Annual Report 2018-19

Sydney WATER

Sydney Water Annual Report 2018-19

Letter to Shareholder Ministers

Dear Treasurer and Minister Tudehope

Report on performance for the year ended 30 June 2019

We are pleased to submit the Annual Report of Sydney Water Corporation (Sydney Water) for the year ended 30 June 2019 for presentation to Parliament.

Our *Annual Report 2018–19* has been prepared according to the requirements of section 24A of the *State Owned Corporations Act 1989* (NSW) and the *Annual Reports (Statutory Bodies) Act 1984* (NSW). The financial statements for 2018–19, which form part of the *Annual Report 2018–19*, have been certified by the Auditor-General of New South Wales.

Yours sincerely,

Bruce Morgan | Chairman

Roch Cheroux | Managing Director

Table of contents

Chapter 1

Overview

About Sydney Water

Greater Sydney is one of the world's iconic cities. Known for its beautiful harbours, beaches, rivers and mountains, water plays a vital role in shaping our city's growth and the lifestyle we enjoy.

As Australia's largest water utility, Sydney Water is proud to service our communities with some of the best water and wastewater services in the world. We supply more than five million customers across Sydney, the Blue Mountains and the Illawarra with safe, high-quality drinking water. We also look after wastewater, recycled water and some stormwater services, to ensure our communities can enjoy healthy rivers and clean beaches. We're focused on the future, and we work with our stakeholders and regulators to make smart business decisions that our customers value, to keep Sydney liveable, prosperous and thriving for the future.

We are a statutory state-owned corporation (SOC), wholly owned by the NSW Government. Our operating licence sets out the standards and requirements we must meet as a water utility, and is governed by the Independent Pricing and Regulatory Tribunal (IPART).

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

1. Protect public health.
2. Protect the environment.
3. Be a successful business.

Our purpose, mission and vision

We protect public health and the environment by providing essential water and wastewater services. It's our mission to be world class, delivering essential services that our customers love for our great city. Our vision is to be the lifestream of Sydney for generations to come.

Aboriginal acknowledgement

Sydney Water respectfully acknowledges Aboriginal people as the traditional custodians of the lands and waters in Sydney, the Illawarra and the Blue Mountains, where we work, live and learn. Their lore, traditions and customs nurtured and continue to nurture the waters (salt water and sweet water) in our operating area, creating wellbeing for all. We pay our deepest respect to Elders, past, present and future.

In the spirit of reconciliation, we remain committed to partnering with local traditional owners to ensure their ongoing contribution to the future of the water management landscape, while maintaining their cultural and spiritual connections.

Principal statistics

Table 1: Principal statistics, 1 July 2018 to 30 June 2019

Approximate area of operations	12,870 square kilometres
Estimated population serviced by drinking water[1]	5,239,000 people
Quantity of drinking water we produced	566 billion litres
Length of drinking water mains we own and operate	22,342 kilometres
Number of drinking water reservoirs in service	249 drinking water reservoirs
Number of drinking water pumping stations in service	150 drinking water pumping stations
Properties with drinking water services available	2,020,792 properties
Estimated population receiving wastewater services[1]	5,136,000 people
Wastewater we collected (includes discharge, bypass, overflows and other)	518 billion litres
Length of wastewater mains we own and operate	26,169 kilometres
Number of wastewater treatment plants in service[2]	16 wastewater treatment plants
Number of wastewater pumping stations in service	689 wastewater pumping stations
Properties with wastewater services available	1,970,900 properties
Estimated population serviced by recycled water[3]	94,000 people
Quantity of recycled water we supplied	44 billion litres
Length of recycled water mains we own and operate	754 kilometres
Number of water recycling plants in service	14 water recycling plants
Number of recycled water reservoirs in service	9 recycled water reservoirs
Number of recycled water pumping stations in service	10 recycled water pumping stations
Length of stormwater channels we control	454 kilometres
Properties with stormwater drainage available	632,957 properties

[1] The estimated population serviced by drinking water and wastewater excludes dwellings serviced under the *Water Industry Competition Act 2006* (NSW), and includes shops on mixed-development properties.

[2] The number of wastewater treatment and recycled water plants is based on Sydney Water's classification.

