oocysts and *Giardia* cysts. We are a member of the WQRA Project Review Team, which is a high level technical and advisory group providing expert evaluation of WQRA research submissions.
- **Water Services Association of Australia (WSAA)** – The SCA is a partner in a project to determine water treatment requirements to meet health-based targets. This project will inform the next revision of the Australian Drinking Water Guidelines. Membership of WSAA includes member access to the Water Research Foundation – the world’s largest drinking water research organisation, and the Water Environment Research Foundation – America’s leading independent scientific research organisation dedicated to wastewater and stormwater issues.

Several of these partnerships are due to end in the next year and the SCA is currently reviewing their effectiveness and other options to access the latest knowledge.

Pollution Source Assessment Tool

The SCA developed a spatial decision support system this year – the Pollution Source Assessment Tool – to help prioritise management activities in the catchments.

The SCA and Hunter Water Corporation have a software licence agreement where we provide them with the source code, database structures and documentation for the tool. The agreement encourages knowledge sharing between the two organisations. Hunter Water Corporation will use the tool to undertake a pollution source assessment of its catchments to inform its catchment management program.

Information and data security

This year we maintained our AS27001 certification, which helps protect our corporate data and information. We carried out penetration testing of our information technology systems as part of our internal audit program. This process helps us ensure our data is secure. We are developing a data custodianship policy to further strengthen our information security and outline how we need to manage and protect our data.

Procurement and intellectual property

All of our contract procurement processes address intellectual property requirements where relevant. This ensures rigour around the attribution and protection of our intellectual property.

Asset information

The SCA since 2003 has been developing a process and supporting tools to assist the collection of asset information and the loading of this information into business systems. In particular, major progress has been made with the processing of asset data which had previously been an impediment to maintaining an accurate asset register. The improved asset data process has now uploaded asset records valued at over \$250 million. The asset data structures directly respond to the NSW Government’s Total Asset Management Guidelines to support both engineering and financial management requirements. The asset data process has now become a routine part of business.

“The SCA continues to ensure its knowledge base is current by collaborating with the broader scientific community. In 2010–11 nine collaborative projects were completed, with a further seven nearing completion.”



KFA 5

Reliable Water

To deliver safe, reliable water to our customers, the SCA must effectively manage our assets and continue to protect and improve the health of the catchments.

We do this by having in place robust risk strategies, strong compliance and enforcement systems, applying the best science and delivering on a highly effective asset management and investment framework.



Goal

The SCA provides reliable water of agreed quality and quantity to customers to minimise risk to public health.

Strategies

- 5.1** Protect and improve the health of the drinking water catchment through the delivery of the Healthy Catchments Strategy and sound scientific research.
- 5.2** Manage assets for improved efficiency, sound operations and safety.
- 5.3** Operate water supply system to deliver water to agreed quantity and quality criteria.
- 5.4** Achieve current and future water quality and quantity needs through water supply planning and asset investment.

5.1 Protect and improve the health of the drinking water catchment through the delivery of the Healthy Catchments Strategy and sound scientific research.

Challenge: Ensuring the SCA works with key stakeholders to deliver the Healthy Catchments Strategy and provide water quality outcomes in our assessment of developments across the catchments.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> ■ Reassessed four of the 12 modules in our Catchment Decision Support System – to help shape the development of the new Healthy Catchments Strategy 2012–2016. ■ Delivered grazer incentives – in partnership with the Hawkesbury Nepean and Southern Rivers Catchment Management Authorities. ■ Completed Taralga sewage treatment plant upgrade under the SCA's Accelerated Sewerage Program. ■ Supported Dairy NSW's delivery of a Dairy Effluent Management Program which trained 19 of the 25 dairy operators in the catchment and assisted them develop dairy effluent management and operational plans. ■ Worked with councils to provide 10 free household chemical collections and safely disposed of 61 tonnes of household chemical waste. ■ Provided Strategic Land and Water Capability Assessment maps on our website. 	<ul style="list-style-type: none"> ■ Providing for councils and developers to use SCA developed 'current recommended practices' for rural residential subdivision design, technical design and installation of on-site wastewater treatment and disposal systems. ■ Provide the 'Guide to the Use of MUSIC in Sydney's Drinking Water Catchment' to consultants and councils to assess stormwater impacts from larger, more complex developments and train them to use the guide for development applications. ■ Provide advice on all planning directions, strategies, instruments and proposals and development control plans relevant to the drinking water catchment or affecting SCA infrastructure. ■ Continue to improve the SCA's rate of response to development assessment matters. ■ Undertake a field trial to enable the calibration and validation of the numerical (property scale) grazing evaluation model which has been built by the SCA.

The Healthy Catchments Strategy 2009–2012 (HCS) outlines the SCA's priorities for preventative and remediation works in the catchments. It explains how we determine priorities and how they are addressed and evaluated.

The annual Healthy Catchments Program (HCP) outlines the actions required to meet these priorities. There are five initiatives in the HCP, covering: rural lands, sewage and stormwater, SCA land management, statutory and regulatory operations and catchment partnerships (refer to KFA 2).

Implementation of the HCS relies on a number of key stakeholders, who influence outcomes. These include CMAs, the Department of Planning and

Infrastructure, the Department of Primary Industries, the Office of Environment and Heritage, local councils, landowners and the community.

Our role is to ensure all stakeholders contribute and that their objectives are met. We also aim to ensure SCA funding provided to stakeholders is delivered in the right areas to achieve the best water quality outcomes.

The SCA will review the HCS during 2011–12 to identify what strategies have been successful and where improvements can be made. The review will help shape the development of the new Healthy Catchments Strategy 2012–2016, which will cover the new IPART price path determination period.

The new HCS will also benefit from our reassessment this year of four of the 12 modules of our Catchment Decision Support System (CDSS). The CDSS uses the best available science, information and knowledge to assess and rank pollution risks across the catchments. It assesses water quality risks from the four key pollutants of concern to the SCA: nitrogen, phosphorus, pathogens and suspended solids.

The HCS 2009–2012, the annual HCP and progress updates are published on our website. *More detailed information on the delivery of HCP activities can be found in the SCA's Annual Catchment Management Report 2010–11, available at www.sca.nsw.gov.au*

Rural lands assistance

The Sustainable Grazing Program (SGP) and Grazier Incentives Program (GIP) have been designed to work together to positively influence landowners to accept and adopt water quality best management practices.

Sixteen grazing practices have been identified as being important to protect water quality. The SCA, in partnership with the Hawkesbury Nepean and Southern Rivers Catchment Management Authorities, invested \$272,000 in grazer incentives in 2010–11. This investment attracted \$1.1 million in partner contributions and improved management practices on more than 2400 hectares of land.

Another initiative supporting rural landowners – the Riparian Management Assistance Program (RMAP) – offers financial incentives to property owners in priority areas. It focuses on controlling stock access to riparian areas along waterways. Since its inception in 2005 the program has protected 124 kilometres of riparian area in priority catchments. Works include fencing, installation of water supplies, native plants, erosion control and stock crossings. An area of 19 kilometres was covered during 2010–11.

Sewage

The SCA is working with local councils and the NSW Office of Water to construct or upgrade nine sewage treatment plants as part of its Accelerated Sewerage Program (ASP).

In 2010–11, the Taralga plant was completed and substantial progress was made upgrading the Lithgow and Wallerawang plants.

Due for completion during 2011–12, the program is already resulting in substantial reductions in the loads of nitrogen and phosphorus entering waterways.

There are almost 15,000 wastewater management systems in the catchments, including septic tanks and aerated wastewater treatment systems. The SCA is providing funding incentives to support councils to inspect, assess and rectify on-site sewage management systems.

In 2010–11, councils involved in our on-site sewage management program inspected 1,461 systems. By June 2011, more than 11,000 on-site wastewater management systems had been inspected. About 26 percent were considered faulty at the time of inspection and required some rectification. Councils worked with property owners to rectify these systems, with most being repaired within six months.

Compliance with the State Environmental Planning Policy (Sydney Drinking Water Catchment) 2011

On 1 March 2011, the Regional Environmental Plan (REP) was repealed and replaced by State Environmental Planning Policy (Sydney Drinking Water Catchment) 2011 (the SEPP). The information which follows relates to the REP (1 July 2010 to 28 February 2011) and the SEPP (1 March 2011 to 30 June 2011).

The Regional Environmental Plan (REP)

Water quality objectives

Part 2 of the REP required the SCA to prepare, within six months after a catchment audit, a summary of water quality outcomes measured against water quality objectives. We did this, however water quality objectives reporting is no longer required under the new SEPP.

Rectification action planning

Part 3 of the REP required the SCA to prepare rectification action plans (RAPs) that outline ways to remedy the impact of existing development and activities that do not have a neutral or beneficial effect on water quality (NorBE) in the catchment. In response, we developed the Catchment Decision Support System (CDSS) which underpins our Healthy Catchment Strategy (HCS) 2009–2012. The HCS is our RAP for the catchment, as it identifies and prioritises catchment action and response strategies. The HCS is available at www.sca.nsw.gov.au.

Strategic land and water capability assessment

Part 4 of the REP required the SCA to prepare strategic land and water capability assessments (SLWCAs), and use them to inform councils about appropriate land uses. SLWCA Stage 1 was reviewed as part of the 2008–09 Operating Licence audit. SLWCA Stage 2 was completed during 2009–10, and involved capability modelling for 10 land use types and the preparation of maps. Catchment councils were provided with SLWCA data and SLWCA maps were made available on our website. The SCA is finalising the incorporation of the 'Guide to applying strategic land and water capability assessments' into our planning proposal guideline in 2011.

Assessment and approval of development and activities

Part 5 of the REP required that any proposed development or activity should incorporate current recommended practices and performance standards – endorsed or published by the SCA – that relate to the protection of water quality. This requirement is included in Part 2 of the SEPP and is reported below. Part 5 of the REP stated that development consent cannot be granted unless there is a neutral or beneficial effect (NorBE) on water quality. This requirement is also included in Part 2 of the SEPP and is reported on the next page.

The State Environmental Planning Policy (SEPP)

Assessment and approval of development and activities

Part 2 of the SEPP required that proposed developments or activities should incorporate the SCA's current recommended practices (CRPs) and performance standards. These CRPs and standards are to be made available for public inspection free of charge.

The SCA has endorsed 40 CRPs and standards, four during 2010–11, to be used by councils, developers, consultants and the general public in the design and preparation of proposals for development in the drinking water catchment. The CRPs and performance standards provide advice on managing the water quality impacts of a range of land uses and development activities, including agriculture, urban and rural housing and subdivisions, stormwater and wastewater management.

The full list of CRPs and standards appears at www.sca.nsw.gov.au.

Part 2 of the SEPP also states that development consent cannot be granted unless there is a neutral or beneficial effect (NorBE) on water quality – assessed using the NorBE tool and NorBE guideline. In cases where the NorBE tool does not apply, the concurrence of the SCA Chief Executive is required. The tool applies to those developments outlined in the SEPP (concurrence of the SCA Chief Executive) Notice 2011, made under clause 64 of the Environmental Planning and Assessment Regulation 2000.

During 2010–11, we began finalising the development of the 'Designing and installing on-site wastewater systems' document to be endorsed as a CRP. We also developed a GIS Tool to accompany our 'Water sensitive design guide for rural residential subdivisions' document (finalised during 2009–10). This will also be endorsed as a CRP. Both of these documents will be publicly available in 2011–12.

Table 5 shows the number of development applications assessed by the SCA in 2010–11 (26 of these took more than 40 days to assess). The average time for concurrence assessments was 33 days. Where the SCA's concurrence is required, our staff carry out detailed site inspections and undertake a comprehensive assessment. Where concurrence is granted, the included conditions are tailored to the site and the nature of the development. The SCA did not withhold concurrence on any applications in 2010–11.

Table 5 Number of development applications assessed in 2010–11

	2008–09	2009–10	2010–11
Number of development applications assessed	396	344	340
Proportion (of total received) of development proposals assessed by SCA within statutory timeframes (%)	98.7	98.3	92.4
Proportion (of total received) of development proposals where SCA concurrence withheld (%)	0.25	0	0

The SCA also provided the following advice and assessments during 2010–11:

- Advice to councils on 67 modification development applications.
- Pre-development assessment advice on 20 occasions.
- Assessment of 42 proposals (on behalf of councils) for on-site wastewater systems using our wastewater effluent modelling tool. This number will decrease with the uptake of the NorBE.
- Advice to councils on 26 proposals where the SCA had previously granted concurrence and which applicants had modified.
- Advice on 38 major projects under Part 3A of the *Environmental Planning and Assessment Act 1979*.

The SCA also provided advice to state and local planning authorities on a range of planning strategies, instruments or proposals within, or affecting, the drinking water catchment. In the 12 months to 30 June 2011, the SCA provided advice on 13 planning issues at the state level and responded to 12 planning strategies or proposals at the local level.

Preventing water pollution through compliance

The SCA is continually faced with the challenge of identifying and reducing water quality risks from unlawful activities and unauthorised access in the catchments.

We are empowered through a range of Acts and Regulations to protect the catchments from water pollution. The legislation provides us with the ability to issue warnings, fines and notices, or to initiate court action.

The SCA's compliance actions during the year focused on activities with the potential to significantly impact water quality in the catchment. These included patrolling special areas, and inspecting intensive agriculture activities, sewage treatment plants and unauthorised development.

We applied enforcement measures in Special Areas using vehicle, boat and aerial surveillance patrols, covert surveillance cameras and joint operations with the NSW Police and National Parks and Wildlife Service officers. We also responded to trespassers and illegal activities by issuing eight warnings, 52 penalty infringement notices and two clean-up notices.

See Appendix 10 for more information on compliance activities.

Our support of the Greater Southern Regional Illegal Dumping Squad continued this year, with \$40,000 in assistance provided to help address illegal dumping in the Wingecarribee, Shoalhaven and Eurobodalla council areas. We also awarded a \$15,000 grant to the NSW Police Service – Camden Local Command Area to purchase trail bikes for compliance activities in the Special Areas.

In 2011–12, the SCA will continue to inspect and assess high risk sites. This will commence with a strategic review of the priority inspection program, looking at ways to improve our education, compliance and incentives programs and enhance our regulatory presence on high risk activities and sites across the catchments.

Scientific research

The SCA uses science to continue developing better ways to protect and improve the drinking water catchments.

Some key achievements this year included:

- Undertaking a conservative Quantitative Microbial Risk Assessment (QMRA) of nine sewage treatment plants (STP) in the drinking water catchment. This confirmed that STPs don't pose a threat to water quality or consumers as long as other barriers remain in place to stop pathogens reaching the drinking water supply. The installation of ultraviolet disinfection at Lithgow and Wallerawang STPs – to further reduce the risk of pathogens entering Warragamba Dam – was a direct action as a result of the QMRA.
- Developing an advanced understanding of the genetic diversity of *Cryptosporidium* in terms of human infectivity through the use of molecular tools.
- Detecting genotyped *Cryptosporidium* and *Giardia* in animal droppings from SCA catchment sites.

- Developing and trialling a tracer research study in the Waratah Rivulet to assess the interaction of groundwater and surface waters. This has been substantiated as a valid method for broader application and data gathering purposes. The investigations also confirmed the loss of water from surface stream into the groundwater system.
- Trialling first flush stormwater collection devices below rehabilitated mine sites.

During 2011–12, the SCA plans to undertake a field trial to enable the calibration and validation of our numerical (property scale) grazing evaluation model.

“The SCA worked hard during 2010–11 to increase public awareness by targeting education, incentives and compliance activities to encourage better practices in the catchments to reduce water quality risks.”

5.2 Manage assets for improved efficiency, sound operations and safety.

Challenge: Implementing initiatives resulting in efficient and safe assets.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> ■ Completion of the Prospect Reservoir scour upgrade, Warragamba crest gates upgrade and Nepean Weirs projects. ■ No significant incidents affecting water quality and the continuity of supply to customers. ■ Warragamba Dam ladders and platforms upgrade and Kangaroo Pipeline shaft relining completed. ■ Reduction in accommodation costs by \$400,000 per year. 	<ul style="list-style-type: none"> ■ Upgrade of Wingecarribee Dam. ■ Implementation of the SCA's Asset Management System. ■ Development of asset management plans for SCA's portfolio of assets. ■ Implementation of upgraded Enterprise Asset Maintenance System. ■ Update Dam Safety Emergency Plans. ■ Undertake dam safety risk assessment of Prospect Reservoir. ■ Development of revised workplace accommodation strategy. ■ Renegotiation of Braidwood lands lease arrangements.

With the realignment of the SCA in early 2011, responsibility for the strategic management of all assets has been consolidated into the Assets and Major Projects Group. This prompted a review of our asset management system and supporting plans and processes.

During 2010–11, a framework for the Asset Management System (AMS) was developed, consistent with existing and emerging national and international standards. Roll out of the system, including the establishment of an organisation wide Asset Management Policy, will commence in 2011–12.

Asset management plans for each category of assets will be created. As part of this process, the roles and responsibilities for all aspects of asset management will be clarified and documented for the SCA's entire portfolio of assets.

Asset creation and upgrades

Warragamba crest gate upgrade – Warragamba spillway project

This project involved upgrading the Warragamba radial and drum gates to meet 100 percent probable maximum flood (PMF) capability. The work involved raising the winch bridges to enable the radial gates to be opened clear of PMF water surges, locking the radial and drum gates (in the fully open position) and upgrading the associated electrical and SCADA systems. As at 30 June 2011, the \$36.5 million project was approximately 98 percent complete and scheduled for completion in October 2011.

The project was complex in nature and multi-disciplinary. Work had to be carried out on an operational dam with close coordination of operational and contractor activities. During construction, it was a contractual requirement that the gates and the dam be restored to

operable order within 72 hours notice of an impending flood. Critical flood reporting levels and communication protocols were put into place to ensure these conditions were met. Deficiencies in some of the mechanical and electrical systems were identified during construction, requiring the development of complex and technically challenging solutions.

Prospect Reservoir scour upgrade

Completed in 2010–11, this project restored the scour functionality of the Prospect Reservoir to meet current United States Bureau of Reclamation draw down standards. Four new 900mm valves were installed, the existing 1200mm concrete scour pipelines were strengthened and a new outlet structure was built. The new scour valves can be operated locally and can now connect to the SCADA network. The works were completed on time and within budget.

“The SCA manages aging infrastructure dating back to 1870 and other heritage relics and structures dating back to early settlement. Asset renewals and refurbishment works must be conducted in accordance with the requirements of the *Heritage Act 1977* to protect the heritage value of locations and structures of state and local significance.”

A significant challenge for this project was the transporting and installation of new valves and pipes (weighing up to 1500kg) inside the outlet tunnel. To ensure that the redesigned scour system could be built, a number of options were developed for the transportation of the valves involving 3D animated models. The models enabled prospective contractors to better understand construction risks and reduce the overall cost of the project.

Upper Nepean transfer scheme

The SCA continued our review into the Upper Nepean transfer scheme with the initial condition assessments and options reports for the interim refurbishment and eventual replacement of the Upper Canal being completed this year. The investigation recommended replacing the Upper Canal with either a pipeline/s or a tunnel. A program of works has been identified to refurbish components of the Upper Canal to enable it to remain in service until such time as it is replaced. This will include a range of works that will address priority issues for water quality, structural integrity, operator and public safety. A business case for the refurbishment works will be submitted for approval in 2011–12, with works commencing in 2012–13.

Warragamba Dam ladders and platforms upgrade

Work was completed this year on a \$1.3 million upgrade of the ladders and platforms at Warragamba Dam. This followed a safety audit which found that many of the ladders, built in the 1960s, did not meet current Australian Standards.

Kangaroo Pipeline relining

A project to strip and repaint the Kangaroo Pipeline shaft was completed in November 2010. This project was well under budget due to innovative construction methods and tight project management. The work commenced in July 2010, after an assessment of the shaft found that the lining had deteriorated more rapidly than expected. The relining should provide corrosion protection to the steel lined shaft for more than 20 years.

Civil, mechanical and electrical maintenance

The SCA's Civil, Mechanical and Electrical (CME) maintenance contract was retendered this year and awarded to Transfield Services Pty Ltd. The scope of the new contract has been broadened to support the needs of all managers across our asset portfolio. It requires a more rigorous approach to contract management and contractor performance and is guided by a new set of key performance indicators (KPIs).

We are pleased to report that we surpassed our maintenance delivery targets again this year.

Weather conditions were favourable this year, with no bushfires and minimal storm and lightning activity. Consequently, breakdowns and corrective actions characterised by these events were minimal. There were only two critical asset failures in 2010–11 – both affecting power and communications. Each of these failures was promptly repaired, with no impact on operations or customers.

New assets (valued at \$35 million) were segmented and loaded into the SCA's asset register to assist compliance with the NSW Governments Total Asset Management Guidelines. Assets worth \$1.4 million were replaced through the Minor Asset Renewals Program. This program contributed significantly to the high level of reliability enjoyed by our water supply infrastructure this year.

Dam safety

Performance monitoring of the SCA's 21 prescribed dams continued in 2010–11, with all storage facilities found to be performing satisfactorily. Dam safety inspections, monitoring and maintenance activities were undertaken in compliance with NSW Dams Safety Committee (DSC) requirements.

Five-yearly surveillance reports for eight dams (Bendeela Pondage, Upper Cordeaux No 2, Fitzroy Falls, Kangaroo Pipeline Control Structure, Cataract, Cordeaux, Warragamba and Woronora dams) were submitted to the DSC this year. The reports concluded that the 'overall condition' of each dam was satisfactory. They were reviewed and endorsed by the DSC.

Foundation drains at Tallowa Dam and dam safety critical valves at Cataract, Cordeaux, Cascade 1, Cascade 2, Cascade 3, Lake Medlow, Greaves Creek and Woodford dams were tested and found to be in a 'satisfactory' condition.

“Our asset maintenance processes were reviewed and updated during 2010–11. These will be progressively implemented during 2011–12 to ensure a uniform approach to maintenance by asset managers across the SCA's portfolio of assets.”

Table 6: Maintenance delivery (2010–11)

Work type	Issued jobs	Completed jobs	Target %	% Achieved
Preventative	4,071	3,983	95	97.8
Corrective	726	708	95	97.5

Safety review and risk assessment studies undertaken on Wingecarribee Dam over the last few years were also completed. A \$3.1 million construction contract was awarded to upgrade the dam to minimise the risk of embankment piping. This work is scheduled for completion by April 2012. The DSC endorsed the protective works concept designed to minimise safety risks to the dam being posed by peat in Wingecarribee Reservoir. A contract was awarded to undertake the detailed design of the protective works.

Other activities this year included ongoing dam safety surveillance services to Sydney Water's 16 prescribed dams.

Pre-mining subsidence assessments indicated that predicted subsidence movements – due to coal extraction in the Appin Area 7, Westcliff and Dendrobium mines – are unlikely to cause significant impacts on SCA's water supply infrastructure.

Mining subsidence monitoring surveys also indicated there was no significant impact on our infrastructure.

Property

A further consolidation of our Penrith office accommodation was completed this year, with the space vacated by the SCA subleased to RailCorp. The successive consolidation of our Penrith office has reduced accommodation costs by approximately \$400,000 a year.

We utilise a mix of SCA owned and leased properties for office accommodation. A revised workplace accommodation strategy will be developed in 2011–12 to meet our future operational needs.

Some of our infrastructure assets are located on property owned by others, or are accessed via these properties. Because of this, access requirements must be identified.

There is also pressure by developers to construct infrastructure on, or adjacent to, SCA operational lands. These pressures are greatest along the south-west growth corridor, where the Upper Canal transfers water to Sydney from storage dams south-west of Sydney.

The SCA has leased-out property holdings in the Braidwood area that are within, or adjacent to, the inundation zone of the deferred Welcome Reef Dam. Renegotiation of these lease agreements will be finalised in 2011–12. This will provide us with greater flexibility should there be changes to the use of these properties in the future.



A construction contract for the upgrade of Wingecarribee Dam was awarded this year

5.3 Operate water supply system to deliver water to agreed quantity and quality criteria.

Challenge: Continuing to supply raw water to the agreed quality and quantity in a constantly changing natural environment.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> ■ Raw water supplied to our bulk water customers was 99.9 percent compliant with health related Australian Drinking Water Guidelines (the primary reference on drinking water quality in Australia). ■ No interruptions to the supply of raw water to our customers. ■ Completed revision of our water quality monitoring program. ■ Completed a catchment to tap risk assessment. ■ Upper Canal taken offline for maintenance works with no significant impact on Sydney Water. 	<ul style="list-style-type: none"> ■ Continue to supply reliable, high quality raw water to our customers. ■ Finalise and implement new bulk water supply agreements with customers. ■ Reinstate Shoalhaven transfers following expiration of the moratorium.

Our core business is to supply our customers with high quality raw water (to an agreed quantity and quality) from well-managed catchments.

The SCA has water supply agreements with key customers such as Sydney Water Corporation and Shoalhaven and Wingecarribee councils.

Our standard operating procedures and processes ensure the quality and quantity of supply during routine operations. To protect the continuity of supply during extreme events – such as floods, drought and bushfires – we have in place contingency plans and incident response processes. These are regularly tested and updated as required.

During 2010–11, there were no significant water quality issues for our customers. The raw water supplied to our bulk water customers was 99.9 percent compliant with health related Australian Drinking Water Guidelines (the primary reference on drinking water quality in Australia). One sample showed a low level of iodide, which was reported to NSW Health and Sydney Water. The result was likely an error due to contamination of the sample during laboratory analysis. A repeat sample from this site and other raw water samples did not show any detections.

There were no interruptions to the supply of raw water to our bulk water customers and the requested quantities were delivered on every occasion.

The SCA supplied 416,944 million litres of water to customers this year – 99.1 percent to Sydney Water and 0.85 percent to Shoalhaven City and Wingecarribee Shire councils. The remainder was purchased by other customers. *Refer to Appendix 7 for the individual customer quantities.*

Despite heavy rainfall during December 2010 – resulting in total storage increasing from 59.4 percent to 72.5 percent and an increase in the turbidity of raw water in some storages – there was no material impact on customers.

Risk assessments

- A catchment to tap water quality risk assessment was undertaken to manage public health risks. Findings from these assessments were considered during the review of the SCA's Water Monitoring Program. Special event monitoring has now been included in the program.

- A semi quantitative risk assessment for taste and odour producing compounds related to pumping out of Prospect Reservoir was undertaken.
- Water quality risk assessment was undertaken for water sourced from Duckmaloi Weir in the Fish River water supply system (in conjunction with Sydney Water).

Operational activities

- Work continued with Sydney Water to bring Prospect Reservoir on line as an active part of the raw water supply system. If water quality in Warragamba Dam is reduced, the reservoir can serve as an alternate supply to Prospect Water Filtration Plant – thanks to a 1400 ML/day pumping station.
- The Upper Canal was taken offline this year for maintenance and corrective works, following mine subsidence. There was no significant impact to Sydney Water.
- The first annual revision of SCA's Water Monitoring Program was completed – following extensive stakeholder consultation and final endorsement by NSW Health and the NSW Office of Water.

Case study

Increased rainfall brings new challenges

In December 2010, our catchments received a combined total of about 928mm of rainfall. The result was an increase in storage levels of 22 percent, the largest increase since July 2007, bringing the storages to their highest level since 2002.

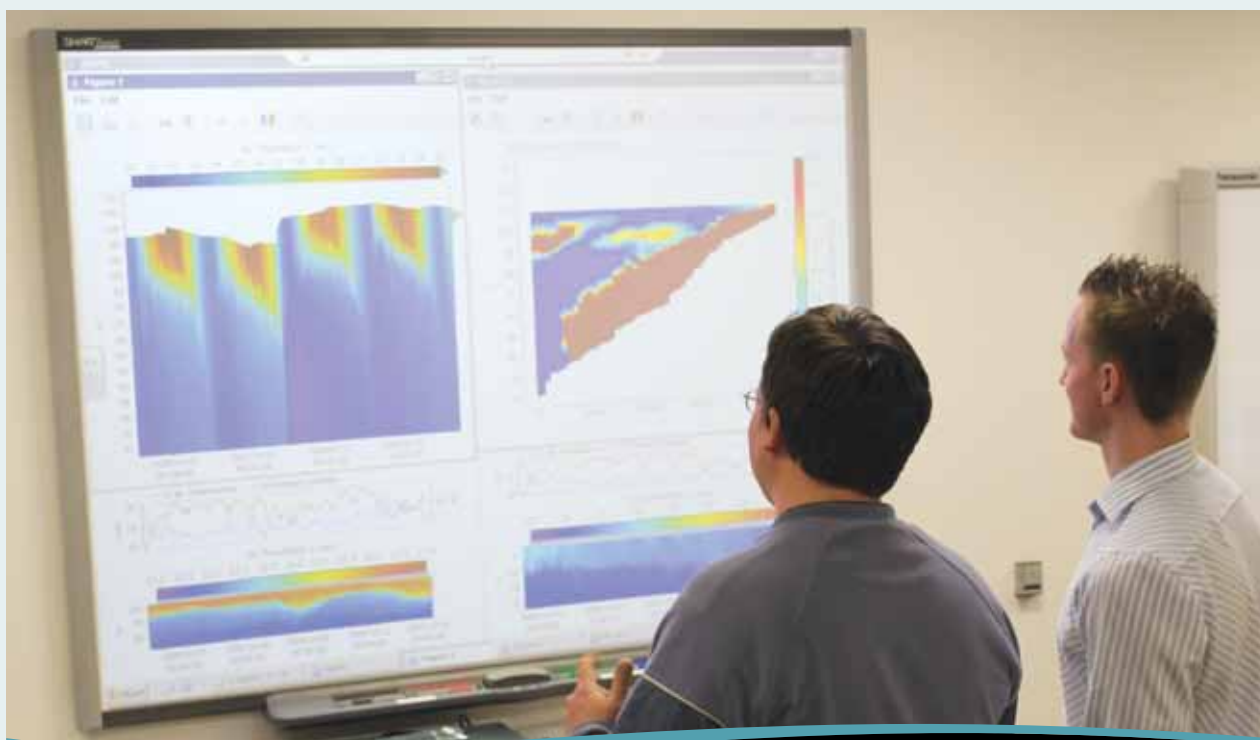
As a result of the rainfall in December 2010 the Warragamba Dam level increased by 5.35 metres between 30 November and 31 December, corresponding to an increase in storage of approximately 317 gigalitres. Over the same period total system storage increased by approximately 340 gigalitres. Intensive water quality monitoring and the use of predictive models – such as the SCA Reservoir Management System (SCARMS) – allowed operators to proactively configure the system for continued supply.

Table 7: Catchment rainfall December 2010

	(mm)
Warragamba	155
Woronora	116
Upper Nepean dams	141
Shoalhaven	170
Prospect	100
Blue Mountains	246

The increased levels of rainfall, while providing much needed inflows for our storages, have moved our operating focus from managing a scarce water supply to potentially seeing storage levels increase to their highest in almost 10 years.

As a result, we are now reviewing our flood preparedness. A workshop involving State Emergency Services and Bureau of Meteorology officers was held on 8 April 2011 to review procedures for significant rainfall and flood events. The last spill event at Warragamba Dam was in 1998.



The SCA Reservoir Management System allows operators to proactively configure the water supply system

Water monitoring stations

As part of our ongoing water monitoring program, the SCA has been focusing on gathering real time data to ensure the ongoing supply of optimum quality raw water to our customers. The aim is to have more than 95 percent of all water monitoring stations available at all times. As at 30 June 2011, it was around 90 percent and improving. We are achieving this through greater coordination and the correction of faults.

Fish River supply scheme

At the start of the year (July 2010), Oberon Dam was at 10.4 percent storage capacity. The SCA worked with Sydney Water to respond to a Fish River supply scheme request to voluntarily reduce demand to preserve drinking water supplies for the townships of Lithgow and Oberon. The SCA drew a total of 224 megalitres of water from the Fish River supply scheme during the year.

Changing dam levels

As at 30 June 2011, available storage in the SCA's dams was 76.4 percent – an increase of 18.8 percent during 2010–11. Rainfall received in the catchments during 2010–11 was higher than the annual average rainfall for the last five years. This, and a decrease in demand with the operation of the desalination plant, contributed to the increase in storage levels. *Refer to Appendix 7 for the rainfall statistics for the year.*

The level of Warragamba Dam on 30 June 2011 was 77.3 percent, an increase of 22 percent since 1 July 2010.

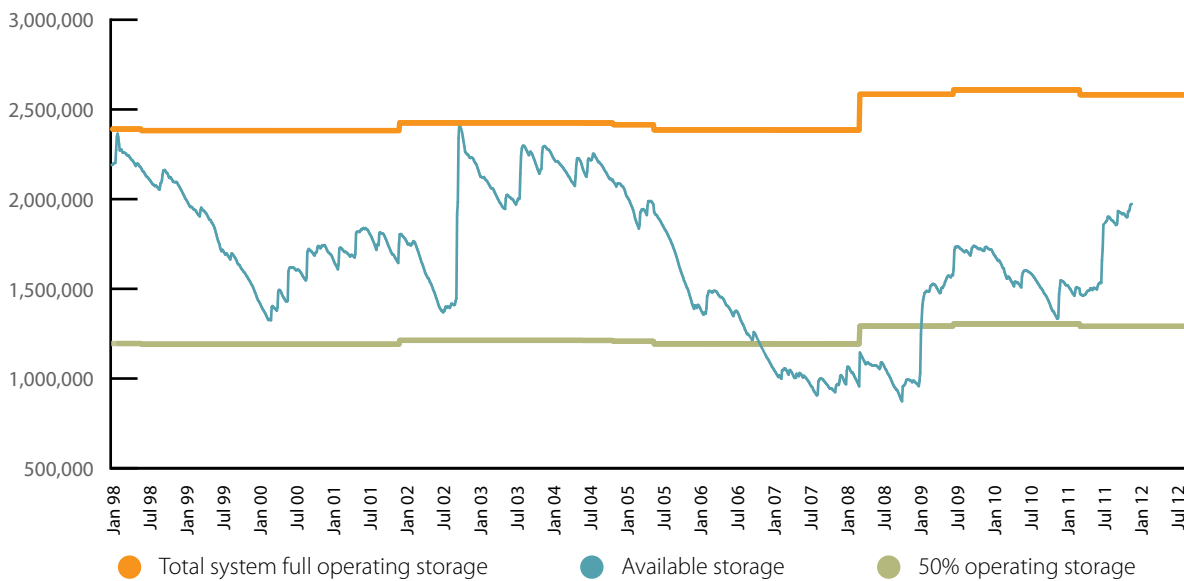


Water monitoring station



Cataract Dam

Figure 5: Dam storage levels at 30 June 2011



Woronora Dam commenced the year at 36.1 percent, dropping to 29.5 percent on 18 March 2011, before recovering to end the year at 45.7 percent. The SCA worked closely with Sydney Water and the NSW Office of Water to reduce the drawdown of the storage. We did this by reducing system demand and were granted an exemption from carrying out a high flow release – required under Clause 3.10.2 of the Water Management Licence.

The three-year moratorium on Shoalhaven transfers remained in place this year, although a small quantity of water was transferred to exercise the system following maintenance works. The moratorium expires in November 2011 and transfers will occur as required under the Metropolitan Water Plan.

Managing incidents

There were no significant incidents affecting water quality and the continuity of supply to customers during 2010–11.

Wingecarribee Reservoir experienced elevated levels of potentially toxin producing Cyanobacteria during the warmer months of the year, which is usual for this storage. The SCA successfully worked with Wingecarribee Shire Council and NSW Health to avoid an impact on downstream customers.

While not a declared incident, moderate to heavy rainfall across the SCA catchments in December 2010 was well managed. Due to the high inflows, there were significant intrusions of turbid water into the storages, however these did not significantly impact on the quality of the raw water supplied. The SCA liaised closely with Sydney Water and NSW Health during the event.

Case study

Derelict mines at Oakdale

Derelict mines are former mining sites where no individual or company can be held responsible for their management. Remediation is targeted at mines that pose a significant water quality risk from sediment run-off, metal contamination, acid mine drainage, hydrocarbons and other contaminants.

The Department of Primary Industries (DPI) is responsible for public health and safety issues for declared derelict mines in NSW. The SCA and DPI have a formal agreement to address derelict mine sites that have both water quality and safety concerns. This agreement came into effect on 23 January 2009.

Eight mines have been identified as potential water quality risks and form the basis of the SCA's Derelict Mines Program. These include Yerranderie Silver Field, Mulloon Creek Copper Mine, Oakdale No.2 Colliery, Tuglow Copper Mine, Tolwong, Joadja Complex, Hartley Vale Oil Shale Mine and Black Bobs Creek Colliery. So far, the program has successfully rehabilitated the Yerranderie, Oakdale No 2, Mulloon, Black Bobs Creek and Tuglow sites.

A 12-month follow-up inspection was conducted at the Oakdale No.2 site (in the Lake Burragorang subcatchment) in December 2010. Rehabilitation involved the filling of two shafts (funded by DPI), surface shaping, and drainage and revegetation works (completed in November 2009).

The site is rehabilitating well, with a substantial improvement in vegetation cover across the site. Some minor weed control work and additional seeding of poorly revegetating areas was conducted. Drainage repairs to manage undercutting of a sediment dam on the site were also completed.



A haulage road rehabilitated as part of the derelict mines program

5.4 Achieve current and future water quality and quantity needs through water supply planning and asset investment.

Challenge: Responding to uncertainties faced with regional and global climate change predictions.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> ■ Comprehensive climate change impact assessment finalised. ■ SCA's reservoir management system (SCARMS) expanded. ■ Independent review of our water supply system simulation model (WATHNET) completed. ■ Commenced the Water Supply 2100 project to ensure future long term water supply. ■ Assessment of the rehabilitation or replacement of Upper Canal. 	<ul style="list-style-type: none"> ■ Continue collaboration between government agencies and industry to address climate change issues and develop agreed adaptation responses. ■ Participate in research as part of the climate change downscaling project for the whole of NSW. ■ Develop the Regional Climate Change Model for the SCA's areas of operations to inform future water supply planning. ■ Ongoing development of the Water Supply 2100 project.

The SCA continues its asset management and long term water supply planning to ensure it meets its obligations to customers and to protect and improve river health.

Climate change impact assessment

Climate change challenges the traditional assumptions that past hydrological experience provides a good guide to future conditions. The SCA is actively participating in progressing the science of modelling future climate change scenarios.

This year we finalised a comprehensive climate change risk assessment – the Climate Change Impact Assessment 2010 – which highlighted the potential impacts of climate change on SCA operations, infrastructure, business and regulation. The document is available on our website at www.sca.nsw.gov.au

Over the past two years, we have contributed to a number of interagency climate change initiatives and provided representation on various climate change forums established to promote a whole-of-government approach to the issue.

These forums, which are being coordinated by the Office of Environment and Heritage (OEH), include:

- Climate Change Adaptation Senior Officers Group
- Climate Change Public Land Managers Steering Group
- Climate Change Infrastructure Panel.

The SCA has made a significant contribution to the development of best practice guidelines for NSW Government agencies – helping them to incorporate carbon values and climate change risks into their existing public land management policies and frameworks.

We have also partnered with the OEH and other agencies to develop a Regional Climate Change Model to better predict the impact of climate change in the medium to long-term. This work will enable us to better assess the potential impact of climate change on water supply system yield, as well as helping us plan for the future.

SCARMS expansion to Shoalhaven system

The SCA's Reservoir Management System (SCARMS) has proved an invaluable tool in monitoring, modelling and forecasting water quality and lake behaviour at Warragamba and Prospect.

SCARMS has now been expanded to the Shoalhaven system, allowing us to better manage and effectively monitor water quality in Shoalhaven storages. It will enable the SCA to meet our obligation to prevent the transfer of potential contaminants into the water supply system. Four lake diagnostics systems (LDSs) were installed at Lake Yarrunga, Fitzroy Falls, and Wingecarribee to collect 'real time' data. This data will be used for SCARMS modelling.

Implementation of this project is a significant step forward in the SCA's development of real time and forecasting capabilities. We now have a better understanding of lake behaviour under different operating conditions, and the implications for water transfers.

The role of SCARMS in modelling the behaviour of the Shoalhaven system will become more important as it continues to evolve in line with the NSW Government's Metropolitan Water Plan. SCARMS may also be progressively expanded into other dams in the Metropolitan system, enhancing our ability to monitor and model reservoir dynamics and water quality.

Water supply system model and yield review

The SCA's water supply system simulation model, WATHNET, was updated this year. The update incorporated decisions from the Metropolitan Water Plan 2010 and introduced the latest version of the modelling software. The current water supply system yield was also reviewed and re-evaluated and reported to IPART.

The updated WATHNET model was reviewed by two panels of national and international experts. The review confirmed that the model correctly simulates Sydney's water supply system.

Reservoir drawdown rules have been updated to ensure that the system is operated in an optimised manner. The review incorporated all the recent changes to the system, including:

- new environmental flow releases from the Metropolitan dams,
- supply and operating rules for the Sydney desalination plant
- extended hydrology (including the recent major drought)
- inclusion of a modified water restrictions regime and emergency drought response measures (as detailed in the Metropolitan Water Plan 2010)
- incorporation of the latest demand distribution information
- commencement of environmental releases and modified operations for Tallowa Dam
- commencement of the Western Sydney Recycling Plant.

The review identified a number of opportunities for further improvement – particularly evaporation estimates using climate data from automatic weather stations and historical inflow estimates using the rainfall runoff model.

The independent review of the WATHNET model and associated processes identified a number of opportunities for the SCA to further refine the input data, the model and its application. Key recommendations to be progressed in 2011–12 include:

- Initiating a research project to review historical evaporation data, with particular emphasis on evaporation from lakes of various sizes and depths.
- Refining rainfall runoff models to accurately estimate historical inflows for use in WATHNET. This will be essential for incorporating climate change impacts. There are also other benefits, such as extending the inflows back to 1890 to capture the Federation drought, and carrying out system modelling at smaller (daily) time steps.

The SCA will also progress the expansion of the capability of the WATHNET model to incorporate economic analysis and optimisation. This feature will provide the ability for WATHNET to play a greater role and increase the efficiency of modelling to support the SCA's long term planning and support of the NSW Government's Metropolitan Water Plan process.

Water Supply 2100 (WS 2100)

The SCA commenced a process this year that will help us ensure greater Sydney has sufficient water for the long term.

The Water Supply 2100 (WS 2100) project will estimate potential demand patterns over the next 90 years, identify the drivers for system yield, and identify emerging challenges and gaps. It will also provide a framework for the early detection of emerging issues (such as environmental flows and climate change). The project will canvas a broad spectrum of potential measures to respond to future challenges, and adopt a 'building block' approach to develop portfolios of potential solutions.

Initial planning and drafting of WS2100 began this year. It will be an evolving document, and will provide important input into the NSW Government's Metropolitan Water Plan.

Planning for the water supply system over the long term is inherently challenging due to the significant uncertainties. Uncertainties include the ability to accurately project population growth, consumption patterns for water, climate change impacts, future government policy, technological developments and emerging societal and environmental issues. In order to accommodate these uncertainties, the WS2100 will adopt a scenario and building block approach.

KFA 6

Resource Optimisation

The SCA recognises that energy costs will continue to increase into the future, requiring us to look at efficient ways of managing these increases.

In doing this, we will face a number of challenges.

These include managing existing and new infrastructure in an energy efficient manner, managing the effects of climate change, responding to any increase in carbon pricing, accommodating resource limitations, and promoting a sustainable culture.

This year we worked to put in place strategies, processes and systems to meet these challenges and ensure we are properly resourced for the future.





Goal

The SCA achieves sustainable outcomes through the optimisation of its resources and innovative use of assets.

Strategies

- 6.1** Investigate additional sources of renewable energy.
- 6.2** Improve the impact of the SCA's activities on the environment.
- 6.3** Utilise resources in innovative ways to embrace new technology.
- 6.4** Manage lands to contemporary standards.

6.1 Investigate additional sources of renewable energy.

Challenge: Identifying and implementing new sources of renewable energy.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> ■ Reviewed opportunities for hydro electric power generation at SCA dams. ■ Ten percent of the electricity purchased by the SCA is now Green Power. 	<ul style="list-style-type: none"> ■ Ongoing commitment to investigating sources of renewable energy. ■ Ensuring opportunities for renewable energy are considered as part of the planning for future environmental flows from Warragamba Dam.

The SCA is working to identify and implement energy saving measures designed to reduce our carbon footprint.

Ten percent of the electricity we purchase is now Green Power, allowing us to use the Green Power customer logo.

This year the Board reviewed opportunities for micro and mini hydro power generation plants at SCA dams. This included an assessment of the technical and financial viability of the plants and projects risks such as statutory approvals, electricity power purchase, renewable energy certificate pricing, network agreements and environmental risks.

The investigations highlighted the current uncertainty around the renewable energy market and the emissions trading scheme. The Board resolved to defer further consideration of options for mini and micro hydro development. In developing the infrastructure and release regime for the future Warragamba Dam environmental flows, the opportunity for renewable energy to be sourced from these releases will be examined.



Capturing energy from pumped water is one opportunity for renewable energy

6.2 Improve the impact of the SCA's activities on the environment.

Challenge: Embedding sustainability into decision making and actions.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> ■ 100 percent conformance with the requirements of our Water Management Licence. ■ 100 percent conformance with environmental flow requirements from our storages and water supply weirs. ■ A reduction in water consumption at our Penrith office. ■ Established a working group to address resource optimisation across the SCA. ■ Completion of the Nepean Weirs and Flows project. 	<ul style="list-style-type: none"> ■ Review and expand the WRAPP Plan to include offices, picnic grounds and depots. ■ Continued conformance with Water Management Licence. ■ Continued conformance with environmental flow requirements.

The SCA has obligations under our Operating Licence to meet certain environmental objectives. We address these through our environmental management programs, which cover activities including water conservation, energy management and waste.

We have achieved sustainable outcomes in these programs through the optimisation of our resources and the innovative use of assets.

Water conservation

Progress on actions to reduce leakage and loss

On 1 September 2010 the SCA presented our annual Water Leakage and Loss Report to the Independent Pricing and Regulatory Tribunal (IPART) – outlining our actions to address water leakage and loss. A full copy of the report is available on our website at www.sca.nsw.gov.au.

Contribute to the Metropolitan Water Plan 'Water for Life' program

The SCA plays an active role in the development of the NSW Government's Metropolitan Water Plan 'Water for Life' education program which ensures consistent messages and approaches to demand management and water conservation.

During the year we continued to play an active role in the interagency Metropolitan Water Education Group which oversees the implementation of the education program. This group comprises representatives from the NSW Office of Water, Sydney Water, the Office of the Hawkesbury Nepean and the Office of Environment and Heritage.

Our extensive, in-kind support this year included:

- supporting the communication strategy for the launch of the 2010 Metropolitan Water Plan
- assisting in the development of online resources in support of the 2010 Metropolitan Water Plan
- providing input to the planning and evaluation of mass media Water for Life community education campaigns
- contributing to the development of key messages for use across the water sector.

Reduce SCA potable water use

The SCA is committed to conserving water over the long term. Water consumption at our Penrith office is now at its lowest level, down by more than 60 percent on 2005–06 levels (2,938 kilolitres) to 1,162 kilolitres this year. This is due in a large way to the construction of our new building in 2008, where water supply is supplemented by unmetered rainwater from rooftop tanks.

Energy and waste management

Details of the SCA's energy and waste performance and initiatives are contained in Appendix 11. This includes information about our energy consumption, generation of green energy, annual greenhouse gas emissions and the amount of waste generated and recycled.

Minimise the environmental impacts of the SCA's infrastructure projects

Comply with SCA's Environmental Impact Assessment Policy

The SCA's annual environmental audit assesses the effectiveness of our actions to minimise environmental impacts. The findings are used to improve environmental management for future activities. In 2010–11, three SCA projects and one third-party project were subject to an independent audit (of both desktop and on-site). Three of the four projects met the requirements of our Environmental Impact Assessment Policy, but did not meet the imposed environmental assessment conditions.

Increase environmental performance of contractors

All projects reviewed as part of the SCA's annual environmental audit had environmental performance provisions included in relevant contracts, of which all were met. This is in keeping with our strategy to constantly improve the contract management process.

Findings of the annual environmental audit

Our 2009–10 environmental audit provided two key recommendations:

- Environmental provisions should be included in contract documents. This was completed and results of the 2010–11 audit show that it has been successfully implemented.
- Project managers should ensure the appropriate environmental assessment approvals are received prior to commencing work, and that the project complies with the approval conditions.

The results of our 2010–11 audit showed that all projects tested had the appropriate environmental assessment approval prior to commencing works, however had not implemented the environmental assessment conditions.

As a result, the 2010–11 audit made four recommendations, which included further training in environmental impact assessment. Management actions were identified and implementation will be monitored by the Board Audit and Risk Committee during 2011–12.

Environmental inspection program

The SCA is developing an environmental inspection program of our capital and operational projects and activities, depots and maintenance contracts.

The inspections will focus on environmental management of our on-ground activities and depots, and identify areas of non-compliance for follow up.

To assist with this, the procedures for environmental inspections, schedule, and environmental inspection checklist were revised this year.

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. Compliance achievements and activities this year included:

- 100 percent compliance with the requirements of the Water Management Licence
- 100 percent conformance with environmental flow requirements from storages and water supply weirs
- Worked closely with the NSW Office of Water in transitioning from a Water Management Licence to water sharing plans.

Appendix 7 shows the water released from SCA storages for all purposes during the year (water balance for total supply system).

The Upper Nepean Environmental Flows Works project was completed this year with new valves and pipes fitted to eight weirs on the Nepean River. This will help ensure environmental flows can pass by the weirs and continue down the river. Fishways were completed at 10 weirs that return continuous fish passage along 90 kilometres of the main river.

The SCA also began work this year on a NSW Government project to determine the appropriate environmental flow release regime for Warragamba Dam. This investigation and evaluation should be completed by 2013.

Environmental flows monitoring

Monitoring and evaluation programs, based on the environmental objectives of the environmental flows, were implemented this year in the Woronora, Shoalhaven and Nepean rivers. This involved measuring a range of environmental parameters downstream of the dams and at comparable reference sites. The findings included:

- Environmental releases appear to have promoted a dynamic and diverse *periphyton* community and a diverse and resilient macroinvertebrate community.
- On average, macroinvertebrate diversity downstream of the dams was comparable with that upstream and taxa richness downstream has become more similar to that upstream.
- Water temperature at impact and reference sites were similar during spring and summer.
- Pools subject to environmental flows (and bulk water releases) were generally stratified for shorter periods than reference sites.
- Water quality was generally good.

The SCA will continue monitoring the environmental flows from our dams.

This work will include assessing changes to the river environments as a result of environmental flows. Fish are also being monitored to assess the benefits of the new fishways.

Regular sampling and evaluation will provide an understanding of the effects of the new flows, improving river environs and determining whether any fine tuning is required. This work is underway in the Woronora, Shoalhaven and Upper Nepean rivers.

6.3 Utilise resources in innovative ways to embrace new technology.

Challenge: Remaining innovative in a rapidly changing water supply environment.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none"> ■ Installed and commissioned power factor correction equipment at Warragamba, Nepean Deep Water Pumping Station and Water Pumping Station 244. ■ Developed a strategy to address reliability issues with lights at Warragamba, and SCA lighting in general. ■ Clarified our ownership details of the Shoalhaven hydro electric power project with Eraring Energy. ■ Formed a Working Group to develop a strategy for the future use of the Braidwood Lands. 	<ul style="list-style-type: none"> ■ Undertake further evaluation of GreenTrac Software – which decreases IT emissions. ■ Investigate carbon sequestration opportunities on SCA land. ■ Investigate the usage patterns for heaters in buildings at Avon Dam, following an increase in power use.

The SCA has in place a number of programs which embrace technology and help us to utilise our resources in more innovative ways.

Shoalhaven hydro electric power

The Shoalhaven Scheme was developed to supply water to Sydney in the 1970s, with the additional benefit of having the capacity to generate hydro electric power.

The scheme was operated in accordance with a 1971 Deed of Agreement between the operators of the assets. These obligations were subsequently assumed by the SCA and Eraring Energy.

In mid 2009, negotiations began between the SCA and Eraring Energy to develop a set of documents which aimed to clarify the ownership of the scheme's assets, the long term operation of the assets (in a changing regulatory and commercial environment) and to bring the documents up to a contemporary legal standard.

Three documents were developed:

1. A transfer deed – setting out ownership of respective assets.
2. A long term lease.
3. An operations and maintenance agreement – describing the way the scheme's assets are to be operated by each party.

The documents were developed in consultation with NSW Treasury, the Crown Solicitors Office and the GenTrader Working Group. They were signed on 6 September 2010.

Investigate opportunities for future use of land in Braidwood

This year we formed a working party to develop a long term strategy for the management of SCA property holdings in the Braidwood area. The working party has started to examine a number of options that would enable the SCA to identify options for better land usage and optimise returns from its Braidwood land holdings. Some of the options to be explored include renewable energy and carbon offsets. The working group is expected to deliver its recommendation to the SCA Board in 2011–12.



The SCA will examine options for future use of its land in Braidwood

6.4 Manage lands to contemporary standards.

Challenge: Managing lands across a large geographical area.

ACHIEVEMENTS (2010–11)	FUTURE DIRECTIONS (2011–12)
<ul style="list-style-type: none">■ Developed and implemented an erosion and control plan for the Braidwood lands.■ Surveillance activities in our Special Areas resulted in 52 penalty infringement notices and eight warning letters.	<ul style="list-style-type: none">■ Finalise lease renewals at Braidwood.■ Continue our surveillance and fire management efforts across the Braidwood lands.■ Continue to maintain barriers, fences and regulatory signage around the Special Areas and conduct surveillance activities.■ Update our Special Areas brochure and map, reflecting changes to boundaries and restrictions.

The SCA owns and manages large tracts of land in the drinking water catchments – freehold land in Special Areas, Controlled Land, and lands in the Braidwood area.

The SCA manages our land and Special Areas to protect and optimise water quality, and to conserve the ecological integrity and natural and cultural values of the area.

Managing the Special Areas

The Special Areas cover approximately 371,000 hectares of mostly intact native bushland around the water storages and water supply infrastructure. Public access and activities are restricted to protect water quality in these areas.

We own and jointly manage 70,000 hectares of land in the Special Areas with the Office of Environment and Heritage using best practice land management and compliance activities to protect water quality and ecological integrity.

To protect water supply infrastructure and water quality, public access is not allowed in the Special Areas. The SCA does, however, allow limited access to the Special Areas, Controlled Areas and water storages for cultural, research, infrastructure and other purposes.

In 2010–11, we granted Special Areas access to 68 applicants for purposes which included scientific research by universities and monitoring studies by other government organisations. These came via our new online application system.

The SCA uses the media, website and publications to inform the public of access restrictions in Special Areas. During 2011–12 we plan to update the Special Areas access brochure and map to reflect changes in the boundaries and to illustrate what activities are permissible in these areas.

Special Area enforcement activities in 2010–11 included more than 1,500 hours of weekend and public holiday surveillance and more than 1,500 hours of fire season surveillance.

Our winter program acts on intelligence to target illegal entry 'hotspots' within Special and Controlled Areas. Our summer surveillance program focuses on preventing the outbreak of bushfires.

This year, our surveillance activities resulted in 52 penalty infringement notices, and eight warning letters. These efforts are designed to send clear signals to the public about restricted and prohibited access.

In June 2011, a joint compliance operation involving the SCA, the Office of Environment and Heritage (OEH), NSW Police and Campbelltown City Council was conducted. The operation used trail bikes, 4WD vehicles and a helicopter. Twelve offenders were caught in Schedule One Special Areas.

The Special Areas Strategic Plan of Management outlines the aims and targets for management of the Special Areas and includes actions on fire and fire trail management, soil erosion control and pest and weed management.

The Special Areas Strategic Plan of Management is due for review by June 2012.

Managing SCA Braidwood lands

The SCA owns 67 freehold properties in the Braidwood area (comprising approximately 23,600 hectares of land). Land management activities on farms and in riparian areas help sustain the lands for water quality and catchment health.

Management of the SCA's Braidwood lands is made difficult by its remoteness. The SCA does not employ an officer in the Braidwood region. This reduces the amount of time officers can allocate to on ground works.

The Braidwood lands are vulnerable to erosion due to historical broad scale vegetation clearing for agriculture and mining. The SCA has worked closely with the Land and Property Management Authority (LPMA) to identify and assess priority erosion sites for treatment. Works have included gully head control, bank stabilisation and mulching to encourage revegetation on treated sites.

In 2010–11, we developed and implemented an erosion control program for the Braidwood lands (including leased lands). We also continued surveillance programs to control illegal activities such as boar hunting, four wheel driving, trail bike riding and firewood collecting.