[3] The estimated population serviced by recycled water refers to Rouse Hill only and is an estimate as at 30 June 2019.

Our area of operations

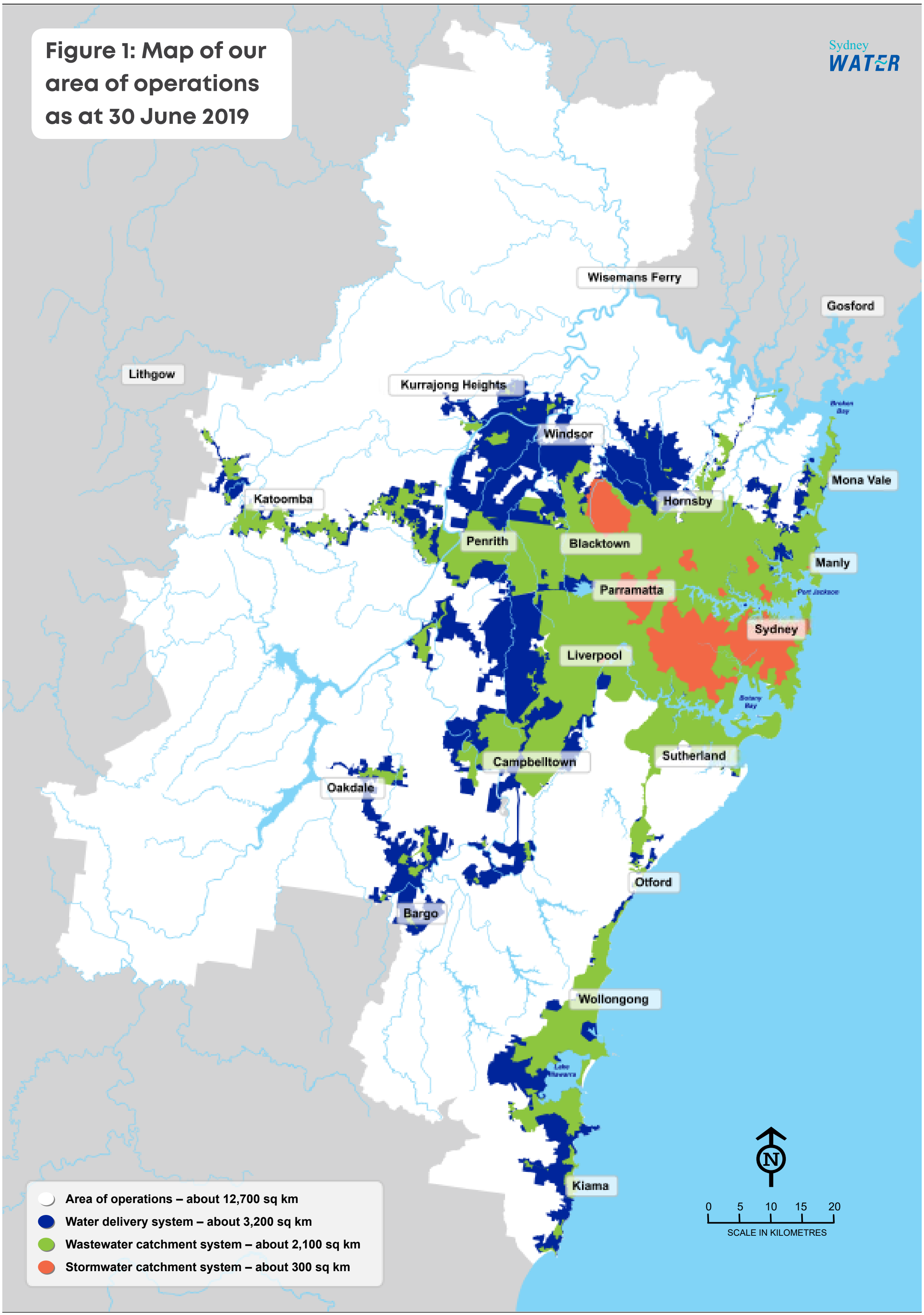


Figure 1: Map of our area of operations as at 30 June 2019

The year in review

A message from our Chairman and our Managing Director

Over the past year, Sydney Water has been challenged with unprecedented drought conditions. Even with this extra pressure on our operations, we've responded well, delivering services that our customers value – quality and reliable water, wastewater, recycled water and stormwater.