New fencing was built or replaced to help prevent illegal access and stock entry. We also undertook fire management activities – including hazard reduction burns on selected lands where weather permitted, and slashing along fire trails and boundary fences.

Pest and weed control efforts were also a priority this year, where we targeted serrated tussock, blackberry, willow, pampas grass, broom and other weeds, as part of the Braidwood ‘passive land’ program. Control of wild pigs was also carried out.

We protected the heritage value of two Braidwood properties (Khama Lea and Logan Park South) by roof replacements to prevent building degradation.

In 2011–12 the SCA will continue our surveillance and fire management efforts across our Braidwood lands. Erosion control works will commence on the Tarrawarra property.

Disposal of property

The SCA did not dispose of any property this year.

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SYDNEY CATCHMENT AUTHORITY**STATEMENT BY MEMBERS OF THE BOARD**

Under section 41C(1B) and (1C), we state that, in our opinion, the accompanying financial statements and notes thereto:

- a) exhibit a true and fair view of the financial position of the Sydney Catchment Authority as at 30 June 2011 and its financial performance for the year then ended
- b) comply with applicable Australian Accounting Standards (including Australian Accounting Interpretations), the *Public Finance & Audit Act 1983*, the *Public Finance & Audit Regulation 2010*, and the Treasurer's Directions.

We further state that we are not aware of any circumstances that would render any particulars in the financial statements to be misleading or inaccurate.



Robert Rollinson
Chairman 20.10.11.



Michael Bullen
Chief Executive 20.10.2011



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 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Authority and the consolidated entity. The consolidated entity comprises the Authority and the entity it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the consolidated entity as at 30 June 2011, and of their financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *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, and for such internal control as the members of the Board determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information, which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. 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.

M T Spriggins
Director, Financial Audit Services

20 October 2011
SYDNEY

Sydney Catchment Authority

Statement of comprehensive income

For the year ended 30 June 2011

		Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	Note	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue					
Revenue from water sales	3	190,850	196,274	190,850	196,274
Other revenue	3	3,368	3,968	3,368	3,968
Revenue		194,218	200,242	194,218	200,242
Expenses					
Employee related expenses	4	(32,149)	(30,887)	(284)	(243)
Other operating expenses	4	(75,843)	(72,940)	(108,749)	(108,301)
Loss on disposal of property, plant and equipment		(99)	(1,640)	(99)	(1,640)
Finance costs	5	(33,665)	(35,833)	(33,665)	(35,833)
Expenses		(141,756)	(141,300)	(142,797)	(146,017)
Profit before income tax		52,462	58,942	51,421	54,225
Income tax expense	6	(15,703)	(15,911)	(15,703)	(15,911)
Profit for the year		36,759	43,031	35,718	38,314
Comprehensive income					
Revaluation and impairment of specialised assets	10	(4,171)	86,320	(4,171)	86,320
Defined benefit plan actuarial gains (losses)	14	(1,041)	(4,717)	–	–
Other comprehensive income		(70)	–	(70)	–
Income tax on other comprehensive income	6	867	(25,896)	867	(25,896)
Comprehensive income for the year		32,344	98,738	32,344	98,738
Attributable to equity holders of the Parent		32,344	98,738	32,344	98,738

The statement of comprehensive income should be read in conjunction with the accompanying notes.

Sydney Catchment Authority

Statement of financial position

For the year ended 30 June 2011

		Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	Note	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	22,651	29,472	22,651	29,472
Trade and other receivables	8	17,831	17,691	17,826	17,685
Other non-financial assets	9	4,016	3,657	3,690	3,277
Current assets		44,498	50,820	44,167	50,434
Non-current assets					
Property, plant and equipment	10	1,330,921	1,332,578	1,330,921	1,332,578
Intangible assets	11	1,219	160	1,219	160
Non-current assets		1,332,140	1,332,738	1,332,140	1,332,738
ASSETS		1,376,638	1,383,558	1,376,307	1,383,172
LIABILITIES					
Current liabilities					
Trade and other payables	12	27,053	31,295	61,682	64,253
Other liabilities	13	299	276	299	271
Borrowings	14	10,000	–	10,000	–
Income tax payable	6	5,477	13,486	5,477	13,486
Provisions	15	42,305	44,041	28,435	31,211
Current liabilities		85,134	89,098	105,893	109,221
Non-current liabilities					
Borrowings	14	465,350	475,489	465,350	475,489
Other liabilities	13	1,291	852	1,291	852
Provisions	15	21,561	20,958	471	449
Deferred tax liabilities	6	90,194	89,068	90,194	89,068
Non-current liabilities		578,396	586,367	557,306	565,858
LIABILITIES		663,530	675,465	663,199	675,079
NET ASSETS		713,108	708,093	713,108	708,093
EQUITY					
Retained earnings		503,702	496,592	503,702	496,592
Asset revaluation reserve		209,406	211,501	209,406	211,501
EQUITY		713,108	708,093	713,108	708,093

The statement of financial position should be read in conjunction with the accompanying notes.

Sydney Catchment Authority

Statement of changes in equity

For the year ended 30 June 2011

Consolidated entity	Note	Retained Earnings		Asset Revaluation Reserve		Total Equity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Balance at the beginning of the year		496,592	489,284	211,501	151,301	708,093	640,585
Comprehensive income							
Profit for the year		36,759	43,031	–	–	36,759	43,031
Revaluation and impairment of property, plant and equipment		–	–	(4,171)	86,320	(4,171)	86,320
Superannuation actuarial losses	10	(1,041)	(4,717)	–	–	(1,041)	(4,717)
Other comprehensive income		–	–	(70)	–	(70)	–
Income tax on other comprehensive income	6	–	–	867	(25,896)	867	(25,896)
Comprehensive income for the year		35,718	38,314	(3,374)	60,424	32,344	98,738
Transactions with owners in their capacity as owners							
Increase (decrease) in net assets from equity transfers		(1)	–	7	(19)	6	(19)
Dividend recognised to equity holders		(27,335)	(31,211)	–	–	(27,335)	(31,211)
Transfers within equity		(1,272)	205	1,272	(205)	–	–
Transactions with owners in their capacity as owners		(28,608)	(31,006)	1,279	(224)	(27,329)	(31,230)
Balance at the end of the year		503,702	496,592	209,406	211,501	713,108	708,093

The statement of changes in equity should be read in conjunction with the accompanying notes.

Sydney Catchment Authority

Statement of changes in equity

For the year ended 30 June 2011

Parent entity	Note	Retained Earnings		Asset Revaluation Reserve		Total Equity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Balance at the beginning of the year		496,592	489,284	211,501	151,301	708,093	640,585
Comprehensive income							
Profit for the year		35,718	38,314	–	–	35,718	38,314
Revaluation and impairment of property, plant and equipment	10	–	–	(4,171)	86,320	(4,171)	86,320
Other comprehensive income		–	–	(70)	–	(70)	–
Income tax on other comprehensive income	6	–	–	867	(25,896)	867	(25,896)
Comprehensive income for the year		35,718	38,314	(3,374)	60,424	32,344	98,738
Transactions with owners in their capacity as owners							
Increase (decrease) in net assets from equity transfers		(1)	–	7	(19)	6	(19)
Dividend recognised to equity holders		(27,335)	(31,211)	–	–	(27,335)	(31,211)
Transfers within equity		(1,272)	205	1,272	(205)	–	–
Transactions with owners in their capacity as owners		(28,608)	(31,006)	1,279	(224)	(27,329)	(31,230)
Balance at the end of the year		503,702	496,592	209,406	211,501	713,108	708,093

The statement of changes in equity should be read in conjunction with the accompanying notes.

Sydney Catchment Authority

Statement of cash flows

For the year ended 30 June 2011

		Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	Note	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash flows from operating activities					
Cash receipts from customers		200,721	209,575	200,719	209,573
Interest received		805	890	805	890
Cash paid to suppliers and employees		(93,805)	(102,172)	(93,803)	(102,170)
Interest paid		(33,881)	(30,456)	(33,881)	(30,456)
Other costs of finance paid		(17)	(1,402)	(17)	(1,402)
Income tax paid		(22,586)	16,086	(22,586)	16,086
Net cash from operating activities	7	51,237	92,521	51,237	92,521
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		1,754	3,336	1,754	3,336
Payments for property, plant and equipment		(27,125)	(79,919)	(27,125)	(79,919)
Net cash from investing activities		(25,371)	(76,583)	(25,371)	(76,583)
Cash flows from financing activities					
Proceeds from borrowings		15,000	17,306	15,000	17,306
Repayment of borrowings		(16,476)	–	(16,476)	–
Dividends paid		(31,211)	(26,816)	(31,211)	(26,816)
Net cash from financing activities		(32,687)	(9,510)	(32,687)	(9,510)
Net increase in cash and cash equivalents		(6,821)	6,428	(6,821)	6,428
Cash and cash equivalents at beginning of year	7	29,472	23,044	29,472	23,044
Cash and cash equivalents at end of year	7	22,651	29,472	22,651	29,472

The statement of cash flows should be read in conjunction with the accompanying notes.

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

1. Reporting Entity

The Sydney Catchment Authority (the Authority) is a 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.

As outlined in the Act, the principal objectives of the Authority 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 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 Authority's infrastructure efficiently, economically, and in accordance with sound commercial principles.

The Authority's Operating Licence requires it to undertake its statutory roles, objectives and functions. The Operating Licence was created following a comprehensive review of the previous licence, including public consultation. The Operating Licence expires on 30 June 2011.

These financial statements were authorised for issue by the Chairman and Chief Executive on 20 October 2011.

2. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these 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 Authority comprise the Authority (the Parent) and its subsidiary, the Sydney Catchment Authority Division (together referred to as the "Consolidated Entity").

All policies of the financial report relate to the consolidated entity unless stated otherwise.

The financial statements are consolidated as part of the NSW Total State Sector Accounts.

(a) Statement of compliance

These financial statements comply with Australian Accounting Standards, including Australian Accounting Interpretations.

(b) Basis of preparation

The financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010* and the Treasurer's Directions.

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.

(c) Critical accounting judgements 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 judgements in applying accounting policies

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

Profit status

The Parent is classified as a 'for-profit' entity, while the subsidiary is classified as a 'not-for-profit' entity. In arriving at this classification, management considered the guidance provided by NSW Treasury Accounting Policy 05-4 'Distinguishing For-Profit from Not-For-Profit Entities'.

Employee entitlements

Judgements are applied in determining the following key assumptions used to calculate certain employee entitlements:

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

Notes to the financial statements

For the year ended 30 June 2011

2. Significant Accounting Policies (continued)

(ii) Key sources of estimation uncertainty

Key sources of estimation uncertainty that 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

The fair value of infrastructure systems is determined using the Optimised Depreciated Replacement Cost (ODRC) approach. 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.

The valuation is undertaken by an independent expert and involves significant estimation in order to determine each asset's ODRC.

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. Where the reassessment results in a change to the useful life, subsequent depreciation and amortisation expense is affected in the current and future reporting years.

Recoverable amount

The recoverable amount of property, plant and equipment and intangible assets is dependent on the assumptions used in the cash-generating unit test. There is an element of subjectivity and uncertainty in these assumptions 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 as well as intangible assets are disclosed in Note 10.

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 is considered representative of current market assessments of the time value of money and risks specific to the liability.

Superannuation plan assumptions

Defined benefits superannuation obligation is estimated using actuarial assumptions. Assumptions underlying the estimate are disclosed in Note 14.

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 and its subsidiary at 30 June 2011 and the financial performance of the parent and its subsidiary for the year ended 30 June 2011.

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

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 the Subsidiary has been changed where necessary to ensure consistency with the policies adopted by the Parent.

(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.

Revenue is recognised 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. These are described below. Revenue is not considered to be reliably measureable until all contingencies relating to the sale have been resolved.

Sale of raw water

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

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.

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

2. Significant Accounting Policies (continued)**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.

Lease and rental income

Lease and rental income 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.

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 NSW Treasury.

(f) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and the conditions associated with the grant will be met.

Grants that compensate 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 cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

Government grants in the form of a non-monetary asset are accounted for at fair value.

(g) Income tax

The Parent is subject to taxation, while the Subsidiary is tax exempt.

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

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.

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

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.

Fringe benefits tax

By virtue of TC 06/07 'Consequences of New Employment Arrangements for Fringe Benefit Tax Returns', the Subsidiary has been grouped with the Department of Trade and Investment, Regional Infrastructure and Services for the purposes of Fringe Benefits Tax.

Payroll 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 Subsidiary is the reporting entity for payroll tax purposes.

(h) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of associated Goods and Services Tax (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.

Notes to the financial statements

For the year ended 30 June 2011

2. Significant Accounting Policies (continued)

Cash flows are grossed up in the Statement of Cash Flows to include the amount of GST collected from customers and paid to suppliers. The GST component of cash flows from investing and financing activities which is recoverable from or payable to the taxation authority shall be classified as operating cash flows.

The Parent and Subsidiary are grouped for GST purposes and as such, inter-entity charges do not include a component for GST.

(i) Cash and cash equivalents

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

At 30 June 2011, \$7.7k of cash is restricted to expenditure related to a fund agreement in place with the Bureau of Meteorology in relation to the modernisation and extension of hydrologic monitoring systems.

(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 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 which are known to be uncollectible are written off when identified.

An impairment provision is recognised when there is objective evidence that the

outstanding balance will not be collectible. 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). Financial difficulties of the debtor, default payments or debts more than 60-days overdue are considered objective evidence of impairment.

The carrying amount of the receivable 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.

Amounts due from lessees

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

Income generated 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.

Amounts due to lessors

Assets held under finance leases are initially recognised at their fair value 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 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.

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 are consumed.

(l) Property, plant and equipment

Recognition and measurement

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 up 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 another Australian Accounting Standard.

Property, plant and equipment with a value of \$5,000 or more are capitalised (2010: \$5,000).

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

2. Significant Accounting Policies (continued)

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. The resulting income is deferred and recognised in profit or loss over the life of the asset.

Construction costs for infrastructure assets are capitalised initially as work in progress within property, plant and equipment. Subsequently, the costs within work in progress are reclassified as completed assets when construction has ended and each facility, or operating unit in each facility, becomes operational and available for use in the manner intended.

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 are capitalised. The amount recognised is based on approved timesheets.

Expenditure previously recognised as an expense is not recognised as an asset in a subsequent period.

Subsequent costs

Costs associated with major inspections are capitalised if it is probable that future economic benefits will flow to the entity and the cost can be measured reliably. Where this occurs, the costs are depreciated over the period of time until the next inspection. Any remaining costs from the last inspection are derecognised. Where the costs of inspection are immaterial, they are expensed as incurred.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the entity, and its cost can be measured reliably. The carrying amount of the replaced part is

derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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. 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, there are two classes of property, plant and equipment. *Specialised assets* comprise of infrastructure systems, and buildings while *non-specialised assets* comprise of all other asset classes.

A specialised asset class has been adopted because of the integrated functionality of the water delivery system which reflects the complex and integrated nature of the specialised assets.

Where an active market for a class of assets exists, 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 specific and unique nature of specialised assets, fair value is determined by an independent valuer in conjunction with the NSW Department of Finance and Services using the Optimised Depreciated Replacement Cost method. This involves establishing the cost of constructing the existing assets using current construction costs and depreciating them back to the date the existing asset was originally

constructed. The fair value of land is determined by reference to the market value of nearby similar parcels of land.

Non-specialised 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 specialised 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 which 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 to the extent that a credit balance exists in the asset revaluation reserve in which case, 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.

Notes to the financial statements

For the year ended 30 June 2011

2. Significant Accounting Policies (continued)

Depreciation

Depreciation is provided for all property, plant and equipment, excluding land which is not depreciated. Depreciation is calculated on a straight line basis to allocate the value of the asset, net of any residual value, over its estimated useful life. The useful lives of these assets are:

Asset class	Useful life
Infrastructure systems	40 to 150 years
Buildings	40 to 100 years
Plant and equipment	2 to 20 years
Motor vehicles	7 years
Leasehold improvements	Shorter of the assets useful life and the lease term
Information systems	3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

A review of asset classes during the year resulted in the consolidation of some asset classes as follows:

Prior year class	Current year class
Facility assets	Infrastructure systems
Buildings	Land and buildings
Land	Land and buildings
Operational equipment	Plant and equipment
Motor vehicles	Motor vehicles
Office equipment	Plant and equipment
Computer equipment	Information systems
Office amenities	Plant and equipment
Furniture and fittings	Plant and equipment
Leasehold improvements	Leasehold improvements

The consolidation of asset classes did not result in a change to the useful lives of assets.

(m) Impairment of long-lived assets

At each reporting date, the carrying amounts of its assets are reviewed to determine whether there is an indication that any assets have suffered an impairment loss. If any indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Intangible 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.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use, otherwise known as a cash generating unit.

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 a 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

Research and Development

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

Expenditure on development activities is recognised as an intangible asset 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. Expenditure 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.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. 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.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Other intangibles

Other intangible assets that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of intangible assets is calculated using the straight-line method to allocate the cost of the asset over the period of the expected benefit, which varies from 2 to 5 years (2010: 3 to 5 years).

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

2. Significant Accounting Policies (continued)**(o) Trade and other payables**

Trade and other payables represent liabilities for goods and services received prior to the end of the financial year that remained unpaid.

Due to their short-term nature, trade and other payables are not discounted because the effect of discounting is immaterial.

All payables are unsecured and are usually paid within thirty days of recognition.

(p) Employee Benefits**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 twelve months of the reporting date are recognised as a payable or provision in respect of employees' service up to the reporting date. The liability is measured at the amount expected to be paid when the liability is 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 twelve 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 twelve months is measured at the present value of the estimated future cash flows expected to be paid with respect of services provided by employees up to reporting date.

The bond rate used to discount long-term annual leave to its present value at reporting date was 5.21 percent (2010: 5.10 percent). This rate represents the yield that matches as closely as possible the estimated timing of expected payments.

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.

Payroll tax, workers compensation insurance premiums, superannuation and other associated oncosts consequential to employment are recognised as liabilities when the employee benefits to which they relate are recognised.

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.

In determining the liability, management considers expected future wage and salary levels; employee attrition rates 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. The bond rates used ranged from 4.8 percent to 5.8 percent (2010: 4.6 percent to 6.1 percent).

Amounts expected to be settled within twelve months of reporting date are not discounted.

Superannuation**Defined contribution plans**

A defined contribution plan is a post-employment benefit plan where there is a fixed contribution 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 later than twelve months after the end of the period in which the employees render the service are discounted to their present value.

Defined benefit plans

The defined benefit superannuation plans provide 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 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. When determining the liability 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 the extent that cash refund/reduction in future payments is available.

AASB 119 'Employee Benefits' does not specify whether the current and noncurrent portions of assets and liabilities arising from post-employment benefits are required to be disclosed because at times the distinctions may be arbitrary. The liability is disclosed as non-current as this best reflects when the liability is likely to be settled.

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.

Notes to the financial statements

For the year ended 30 June 2011

2. Significant Accounting Policies (continued)

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 vesting period in which case, the past service costs are amortised on a straight-line basis over the vesting period.

Assumptions underlying defined benefit superannuation expenses and liability are disclosed in Note 14, 'Defined benefit superannuation schemes'.

Termination benefits

Termination benefits are recognised as an expense when the entity 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 twelve months after reporting date are discounted to present value.

(q) Provisions other than employee benefits

A provision is recognised if, as a result of a past event, there is a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions expected to be settled later than twelve months from reporting date are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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 reliably measured.

Restorations

This provision relates to the parent's obligation to restore leased premises at the end of the lease term and includes expenditure expected to be incurred to bring premises back to their original state. Estimates are based on the details of the individual property concerned and terms associated with each lease and are discounted to their present value using the yield on government bonds matching as closely as possible the estimated timing of the payment.

Restructurings

A provision for restructuring is recognised when a detailed and formal restructuring plan is in place, is approved, and the restructuring has commenced or has been announced publicly.

Future operating losses are not provided for.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, any impairment loss on the assets associated with the contract is first recognised.

(r) Interest bearing borrowings

All interest bearing borrowings are recognised at the fair value of the consideration received less directly attributable transaction costs. Interest bearing 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.

Where there is an unconditional right to defer settlement of the liability for at least twelve months after the reporting date, and management expects to defer the settlement, 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.

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

2. Significant Accounting Policies (continued)**(t) Derivative financial instruments**

Derivative financial instruments are used to manage exposures to interest rate risks associated with its borrowings. The instruments are managed by NSW Treasury Corporation. Derivative financial instruments are not held for trading purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into. They are subsequently remeasured 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. Derivative instruments disclosed in these financial statements 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 twelve months from reporting date and it is not expected to be realised or settled within twelve months from reporting date. Other derivatives are presented as current assets or current liabilities.

(u) Dividends

The dividend is calculated in accordance with Treasury Accounting Policy TPP 09-6 'Financial Distribution Policy for Government Businesses'. The dividend payable is 75 percent of profit after tax excluding unrealised gains or losses associated with personnel service expense (2010: 75 percent).

Consistent with the requirements set out in TPP 09-6, 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.

(v) Reserves

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 records valuation increments and decrements associated with the revaluation of property, plant and equipment.

Retained earnings include all current and prior period earnings after tax and dividend. Where an asset that has been previously revalued is disposed, any balance remaining in the asset revaluation reserve in respect of that asset is also transferred to retained earnings.

(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 the requirements set out in AASB 1004 'Contributions' and Australian Accounting Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.

Transfers involving statutory bodies are specifically addressed in NSW Treasury Policy TPP 09-3 'Contributions by owners made to wholly-owned Public Sector Entities'. The Policy requires that transferred assets be recognised at fair value to the transferee.

(x) Presentation of the financial statements

A comprehensive review of the presentation of the financial statements suggested that they needed to be presented differently in order to provide information that was more relevant and understandable to users of the financial statements. The revised presentation is unlikely to change significantly in future years, to ensure that comparability is not impaired.

Certain comparative amounts have been reclassified to conform to the current year's presentation. The changes reflect more appropriately the way in which economic benefits are derived and expenses are consumed.

The reclassification had no effect on net profit and did materially not impact net assets or net profit. Consequently, a third financial statement of position is considered unnecessary as the adjustments to comparatives do not have a material impact on the statement of financial position in the comparative period.

(y) Standards and Interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective from annual periods beginning after 1 January 2011 through to annual periods beginning after 1 July 2013. None of the standards have been adopted early.

None of the changes are expected to have a significant impact on the financial statements other than AASB 9 'Financial Instruments', which becomes mandatory for reporting periods beginning on or after 1 January 2013.

AASB 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets; amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in AASB 139 on impairment of financial assets and on hedge accounting continues to apply.

Notes to the financial statements

For the year ended 30 June 2011

3. Revenue

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue				
(a) Revenue from water sales				
Raw water sales to Sydney Water	189,866	195,174	189,866	195,174
Other raw water sales	984	1,100	984	1,100
Revenue from water sales	190,850	196,274	190,850	196,274
(b) Other revenue				
Consultancies	545	1,806	545	1,806
Rent and conference centre hire	1,232	986	1,232	986
Interest (including gains on derivatives)	1,278	812	1,278	812
Grants	–	53	–	53
Other	313	311	313	311
Other revenue	3,368	3,968	3,368	3,968
Revenue	194,218	200,242	194,218	200,242

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

4. Other expenses excluding finance costs

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Other expenses excluding finance costs				
Employee related expenses¹				
Salaries and wages ²	26,179	25,714	–	–
Superannuation	2,224	2,173	–	–
Long service leave	1,415	570	–	–
Employment related taxes	1,780	1,872	–	–
Workers compensation insurance	267	315	–	–
Board remuneration	284	243	284	243
Employee related expenses	32,149	30,887	284	243
Other operating expense				
Administration	4,231	4,267	4,231	4,267
Contractors and consultancies	33,590	33,435	66,496	68,796
Depreciation and amortisation	22,505	19,185	22,505	19,185
Energy	1,948	1,882	1,948	1,882
Grants	538	461	538	461
Information Management	1,124	1,682	1,124	1,682
Insurance	2,926	3,704	2,926	3,704
Licence Fees	1,660	1,696	1,660	1,696
Materials	2,239	1,741	2,239	1,741
Property	4,951	4,769	4,951	4,769
Transport	131	118	131	118
Other operating expenses	75,843	72,940	108,749	108,301

Notes:

1 During the year, the parent capitalised employee related costs of \$785,000 (2010: \$744,000).

2 Includes recreation leave expense and redundancy expenses.

Maintenance expenses included in other expenses excluding finance costs

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Employee related maintenance expense	2,489	2,438	–	–
Other maintenance expenses	8,328	11,844	8,328	11,844
Maintenance expense	10,817	14,282	8,328	11,844

Notes to the financial statements

For the year ended 30 June 2011

5. Finance costs

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Finance costs				
Interest expense on loans	27,741	27,695	27,741	27,695
Less: Borrowing costs capitalised	(510)	(466)	(510)	(466)
Interest expense recognised in profit or loss	27,231	27,229	27,231	27,229
Government guarantee fee	4,606	7,273	4,606	7,273
Amortisation of deferred discount (income) on loans	1,430	1,083	1,430	1,083
Loss on debt management	379	229	379	229
Unwinding of discount on provision for restoration	19	19	19	19
Finance costs	33,665	35,833	33,665	35,833

A capitalisation rate of 6.14 percent (2010: 6.17 percent) was applied to qualifying assets. This represents the weighted average interest rate of the borrowings portfolio at reporting date.

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

6. Income tax

Income tax expense recognised in the Statement of Comprehensive Income

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current tax expense				
Current tax expense relating to current financial year	14,072	16,915	14,072	16,915
Prior year adjustments in relation to R&D	(198)	(768)	(198)	(768)
Other prior year adjustments	(165)	190	(165)	190
Deferred tax expense				
Origination and reversal of temporary differences	1,994	(426)	1,994	(426)
Income tax expense	15,703	15,911	15,703	15,911

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

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net profit before tax	52,462	58,942	51,421	54,225
Income tax expense using statutory rate of 30 percent	15,739	17,682	15,427	16,267
Effect of:				
Expenses not deductible in determining taxable profit	311	152	311	152
Tax concessions (research and development)	(254)	(73)	(254)	(73)
Other temporary differences	582	143	582	143
Current year adjustments related to previous years	(363)	(578)	(363)	(578)
Tax exempt income	(312)	(1,415)	–	–
Income tax expense	15,703	15,911	15,703	15,911
Income tax recognised directly to equity				
Revaluation of property, plant and equipment	(867)	25,896	(867)	25,896
Income tax recognised directly to equity	(867)	25,896	(867)	25,896

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

6. Income tax (continued)

Current tax liabilities

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Current tax liabilities	5,477	13,486	5,477	13,486
Current tax liabilities	5,477	13,486	5,477	13,486

Deferred tax liabilities

	Opening balance	Recognised in income	Recognised in equity	Closing balance
Consolidated entity and parent entity – 30 June 2011				
Temporary differences				
Property, plant and equipment (prior to revaluation)	(94,227)	(2,217)	868	(95,576)
Allowance for impairment of receivables	14	(1)	–	13
Other provisions and accruals	1,365	249	–	1,614
Accelerated sewerage programme	3,509	(356)	–	3,153
Other	271	331	–	602
	(89,068)	(1,994)	868	(90,194)

Deferred tax liabilities

	Opening balance	Recognised in income	Recognised in equity	Closing balance
Consolidated entity and parent entity – 30 June 2010				
Temporary differences				
Property, plant and equipment (prior to revaluation)	(68,368)	37	(25,896)	(94,227)
Allowance for impairment of receivables	9	5	–	14
Other provisions and accruals	2,355	(990)	–	1,365
Accelerated sewerage programme	1,854	1,655	–	3,509
Other	552	(281)	–	271
	(63,598)	426	(25,896)	(89,068)

Presented in the statement of financial position as follows:

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities	(90,194)	(89,068)	(90,194)	(89,068)
Deferred tax liabilities	(90,194)	(89,068)	(90,194)	(89,068)

Unrecognised deferred tax assets

There were no unrecognised deferred tax assets in the current or previous reporting year.

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

7. Cash and cash equivalents

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash and cash equivalents				
Cash at bank and on hand	2,343	589	2,343	589
NSW Treasury Corporation Hourglass (Cash) Facility	20,308	28,883	20,308	28,883
Cash and cash equivalents	22,651	29,472	22,651	29,472
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 per statement of cash flows	22,651	29,472	22,651	29,472

Details of financial risk management policies in relation to credit risk, liquidity risk and market risk are disclosed in Note 21.

Reconciliation of profit after tax to net cash from operating activities in the statement of cash flows

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Profit after tax	36,759	43,031	35,718	38,314
Depreciation and amortisation	22,505	19,185	22,505	19,185
Loss on disposal of property, plant and equipment	99	1,640	99	1,640
Superannuation actuarial losses	(1,040)	(4,717)	–	–
Suppliers and employees	397	(3,086)	398	(3,084)
Finance costs	(726)	4,034	(726)	4,034
Receivables	125	438	125	436
Income tax	(6,882)	31,997	(6,882)	31,997
Net cash from operating activities	51,237	92,522	51,237	92,522

Notes to the financial statements

For the year ended 30 June 2011

8. Trade and other receivables

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade and other receivables				
Trade receivables	15,514	14,778	15,509	14,772
Less: Allowance for impairment	(42)	(46)	(42)	(46)
Trade receivables	15,472	14,732	15,467	14,726
Other receivables	2,359	2,959	2,359	2,959
Trade and other receivables	17,831	17,691	17,826	17,685

Details of financial risk management policies in relation to credit risk, liquidity risk and market risk are disclosed in Note 21.

Movements in the provision for impaired receivables

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Allowance for impairment in trade receivables				
Carrying amount at the beginning of the year	46	31	46	31
Allowance for impairment recognised in profit or loss	13	15	13	15
Amounts written off as uncollectable	(14)	–	(14)	–
Amounts recovered during the year	(3)	–	(3)	–
Carrying amount at the end of the year	42	46	42	46

There are no balances within 'other receivables' that are impaired or past due.

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

8. Trade and other receivables (continued)

Ageing analysis of receivables determined to be impaired

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Impaired receivables				
0 to 3 months	–	6	–	6
3 months to 6 months	–	8	–	8
Over 6 months	1	1	1	1
	1	15	1	15

Impaired receivables collectively determined to be impaired relate to fine and penalty debtors. At 30 June 2011 \$41,000 (2010: \$46,000) fine and penalty debtors were impaired.

Ageing analysis of receivables past due but not impaired

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Receivables past due but not impaired				
Less than 3 months	50	2	50	2
3 months to 6 months	3	1	3	1
Over 6 months	–	–	–	–
	53	3	53	3

Receivables past due but not impaired mainly relate to independent customers of the parent. The customer's have no history of default.

9. Other non-financial assets

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Other non-financial assets				
Lease incentives	164	240	164	240
Prepaid expenses	3,750	3,234	3,526	3,037
Prepaid salaries and wages	102	183	–	–
Other non-financial assets	4,016	3,657	3,690	3,277

Notes to the financial statements

For the year ended 30 June 2011

10. Property, plant and equipment

	Specialised assets			Non-specialised assets				Total
	Work in Progress	Infrastructure Systems	Land & Buildings	Plant & Equipment	Motor Vehicles	Leasehold Improvements	Information Systems	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated and parent entity – 30 June 2011								
Carrying value at the beginning of the year	151,891	1,087,229	82,335	5,954	3,523	791	855	1,332,578
Additions	32,552	110,173	–	6,957	2,049	2,366	–	154,097
Disposals	–	(5,740)	–	(26)	(2,239)	–	(13)	(8,018)
Depreciation	–	(20,102)	(871)	(435)	(494)	(231)	(270)	(22,403)
Revaluation and impairment	–	(4,171)	–	–	–	–	–	(4,171)
Transfers and reclassifications	(121,550)	(18,078)	(227)	18,250	443	–	–	(121,162)
Carrying value at the end of the year	62,893	1,149,311	81,237	30,700	3,282	2,926	572	1,330,921
At 30 June 2011								
Gross carrying amount	62,893	5,290,060	143,435	37,329	4,480	3,555	3,180	5,544,932
Accumulated depreciation and impairment	–	(4,140,749)	(62,198)	(6,629)	(1,198)	(629)	(2,608)	(4,214,011)
Carrying value at the end of the year	62,893	1,149,311	81,237	30,700	3,282	2,926	572	1,330,921

	Specialised assets			Non-specialised assets				Total
	Work in Progress	Infrastructure Systems	Land & Buildings	Plant & Equipment	Motor Vehicles	Leasehold Improvements	Information Systems	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated and parent entity – 30 June 2010								
Carrying value at the beginning of the year	137,298	997,273	71,004	4,857	3,913	844	1,385	1,216,574
Additions	54,357	32,843	–	2,132	3,619	2	–	92,953
Disposals	–	(293)	(9)	(9)	(3,459)	–	(29)	(3,799)
Depreciation	–	(16,946)	(28)	(1,022)	(542)	(55)	(507)	(19,100)
Revaluation and impairment	–	86,371	11,372	–	–	–	–	97,743
Transfers and reclassifications	(38,839)	(11,423)	–	–	–	–	–	(50,262)
Write-off/Adjustments	(925)	(596)	(4)	(4)	(8)	–	6	(1,531)
Carrying value at the end of the year	151,891	1,087,229	82,335	5,954	3,523	791	855	1,332,578
At 30 June 2010								
Gross carrying amount	151,891	5,264,303	143,436	10,410	4,574	1,188	3,370	5,579,172
Accumulated depreciation and impairment	–	(4,177,074)	(61,101)	(4,456)	(1,051)	(397)	(2,515)	(4,246,594)
Carrying value at the end of the year	151,891	1,087,229	82,335	5,954	3,523	791	855	1,332,578

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

10. Property, plant and equipment (continued)**Recoverable amount**

Because of the specialised nature of water industry assets, the recoverable amount is determined by the stream of income derived from the use of the assets working together as one cash-generating unit, rather than the realisable value of the assets themselves (value-in-use). The cash generating unit test calculates the recoverable amount of the assets. Future cash flows for revenue and expenses are estimated over the following five years plus the cash generating unit's closing regulatory asset base (the terminal value). Net cash flows are subsequently discounted back to its 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.

Major assumptions underlying the calculation are:

- Nominal pre-tax discount rate of 9.5 percent (2010: 9.5 percent)
- Risk free rate of 4.0 percent (2010: 4.0 percent)
- Closing regulatory asset base of \$1,434 million (2010: \$1,321 million)
- Inflation rate of 2.5 percent (2010: 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 budgeted expenses, adjusted for non-cash items. The terminal value represents the value accrued 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, 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.

Valuation of Infrastructure, land and buildings

Infrastructure assets were last subject to an independent revaluation in June 2010. Data was used from revaluations undertaken in 2004 and 2007 and 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 Finance and Services. The consolidated entity's policy is to obtain an independent market valuation at least every three years.

The valuation was conducted in accordance with the accounting requirements set out AASB 116 *'Property, Plant and Equipment'* and NSW Treasury Accounting Policy TPP 07-1 *'Valuation of Physical Non-Current Assets at 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. 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.

Land and non-operational buildings are 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 rate used to determine the fair value of land was vacant, undeveloped, remotely located lands as these lands are considered to be closest in nature to other land held, in particular the restrictions imposed on the redevelopment of the land holdings.

Infrastructure systems, land and building's fair value was reviewed by independent valuers at 30 June 2011. There was no material movement in asset values over the last year and consequently, revaluation adjustments were not recognised.

Revaluations of assets at 30 June 2010 and 30 June 2011 were undertaken by the following independent qualified valuers:

- Land and Buildings: CB Richard Ellis
- Infrastructure Systems: NSW Department of Finance and Services.

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.

Notes to the financial statements

For the year ended 30 June 2011

10. Property, plant and equipment (continued)

Asset values measured at historical cost

	Historical Cost	Fair Value	Historical Cost	Fair Value
	2011 \$'000	2011 \$'000	2010 \$'000	2010 \$'000
Consolidated entity and parent entity				
Work in progress	62,893	62,893	151,891	151,891
Infrastructure systems	747,122	1,149,311	729,102	1,087,229
Land and buildings	95,090	81,236	95,458	82,335
Plant and equipment	30,700	30,700	5,954	5,954
Motor vehicles	3,282	3,282	3,523	3,523
Leasehold improvements	2,926	2,926	791	791
Information systems	572	572	855	855
Carrying value at historical cost	942,585	1,330,920	987,574	1,332,578

11. Intangibles

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Gross carrying amount	2,180	12,442	2,180	12,442
Accumulated amortisation and impairment	(961)	(12,282)	(961)	(12,282)
Carrying amount at the end of the year	1,219	160	1,219	160

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Software				
Carrying value at the beginning of the year	160	–	160	–
Additions	1,161	247	1,161	247
Amortisation	(102)	(84)	(102)	(84)
Write-off/Adjustment	–	(3)	–	(3)
Carrying amount at the end of the year	1,219	160	1,219	160

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

12. Trade and other payables

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current				
Trade and other payables	814	701	814	701
Accrued interest on loans	7,722	7,117	7,722	7,117
Other accrued expenses	18,212	23,291	18,210	23,296
Accrued salaries and wages (including oncosts)	305	186	5	5
Personnel services expense owed to Subsidiary	–	–	34,931	33,134
Trade and other payables	27,053	31,295	61,682	64,253

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 reported on an undiscounted basis. Due to the short term nature of the liabilities, the carrying amount approximates each liability's fair value. Details regarding the consolidated entity's financial risk management policies in relation credit risk, liquidity risk and market risk are disclosed in Note 21.

13. Other liabilities

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current				
Deferred income	291	263	291	263
Other	8	13	8	8
Current other liabilities	299	276	299	271
Non-Current				
Lease incentives	1,036	825	1,036	825
Deferred income	235	–	235	–
Other	20	27	20	27
Non-current other liabilities	1,291	852	1,291	852
Other liabilities	1,590	1,128	1,590	1,123

Notes to the financial statements

For the year ended 30 June 2011

14. Borrowings

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current borrowings at amortised cost				
Fixed interest loans	10,018	–	10,018	–
Premium (discount) on loans	(18)	–	(18)	–
Current borrowings	10,000	–	10,000	–
Non-current borrowings at amortised cost				
Interest bearing call deposits	–	498	–	498
Variable interest loans	7,500	7,500	7,500	7,500
Fixed interest loans	465,986	477,362	465,986	477,362
Premium (discount) on loans	(7,629)	(9,829)	(7,629)	(9,829)
Non-current borrowings at amortised cost	465,857	475,531	465,857	475,531
Derivative financial instruments	(507)	(42)	(507)	(42)
Non-current borrowings	465,350	475,489	465,350	475,489

All loans are raised by NSW Treasury Corporation on behalf of the Parent. Loans are negotiated with either a floating rate, where the rate is reset periodically in accordance with the requirements of the Parent or at a fixed rate where interest is set over the term of the loan. All borrowings are unsecured.

Fair value of borrowings

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Consolidated entity and parent entity				
Call loans	–	500	–	500
Variable interest loans	7,590	7,587	7,590	7,587
Fixed interest loans	489,922	492,039	489,922	492,039
Derivatives	(317)	56	(317)	56
Fair value of borrowings	497,195	500,182	497,195	500,182

Prior year comparatives have been amended to more accurately reflect the fair value of borrowings at 30 June 2010. Last year, the market capital value was disclosed and this resulted in a \$0.1 million understatement to the fair value reported in last year's financial statements.

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

14. Borrowings (continued)

Contractual maturity analysis of borrowings

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Undiscounted cash flows				
Less than 1 year	74,586	77,418	74,586	77,418
Between 1 and 5 years	264,838	303,657	264,838	303,657
More than 5 years	290,673	246,380	290,673	246,380
Undiscounted cash flows	630,097	627,455	630,097	627,455

Details regarding the consolidated entity's financial risk management policies in relation credit risk, liquidity risk and market risk as well as approved financing facilities are disclosed in Note 21.

All financing facilities were approved in accordance with Section 8(2) of the *Public Authorities (Financial Arrangements) Act 1987*.

15. Provisions

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current				
Expected to be settled within 12-months				
Employee benefits ¹	4,118	3,286	–	–
Dividend ²	27,335	31,211	27,335	31,211
Fringe benefits tax ³	38	48	–	–
Other provisions	1,100	–	1,100	–
	32,591	34,545	28,435	31,211
Current				
Expected to be settled later than 12 months				
Employee benefits	9,714	9,496	–	–
	9,714	9,496	–	–
Current provisions	42,305	44,041	28,435	31,211
Non-current provisions				
Employee benefits	21,090	20,509	–	–
Restoration ⁴	471	449	471	449
Non-current provisions	21,561	20,958	471	449

Notes:

- Assumptions underlying the provision for employee entitlements is outlined in Note 1(p)
- Under the National Taxation Equivalent Regime (NTER), the parent is not required to operate a dividend franking account.
- The amount provided for Fringe Benefit Tax is based on the actual liability at 30 April 2011. There is inherent uncertainty over what the actual liability will be until the Return is prepared in 30 April 2012.
- Estimates are based on long term estimates to restore leased premises and the estimate discounted to their present value. Uncertainty exists in relation to actual restoration costs that will ultimately be incurred and whether there will be a material change to the discount rate applied to the estimate.

Notes to the financial statements

For the year ended 30 June 2011

15. Provisions (continued)

Movement in provisions other than employee benefits

	Other Provision	Fringe Benefit Tax Provision	Restoration Provision	Dividend Provision
	\$'000	\$'000	\$'000	\$'000
Consolidated entity – 30 June 2011				
Carrying amount at the beginning of the year	–	48	449	31,211
Additional provisions recognised	1,100	182	–	27,335
Amounts used	–	(192)	–	(31,211)
Unwinding of discount rate	–	–	22	–
Carrying amount at the end of the year	1,100	38	471	27,335
	Other Provision	Restoration Provision	Dividend Provision	
	\$'000	\$'000	\$'000	
Parent entity – 30 June 2011				
Carrying amount at the beginning of the year	–	449	31,211	
Additional provisions recognised	1,100	–	27,335	
Amounts used	–	–	(31,211)	
Unwinding of discount rate	–	22	–	
Carrying amount at the end of the year	1,100	471	27,335	

Defined benefit superannuation schemes

The Pooled Funds 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)

The schemes are all defined benefit schemes where a component of the final benefit is derived from a multiple of the employers salary and years of membership. All schemes are closed to new members.

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

15. Provisions (continued)

Reconciliation of the present value of the defined benefit obligation

	SASS	SANCS	SSS	Consolidated Entity
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Present value of benefits at beginning of the year	13,544	3,184	37,869	54,597
Current service cost	369	144	351	864
Interest cost	682	159	1,938	2,779
Contributions by fund participants	227	–	317	544
Actuarial gains (losses)	299	31	1,113	1,443
Benefits paid	(758)	(146)	(1,109)	(2,013)
Present value of benefits at the end of the year	14,363	3,372	40,479	58,214

	SASS	SANCS	SSS	Consolidated Entity
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Present value of benefits at the beginning of the year	13,915	3,137	33,375	50,427
Current service cost	410	153	362	925
Interest cost	758	170	1,849	2,777
Contributions by fund participants	251	–	320	571
Actuarial gains (losses)	822	380	2,432	3,634
Benefits paid	(2,612)	(656)	(468)	(3,736)
Present value of benefits at the end of the year	13,544	3,184	37,870	54,598

Notes to the financial statements

For the year ended 30 June 2011

15. Provisions (continued)

Reconciliation of the fair value of fund assets

	SASS	SANCS	SSS	Consolidated Entity
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Fair value of fund assets at the beginning of the year	9,652	1,947	23,078	34,677
Expected return on fund assets	818	164	1,965	2,947
Actuarial gains (losses)	29	–	374	403
Employer contributions	450	157	315	922
Contributions by Fund participants	227	–	317	544
Benefits paid	(758)	(146)	(1,109)	(2,013)
Fair value of fund assets at the end of the year	10,418	2,122	24,940	37,480

	SASS	SANCS	SSS	Consolidated Entity
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Fair value of fund assets at the beginning of the year	11,407	2,259	21,406	35,072
Expected return on fund assets	971	193	1,828	2,992
Actuarial gains (losses)	(795)	(2)	(287)	(1,084)
Employer contributions	430	153	279	862
Contributions by Fund participants	251	–	321	572
Benefits paid	(2,612)	(656)	(468)	(3,736)
Fair value of fund assets at the end of the year	9,652	1,947	23,079	34,678

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

15. Provisions (continued)

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

	SASS	SANCS	SSS	Consolidated Entity
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Present value of defined benefit obligation at end of year	14,363	3,372	40,479	58,214
Fair value of fund assets at the end of the year	(10,418)	(2,122)	(24,940)	(37,480)
Liability in statement of financial position	3,945	1,250	15,539	20,734

	SASS	SANCS	SSS	Consolidated Entity
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Present value of defined benefit obligation at end of year	13,544	3,184	37,870	54,598
Fair value of fund assets at the end of the year	(9,652)	(1,947)	(23,079)	(34,678)
Liability in statement of financial position	3,892	1,237	14,791	19,920

Expense recognised in profit or loss

	SASS	SANCS	SSS	Consolidated Entity
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Current service cost	369	144	351	864
Interest cost	682	159	1,938	2,779
Expected return on fund assets (net expenses)	(818)	(164)	(1,965)	(2,947)
Expense (income) recognised in profit or loss	233	139	324	696

	SASS	SANCS	SSS	Consolidated Entity
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Current service cost	409	153	362	924
Interest cost	758	170	1,849	2,777
Expected return on fund assets (net expenses)	(971)	(193)	(1,828)	(2,992)
Expense (income) recognised in profit or loss	196	130	383	709

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

15. Provisions (continued)

Cumulative amount recognised in consolidated entity's statement of comprehensive income

	SASS	SANCS	SSS	Consolidated Entity
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Actuarial losses	270	31	740	1,041
Adjustment for limit on net asset	–	–	–	–
Amount recognised in comprehensive income	270	31	740	1,041

	SASS	SANCS	SSS	Consolidated Entity
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Actuarial losses	1,617	382	2,718	4,717
Adjustment for limit on net asset	–	–	–	–
Amount recognised in comprehensive income	1,617	382	2,718	4,717

Fund assets

The percentage invested in each asset class at the reporting date:

	Consolidated Entity 2011 %	Consolidated Entity 2010 %
Australian equities	33.4	31.0
Overseas equities	29.5	26.8
Australian fixed interest securities	5.7	6.1
Overseas fixed interest securities	3.1	4.3
Property	9.9	9.5
Cash	5.1	9.6
Other	13.3	12.7

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.

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

15. Provisions (continued)

Actual return on fund assets

	SASS	SANCS	SSS	Consolidated Entity
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Actual return on fund assets	829	164	1,962	2,955
	829	164	1,962	2,955

	SASS	SANCS	SSS	Consolidated Entity
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Actual return on fund assets	1,072	192	1,946	3,210
	1,072	192	1,946	3,210

Valuation method and principal actuarial assumptions at the reporting date

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.

Economic assumptions

	Per Annum	Per Annum
	2011 %	2010 %
Salary increase rate (excluding promotional increases)	3.5	3.5
Rate of CPI increase	2.5	2.5
Expected rate of return on assets	8.6	8.6
Discount rate	5.28	5.2

Demographic assumptions

The demographic assumptions at 30 June 2010 are those relating to the 2009 triennial actuarial valuation. The triennial review is available from the NSW Treasury website.

Notes to the financial statements

For the year ended 30 June 2011

15. Provisions (continued)

Historical Information

	SASS	SANCS	SSS	Consolidated Entity
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Present value of defined benefit obligation	14,363	3,372	40,479	58,214
Fair value of fund assets	(10,418)	(2,122)	(24,940)	(37,480)
(Surplus) deficit in fund	3,945	1,250	15,539	20,734
Experience adjustments – fund liabilities	299	31	1,113	1,443
Experience adjustments – fund assets	(29)	–	(374)	(403)

	SASS	SANCS	SSS	Consolidated Entity
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Present value of defined benefit obligation	13,544	3,184	37,870	54,598
Fair value of fund assets	(9,652)	(1,947)	(23,079)	(34,678)
(Surplus) deficit in fund	3,892	1,237	14,791	19,920
Experience adjustments – fund liabilities	822	380	2,431	3,633
Experience adjustments – fund assets	795	1,566	287	2,648

Aggregate historical information

	Total	Total	Total	Total	Total
	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
Present value of defined benefit obligation	58,214	54,598	50,427	43,509	42,425
Fair value of fund assets	(37,480)	(34,678)	(35,071)	(39,054)	(42,373)
(Surplus) deficit in fund	20,734	19,920	15,356	4,455	52
Experience adjustments – fund liabilities	1,443	3,633	4,456	(604)	1,222
Experience adjustments – fund assets	(403)	2,648	6,936	5,659	(3,300)

Sydney Catchment Authority

Notes to the financial statements

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15. Provisions (continued)

Expected contributions

	SASS	SANCS	SSS	Consolidated Entity
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Expected employer contributions	431	156	295	882
Expected employer contributions	431	156	295	882

	SASS	SANCS	SSS	Consolidated Entity
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Expected employer contributions	477	174	298	949
Expected employer contributions	477	174	298	949

Funding arrangements for employer contributions

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	SANCS	SSS	Consolidated Entity
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Accrued benefits	13,054	3,072	27,597	43,723
Net market value of fund assets	(10,418)	(2,122)	(24,940)	(37,480)
Net (surplus)/deficit	2,636	950	2,657	6,243

	SASS	SANCS	SSS	Consolidated Entity
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Accrued benefits	12,131	2,843	25,122	40,096
Net market value of fund assets	(9,652)	(1,947)	(23,079)	(34,678)
Net (surplus)/deficit	2,479	896	2,043	5,418

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

15. Provisions (continued)

Contribution recommendations

Recommended contribution rates current and previous reporting period are:

SASS	SANCS	SSS
Multiple of member contributions	Percentage of member salary	Multiple of members contribution
1.9	2.5	0.93

Funding method

Contribution rates are set after discussions between the employer, the SAS Trustee Corporation and NSW Treasury.

Economic assumptions

The weighted average economic assumptions adopted for the last actuarial review of the fund are:

Percentage per annum	%
Expected rate of return on fund assets backing current pension liabilities	8.3
Expected rate of return on fund assets backing other liabilities	7.3
Expected salary increase rate	4.0
Expected rate of CPI increase	2.5

Nature of asset/liability

If a surplus exists in the employers' 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.

16. Segment reporting

The parent operates within the water industry as one business segment that provides raw water to the Sydney Water and other wholesale customers and other catchment related activities as required by the *Sydney Water Catchment Management Act 1988*.

Operations are wholly within the State of New South Wales.

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

17. Commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as a liability are expected to be payable as follows:

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Within one year	5,285	24,110	5,285	24,110
Later than one year but not later than five years	5,208	217	5,208	217
Later than five years	–	–	–	–
Capital commitments	10,493	24,327	10,493	24,327

Amounts disclosed as capital commitments includes GST of \$0.96 million recoverable from the Australian Taxation Office.
(2010: \$2.21 million)

Capital commitments relate to the construction and enhancement of property, plant and equipment.

Other expenditure commitments

Other expenditure contracted for at the reporting date but not recognised as a liability are expected to be payable as follows:

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Within one year	19,383	19,963	19,383	19,963
Later than one year but not later than five years	2,622	10,795	2,622	10,795
Later than five years	–	–	–	–
Other expenditure commitments	22,005	30,758	22,005	30,758

Amounts disclosed as other expenditure commitments includes GST of \$2.0 million (2010: \$2.71 million) recoverable from the Australian Taxation Office (2010: \$2.71 million)

Other expenditure commitments represent unreceipted purchase orders relating to operating expenditure.

Notes to the financial statements

For the year ended 30 June 2011

17. Commitments (continued)

Operating lease commitments

Operating lease commitments contracted for at the reporting date but not recognised as a liability are expected to be payable as follows:

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Within one year	2,055	1,935	2,055	1,935
Later than one year but not later than five years	8,595	8,111	8,595	8,111
Later than five years	16,226	17,775	16,226	17,775
Operating lease commitments	26,876	27,821	26,876	27,821
Representing: Non-cancellable operating leases	26,876	27,821	26,876	27,821

Amounts disclosed as operating lease commitments includes GST of \$2.44 million recoverable from the Australian Taxation Office (2010: \$2.53 million).

Operating leases relate to office rent. The occupancy terms range from one to twelve years with renewal options for similar periods. All leases have been negotiated on commercial terms.

18. Contingent liabilities

Litigation involving the bushfires that occurred in 2001–02

During the Christmas period of 2001, bushfires resulted in extensive damage to land and property controlled by the Authority in the Warragamba precinct. Following the bushfire, twenty five claimants commenced proceedings against the State of New South Wales 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 Authority who was then insured by QBE Insurance Group.

The claimants have discontinued part of their claim which alleged that the 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 in relation to these proceedings is limited to \$250,000. This amount represents the excess on the Authority's insurance policy.

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

19. Related parties

Subsidiaries

The Parent's only related party is the Sydney Catchment Authority Division (the Division). The Division is a Division of the Government Service, established pursuant to Part 2 and Part 3 of Schedule 1 of the *Public Employment & Management Act 2002*. The Division is regarded as a special purpose reporting entity as it was established specifically to provide personnel services exclusively to the Authority in order for it to exercise its functions described in its enabling legislation.

The Division is consolidated in accordance with the requirements of AASB Interpretation 112 'Consolidation – Special Purpose Entities'.

Subsidiary	Country of Incorporation	Ownership Interest	Ownership Interest
		2011 %	2010 %
Sydney Catchment Authority Division	Australia	100%	100%

Statement of comprehensive income – supply of personnel services by subsidiary

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Sydney Catchment Authority Division	–	–	33,690	36,100
Personnel services expenses	–	–	33,690	36,100

Statement of financial position – current liabilities payable to subsidiary

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Sydney Catchment Authority Division	–	–	34,931	33,134
Current liabilities payable to subsidiary	–	–	34,931	33,134

All transactions between the Authority and key management personnel are conducted in accordance with the requirements set out in TC06/13 'Consequences of New Employment Arrangements – Other Taxation, Administrative and Operational Issues'. The circular requires that the fee be the equivalent of all employee related costs, including employee administration costs. The Division is not allowed to charge service fees in excess of the costs incurred by the Division.

Any balance outstanding at reporting date is provided on interest free terms and is unsecured.

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

19. Related parties (continued)

Key management personnel

The following persons have responsibility for planning, directing and controlling the activities of the consolidated entity:

■ Robert Rollinson	Chairman
■ Michael Bullen	Chief Executive and Deputy Chairman
■ John Asquith	Board Member
■ Stephen Corbett	Board Member
■ David Evans	Board Member
■ Louise Wakefield	Board Member
■ Kenneth Wheelwright	Board member
■ Larry Whipper	Board Member
■ Graham Collins	Group General Manager, Finance and Business Services
■ Sarah Dinning	Group General Manager, Corporate Development
■ George Dodds	General Manager, Catchment Operations (resigned 24/3/2011)
■ Simone Greenaway	Executive Director, Governance
■ Ian Landon-Jones	General Manager, Technical Services (until 1/2/2011)
■ Fiona Smith	Group General Manager, Operations (appointed 27/1/2011)
■ Ian Tanner	Group General Manager, Assets and Major Projects

Remuneration of key management personnel

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Short term employee benefits	1,984	1,953	262	224
Long term employee benefits	8	66	–	–
Post term employee benefits	226	161	22	19
Termination benefits	309	190	–	–
Remuneration of key management personnel	2,527	2,370	284	243

20. Auditors' remuneration

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
The Audit Office of NSW – Audit of financial statements	163	155	163	155
Auditors remuneration	163	155	163	155

The audit fee for the financial audit of the Subsidiary is assumed by the Sydney Catchment Authority. The audit fee for the Subsidiary was \$4,730 inclusive of GST (2010: \$4,620).

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

21. Financial risk management

Overview

The consolidated entity has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the consolidated entity's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk; fair value disclosures as well as the consolidated entity's management of capital.

Risk management framework

The Board has overall responsibility for establishing and overseeing the consolidated entity's financial risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the consolidated entity's financial risk management policies. The Committee reports regularly to the Board on its activities.

Risk management policies are established to identify and analyse risks faced by the consolidated entity; to set appropriate risk limits and controls as well as monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the business environment and the consolidated entity's activities. The consolidated entity, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the consolidated entity's risk management policies and procedures,

and reviews the adequacy of the risk management framework in relation to identified risks. The committee is assisted in its oversight by Internal Audit who undertake regular and ad hoc reviews of financial risk management controls and procedures. The results of these reviews are reported to the Audit and Risk Committee.

Credit risk

Credit risk is the risk of financial loss to the consolidated entity should a customer or counterparty to a financial instrument fail to meet its contractual obligations, and arises principally from the consolidated entity's receivables from customers.

Trade and other receivables

As a means of monitoring customer credit risk, customers are grouped according to their nature: Water sales, fine and penalty debtors and other debtors. The maximum exposure to credit risk for trade and other receivables is the carrying value less any security held over the outstanding balance.

The parent is exposed to concentrations of credit risk in relation to its largest customer, Sydney Water. At 30 June 2011, Sydney Water accounted for 98.10 percent (2010: 94.61 percent) of trade receivables. Sydney Water has traded with the Sydney Catchment Authority since the Authority's establishment in 1999. Since then, there has never been an instance that an outstanding balance was impaired.

Fine and penalty debtors are managed by the Office of State Revenue and Infringement Processing Bureau. Outstanding fines and penalties are regularly monitored by management.

With respect to other receivables, the consolidated entity monitors outstanding balances on an ongoing basis and has policies in place to recover overdue amounts. As a means of mitigating the risk of financial losses from defaults, the consolidated entity only deals with creditworthy customers.

Analysis of trade and other receivables considered impaired as well as those past due but not impaired is disclosed in Note 8.

Cash and cash equivalents

The consolidated entity held cash and cash equivalent of \$22.7 million 30 June 2011 (2010: \$29.5 million), which represents its maximum credit exposure on these assets. All cash and cash equivalents are held with T-Corp and Westpac which are rated AA to AAA, based on rating agency Standard & Poor's ratings.

Financial Guarantees

The consolidated entity does not provide financial guarantees.

Liquidity risk

Liquidity risk is the risk that consolidated entity will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient accordance with the Debt Management Framework approved by the Board.

Liquidity risk is measured by comparing projected net debt levels for the following twelve month period against total committed facilities. Projections incorporate the level of existing debt; operating cash flows, operating and capital expenditure and forecast revenue streams.

Liquidity risk is managed through the use of a cash flow forecasting model that aims to ensure there is sufficient working capital to service its commitments over the next 12-months; and the availability of long-term and short-term borrowing facilities.

In terms of borrowings facilities, T-Corp bears the liquidity risk in terms of its ability to access funding from financial markets and pass those funds onto the consolidated entity as and when required.

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

21. Financial risk management (continued)

The consolidated entity maintains the following lines of credit:

	Approved facility	Balance used	Available balance
Borrowing facilities – 30 June 2011			
Long term borrowing facility	476,100	475,857	243
Come & Go borrowing facility	30,000	–	30,000
Cheque cashing facility	2	–	2
Tape negotiation authority	15,000	–	15,000
Credit card facility	60	3	57
Borrowing facility	521,162	475,860	45,302
Borrowing facilities – 30 June 2010			
Long term borrowing facility	492,100	475,531	16,569
Come & Go borrowing facility	10,000	–	10,000
Cheque cashing facility	2	–	2
Tape negotiation authority	15,000	–	15,000
Credit card facility	60	6	54
Borrowing facility	517,162	475,537	41,625

NSW Treasury has advised the Parent 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 'tape negotiation authority' or cheque cashing authority.

Contractual maturity of financial liabilities

All financial liabilities are expected to be settled within twelve months from reporting date except for borrowings. A contractual maturity analysis of borrowings at reporting date is disclosed in Note 14.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect income or the value of its financial instruments portfolio.

The objective of market risk management is to manage and control market risk exposures within parameters approved by the Board.

T-Corp buys and sells derivatives on behalf of the Parent to certain manage market risks. All such transactions are carried out in accordance with the with the Debt Management Framework approved by the Board. Derivatives are not traded for speculative purposes.

Currency risk

Currency risk is the risk that future cash flows associated with a financial asset or financial liability will fluctuate because of changes in foreign exchange rates.

Where a significant foreign currency exposure is identified, the transaction is fully hedged within two days of the exposure arising. There has been no material foreign currency exposures during the year.

Price risk

Price risk is the risk that the fair value or future cash flows associated with a financial instrument fluctuates because of changes in market prices other than those arising from interest rates or foreign currency exchange rates.

The consolidated entity holds units in the T-Corp Hourglass (Cash) Facility which invests cash in the money market investment sectors. The investment horizon on the facility two years. At reporting date, the carrying amount of the facility was \$20.3 million (2010: \$28.9 million).

The unit prices of the facility is equal to the total fair value of net assets divided by the number of units on issue. Unit prices are calculated and published daily. NSW Treasury Corporation is trustee for the facility and is required to act in the best interests of 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.

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

21. Financial risk management (continued)

Investment in Hourglass 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 for all facilities using historically based volatility information collected over a ten year period, quoted at two standard deviations.

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'.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises from its borrowings portfolio and interest bearing deposits.

Objectives of interest rate risk management include:

- Minimise to interest movements such that the interest expense adversely impacts its ability to meet its financial obligations as and when they fall due.
- Achieve a 'neutral portfolio benchmark'.
- Comply with all regulatory and legislative requirements in relation to its debt portfolio.

The 'benchmark portfolio' compares the cost of debt relative to the actual debt portfolio. Limits are set by management in terms of the modified duration and hedging instruments position limits; and limits on accounting losses. The 'benchmark portfolio' is developed from T-Corp stocks and has a modified duration of approximately 4-years (within a band of 3.8 and 4.2 years).

The modified duration of the debt portfolio is set within a range of +/- 0.5 years from the modified duration of the benchmark portfolio.

Interest rate on borrowings portfolio

At the reporting date the interest rate profile of the consolidated entity's interest-bearing financial instruments was:

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments¹				
Fixed loans Commonwealth guaranteed	22,686	22,653	22,686	22,653
Fixed loans State guaranteed	99,078	27,840	99,078	27,840
Fixed loans to Authorities	346,594	417,040	346,594	417,040
Call deposits from Authorities	–	498	–	498
Fixed rate instruments	468,358	468,031	468,358	468,031
	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Variable rate instruments				
Cash and cash equivalents	22,651	29,472	22,651	29,472
Floating rate loan	7,500	7,500	7,500	7,500
Derivatives	(507)	(42)	(507)	(42)
Variable rate instruments	29,644	36,930	29,644	36,930

Note:

1 Other than loans, which are presented at amortised cost, all financial instruments are presented at their fair value.

Notes to the financial statements

For the year ended 30 June 2011

21. Financial risk management (continued)

Fair value sensitivity analysis for fixed rate instruments

The consolidated entity does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and derivatives are not designated as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair value sensitivity analysis for fixed rate instruments

A change of 100 basis points interest rates would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain the constant.

	Profit or loss		Equity	
	+bp100	-100bp	+100bp	-100bp
Variable rate instruments – 30 June 2011				
Cash and cash equivalents	227	(227)	227	(227)
Floating rate loan	(75)	75	(75)	75
Fixed rate instruments	152	(152)	152	(152)

	Profit or loss		Equity	
	+bp100	-100bp	+100bp	-100bp
Variable rate instruments – 30 June 2010				
Cash and cash equivalents	295	(295)	295	(295)
Floating rate loan	(75)	75	(75)	75
Fixed rate instruments	220	(220)	220	(220)

Sydney Catchment Authority

Notes to the financial statements

For the year ended 30 June 2011

21. Financial risk management (continued)

Fair values versus carrying amounts

All financial instruments are carried at fair value with the exception of borrowings which are carried at amortised cost.

In terms of cash and cash equivalents, receivables and payables, the carrying amount is considered to approximate the fair value because of the short term nature of the financial instrument. The fair value of interest bearing liabilities is disclosed in Note 14.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The analysis excludes those financial instruments whose carrying amount is a reasonable approximation of fair value such as short-term trade receivables and payables.

Fair value hierarchies are disaggregated as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Consolidated entity and parent entity – 30 June 2011				
Derivatives liabilities (assets)	(507)	–	–	(507)
Fair value hierarchy	(507)	–	–	(507)

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Consolidated entity and parent entity – 30 June 2010				
Derivatives liabilities (assets)	(42)	–	–	(42)
Fair value hierarchy	(42)	–	–	(42)

No financial instruments have been transferred between fair value hierarchies during the year (2010: Nil).

As noted in TPP 08-1 'Accounting for Financial Instruments', the T-Corp Hourglass (Cash) Facility is designated as a cash and cash equivalent under AASB 107 *Cash Flow Statements*. These are measured at fair value with interest revenue accrued as earned such that the fair value is reflected at no less than the amount payable on demand (consistent with AASB 139.49). Consequently, the carrying amount of the Facility is a reasonable approximation to its fair value.

Notes to the financial statements

For the year ended 30 June 2011

21. Financial risk management (continued)

Capital management

The Board's policy is manage capital such that it will sustain the future development of the business while meeting dividend targets set out in the Statement of Financial Framework. The Board seeks to balances between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. All decisions are made with reference to NSW Government policy.

The Board actively monitors financial performance indicators to ensure that the consolidated entity is optimising its capital structure including:

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

Capital employed

Interest bearing liabilities	475,350	475,489	475,350	475,489
Equity	713,108	708,093	713,108	708,093
Capital employed	1,188,458	1,183,582	1,188,458	1,183,582

	Consolidated Entity	Consolidated Entity	Parent Entity	Parent Entity
	2011	2010	2011	2010
	%	%	%	%

Other indicators

Gearing ratio ¹	40.00	40.17	40.00	40.17
Debt to equity ratio ²	66.66	67.15	66.66	67.15
Dividend payout ratio ³	75.00	75.00	75.00	75.00

Notes:

- 1 Calculated as: Interest bearing debt/(interest bearing debt + equity)
- 2 Calculated as: Interest bearing debt/total equity
- 3 Calculation methodology is outlined in Note 1(u)

End of audited financial statements.



SYDNEY CATCHMENT AUTHORITY DIVISION OF THE GOVERNMENT SERVICE
STATEMENT BY DIVISION HEAD

Under section 41C(1B) and (1C), I state that, in my opinion, the accompanying financial statements and notes thereto:

- 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 2011 and its financial performance for the year then ended
- b) comply with applicable Australian Accounting Standards (including Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the Treasurer's Directions.

I further state that 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

20.10.2011



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 comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Division as at 30 June 2011, and of its financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (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 Division Head's Responsibility for the Financial Statements

The Division Head 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 and for such internal control as the Division Head determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 Division Head, 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 control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the Independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. 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.

M T Spriggins
Director, Financial Audit Services

20 October 2011
SYDNEY

Sydney Catchment Authority Division

Statement of comprehensive income

For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Personnel services revenue	3	33,690	36,106
Personnel services revenue		33,690	36,106
Employee related expenses	4	32,650	31,389
Employee related expenses		32,650	31,389
Operating result for the year		1,040	4,717
Other comprehensive income			
Defined benefit plan actuarial gains (losses)	8	(1,040)	(4,717)
Other comprehensive income			
Comprehensive income for the year		–	–

The statement of comprehensive income should be read in conjunction with the accompanying notes.

Sydney Catchment Authority Division

Statement of financial position

For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
ASSETS			
Current assets			
Trade and other receivables	5	34,935	33,143
Other non-financial assets	6	325	379
Current assets		35,260	33,522
ASSETS		35,260	33,522
LIABILITIES			
Current liabilities			
Trade and other payables	7	300	182
Provisions	8	13,870	12,831
Current liabilities		14,170	13,013
Non-current liabilities			
Provisions	8	21,090	20,509
Non-current liabilities		21,090	20,509
LIABILITIES		35,260	33,522
NET ASSETS		–	–
EQUITY			
Accumulated funds		–	–
EQUITY		–	–

The statement of financial position should be read in conjunction with the accompanying notes.

Sydney Catchment Authority Division

Statement of changes in equity

For the year ended 30 June 2011

		Accumulated Funds	Accumulated Funds	Total Equity	Total Equity
	Note	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Balance at the beginning of the year		–	–	–	–
Comprehensive income					
Operating result for the year		1,040	4,717	1,040	4,717
Defined benefit plan actuarial gains (losses)	8	(1,040)	(4,717)	(1,040)	(4,717)
Comprehensive income for the year		–	–	–	–
Balance at the end of the year		–	–	–	–

The statement of changes in equity should be read in conjunction with the accompanying notes.

Sydney Catchment Authority Division

Statement of cash flows

For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Net cash from operating activities	13	–	–
Net cash from investing activities		–	–
Net cash from financing activities		–	–
Net increase in cash and cash equivalents		–	–
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at end of year		–	–

The statement of cash flows should be read in conjunction with the accompanying notes.

Sydney Catchment Authority Division

Notes to the financial statements

For the year ended 30 June 2011

1. Reporting Entity

The Sydney Catchment Authority Division (the 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.

The Division commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of the Sydney Catchment Authority (the Authority). The Division's objective is to provide personnel services to the Authority.

The Division is regarded as a special purpose entity as it was established specifically to provide personnel services exclusively to the Authority to enable it to exercise its functions outlined in its enabling legislation. The Division undertakes no other activities other than the provision of personnel services to the Authority.

The Division is a reporting entity that is subject to the control of the Authority. Consequently, the financial statements of the Division are consolidated into the financial statements of the Authority.

The financial statements were authorised for issue by the Chief Executive on 20 October 2011.

2. 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

These financial statements comply with Australian Accounting Standards, including Australian Accounting Interpretations.

(b) Basis of preparation

The financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2010* and Treasurer's Directions.

The financial statements have been prepared on an historical cost basis except for defined benefit assets which 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

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 judgements in applying accounting policies

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

Profit status

Management judgement has been applied in determining the Division's classification as a 'not-for-profit' entity. In making this

assessment, the Division 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'.

Employee entitlements

Judgements are applied in determining the following key assumptions used to calculate certain employee entitlements:

- 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 sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amount of assets and liabilities in future reporting periods include:

Superannuation plan assumptions

Defined benefits superannuation obligation is estimated using actuarial assumptions. Assumptions underlying the estimate are disclosed in Note 8.

(d) Revenue

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.

Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Division. Revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Sydney Catchment Authority Division

Notes to the financial statements

For the year ended 30 June 2011

2. Significant Accounting Policies (continued)**(e) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of associated Goods and Services Tax (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.

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

(f) Other taxes**Fringe benefits tax**

By virtue of TC 06/07 'Consequences of New Employment Arrangements for Fringe Benefit Tax Returns', the Division has been grouped with the Department of Trade and Investment, Regional Infrastructure and Services for the purposes of Fringe Benefits Tax.

Payroll 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 Division is the reporting entity for payroll tax purposes.

(g) 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 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 which are known to be uncollectible are written off when identified.

An impairment provision is recognised when there is objective evidence that the outstanding balance will not be collectible. 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). Financial difficulties of the debtor, default payments or debts more than 60-days overdue are considered objective evidence of impairment.

The carrying amount of the receivable 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.

(h) Trade and other payables

Trade and other payables represent liabilities for goods and services received prior to the end of the financial year that remained unpaid.

Due to their short-term nature, trade and other payables are not discounted because the effect of discounting is immaterial.

All payables are unsecured and are usually paid within 30 days of recognition.

(i) Employee Benefits**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 twelve months of the reporting date are

recognised as a payable or provision in respect of employees' service up to the reporting date. The liability is measured at the amount expected to be paid when the liability is 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 twelve 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 twelve months is measured at the present value of the estimated future cash flows expected to be paid with respect of services provided by employees up to reporting date.

The bond rate used to discount long-term annual leave to its present value at reporting date was 5.21 percent (2010: 5.10 percent). This rate represents the yield that matches as closely as possible the estimated timing of expected payments.

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.

Payroll tax, workers compensation insurance premiums, superannuation and other associated oncosts consequential to employment are recognised as liabilities when the employee benefits to which they relate are recognised.

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.

In determining the liability, management considers expected future wage and salary levels; employee attrition rates and periods of service.

Notes to the financial statements

For the year ended 30 June 2011

2. Significant Accounting Policies (continued)

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. The bond rates used ranged from 4.8 percent to 5.8 percent (2010: 4.6 percent to 6.1 percent).

Amounts expected to be settled within twelve months of reporting date are not discounted.

Superannuation

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Division 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 later than twelve months after the end of the period in which the employees render the service are discounted to their present value.

Defined benefit plans

The 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 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. When determining the liability 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 the extent that cash refund/reduction in future payments is available.

AASB 119 *'Employee Benefits'* does not specify whether the current and noncurrent portions of assets and liabilities arising from post-employment benefits are required to be disclosed because at times the distinctions may be arbitrary. The Division discloses the liability as non-current as this best reflects when the liability is likely to be settled.

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 vesting period in which case, the past service costs are amortised on a straight-line basis over the vesting period.

Assumptions underlying defined benefit superannuation expenses and liability are disclosed in Note 8, 'Defined benefit superannuation schemes'.

Termination benefits

Termination benefits are recognised as an expense when the 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 twelve months after reporting date are discounted to present value.

(j) Presentation of the financial statements

A comprehensive review of the presentation of the financial statements suggested that they needed to be presented differently in order to provide information that was more relevant and understandable to users of the financial statements. The revised presentation is unlikely to change significantly in future years, to ensure that comparability is not impaired.

Certain comparative amounts have been reclassified to conform to the current year's presentation. The changes reflect more appropriately the way in which economic benefits are derived and expenses are consumed.

The reclassification had no effect on net profit and did materially not impact net assets or net profit. Consequently, a third financial statement of position is considered unnecessary as the adjustments to comparatives do not have a material impact on the statement of financial position in the comparative period.

(k) Standards and Interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective from annual periods beginning after 1 January 2011 through to annual periods beginning after 1 July 2013. None of the changes are expected have a significant impact on the financial statements of the Division.

Sydney Catchment Authority Division

Notes to the financial statements

For the year ended 30 June 2011

3. Personnel services revenue

	2011 \$'000	2010 \$'000
Revenue		
Personnel services revenue		
Personnel services revenue	33,690	36,106
Personnel services revenue	33,690	36,106

4. Employee related expenses

	2011 \$'000	2010 \$'000
Expenses		
Employee related expenses		
Salaries and wages (including recreation leave and redundancies)	26,964	26,459
Superannuation	2,224	2,173
Long service leave	1,415	570
Employment related taxes	1,780	1,872
Workers compensation insurance	267	315
Employee related expenses	32,650	31,389

5. Trade and other receivables

	2011 \$'000	2010 \$'000
Trade and other receivables		
Trade receivables	34,935	33,143
Trade and other receivables	34,935	33,143

Details regarding the Division's financial risk management policies in relation credit risk, liquidity risk and market risk are disclosed in Note 14.

6. Other non-financial assets

	2011 \$'000	2010 \$'000
Other non-financial assets		
Prepaid expenses	223	196
Prepaid salaries and wages	102	183
Other non-financial assets	325	379

Sydney Catchment Authority Division

Notes to the financial statements

For the year ended 30 June 2011

7. Trade and other payables

	2011 \$'000	2010 \$'000
Current		
Accrued salaries and wages (and associated on-costs)	300	182
Trade and other payables	300	182

Details regarding the Division's financial risk management policies in relation credit risk, liquidity risk and market risk are disclosed in Note 14.

8. Provisions

	2011 \$'000	2010 \$'000
Current		
Provisions expected to be settled within 12-months		
Employee benefits ¹	4,118	3,286
Fringe benefits tax ²	38	48
	4,156	3,334
Current		
Provisions expected to be settled later than 12 months		
Employee benefits	9,714	9,497
Current provisions	13,870	12,831
Non-current provisions		
Employee benefits	21,090	20,509
Non-current provisions	21,090	20,509

Notes:

- 1 Assumptions underlying the provision for employee entitlements is outlined in Note 1(i)
- 2 The amount provided for FBT is based on the actual liability at 30 April 2011. Accordingly, there is inherent uncertainty over what the actual liability will be until it is calculated at 30 April 2012.

Defined benefit superannuation schemes

The Pooled Funds 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)

The schemes are all defined benefit schemes where a component of the final benefit is derived from a multiple of the employers. Salary and years of membership. All Schemes are closed to new members.

Sydney Catchment Authority Division

Notes to the financial statements

For the year ended 30 June 2011

8. Provisions (continued)

Reconciliation of the present value of the defined benefit obligation

	SASS	SANCS	SSS	Total
	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000
Present value of obligation at beginning of the year	13,544	3,184	37,869	54,597
Current service cost	369	144	351	864
Interest cost	682	159	1,938	2,779
Contributions by fund participants	227	–	317	544
Actuarial gains (losses)	299	31	1,113	1,443
Benefits paid	(758)	(146)	(1,109)	(2,013)
Present value of benefits at the end of the year	14,363	3,372	40,479	58,214

	SASS	SANCS	SSS	Total
	2010	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000
Present value of benefits at the beginning of the year	13,915	3,137	33,375	50,427
Current service cost	410	153	362	925
Interest cost	758	170	1,849	2,777
Contributions by fund participants	251	–	320	571
Actuarial gains (losses)	822	380	2,432	3,634
Benefits paid	(2,612)	(656)	(468)	(3,736)
Present value of benefits at the end of the year	13,544	3,184	37,870	54,598

Sydney Catchment Authority Division

Notes to the financial statements

For the year ended 30 June 2011

8. Provisions (continued)

Reconciliation of the fair value of fund assets

	SASS	SANCS	SSS	Total
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Fair value of fund assets at the beginning of the year	9,652	1,947	23,078	34,677
Expected return on fund assets	818	164	1,965	2,947
Actuarial gains (losses)	29	–	374	403
Employer contributions	450	157	315	922
Contributions by Fund participants	227	–	317	544
Benefits paid	(758)	(146)	(1,109)	(2,013)
Fair value of fund assets at the end of the year	10,418	2,122	24,940	37,480

	SASS	SANCS	SSS	Total
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Fair value of fund assets at the beginning of the year	11,407	2,259	21,406	35,072
Expected return on fund assets	971	193	1,828	2,992
Actuarial gains (losses)	(795)	(2)	(287)	(1,084)
Employer contributions	430	153	279	862
Contributions by Fund participants	251	–	321	572
Benefits paid	(2,612)	(656)	(468)	(3,736)
Fair value of fund assets at the end of the year	9,652	1,947	23,079	34,678

Sydney Catchment Authority Division

Notes to the financial statements

For the year ended 30 June 2011

8. Provisions (continued)

Reconciliation of the assets and liabilities recognised in the statement of financial position

	SASS	SANCS	SSS	Total
	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation at end of year	14,363	3,372	40,479	58,214
Fair value of fund assets at the end of the year	(10,418)	(2,122)	(24,940)	(37,480)
Liability in statement of financial position	3,945	1,250	15,539	20,733

	SASS	SANCS	SSS	Total
	2010	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation at end of year	13,544	3,184	37,870	54,598
Fair value of fund assets at the end of the year	(9,652)	(1,947)	(23,079)	(34,678)
Liability in statement of financial position	3,892	1,237	14,791	19,920

Expense recognised in profit or loss

	SASS	SANCS	SSS	Total
	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000
Current service cost	369	144	351	864
Interest cost	682	159	1,938	2,779
Expected return on fund assets (net expenses)	(818)	(164)	(1,965)	(2,947)
Expense (income) recognised in profit or loss	233	139	324	696

	SASS	SANCS	SSS	Total
	2010	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000
Current service cost	409	153	362	924
Interest cost	758	170	1,849	2,777
Expected return on fund assets (net expenses)	(971)	(193)	(1,828)	(2,992)
Expense (income) recognised in profit or loss	196	130	383	709

Sydney Catchment Authority Division

Notes to the financial statements

For the year ended 30 June 2011

8. Provisions (continued)

Cumulative amount recognised in the Division's statement of comprehensive income

	SASS	SANCS	SSS	Total
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Actuarial losses	270	31	739	1,040
Adjustment for limit on net asset	–	–	–	–
Amount recognised in comprehensive income	270	31	739	1,040

	SASS	SANCS	SSS	Total
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Actuarial losses	1,617	382	2,718	4,717
Adjustment for limit on net asset	–	–	–	–
Amount recognised in comprehensive income	1,617	382	2,718	4,717

Fund assets

The percentage invested in each asset class at the reporting date:

	2011 %	2010 %
Australian equities	33.4	31.0
Overseas equities	29.5	26.8
Australian fixed interest securities	5.7	6.1
Overseas fixed interest securities	3.1	4.3
Property	9.9	9.5
Cash	5.1	9.6
Other	13.3	12.7

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.

Sydney Catchment Authority Division

Notes to the financial statements

For the year ended 30 June 2011

8. Provisions (continued)

Actual return on fund assets

	SASS	SANCS	SSS	Total
	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000
Actual return on fund assets	829	164	1,962	2,955
Return on fund assets	829	164	1,962	2,955

	SASS	SANCS	SSS	Total
	2010	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000
Actual return on fund assets	1,072	192	1,946	3,210
Return on fund assets	1,072	192	1,946	3,210

Valuation method and principal actuarial assumptions at reporting date

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.

Economic assumptions

	Per Annum	Per Annum
	2011	2010
	%	%
Salary increase rate (excluding promotional increases)	3.5	3.5
Rate of CPI increase	2.5	2.5
Expected rate of return on assets	8.6	8.6
Discount rate	5.28	5.17

Demographic assumptions

The demographic assumptions at 30 June 2010 and 30 June 2011 are those relating to the 2009 triennial actuarial valuation. The triennial review is available from the NSW Treasury website.

Sydney Catchment Authority Division

Notes to the financial statements

For the year ended 30 June 2011

8. Provisions (continued)

Historical Information

	SASS	SANCS	SSS	Total
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Present value of defined benefit obligation	14,363	3,372	40,479	58,214
Fair value of fund assets	(10,418)	(2,122)	(24,940)	(37,480)
(Surplus) deficit in fund	3,945	1,250	15,539	20,733
Experience adjustments – fund liabilities	299	31	1,113	1,443
Experience adjustments – fund assets	(29)	–	(374)	(403)

	SASS	SANCS	SSS	Total
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Present value of defined benefit obligation	13,544	3,184	37,870	54,598
Fair value of fund assets	(9,652)	(1,947)	(23,079)	(34,678)
(Surplus) deficit in fund	3,892	1,237	14,791	19,920
Experience adjustments – fund liabilities	822	380	2,431	3,633
Experience adjustments – fund assets	795	1,566	287	2,648

Aggregate historical information

	Total	Total	Total	Total	Total
	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
Present value of obligation	58,214	54,598	50,427	43,509	42,425
Fair value of fund assets	(37,480)	(34,678)	(35,071)	(39,054)	(42,373)
(Surplus) deficit in fund	20,734	19,920	15,356	4,455	52
Experience adjustments – fund liabilities	1,443	3,633	4,456	(604)	1,222
Experience adjustments – fund assets	(403)	2,648	6,936	5,659	(3,300)

Sydney Catchment Authority Division

Notes to the financial statements

For the year ended 30 June 2011

8. Provisions (continued)

Expected contributions

	SASS	SANCS	SSS	Total
	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000
Expected employer contributions	431	156	295	882
Expected employer contributions	431	156	295	882

	SASS	SANCS	SSS	Total
	2010	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000
Expected employer contributions	477	174	298	949
Expected employer contributions	477	174	298	949

Funding arrangements for employer contributions

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	SANCS	SSS	Total
	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000
Accrued benefits	13,054	3,072	27,597	43,723
Net market value of fund assets	(10,418)	(2,122)	(24,939)	(37,479)
Net (surplus)/deficit	2,636	950	2,658	6,244

	SASS	SANCS	SSS	Total
	2010	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000
Accrued benefits	12,131	2,843	25,122	40,096
Net market value of fund assets	(9,652)	(1,947)	(23,079)	(34,678)
Net (surplus)/deficit	2,479	896	2,043	5,418

Sydney Catchment Authority Division

Notes to the financial statements

For the year ended 30 June 2011

8. Provisions (continued)

Contribution recommendations

Recommended contribution rates for the Division for the current and previous reporting period are:

SASS	SANCS	SSS
Multiple of member contributions	Percentage of member salary	Multiple of members contribution
1.9	2.5	0.93

Funding method

Contribution rates are set after discussions between the employer, the SAS Trustee Corporation and NSW Treasury.

Economic assumptions

The weighted average economic assumptions adopted for the last actuarial review of the fund are:

Percentage per annum	%
Expected rate of return on fund assets backing current pension liabilities	8.3
Expected rate of return on fund assets backing other liabilities	7.3
Expected salary increase rate	4.0
Expected rate of CPI increase	2.5

Nature of asset/liability

If a surplus exists in the employers' 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

9. Segment reporting

The Division operates exclusively as one business segment in the provision of personnel services to the Authority. Its area of operations is wholly within the State of New South Wales.

10. Commitments

There were no commitments contracted for at reporting data that not already been recognised as a liability (2010: Nil).

11. Auditors' remuneration

The audit fee for the financial audit of the Division is assumed by the Authority. The audit fee for the Division was \$4,730 including GST (2010: \$4,620 including GST).

12. Contingent liabilities

The Division has no legal matters outstanding or other contingent liabilities which are expected to result in material claims against the Division (2010: Nil).

Sydney Catchment Authority Division

Notes to the financial statements

For the year ended 30 June 2011

13. Reconciliation of operating result to cash flows used in operating activities

Reconciliation of profit after tax to net cash from operating activities in the statement of cash flows is as follows:

	2011 \$'000	2010 \$'000
Operating result	1,040	4,717
Adjustments for revenue and expenses recognised in equity		
Defined benefit plan actuarial gains (losses)	(1,040)	(4,717)
Movement in applicable statement of financial position items		
Increase (decrease) in trade and other receivables	1,792	1,147
Increase (decrease) in other non-financial assets	(54)	108
(Increase) decrease in trade and other payables	(118)	519
(increase) decrease in provisions	(1,620)	(1,774)
Net cash from operating activities	–	–

14. Financial risk management**Overview**

The Division has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk.

This note presents information about the Division's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk.

Credit risk

Credit risk is the risk of financial loss to the Division should a customer or counterparty to a financial instrument fail to meet its contractual obligations, and arises principally from the Division's receivables from customers.

The maximum exposure to credit risk is represented by the carrying amount of financial assets included in the statement of financial position. 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 Division monitors the balance outstanding on an ongoing basis as a means of mitigating against the risk of financial losses from default.

The Division is not exposed to credit risks in overseas countries.

Liquidity risk

Liquidity risk is the risk that the Division will encounter difficulty in meeting obligations associated with its financial liabilities.

All transactions are paid for or received by the Authority and subsequently charged back to the Division using inter-entity accounts. The Authority uses cash flow forecasting techniques and maintains

adequate borrowing facilities to ensure that it maintains sufficient working capital to service the Division's liquidity requirement.

Trade and other payables are non-interest bearing liabilities and are expected to be settled within twelve months of reporting date.

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.

End of audited financial statements.



Appendices

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Appendix 1 – SCA Board

Qualifications of current SCA Board

Robert Rollinson – Chairman

Robert Rollinson is an experienced business executive and board director with over 40 years worldwide experience. He has held chief and senior executive positions in companies in Australia and overseas, mainly focused in the energy, utilities, infrastructure and finance sectors in companies such as Pacific Power, National Power, BurnVoor Partners, Chase Manhattan Bank and the Macquarie Group. He holds an Honours degree in Engineering, a Master of Engineering Science, a Postgraduate Diploma of Management and is a Fellow of the Institution of Engineers Australia.

Robert is Chair of the Board's Prosecutions Committee, a member of the Asset Management Committee, and a member of the Catchments and Water Quality Committee.

Michael Bullen – Chief Executive

Michael Bullen is Chief Executive of the Sydney Catchment Authority. He 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, responsible for the marketing, sales and delivery of forest products generated from NSW-owned forests. He has also held significant board positions including Australian Forestry Standard Limited and the NSW Resource and Conservation Assessment Council.

Michael is a member of the Board's Catchments and Water Quality Committee, a member of the Asset Management Committee, and a member of the Prosecutions Committee.

John Asquith

John Asquith is the Board nominee from the Nature Conservation Council of NSW. He is Chairman of the Community Environment Network and a member of the Central Coast Regional Development Authority and Central Coast Marine Discovery Centre Boards. He has been a trustee of the NSW Environmental Trust, and a member of the NSW Bushfire Coordinating Committee. He holds a Bachelor of Engineering and a Master of Arts.

John is a member of the Board's Audit and Risk Committee, and a member of the Asset Management Committee.

Stephen Corbett

Stephen Corbett is the Associate Director, Population Health, Clinical Support Division (Western). Since graduating in medicine at the University of Queensland in 1975 he has worked as a general practitioner, and as 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, and has been with the Sydney West Area Health Service since 2003. He has been a consultant for the World Health Organisation and the United Nations Environment Program, a founding member of the enHealth Council, and has recently been appointed to the board of Food Standards Australia New Zealand. He holds a Conjoint Associate Professorship at the school of Population Health and Western Clinical School, University of Sydney.

Stephen is a member of the Board's Audit and Risk Committee, and a member of the Catchments and Water Quality Committee.

David Evans

David Evans was Managing Director of Sydney Water 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. He holds an Honours degree in Economics. He is a current board member of Country Energy and the Hunter Development Corporation.

David is Chair of the Board's Asset Management Committee, and a member of the Catchments and Water Quality Committee.

Larry Whipper

Larry Whipper is the local government representative to the SCA Board. He is Deputy Mayor of Wingecarribee Shire Council and is currently in his third term as a councillor. He is a strong environmental advocate and has served as a member of the Robertson Environment Protection Society since 1992. He 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.

Larry is a councillor representative on the Hawkesbury-Nepean Local Government Advisory Group and helped form the Wingecarribee Aboriginal Advisory Committee which he has chaired since 2001. He also served as a member of the Hawkesbury-Nepean Catchment Management Authority 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. He is also a graduate member of the Australian Institute of Company Directors.

Larry is a member of the Board's Audit and Risk Committee, a member of the Asset Management Committee, and a member of the Prosecutions Committee.

Appendix 1 – SCA Board (continued)

Louise Wakefield

Louise Wakefield is principal of Elevate Planning and Design, an integrated planning consultancy service providing advice on planning and building regulations, and promoting environmentally responsible development. She previously worked in local government in rural and regional areas of NSW and holds a Bachelor of Applied Science (Environmental Health). She is a member of the Australian Institute of Environmental Health, and Planning Institute of Australia.

Louise was a member of the Board's Audit and Risk Committee before being appointed Chair in March 2011, and is a member of the Board's Catchments and Water Quality Committee.

Kenneth Wheelwright

Kenneth Wheelwright is the Board nominee from the NSW Farmers' Association. 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. He is also a director on the Hawkesbury-Nepean Catchment Management Authority Board. He holds a Bachelor of Rural Science from the University of New England, a Bachelor of Business from Charles Sturt University, and has trained in holistic management.

Kenneth is Chair of the Board's Catchments and Water Quality Committee.

Standing committees

The Sydney Catchment Authority (SCA) Board operates four standing committees – the Audit and Risk Committee, the Catchments and Water Quality Committee, the Prosecutions Committee, and the Asset Management Committee.

These standing committees help the Board make decisions, oversee the audit and corporate governance functions, and help provide effective, efficient and economical management of the SCA.

There were no significant committees established or abolished during 2010–11.

Audit and Risk Committee

The Audit and Risk Committee consists of four Board members. The Audit and Risk Committee ensures the effectiveness of the SCA's internal and external audit processes and considers issues raised by the auditors.

The committee ensures 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 or committee members.

The committee also provides independent assurance and assistance to the Board on the SCA's risk, control and compliance framework, and its external accountability responsibilities.

Catchments and Water Quality Committee

The Catchments and Water Quality Committee recognises that growing urban, rural and industrial development is increasing risks to water quality and catchment health. Meeting the growing demand for clean, reliable water across Sydney requires long-term planning and a focused catchment management program.

In 2007 the Board established the Catchments and Water Quality Committee to help the Board do its work relating to catchment operations, management and protection, science and planning.

Asset Management Committee

The Asset Management Committee provides a strategic overview of the SCA's asset management and capital investment program.

The committee provides a strategic overview of long term capital and asset management programs, monitors progress of major works and renewals programs and post implementation reviews of projects.

Prosecutions Committee

The Prosecutions Committee consists of three Board members. The Prosecutions Committee meets as matters arise. It considers decisions to prosecute under the SCA's Act and regulations.

Board and committee meeting attendance

The Board usually meets 11 times each year, from February to December. When necessary, the Board also considers matters out of session. In 2010–11 the Board met 11 times.

**Table 8 – Board meeting attendances
1 July 2010 to 30 June 2011**

	Board meetings held during term	Board meetings attended
Robert Rollinson	11	11
Michael Bullen	11	11
John Asquith	11	9
Stephen Corbett	11	10
David Evans	11	9
Louise Wakefield	11	11
Kenneth Wheelwright	11	11
Larry Whipper	11	9

During 2010–11, the Board operated three standing committees: Audit and Risk Committee, Catchments and Water Quality Committee, and Asset Management Committee. The Prosecutions Committee did not meet in 2010–11.

Table 9 – Audit and Risk Committee

	Meetings held during term	Meetings attended
John Asquith	4	4
Stephen Corbett	4	3
Louise Wakefield	4	4
Larry Whipper	4	3

Appendix 1 – SCA Board (continued)

Table 10 – Catchments and Water
Quality Committee

	Meetings held during term	Meetings attended
Robert Rollinson	3	2
Michael Bullen	3	3
Stephen Corbett	3	2
David Evans	3	2
Louise Wakefield	3	3
Kenneth Wheelwright	3	3

Table 11 – Asset Management Committee

	Meetings held during term	Meetings attended
Robert Rollinson	3	3
Michael Bullen	3	3
John Asquith	3	3
David Evans	3	3
Larry Whipper	3	3

SCA Board Code of Conduct

Members of the SCA Board must provide their services under the *Sydney Water Catchment Management Act 1998* 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 here and is available on the SCA's website at www.sca.nsw.gov.au.

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.

Appendix 1 – SCA Board (continued)

Disclosures

Board members must disclose their interest where there is a potential conflict regarding any contracts or the holding of an office. The *Sydney Water Catchment Management Act 1998* (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 *Independent Commission Against Corruption Act 1988* 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 2 – SCA Executive

Qualifications of SCA Executive

As at 30 June 2011 the SCA Executive comprised the following members:

- Michael Bullen BSc (Forestry), MBA – Chief Executive
- Graham Collins BBus, CPA – Group General Manager Finance and Business Services
- Sarah Dinning BSc, BA, EMPA – Group General Manager Corporate Development
- Simone Greenaway BEc, MEc, EMPA – Executive Director Governance
- Ian Tanner BSc (Civil Eng) – Group General Manager Assets and Major Projects
- Fiona Smith BSc (Resource Mgt), MBA, GAICD – Group General Manager Operations.

Executive remuneration rates

Executive Officers above SES level 5

Chief Executive Michael Bullen – \$312,850 – SES 6.

Mr Bullen launched the SCA's Corporate Sustainability Strategy on which this annual report is based. A key achievement for the year has been the continued supply of high quality water to customers without interruption.

As Chief Executive, Mr Bullen has maintained a strong focus on workplace safety and the SCA has delivered positively in relation to occupational health and safety for the year with a reduction in lost time injuries from 9 in 2007–08 to 2 injuries in 2010–11. The SCA under his leadership has introduced an entry level employment program for trainees, cadets and graduate recruits to address the ageing workforce profile common across the water sector.

Mr Bullen continued to lead a substantial business improvement process during the year, which is now delivering integrated systems to enhance business performance.

The organisation has undertaken significant scientific work and improved its understanding of catchment dynamics by completing the first of a series of state of the science reports under the Science Strategic Plan. This work will inform the Healthy Catchments Strategy currently under development and meets the SCA's legislative obligation to undertake research on its catchments.

In tandem, the SCA has launched the NorBE tool which is embedded as part of the State Environmental Planning Policy. NorBE is an innovative tool to be used by councils to assess development applications to determine neutral or beneficial effect on water quality.

It was pleasing to note the positive outcomes for the SCA from the NSW Treasury strategic performance review during the year. This has informed the SCA price review that is underway for the price determination commencing 1 July 2012.

The efficiencies that have resulted from the business improvements that have been implemented show Mr Bullen's commitment to minimise the impacts of SCA prices on drinking water customers.

Appendix 3 – Legislative framework and legal issues

Legislation and regulations

The Sydney Catchment Authority (SCA) is both a corporation and statutory body representing the Crown. The agency was created in 1999 following the making of the *Sydney Water Catchment Act 1998* (the Act). The Act confers on the SCA functions relating to the protection and management of catchments and the supply of raw water to Sydney Water Corporation and other persons and bodies.

The Act sets out the role, objectives and functions of the SCA.

The role of the SCA is, subject to and in accordance with the Act:

- to manage and protect the catchment areas and catchment infrastructure works, and
- to be a supplier of raw water, and
- to regulate certain activities within or affecting the outer catchment area as well as the inner catchment area.

The principal objectives of the SCA are:

- to ensure that the catchment areas and the catchment infrastructure works are managed and protected so as to promote water quality, the protection of public health and public safety, and the protection of the environment
- to ensure that water supplied by it complies with appropriate standards of quality
- where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development in section 6 (2) of the *Protection of the Environment Administration Act 1991*

- to manage the SCA's catchment infrastructure works efficiently, economically, and in accordance with sound commercial principles.

The SCA has the following specific functions under section 16 of the *Sydney Water Catchment Management Act 1998*:

- to supply water to the Sydney Water Corporation
- to supply water to water supply authorities, prescribed local councils or prescribed county councils
- to supply water to licensed network operators or licensed retailers suppliers within the meaning of the *Water Industry Competition Act 2006*
- to supply water to other persons and bodies, but under terms and conditions that prevent the person or body concerned from supplying the water for consumption by others within the State unless the person or body is authorised to do so by or under an Act
- to provide or construct systems or services for supplying water
- to install new works
- to generate and supply hydro-electricity and undertake any associated activities whether on the SCA's own account or with others
- to manage and protect the catchment areas and the catchment infrastructure works vested in or under the control of the SCA
- to protect and enhance the quality of water controlled by the SCA
- to undertake research on catchments generally, and in particular on the health of the SCA's catchment areas
- to undertake an educative role within the community.

The accountability of the SCA is achieved through other instruments and arrangements being the:

- Sydney Water Catchment Management Regulation 2008
- Operating Licence
- Water Management Licence
- Water sharing plans
- Memoranda of understanding
- The Statement of Financial Framework
- Raw water supply arrangements.


Legal change

No amendments were made to the *Sydney Water Catchment Management Act 1998* or the *Sydney Water Catchment Management Regulation 2008* in 2010–11.

Significant legislation

Amendments to the *Public Interest Disclosures Act 1994* commenced on 1 July 2011. Changes to the Act will better protect whistle blowers who report corrupt conduct to the Independent Commission Against Corruption (ICAC). The SCA will review its policy for receiving, assessing and dealing with protected disclosures.

The *Occupational Health and Safety Amendment Act 2011* was assented to 7 June 2011. The Act will amend the *Occupational Health and Safety Act 2000* (OH&S Act) to facilitate the harmonisation of national workplace health and safety laws. Key obligations in the legislation, which is due to be implemented on 1 January 2012, are currently being considered so that the SCA meets its compliance obligations. Relevant officers will be required to exercise due diligence to ensure that the SCA complies with its obligations and duties under the OH&S Act.



Appendix 3 – Legislative framework and legal issues (continued)

Industrial Relations Amendment (Public Sector Conditions of Employment) Act 2011

This *Industrial Relations Amendment (Public Sector Conditions of Employment) Act 2011* requires the Industrial Relations Commission to take into account any policy on conditions of employment of public sector workers which is declared by a regulation to be a policy which the Commission is required to take into account before varying any award or making any order.

Industrial Relations (Public Sector Conditions of Employment) Regulation 2011

The Regulation declares the Government's Public Sector policies which must be taken into account by the Industrial Relations Commission when making or varying awards or orders relating to the remuneration and other conditions of employment of public sector workers.

Current legal matters

Gundungurra native title claims

Representatives of the Gundungurra people have lodged six native title claims in the Federal Court of Australia. The native title claims extend over large parts of the SCA's area of operations including the Warragamba catchment area and the stored waters of Warragamba Dam.

Although the Gundungurra people are not able to establish native title to the area of the land and water which is the subject of the claim, sufficient evidence does exist for them to establish a link to the subject lands and waters.

Since 2005 the SCA and other Government agencies have been negotiating with the Gundungurra people to finalise the claims through an Indigenous Land Use Agreement. The Native Title Tribunal facilitated two mediation sessions on 25 March 2011 and 14 April 2011.

When the Indigenous Land Use Agreement is finalised the Gundungurra people will be required to withdraw their native title claims and any entitlement to compensation for native title rights, past or future.

There is provision in the draft Indigenous Land Use Agreement for the Gundungurra people to have an advisory role in the management of the land and waters owned by the SCA or managed together with the Office of Environment and Heritage. The advisory role will be through the Gundungurra Consultative Committee.

Warragamba bushfire litigation

In the Christmas/New Year period of 2001–02 a large bushfire caused significant damage to land and property, including that of the SCA, in the Warragamba area. The fire started at Mount Hall in the Blue Mountains National Park and later spread and engulfed the Warragamba township.

Twenty five claimants commenced proceedings against the State of NSW comprising the NSW Fire Brigade, the Rural Fire Service, the National Parks and Wildlife Service, and the SCA. Proceedings have been discontinued against the NSW Fire Brigade. Ten of the claims have been resolved. On two occasions, court initiated mediation has failed to settle the remaining 15 claims which continue to be litigated against the SCA and the other agencies.

The claims have been listed for hearing in the Supreme Court of NSW in October 2011.

Appendix 4 – Government Information (Public Access) Act 2009

Proactive release of information

The SCA reviewed its proactive release of information during 2010–11.

The SCA has a list of unpublished river health data on its website which was updated in April 2011. Reports on this list are available to the public on request.

Following an informal request under the *Government Information (Public Access) Act 2009*, the Wingecarribee Swamp Hydrogeological Investigation – Stage 2 Final Report, was published on the SCA website.

Government Information (Public Access) Act 2009 applications received by the SCA

In 2010–11, the SCA received two formal access applications under the *Government Information (Public Access) Act 2009*. The SCA also released information to applicants informally where possible.

The SCA did not refuse any applications because the application was to disclose information referred to in Schedule 1 of the Act. One application was refused due to other public interest considerations against disclosure.

Appendix 4 – Government Information (Public Access) Act 2009 (continued)

Table 12 – Number of applications by type of applicant and outcome¹

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/ deny whether information is held	Application withdrawn
Media	–	–	1	–	–	–	–	–
Members of Parliament	–	–	–	–	–	–	–	–
Private sector business	–	–	–	–	–	–	–	–
Not for profit organisations or community groups	–	–	–	–	–	–	–	–
Members of the public (application by legal representative)	–	–	–	–	–	–	–	–
Members of the public (other)	–	–	–	1	–	–	–	–

Note:

1 More than one decision can be made about a particular access application. If so, each decision must be recorded. This also applies to Table 13.

Table 13 – Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/ deny whether information is held	Application withdrawn
Personal information applications ¹	–	–	–	–	–	–	–	–
Access application (other than personal information applications)	–	–	1	1	–	–	–	–
Access application that are partly personal information application and partly other	–	–	–	–	–	–	–	–

Note:

1 A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table 14 – Invalid applications

Reason application is invalid	No of applications
Application does not comply with formal requirements (section 41 of the Act)	–
Application is for excluded information of the agency (section 43 of the Act)	–
Application contravenes restraint order (section 110 of the Act)	–
Total number of invalid applications received	–
Invalid applications that later become valid applications	–

Appendix 4 – Government Information (Public Access) Act 2009 (continued)

Table 15 – Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to the Act

	Number of times consideration used ¹
Overriding secrecy laws	–
Cabinet information	–
Executive Council information	–
Contempt	–
Legal profession privilege	–
Excluded information	–
Documents affecting law enforcement and public safety	–
Transport safety	–
Adoption	–
Care and protection of children	–
Ministerial code of conduct	–
Aboriginal and environmental heritage	–

Note:

- 1 More than one public interest consideration can apply to a particular access application and, if so, each consideration is recorded (but only once per application). This also applies in relation to Table 16.

Table 16 – Other public interest considerations against disclosure – matters listed in table to section 14 of the Act

	Number of occasions when application not successful
Responsible and effective government	1
Law enforcement and security	1
Individual rights, judicial processes and natural justice	–
Business interests of agencies and other persons	–
Environment, culture, economy and general matters	–
Secrecy provisions	–
Exempt documents under interstate Freedom of Information legislation	–

Table 17 – Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	2
Decided after 35 days (by agreement with applicant)	–
Not decided within time (deemed refusal)	–
Total	2

Table 18 – Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	–	–	–
Review by Information Commissioner ¹	1	–	1
Internal review following recommendation under section 93 of Act	–	–	–
Review by Administrative Decision Tribunal	–	–	–
Total	1	–	1

Note:

- 1 The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that the Information Commissioner has made a recommendation to vary or uphold the original decision.

Appendix 4 – Government Information (Public Access) Act 2009 (continued)

Table 19 – Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	1
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	–

Appendix 5 – Staffing

Table 20 – Categories of staff over four years

	2007–08	2008–09	2009–10	2010–11
Chief Executive	1	1	1	1
SCA Executive ¹	5	6	6	5
Contract staff ^{2,3}	2	2	2	2
Award staff	297	273	238	243
Total numbers ⁴	305	282	247	251
Total full-time equivalent (FTE numbers) ⁵	289.37	271.9	240.95	246.3

Notes to table

	2007–08	2008–09	2009–10	2010–11
(1) Women in this category	1	3	2	3
(2) Women in this category	1	1	1	1
(3) Temporary employees in this category	0	0	0	0
(4) No of employees in this category with an FTE of less than 1	27	21	10	8
(5) Full-time equivalent for employees in footnote 4	14.39	12.9	5.95	4.3

Equal Employment Opportunity tables

Trends in the representation of Equal Employment Opportunity groups 2010–11

Table 21 – Percentage of total staff representation

	Benchmark or target	2007	2008	2009	2010	2011
	%	%	%	%	%	%
Women	50	40	41	40	38	39.5
Aboriginal people and Torres Strait Islanders	2.6 ^{1,2}	2	2	2	1.7	1.5
People whose first language was not English	19 ¹	18	19	18	17	18.2
People with a disability	12	3	2	2	3	2.6
People with a disability requiring work-related adjustment ³	1.1	1	0.5	0.5	0.6	0.5

Notes:

1 Targets changed from December 2009 (previously 2 percent and 20 percent respectively).

2 Minimum target by 2015.

3 Minimum annual incremental target set from December 2010 – (2011=1. 1, 2012=1.3, 2013=1.5).

Appendix 5 – Staffing (continued)

Table 22 – Distribution index

	Benchmark or target	2007	2008	2009	2010	2011
	%	%	%	%	%	%
Women	100	85	87	86	89	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	106	107	109	108	109
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

Table 23 – External appointments Equal Employment Opportunity percentages

	2007–08	2008–09	2009–10	2010–11
No of external appointments (new employees) ¹	34	13	15	26
No of responses to Equal Employment Opportunity questionnaires received	23	11	10	22
Women ²	47%	54%	40%	50%
Aboriginal people and Torres Strait Islanders ³	4%	0%	0%	0%
People from a non-English speaking background ³	22%	0%	0%	31.8%
People with a disability ³	4%	0%	0%	0%
People from a racial, ethnic or ethno-religious minority group ³	22%	0%	7%	31.8%

Notes:

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 Equal Employment Opportunity questionnaires received.

Appendix 5 – Staffing (continued)

Table 24 – Training and development

Training and development	Numbers 2010–11
Corporate induction program	42
Communication	90
Computer education/business systems support	499
Engineering/technical/para-professional	124
Employee relations (includes diversity and performance management)	179
Environment	44
Fundamentals for the public sector staff	8
Incident response and reporting	189
Leadership programs	17
Management (incident, projects, contracts, online records management training, fraud and corruption training)	173
Occupational health and safety (includes online training)	401
Operations	125
Personal development	42
Quality	4
Teamwork	9
Temporary arrangements to other positions	117
Business related (SCA supported study)	13
Environment related (SCA supported study)	5
SCA sponsored study: Public sector management	2

Overseas visits by staff

The Minister approved the following overseas visits for SCA staff members for 2010–11:

Name of officer: Dr Jerzy Janowski

Dates of visit: 12 September to 20 September 2010

Destination: Krakow, Poland

Event: 38th Congress of the International Association of Hydrogeologists

Cost to SCA: \$6,431

Name of officer: Ian Landon-Jones

Dates of visit: 26 May to 10 June 2011

Destination: Lucerne, Switzerland

Event: International Commission on Large Dams Annual Meeting and study tour

Cost to SCA: \$2,947

Appendix 6 – Stakeholder engagement

Table 25 – Formal consultation and outcomes 2010–11

Issue	Date	Consultation method	SCA response
Local Government Reference Panel	August 2010 – February 2011	Local Government Reference Panel meetings. During the reporting period, meetings were held in August, November and February. Membership includes representative councillors and staff from 15 councils in the drinking water catchments.	SCA shares information and engages local councils in the drinking water catchment through the Local Government Reference Panel.
Wingecarribee Dam improvement works	November 2010	Community engagement plan.	An engagement plan was prepared to consult with the community on upgrades to Wingecarribee Dam.
	May 2011	Meeting with Wingecarribee Shire council including Mayor, General Manager, councillors and council officers.	Meeting with councillors and council officers to brief and engage them about the project. After the meeting, the SCA took the council representatives on a tour of the dam and provided additional information as requested in June 2011.
	May 2011	Door knock/letter box of residents around the reservoir and downstream of the dam. Distributed 27 letters and met with four tenants/landowners.	The SCA shared information about the project and will feedback issues raised by residents into planning for the work. Follow up meetings are planned with affected residents in July 2011.
	June 2011	Letters to Total Environment Centre, Nature Conservation Council, Robertson Environment Protection Society, the Mittagong Visitor Centre, Illawarra Local Aboriginal Land Council and Nowra Local Aboriginal Land Council.	The SCA phoned and sent letters to these key stakeholders about the project and will feed back issues raised by these groups into planning for the work.
Bendeela Recreation Area upgrade	May 2011	Meetings with government stakeholders – Shoalhaven City Council, NSW Police, NSW Rural Fire Service, Shoalhaven District Emergency Management Officer, NSW Parks and Wildlife Service.	The SCA met with stakeholders to share information. Feedback will be considered in the development of initial options in the masterplanning process.
	May 2011	Meeting with Kangaroo Valley Tourist Association.	The SCA shared information about the project and captured issues raised. Feedback from the group will be considered in the development of initial options in the masterplanning process and the community engagement plan. The SCA is planning to meet with another key community organisation in July 2011.
Review of Water Monitoring Program	October 2010 – May 2011	Distributed revised draft document for customer and stakeholder comment.	The revised program was circulated to external stakeholders (Office of Environment and Heritage, Office of Hawkesbury Nepean, NSW Office of Water, NSW Health, IPART, and customers (Sydney Water, Shoalhaven City Council, Wingecarribee Shire Council) for their comments. The comments from all stakeholders were incorporated in the final draft.
Review of Bulk Water Supply Agreement with Sydney Water	November 2010 – June 2011	Public exhibition of the current Bulk Water Supply Agreement via advertisement in newspapers within the SCA's area of operations and Sydney region.	The current Bulk Water Supply Agreement was on public exhibition for 30 days from 24 November 2010 to 24 December 2010 seeking submissions on the current arrangements. No written submissions were received.
Review of Raw Water Quality Incident Response Plan	2009 – August 2010	Liaison with wholesale customers and NSW Health.	The SCA invited wholesale customers and other stakeholders, including NSW Health, NSW Office of Water, and the Office of Environment and Heritage to comment on the revised draft plan.

Appendix 6 – Stakeholder engagement (continued)

Complaints

The SCA has a complaints handling policy and procedure which sets out steps to resolve complaints from our customers and the community by providing a solution or negotiating an agreed course of action. We welcome feedback as it helps us to improve the way we do our business.

The SCA aims to:

- effectively respond to complaints and resolve them
- treat each complaint in a fair and equitable manner
- increase satisfaction levels about the functions and services we provide to our customers and members of the community
- improve our business based on the information we receive from complaints.

In 2010–11 the SCA received seven new complaints of which six were resolved (Table 26). At the end of 2010–11 one complaint remained unresolved (Table 26). The one unresolved complaint was received two days before the end of the 2010–11 reporting period which did not allow enough time for resolution in the period. The outcome of this complaint will be reported in the 2011–12 report.

Table 26 – Total complaints received 2010–11

Total complaints received 2010–11	Total complaints resolved 2010–11	Total complaints remaining open 2010–11
7	6	1

Table 27 – Total complaints received and resolved 2010–11

Complaint number	Category	Date received	Interim response on time	Date resolved	Method of resolution
4403	Other	18/11/10	Yes	18/11/10	Resolved by explaining/ providing information
4404	Other	06/12/10	Yes	06/12/10	Resolved by actions to correct situation
4405	Staff/Contractors	12/01/11	Yes	12/01/11	Resolved by actions to correct situation
*D2011/7960	Other	11/03/11	Yes	11/03/11	Resolved by explaining/ providing information
4406	Picnic Area Facilities	11/04/11	No	27/04/11	Resolved by explaining/ providing information
*D2011/17201	Staff/Contractors	31/05/11	Yes	02/06/11	Resolved by explaining/ providing information
*D2011/25861	Staff/Contractors	28/06/11	Yes	–	Not yet resolved

* Complaint was registered in SCA's document management system.

Table 28 – Number of visits to the SCA website over five years

	2006–07	2007–08	2008–09	2009–10	2010–11
Visits	648,335	901,811	412,832	366,059	409,630

Appendix 7 – Water

Table 29 – Water supply to customers (millions of litres)

	2006–07	2007–08	2008–09	2009–10	2010–11
Sydney Water	502,692	475,156	485,795	478,222	413,192
Wingecarribee Shire Council	4,221	4,042	4,379	3,652	3,477
Shoalhaven City Council	77	76	84	87	71
Direct users – Upper Canal	163	74	114	108	89
Direct users – Warragamba	61	46	54	52	75
Others	43	36	65	48	40
Total	507,257	479,430	490,491	482,169	416,944

Table 30 – Monthly rainfall in the SCA's catchments in 2010–11 (millimetres)

	Warragamba	Upper Nepean	Woronora	Shoalhaven	Prospect	Blue Mountains
July 2010	50	59	57	45	39	74
August 2010	53	51	41	42	24	66
September 2010	38	65	147	49	30	46
October 2010	64	86	90	87	91	150
November 2010	139	160	127	141	104	165
December 2010	155	141	116	170	100	246
January 2011	46	56	41	83	69	196
February 2011	48	39	18	73	5	86
March 2011	71	189	240	144	83	206
April 2011	22	44	109	27	96	97
May 2011	33	66	120	41	62	86
June 2011	42	109	157	57	50	161
Total	761	1,065	1,263	959	753	1,579

Appendix 7 – Water (continued)

Table 31 – 2010–11 SCA water balance for total supply system

Total supply system

	Sources of water Volume	Sources of water % of total	Distribution of water Volume	Distribution of water % of total
	ML	%	ML	%
Storage volume				
Volume in storages at 1 July 2010 ¹			1,501,500	
Change in Operating Storage Capacity ²			26,880	
Volume in storages at 30 June 2011			1,973,140	
Change in storages			498,520	26
Storage net evaporation			93,447	5
Inflows				
All dams and weirs	1,880,958	100		
Groundwater		0		
Fish River Water Supply purchases	224	0		
Sub total	1,881,182	100		
Water supplied to customers				
Sales to Sydney Water			413,192	22
Sales to Wingecarribee Shire Council			3,477	0
Sales to Shoalhaven City Council			71	0
Sales to retail customers			204	0
Sub total			416,944	22
Water released under Water Management Licence				
Releases to Shoalhaven City Council (Tallowa)			16,419	1
Riparian releases			10,202	1
Environmental releases ³			293,085	16
Other system release to rivers ⁴			2,916	0
Sub-total			322,622	17
Reservoir or weir spills			522,828	29
Unaccounted difference ⁵	3,179	0.2		
Total	1,884,361	100	1,884,361	100

Notes:

- Note that storage volume is listed in the distribution column as storage levels increased over the 2010–11 financial year. In accounting terms, storages were used to capture inflows rather than being used as a source of water for supply and releases downstream.
- Due to updated survey data and changes in operating rules, operating storage capacity was reduced by 26,880 ML on 1 July 2010.
- Only environmental releases that leave the system boundary are included in the balance.
- Other releases to river are releases additional to the required environmental releases due to limitation of release mechanisms.
- 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.

Appendix 8 – Financial performance

Commercial success outcomes

Under Section 34 of the *Sydney Water Catchment Management Act 1998*, the SCA Board is required to prepare an annual Statement of Financial Framework (SFF). The SFF sets the SCA's financial purpose and identifies financial targets for the financial year. The table below explains major variances of actual results against the 2010–11 SFF. The SCA's profit before tax was \$2.9 million higher than the SFF target. This is a result of lower than expected revenue from water sales offset by savings in contractor, insurance and financing expenses.

Table 32 – Performance in relation to commercial success 2010–11

	Budget	Actual	Variance	Variance	Reason for variance
	\$ million	\$ million	\$ million	%	
Revenue	198,655	194,218	(4,437)	(2.2)	Lower than anticipated water sales
Operations/services expenditure	87,779	82,561	5,218	5.9	Lower than expected contractor expenses
Other areas of expenditure	61,278	59,195	2,083	3.4	Higher than expected depreciation offset by lower than expected financing charges
Dividend and tax equivalent expense	40,918	43,038	(2,120)	5.2	Higher than target due to the operating result exceeding budget
Operating profit before tax	49,957	52,462	(2,865)	5.7	Lower than expected water sales offset by savings in contractors, insurance and finance expenses

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 2010 review, the SCA achieved an investment grade credit rating.

Schedule of charges 2010–11

SCA's water charges are regulated by the IPART 2009 pricing determination. The determination fixes the maximum prices that SCA may charge for water services supplied to its customers. The maximum prices are allowed to increase by the Consumer Price Index (CPI) that is calculated by IPART. The table below contains prices for 2010–11 that were calculated in accordance with the 2009 IPART determination.

Table 33 – Schedule of charges 2010–11

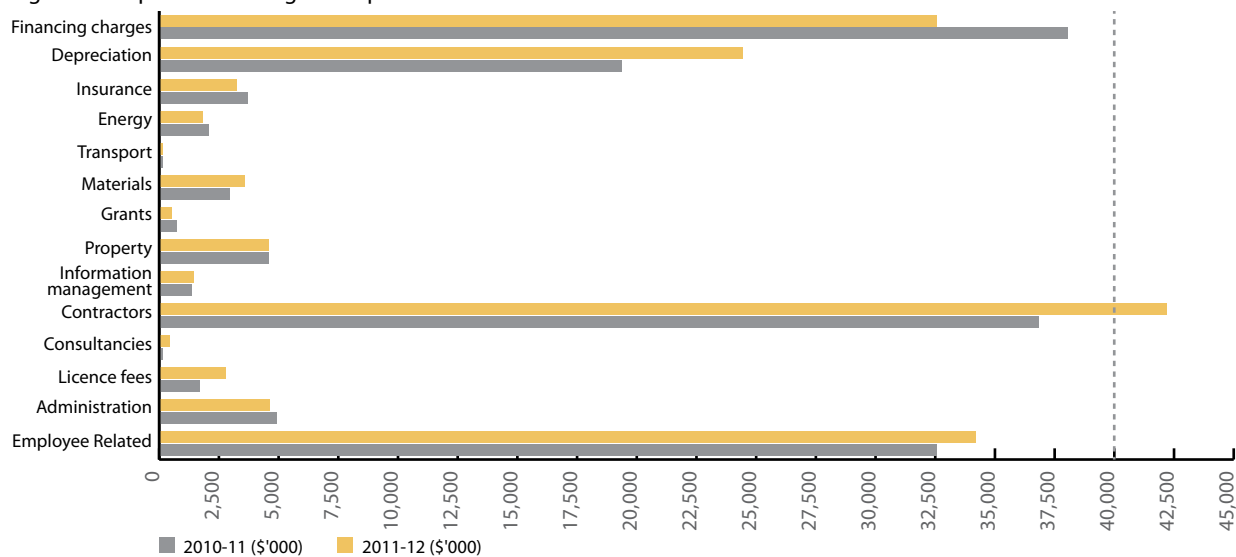
SCA charge	2010–11
	\$
Sydney Water Corporation – fixed availability charge per calendar month	6,687,503
Sydney Water Corporation – volumetric charge per megalitre	265.29
Wingecarribee Shire Council – volumetric charge per megalitre	250.82
Shoalhaven City Council – volumetric charge per megalitre	250.82
Goulburn Mulwaree Council – volumetric charge per megalitre	250.82
Unfiltered water service charge for connection of 20mm diameter	89.56
Unfiltered water service charge for connection of 25mm diameter	139.93
Unfiltered water service charge for connection of 30mm diameter	201.51
Unfiltered water service charge for connection of 32mm diameter	229.26
Unfiltered water service charge for connection of 40mm diameter	358.23
Unfiltered water service charge for connection of 50mm diameter	559.73
Unfiltered water service charge for connection of 80mm diameter	1,432.91
Unfiltered water service charge for connection of 100mm diameter	2,238.92
Unfiltered water service charge for connection of 150mm diameter	5,037.57
Unfiltered water service charge for connection of 200mm diameter	8,955.68
Unfiltered water service charge for connection of >200mm diameter	$\$(\text{nominal diameter})^2 \times 20\text{mm charge}/400$
Volumetric charge per kilolitre	1.01
Bulk raw water volumetric charge per kilolitre	0.59

Appendix 8 – Financial performance (continued)

Table 34 – Expenditure budget comparison 2010–11 to 2011–12

	2010–11 \$'000	2011–12 \$'000
Employee related	32,546	34,199
Administration	4,910	4,643
Licence fee	1,676	2,773
Consultancies	150	445
Contractors	36,814	42,178
Information management	1,371	1,425
Property	4,594	4,572
Grants	730	515
Materials	2,939	3,600
Transport	141	153
Energy	2,074	1,809
Insurance	3,688	3,266
Depreciation	19,366	24,425
Financing charges	38,059	32,555

Figure 6 – Expenditure budget comparison 2010–11 to 2011–12



Appendix 8 – Financial performance (continued)

Table 35 – Capital expenditure

Project	Expenditure
	\$
Project management information system	56,146
Upper Nepean environmental flows works	4,880,274
SCADA – upgrade	107,776
Electronic records management	295,949
Warragamba Dam crest gates construction	8,579,567
Prospect Reservoir – scours upgrade	2,865,715
Motor vehicle fleet – procurement	2,111,793
Regulatory and facilities capital signage upgrade	41,068
Hydrometric renewals program	634,457
Minor assets renewals program	1,462,802
Warragamba Dam – major refurbishment valve house over head cranes	216,712
Finance and business systems upgrade	259,583
Kangaroo Pipeline – shaft relining	2,304,412
Maximo upgrade to version 7	69,437
Fixed asset and purchasing accounting project	36,107
Wingecarribee Dam improvement work	592,487
IT assets renewal program	415,317
Working plant and equipment annual program	45,925
Fire trail upgrade	183,436
Prospect Reservoir improvement works	277,927
Upper Nepean Transfer Scheme	331,822
Catchment security and fencing program	132,558
Dam safety survey equipment – upgrade and replace	84,231
Warragamba Dam landscaping and visitor centre	276,113
Flood gauging winches – upgrades	479,889
Tallowa Dam environmental flows and fishway	46,589
Warragamba Dam – ladders and platforms upgrade	8,649
Lower Cascade Dam 600mm scour vane replacement	49,940
Shoalhaven expansion of SCARMS	228,063
Statutory planning business systems upgrade	200,601
Burrawang office refurbishment	36,591
Expenditure associated with Bureau of Meteorology funding for the modernisation of hydrometric monitoring equipment	268,522
Total	27,580,458

Appendix 8 – Financial performance (continued)

Credit card use

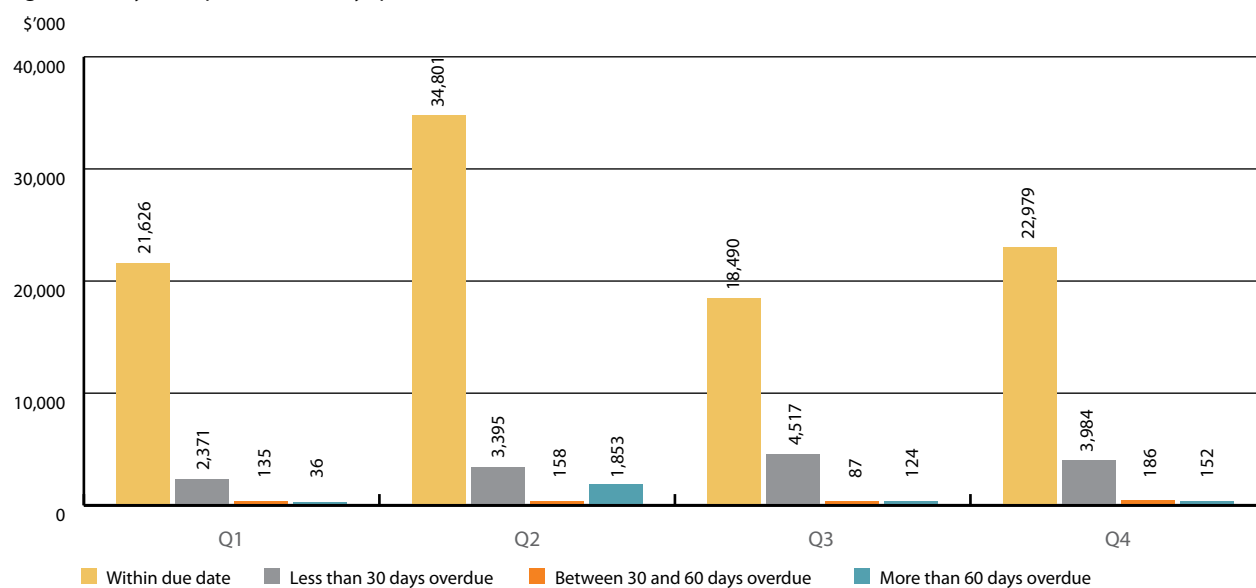
The SCA operates a MasterCard facility with Westpac Banking Corporation. The facility has been approved in accordance with the requirements of the *Public Authorities (Financial Arrangements) Act 1987*. Nine credit cards have been issued, with individual credit card limits of between \$3000 and \$10,000. The total limit of all credit cards on issue at 30 June 2011 was \$53,500. During 2010–11 all credit card accounts were paid by the due date and no late payment interest was incurred.

Payment of accounts

Table 36 – Performance paying accounts each quarter 2010–11

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2010–11
	\$	\$	\$	\$	\$
Within due date	21,626	34,801	18,490	22,979	97,896
Less than 30 days overdue	2,371	3,395	4,517	3,984	14,267
Between 30 and 60 days overdue	135	158	87	186	566
More than 60 days overdue	36	1,853	124	152	2,165
Total	24,168	40,207	23,218	27,301	114,894

Figure 7 – Payment performance by quarter



Appendix 8 – Financial performance (continued)

Table 37 – Creditor payment performance by percentage – within due date

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2010–11
	%	%	%	%	%
Within due date	89.48	86.56	79.64	84.18	85.20

Figure 8 – Creditor payment performance by percentage within due date

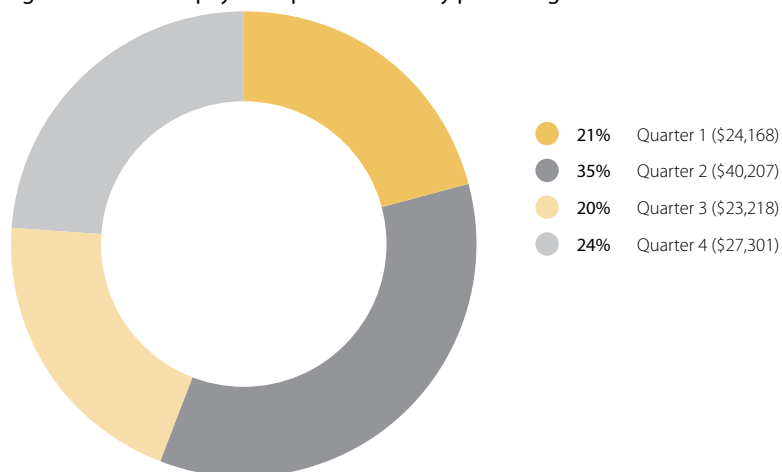
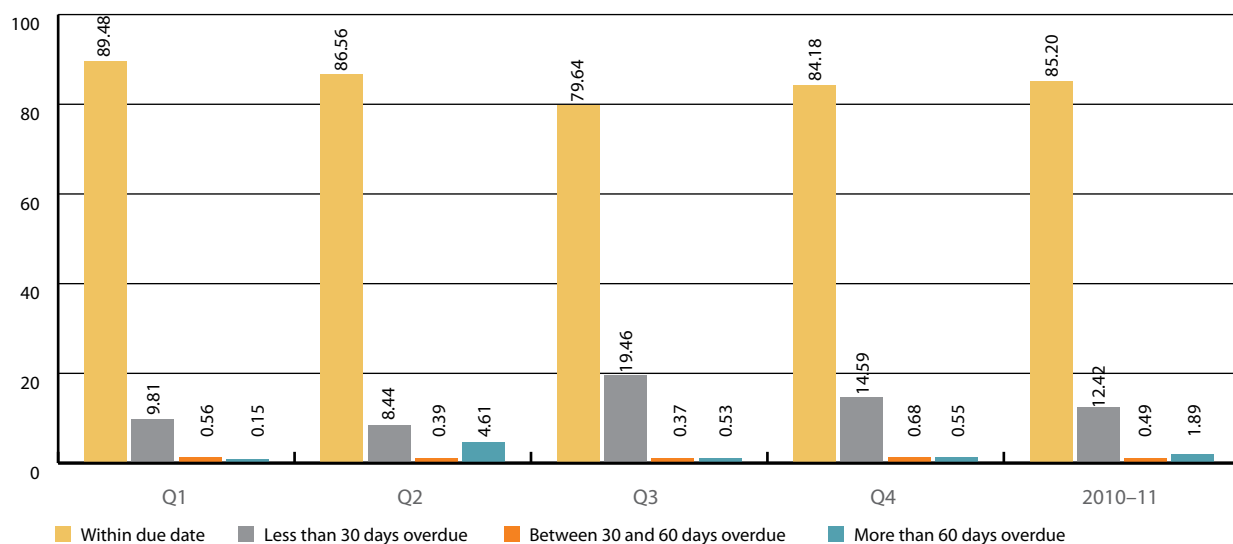


Table 38 – Creditor payment performance by percentage

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2010–11
	%	%	%	%	%
Within due date	89.48	86.56	79.64	84.18	85.20
Less than 30 days overdue	9.81	8.44	19.46	14.59	12.42
Between 30 and 60 days overdue	0.56	0.39	0.37	0.68	0.49
More than 60 days overdue	0.15	4.61	0.53	0.55	1.89
Total	100.00	100.00	100.00	100.00	100.00

Figure 9 – Creditor payment performance by percentage

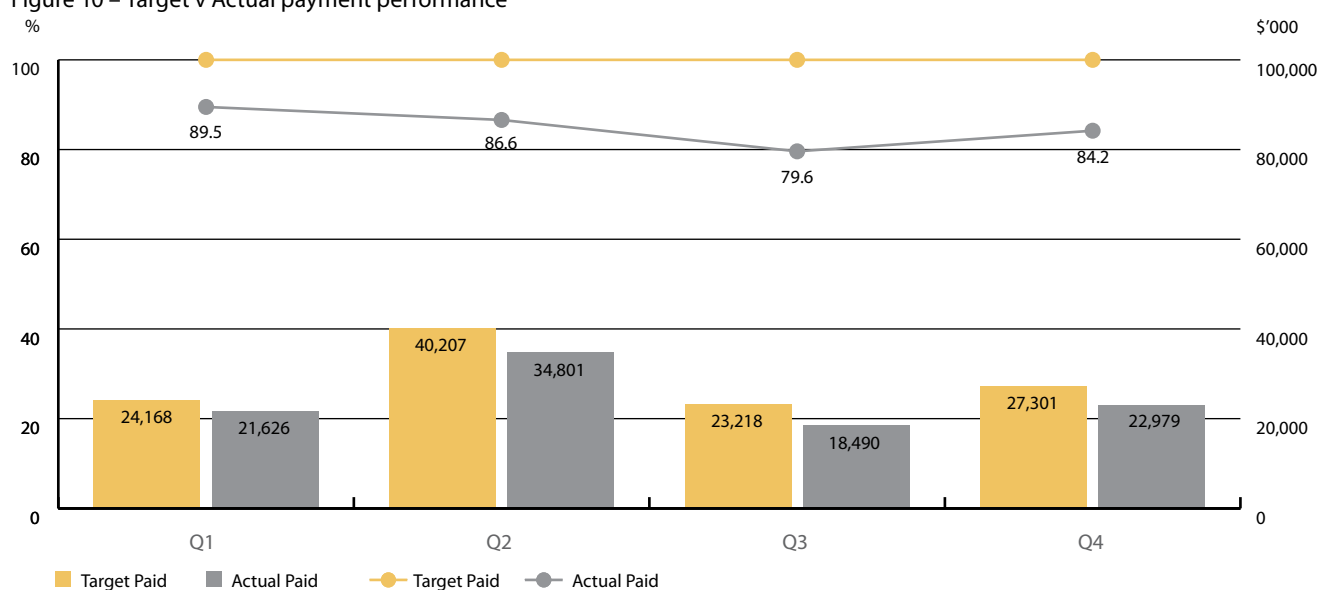


Appendix 8 – Financial performance (continued)

Table 39 – Performance in paying accounts: Total accounts paid 0–30 days overdue

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Target paid	100%	100%	100%	100%
Actual paid	89.5%	86.6%	79.6%	84.2%
Target paid	24,168	40,207	23,218	27,301
Actual paid	21,626	34,801	18,490	22,979

Figure 10 – Target v Actual payment performance



Investment performance

Table 40 – Annualised return on T-Corp investment facilities as at 30 June 2011

Term of underlying liability	T-Corp facility	1 year	3 years	5 years	7 years
0–2 years	Hour-glass cash facility trusts	5.37	5.06	5.67	5.67
2–4 years	Hour-glass strategic cash facility trust	5.58	5.33	–	–
4–7 years	Hour-glass medium term growth facility trust	7.13	5.46	4.81	5.99
7+ years	Hour-glass long term growth facility trust	8.51	2.69	2.03	5.43

The nature and terms of SCA's underlying liabilities is such that all surplus funds are invested in the Hour-glass Cash Facility Trust. Table 41 reports the annualised performance of the Hour-glass Cash Facility Trust against the portfolio's benchmark, the USB Bank Bill Index.

Table 41 – Annualised performance of T-Corp Hour-glass cash facility trust

	1 year	3 year	5 year	7 year
Actual performance	5.37	5.06	5.67	5.67
Benchmark performance	4.98	4.78	5.61	5.64
Variance	0.39	0.28	0.06	0.03

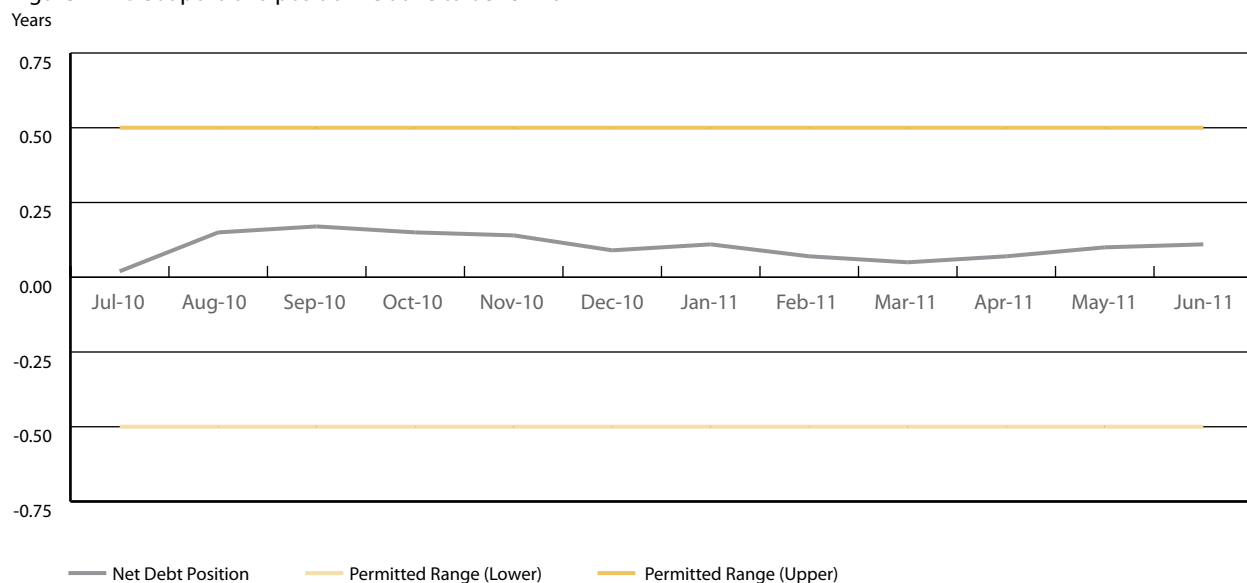
Appendix 8 – Financial performance (continued)

Liability management performance

Table 42 – Total debt portfolio position relative to benchmark by month for the year ended 30 June 2011

	Total modified duration	Benchmark modified duration	Net debt position	Permitted range (lower)	Permitted range (upper)
July 2010	4.09	4.07	0.02	(0.5)	0.5
August 2010	4.28	4.13	0.15	(0.5)	0.5
September 2010	4.21	4.04	0.17	(0.5)	0.5
October 2010	4.11	3.96	0.15	(0.5)	0.5
November 2010	4.14	3.99	0.14	(0.5)	0.5
December 2010	4.08	3.98	0.09	(0.5)	0.5
January 2011	4.02	3.91	0.11	(0.5)	0.5
February 2011	3.97	3.90	0.07	(0.5)	0.5
March 2011	4.05	4.00	0.05	(0.5)	0.5
April 2011	4.02	3.95	0.07	(0.5)	0.5
May 2011	4.09	3.98	0.10	(0.5)	0.5
June 2011	4.17	4.06	0.11	(0.5)	0.5

Figure 11 – Debt portfolio position relative to benchmark



Appendix 8 – Financial performance (continued)

Consultancies

Three consultants were engaged through the year, all for less than \$50,000. All consultancies related to organisational strategy and scarcity pricing, with a combined cost of \$85,745 (excl GST).

Table 43 – SCA grants to non-government community groups

Applicant	Project	Grant number	Amount (excl. GST)
			\$
Kangaroo Valley Environment Group	Kangaroo River riparian restoration upstream of Hampden Bridge	CPIG 143	9,212
Upper Kangaroo Valley Landcare Group Inc	Control of Madeira Vine on eastern bank of Upper Kangaroo River, Gerringong Creek and Brogers Creek floodplain	CPIG 144	7,860
Challenge Southern Highlands Inc (Trading as Welby Garden Centre)	Prevent runoff into Gibbergunyah Creek by creating rubble drains in growing areas, and link existing water storages of stormwater and runoff to use instead of town mains	CPIG 145	10,000
Total			27,072

Cost of annual report

The estimated external production cost of the SCA Annual Report 2010–11 was \$36,400. This includes 300 printed copies of the report.

Appendix 9 – Heritage

Manage heritage in accordance with ESD principles

Review and update draft SCA Heritage Register

The Sydney Catchment Authority is responsible for managing heritage items on its land including dams and associated

infrastructure, weirs, homesteads, bridges and sites of significance to indigenous communities.

The SCA and the Office of Environment and Heritage jointly manage heritage items in the Special Areas. The SCA and Sydney Water jointly manage the Historical Research and Archive Facility, which provides an important resource for the agencies and the public.

In 2010–11 the Heritage Council endorsed the SCA's section 170 heritage and conservation register (Table 44). The SCA will work closely with the Heritage Branch (part of Office of Environment and Heritage) in 2011–12 to update the State Heritage Register in relation to the SCA's items.

Table 44 – 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
Oorano	Local	4580165
Upper Nepean Scheme	State	4580004
Upper Nepean Scheme – Broughtons Pass Weir	State	4580035
Upper Nepean Scheme – Hudson's Emergency Scheme	State	4580026
Upper Nepean Scheme – Nepean Tunnel	State	4580033
Upper Nepean Scheme – Pheasants Nest Weir	State	4580036
Upper Nepean Scheme – Upper Canal	State	4580005
Upper Nepean Scheme – Prospect Reservoir	State	4580067
Virginia	State	4580060
Warragamba Emergency Scheme	State	4580051
Warragamba Emergency Scheme – Megarritys Bridge	State	4580053
Warragamba Emergency Scheme – Warragamba Weir	State	4580052
Warragamba Emergency Scheme – Water pumping station	State	4580064
Warragamba Supply Scheme	State	4580161
Warragamba Supply Scheme – 18 ton cableway	State	4580046
Warragamba Supply Scheme – Crest gantry crane	State	4580019
Warragamba Supply Scheme – Early dam model	State	4580054
Warragamba Supply Scheme – Haviland Park	State	4580049
Warragamba Supply Scheme – Main dam wall	State	4580061
Warragamba Supply Scheme – Pipelines 1 and 2	State	4580021
Warragamba Supply Scheme – Production office	State	4580162
Warragamba Supply Scheme – Suspension bridge	State	4580047
Warragamba Supply Scheme – Valve house	State	4580017
Windmill Hill Group	State	4580168
Wingecarribee Swamp	State	4580138
Woodford Dam	Local	4580044
Woronora-Penshurst Pipeline	Local	4580022
Woronora Dam	State	4580034

Appendix 9 – Heritage (continued)

Prepare conservation management plans for national and state significant heritage items

The SCA is developing conservation management plans for all of its State Heritage items and is on track to have all plans prepared by June 2014. In 2010–11 the SCA received comments from the Heritage

Branch on conservation management plans for Medlow Dam, Prospect Reservoir and Woronora Dam. Conservation management plans for the Metropolitan dams, Arnprior and Windmill Hill are being developed.

Prepare heritage maintenance schedules for State Heritage items

In 2010–11 the SCA started a project to incorporate the section 170 register into the SCA's asset management system and prepared maintenance schedules.

Appendix 10 – Regulatory compliance

Compliance activity over five years

Table 45 – *Protection of the Environment Operations Act 1997* (SCA Authorisation)

	2006–07	2007–08	2008–09	2009–10	2010–11
Clean up notices	6	–	–	3	2
Notices (s192) requiring information/documents	2	–	3	13	1
Penalty infringement notices	1	–	–	3	–
Pollution prevention notices	3	4	6	4	1
Littering reports referred to Office of Environment and Heritage	12	11	13	10	6

Table 46 – *Sydney Water Catchment Management Regulation 2008*

	2006–07	2007–08	2008–09	2009–10	2010–11
Penalty infringement notices	30	33	37	38	52
Warning letters	39	31	25	22	8
Prosecutions	2	–	2	0	0
Notices (s62) requiring information and records	–	–	–	–	–

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.

Appendix 11 – Energy and waste

Minimise energy consumption

Burrawang Pumping Station

The SCA has engaged NSW Public Works to carry out an electrical condition assessment at Burrawang Pumping Station. Part of the investigation is to identify where energy consumption can be reduced.

The report is close to completion. It is anticipated, upon delivery of recommendations in the report, the SCA could see between 12 and 16 percent in savings in energy consumption at this site.

The energy consumption for our office buildings has reduced by more than 50 percent since 2007–08, due in part to our new Penrith office being awarded a five star NABERS (National Australian Built Environment Rating System) rating.

The 2010–11 energy consumption data for office buildings shows we are on track to meet our target of reducing our building energy consumption to 2000–01 levels (540,853 kilowatt hours) by 2019–20.

Total electrical energy consumption in 2010–11 was 27,290,547 kilowatt hours, 10.7 percent more than for the previous year. Total energy used for water supply infrastructure was 26,529,340 kilowatt hours.

Table 47 – Electricity consumption since 2007–09 (in kilowatt hours)

	2007–08	2008–09	2009–10	2010–11
Office buildings	1,137,595	855,858	612,170	533,541
Public buildings	134,721	122,044	113,245	128,403
Other facilities	84,451	91,864	79,602	79,721
Water supply infrastructure	15,702,380	8,412,190	23,834,578	26,529,340
Shoalhaven drought transfers	380,412,973	91,805,594	0	0
Infrastructure roadways	19,865	19,468	19,471	19,542
Total electricity	397,491,985	101,307,018	24,659,066	27,290,547

Energy consumption increased during 2010–11 due primarily to changes in the operation of the water supply infrastructure. The largest increase (450 percent from the previous year) was a result of greater pumping of raw water from Nepean Dam.

The Nepean Deep Water Pumping Station (DWPS) was operated for approximately six weeks in 2010–11 compared to minimal usage (i.e. maintenance purposes only) during the previous year. This was an operational requirement arising from the status of the Avon and Nepean reservoirs, rainfall in the Upper Nepean catchment area and associated inflows to Nepean Dam this year.

Energy consumption at the Greaves Creek pumping station (up 38 percent) was due to the need to top up the Blue Mountain dams and minimise the spill from Greaves Creek Dam to better utilise the available inflow.

The Shoalhaven infrastructure system registered a three percent rise – due in part to the testing of the upgraded Shoalhaven pipeline.

Table 48 – Energy comparisons since 2009–10 (in Gigajoules)

	Total energy (GJ)		Change in GJ	Costs of energy	
	2009–10	2010–11	2010–11 %	2009–10 \$	2010–11 \$
Electricity	88,773	98,246	10.7	1,901,027	1,935,631
Petrol	2,263	1,959	–13.5	72,159	65,700
Auto distillate (diesel)	6,578	5,890	–10.5	187,907	185,235
Bio fuel (B20)	0	0	0	0	0
Wood	0	0	0	0	0
Gas	184	13.4	–92.7	3,520	683
Total	97,798	106,108	8.5	2,164,613	2,187,249

Table 48 shows the breakdown of energy consumed by type. Our use of motor vehicle fuels decreased overall by 11 percent, while the number of motor vehicles during the corresponding period fell by 20 percent. The percentage of E10 fuel purchases for 2010–11 was 79 percent, which is above the government's target of 20 percent.

Appendix 11 – Energy and waste (continued)

The SCA continued to implement our 2006–11 Energy Management Plan this year, with more than 90 percent of the actions contained in the plan now complete.

Strategies for the mini hydro project and carbon sequestration were progressed this year by the SCA Board and the Executive, although it was agreed to defer consideration of the project until there was greater clarity on renewable energy pricing.

The SCA also established the Braidwood working committee to develop a Braidwood lands strategy to investigate opportunities for renewable energy generation and carbon sequestration.

Key energy management achievements and activities this year included:

- Reporting on our energy usage to the NSW Department of Trade and Investment, Regional Infrastructure and Services and to the Water Supply Association of Australia (WSAA).
- Fulfilling our obligations under the Federal Energy Efficiency Opportunities (EEO) and National Greenhouse Energy Reporting System (NGERS) Legislation.
- Reducing our electricity budget by \$200,000, as a result of the new GenTrader model negotiated in the Eraring Electricity Agreement.
- Signing the DoC/TRUenergy (777) Electricity Supply Agreement (for June 2011 onwards), which will save us three percent in energy costs each year for the next four years.

Green energy generated (kWh) by the SCA

A total of 1,682 kilowatt hours (kWh) of energy was generated from SCA sites in 2010–11. This included 722 kWh from the solar powered mixers (trialled on Lake Burragorang to help manage blue-green algae in the reservoir) and 960 kWh generated from the solar street lights in the Warragamba Dam precinct.

Annual greenhouse gas emissions (CO₂ equivalent) resulting from the SCA's consumption of electricity, fuel and gas

In 2010–11 the SCAs use of electricity, fuel and gas resulted in a total of 26,029 greenhouse gas emissions (CO₂ equivalent). Table 49 shows the breakdown, of greenhouse gas emissions per energy type.

Table 49 – Greenhouse gas emissions comparisons (carbon dioxide tonnes equivalent)

Energy type	Greenhouse gas emissions		Greenhouse gas emissions		% change in greenhouse gas emissions
	2009–10	2010–11	2009–10 %	2010–11 %	2010–11 %
Electricity	22,671	25,488	97.4	97.9	12.4
Petrol	149	129	0.6	0.5	–13.4
Auto distillate (diesel)	459	411	2.0	1.6	–10.5
Bio fuel (B20)	0	0	0	0	0
Wood	0	0	0	0	0
Gas	9.6	0.8	0	0	–91.7
Total	23,289	26,029	100	100	11.8

Waste

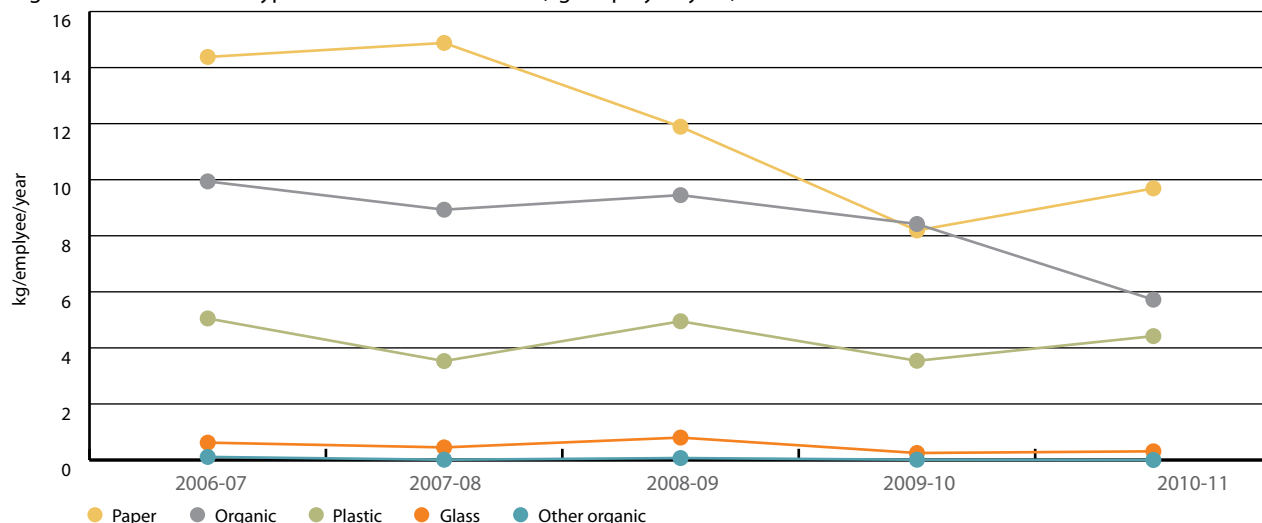
The SCA has initiatives in place to meet the requirements of the NSW Waste Reduction and Purchasing Policy (WRAPP). This policy requires all government agencies to adopt responsible management practices aimed at reducing the quantity of waste sent to landfill, maximising reuse and recycling, and purchasing materials with recycled content.

Appendix 11 – Energy and waste (continued)

Manage and minimise resource use and waste generation

Estimated volume and type of waste annually sent to landfill from the SCA's activities (kg per year).

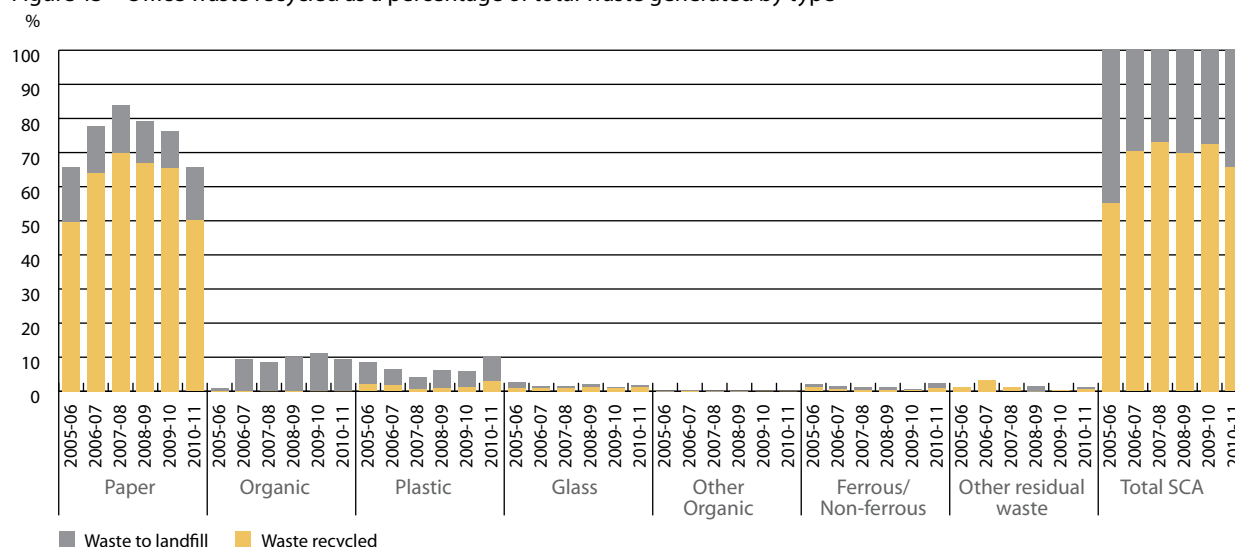
Figure 12 – Volume and type of waste sent to landfill (kg/employee/year)



Our annual internal waste audit estimated that 18,268kg of office waste was generated by the SCA this year. The amount of office waste sent to landfill was 6,280kg – representing 34 percent of the total waste we generate. The amount of office waste generated per full-time employee dropped again this year – down from 96.5kg in 2006–07 to 61.7kg this year.

In 2010–11, each employee (on average) generated 9.7kg of paper, 5.7kg of organic compostables (kitchen waste), 4.4kg of plastic, 0.3kg of glass, 0.2kg of residual waste (household) and 0.85kg of steel and aluminium cans. Figure 12 shows a breakdown of waste types sent to landfill.

Figure 13 – Office waste recycled as a percentage of total waste generated by type



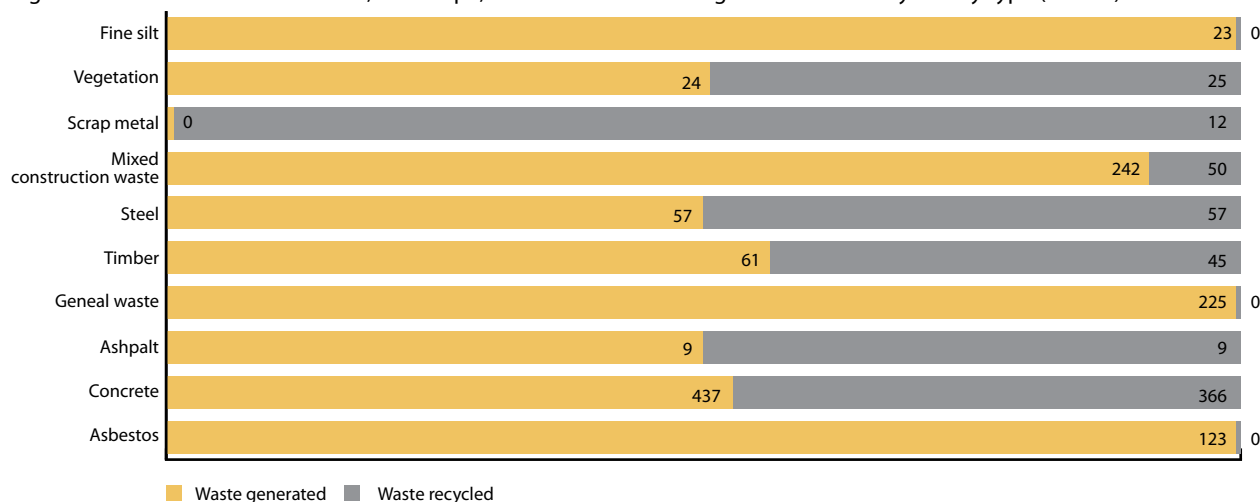
During 2010–11, the SCA expanded our office recycling stream to include mixed container recycling (glass, plastics, aluminium, and steel) and personal mobile phones. We also expanded our existing recycling streams for paper, cardboard, newspaper, toner cartridges, and computers.

While 34 percent of waste goes to landfill, the remaining 66 percent is diverted from landfill via the various recycling systems the SCA has in place. Paper and cardboard recycling represents slightly more than half of all waste produced (50.1 percent), with mixed container recycling representing 6 percent. This category comprises plastic (3 percent), glass (1.3 percent), aluminium and steel cans (0.9 percent) and residual household material (0.7 percent). Toner cartridges comprise a further 9.7 percent of total waste recycled.

Figure 13 shows the amount of waste recycled, by type, as a percentage of total waste generated.

Appendix 11 – Energy and waste (continued)

Figure 14 – Amount of construction, landscape, and demolition waste generated and recycled by type (tonnes)



In 2010–11, the SCA generated approximately 1,201 tonnes of landscape, construction and demolition waste from capital and operational projects at our dam sites, water infrastructure assets and depots.

Of the total amount generated, more than 563 tonnes (47 percent) was recovered for reuse or recycling. The materials recovered comprised concrete (366 tonnes), general mixed recyclable waste (50 tonnes), vegetation material (25 tonnes) and asphalt (nine tonnes). A further 45 tonnes of timber, 57 tonnes of steel and 12 tonnes of scrap metal was recovered through the demolition of our redundant structures and fencing projects.

Figure 14 shows a breakdown of landscape, construction and demolition waste generated and recycled by type (tonnes) during 2010–11.

Conduct and action annual waste audit

Our annual waste audit was conducted at our Penrith, Warragamba and Campbelltown offices in February 2011 and finalised in May 2011. The outcomes of the audit show that the SCA continued to decrease the amount of office waste generated. The report provided 11 recommendations. These will be addressed in 2011–12.

Address waste audit recommendations

The 2009–10 annual waste audit provided six recommendations to improve the SCA's waste management performance. Five of the six (83 percent) recommendations were addressed in 2010–11. The outstanding recommendation relates to conducting regular training programs to ensure staff understand our waste management systems and how they operate, as well as ways to reduce overall waste. This will be actioned in 2011–12. The SCA established a working group this year to address recommendations from the waste audit as well as other resource efficiency initiatives.

Purchase low waste products and products with recycled content

The SCA continued to purchase low waste and recycled content products this year.

- More than 90 percent of the paper we purchased had a minimum 60 percent recycled content. The paper we use for black and white printing has an 80 percent recycled content.
- All externally printed documents were created on paper with a minimum of 50 percent recycled content and 50 percent Forest Stewardship Council (FSC) certified fibre sourced from forest resources.

- Publications were printed by environmentally responsible companies with ISO 14001 accreditation. Where possible, items were printed digitally in small numbers, or on demand, which significantly reduced the total amount of paper used.
- Concrete barrier fencing was built from surplus concrete that would otherwise be wasted.
- Valves were refurbished, rather than replaced, wherever possible.
- Trees from areas cleared for development were used in erosion control projects requiring engineered log jams.

Appendix 12 – Reporting requirements

Table 50 – Operating Licence requirements reported to IPART

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.	KFA 5.1
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.	Appendix 11 KFA 6.2
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.	Appendix 7
8.3.5	The SCA must provide by 1 September of each year the following details concerning complaints: (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.	Appendix 6
8.4.2	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).	Appendix 6
5.2 and schedule 2	Indicators of the SCA's impacts on the environment: <ul style="list-style-type: none"> ■ Energy ■ Water consumption ■ Waste ■ Heritage ■ Compliance with water releases. 	Appendix 9 Appendix 11 KFA 6.2

Information to meet the requirements of conditions 6.4.2(b) and 6.4.2(c) is published on the SCA website www.sca.nsw.gov.au.

Appendix 12 – Reporting requirements (continued)

Treasury compliance checklist

Requirements	Legislative reference	Reporting requirement for statutory bodies	Annual report reference
Letter of submission	ARSBA s9A	<ul style="list-style-type: none"> Stating report submitted to Minister for presentation to Parliament Provisions under which report prepared If applicable, length and 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 	Introduction
Charter	ARSBR Sch.1	<ul style="list-style-type: none"> Manner in which and purpose for which agency was established Principal legislation under which statutory body operates 	Introduction and Appendices
Aims and objectives	ARSBR Sch.1	<ul style="list-style-type: none"> What agency sets out to do Range of services provided Clientele/community served 	Introduction KFA 2 Appendix 6
Access	ARSBR Sch.1	<ul style="list-style-type: none"> Address of principal office/s Telephone number of principal office/s Business and service hours 	Inside Back Cover
Management and structure	ARSBR Sch.1	<ul style="list-style-type: none"> Names and 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 	Introduction Appendix 1 Appendix 2
Summary of review of operations	ARSBR Sch.1	<ul style="list-style-type: none"> Narrative summary of significant operations Financial and other quantitative information for programs or operations 	KFA's
Funds granted to non-government community organisations	PM 91-34 ARSBR Sch.1	<ul style="list-style-type: none"> Name of recipient organisation Amount of grant Program area as per Budget paper Program as per Budget Nature and purpose of the project including aims and target clients 	Appendix 8
Legal change	ARSBR Sch.1 ARSBR s9(1)(f)	<ul style="list-style-type: none"> Changes in Acts and subordinate legislation Significant judicial decisions affecting agency or users of its services 	Appendix 3
Economic or other factors	ARSBR Sch.1	<ul style="list-style-type: none"> Affecting achievement of operational objectives 	KFA's
Management and activities	ARSBR Sch.1	<ul style="list-style-type: none"> 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 / deferrals / cancellations 	Introduction KFA 3 KFA 4 KFA 5
Research and development	ARSBR Sch.1	<ul style="list-style-type: none"> Completed and continuing research and developmental activities including resources allocated Unless will adversely affect business 	KFA 5

Appendix 12 – Reporting requirements (continued)

Requirements	Legislative reference	Reporting requirement for statutory bodies	Annual report reference
Human resources	ARSBR Sch.1	<ul style="list-style-type: none"> Number 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 	KFA 1 Appendix 5
Consultants	PM 2002-07 ARSBR Sch.1	<ul style="list-style-type: none"> For each engagement costing equal to or greater than \$50,000: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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 used 	Appendix 8
Equal Employment Opportunity	TC 11/03 ARDR Sch.1	<ul style="list-style-type: none"> 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 planning documentation Table of trends in (A) representation and (B) distribution of EEO groups. Refer tables A and B Treasury Circular 10/05 	KFA 1.2 Appendix 5
Disability plans	PSEMA Sch.1 DSA s9 ARSBR Sch.1	<ul style="list-style-type: none"> Statement setting out the progress in implementing disability plan if required under the <i>Disability Services Act 1993</i> (only for those required per PSEMA) 	KFA 1.2
Land disposal	ARSBR Sch.1	<ul style="list-style-type: none"> If value greater than \$5,000,000 and not sold by public auction or tender <ul style="list-style-type: none"> List of properties For each case, name of person who acquired the property and proceeds Details of family or business association between purchaser and person responsible for approving disposal Reasons for the disposal Purpose/s for which proceeds were used Statement that access to documents relating to the disposal can be obtained under the <i>Freedom of Information Act 2010/Government Information (Public Access) Act 2011</i> onwards 	KFA 6.4
Promotion	ARSBR Sch.1	<ul style="list-style-type: none"> Overseas visits by employees and officers with main purposes highlighted 	Appendix 5
Consumer response	ARSBR Sch.1	<ul style="list-style-type: none"> Extent and main features of complaints Services improved / changed in response to complaints / suggestions 	Appendix 6
Payment of accounts	TC 06/26 ARSBR Sch.1	<ul style="list-style-type: none"> Details of performance in paying accounts for each quarter: <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 (can use proper sampling techniques) Details of action taken to improve performance 	Appendices 8

Appendix 12 – Reporting requirements (continued)

Requirements	Legislative reference	Reporting requirement for statutory bodies	Annual report reference
Time for payment of accounts	ARSBR Sch.1 TC 06/26	<ul style="list-style-type: none"> Where interest was paid due to late payments, list of instances and reasons for delay which caused late payment 	Appendix 8
Internal audit and risk management policy attestation	TPP 09-5 TC 09/08	<ul style="list-style-type: none"> Governing board of statutory body must report compliance 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' 	KFA 3.2
Disclosure of controlled entities	ARSBR Sch.1	<p>For each controlled entity:</p> <ul style="list-style-type: none"> Name, objectives, operations, activities Performance targets and actual performance measures 	N/A
Multicultural Policies and Services Program (formerly EAPS)	ARSBR Sch.1	<ul style="list-style-type: none"> 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 	KFA 1.2
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	<ul style="list-style-type: none"> Statement setting out OHS performance Details of injuries and prosecutions under <i>Occupational Health and Safety Act 2000</i> 	KFA 1.1
Waste	ARSBR Sch.1	<p>Statement on implementation of government's Waste Reduction and Purchasing Policy and progress on:</p> <ul style="list-style-type: none"> Reducing generation of waste Resource recovery Use of recycled material 	Appendix 11
Budgets	ARSBA s7(1)(a)(iii) ARSBR c7-8	<ul style="list-style-type: none"> Detailed budget for the year reported on. Including details of: <ul style="list-style-type: none"> If this is the first budget approved Adjustments to the first budget approved Outline budget for following year 	Appendix 8
Financial statements	ARSBA s7(1)(a)(i)-(ii)(a)	<ul style="list-style-type: none"> Inclusion of financial statements Controlled entities' financial statements Audit opinion on financial statements Response to significant issues raised by Auditor-General 	Statements
Identification of audited financial statements	ARSBR c5	<ul style="list-style-type: none"> At start and finish 	Statements
Inclusion of unaudited financial statements	ARSBR c6	<ul style="list-style-type: none"> Unaudited financial information to be distinguished by note or otherwise 	Statements

Appendix 12 – Reporting requirements (continued)

Requirements	Legislative reference	Reporting requirement for statutory bodies	Annual report reference
Performance and numbers of executive officers	ARSBR c11,14	<ul style="list-style-type: none"> ■ Number of executive positions at each level for current and prior year (or total number at equivalent to SES 1 pay or higher for SOC's or universities) ■ Numbers of female executive officers for current and previous reporting years ■ For each executive officer >= level 5 (or equivalent pay for SOC's and universities) and a chief executive officer not holding an executive position: <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 SOC's or universities) 	Appendix 2
Government Information (Public Access) Act 2009	GIPAA s125(4), (6) GIPAAR C7, Sch 2; c12, Sch 3	<ul style="list-style-type: none"> ■ Details of agency's review under s7(3) of the Act during the year and details of any information made publicly available as a result of the review ■ Total number of access applications received during the year (including withdrawn applications but not including invalid applications) ■ Total number of access applications received that agency refused, either wholly or in part, because the application for disclosure of information for which there is conclusive presumption of overriding public interest against disclosure ■ Statistical information as described in Sch 2 ■ Each agency referred to in Sch 3 of the Regulation (subsidiary agency) is declared to be part of and in the parent agency specified in Sch 3 	Appendix 4
Implementation of Price Determination	IPARTA s18(4)	<p>If agency subject to determination or recommendation of Tribunal then:</p> <ul style="list-style-type: none"> ■ Statement that it was implemented and details of implementation; or ■ Reasons for not being implemented 	KFA 3 Introduction
Credit card certification	TD 205.01	<ul style="list-style-type: none"> ■ Credit card certification to be attached 	Appendix 8
Requirements arising from employment arrangements	TC 06/13 ARSBA s15(1)	<ul style="list-style-type: none"> ■ 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 Financial Statements

Glossary

Term	Definition
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
Environmental flows	Flows of water released from dams into a river, stream or other natural waterway to protect and improve river health
Groundwater	All water found below ground level in saturate soil or rocks
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
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
Turbidity	A measure of cloudiness in water
Upper Canal	The 65 kilometre channel that transports water from Metropolitan water storages to Prospect Water Treatment Plant
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
CRP	Current Recommended Practice
CDSS	Catchment Decision Support System
CPS	Catchment Protection Scheme
DECCW	Department of Environment, Climate Change and Water
DPI	NSW Department of Primary Industries
DSC	NSW Dams Safety Committee
EEO	Equal Employment Opportunity
EAMS	Enterprise Asset Management System
EP&A Act	<i>Environmental Planning and Assessment Act 1979</i>
GIP	Grazier Incentives Program
HCP	Healthy Catchments Program
HCS	Healthy Catchments Strategy
IPART	Independent Pricing and Regulatory Tribunal
LEP	Local Environment Plan
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
PSAT	Pollution Source Assessment Tool
QMRA	Quantitative Microbial Risk Assessment
RAP	Rectification action plan
RMAP	Riparian Management Assistance Program
REP	Drinking Water Catchments Regional Environmental Plan No 1
SASPoM	Special Areas Strategic Plan of Management
SCA	Sydney Catchment Authority
SCADA	Supervisory Control And Data Acquisition
SCARMS	Sydney Catchment Authority Reservoir Management System
SEPP	State Environmental Planning Policy
SGP	Sustainable Grazing Program
SLWCA	Strategic land and water capability assessment
STP	Sewage treatment plant
SWCM Act	<i>Sydney Water Catchment Management Act 1998</i>
VET	Vocational education and training
WRAPP	Waste Reduction and Purchasing Policy
WQRA	Water Quality Research Australia Ltd.
WSAA	Water Services Association of Australia

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