This challenging environment is reflected in our financial result for the year, with our net profit after tax down, compared with the previous year. As expected, water sales volumes were lower and our operating costs were significantly affected by high levels of weather-related leaks and breaks. We also needed to implement water restrictions and promote awareness of the importance of saving water.

We still achieved strong results for our customers, focusing on ensuring network reliability and efficiency, and building sustainable partnerships for long-term financial sustainability.

We're investing in the right people, tools and technology for our city and our customers, so that we meet their needs today and tomorrow.

Improving our customer experience

For the past five years, we've been on a journey to put our customers at the heart of what we do.

We're engaging with and understanding our customers more than ever before. To inform our *Operating Licence 2019–2023* and *Price Proposal 2020–24* submissions to the Independent Pricing and Regulatory Tribunal (IPART), our 2018 customer engagement program included more than 10,000 customer interactions. These submissions are delivering on what our customers told us they want from us, which is to continue to provide reliable and quality services, and to invest in building and maintaining our essential infrastructure, while keeping our bills affordable.

This year, we also reached a significant milestone, successfully implementing our new strategic billing and customer experience platform (CxP). We'll use this foundation to continue to serve our customers, who will also be able to access the new and enhanced capabilities they deserve. We'll build on this momentum to drive greater efficiency in how the business operates.

Our work continues to drive improved customer experience, and we collaborate with our stakeholders to maintain a high level of trust and performance.

Increasing our efficiency and resilience to drought

We're seeing dam levels dropping faster than they have in decades, with above-average temperatures and below-average rainfall.

In line with the *2017 Metropolitan Water Plan*, the Sydney Desalination Plant has been operating since dam levels reached 60% in January 2019. We've had Level 1 water restrictions since June 2019.

In response to drought, we've spent more to reduce leaks in our networks. This has included using additional crews and expanding our program of active leak detection, inspecting 15,001 km of mains this year, compared to 9,019 km in 2017–18. Our network produced more than 44 billion litres of recycled water in 2018–19, which helped reduce demand on our precious drinking water supplies.

We're working closely with our customers, building community awareness that water is precious and encouraging everyone to save water. We boosted our WaterFix® program with an almost $6 million subsidy from the NSW Government's Climate Change Fund, to help provide free or subsidised plumbing checks in around 30,000 homes.

Our 'Love water, don't waste it' campaign has focused on building awareness of water as a precious resource. Our water efficiency initiatives reduced water demand by 7% over the hotter summer months. We're still building on our campaign, but as the drought continues, everyone needs to play their part in using water wisely and building our water resilience.

Protecting our environment and improving our performance

One of our key roles is to protect the environment. We take this very seriously and are committed to protecting and enhancing it.

Over the last few years, we've experienced more challenges with drought impacting our systems and assets, and consequently our environmental performance. There's been a large increase in the number of sewer chokes. We recognise that this deterioration in our environmental performance is not acceptable and have taken decisive action. We've increased remedial maintenance, funded by an $18 million environmental performance program. This helps ensure our environment is protected during drought.

We've also mobilised more field crews and frontline employees, to address increased leaks, breaks and wastewater overflows.

We're completing an independent review, overseen by the NSW Environmental Protection Authority. This review will produce a plan for improvements, and identified actions will be added to our environment protection licences. We expect to complete the review and adopt the recommendations by the end of 2019.

Working collaboratively to prepare for our exciting future

We're planning for our city's future with our long-term strategy *Water Sensitive Sydney 2040*, which aims to deliver the NSW Government's vision of a liveable, productive and sustainable metropolis of three cities. Water is critical to achieving this vision. We're working closely with city shapers and the government to make the changes our growing city deserves, to deliver healthy waterways, clean harbours and vibrant, cool, green places.

To keep pace with our growing city and changing climate, we need to sustainably renew and expand our network. Our new procurement model, Partnering for Success (P4S), will change and improve the way we partner with industry suppliers to deliver major infrastructure projects across Sydney.

This will help us move from a transactional business model to a more collaborative and sustainable one. The next major milestone is to award three regional consortia contracts in July 2020.

Making sure we're safe and well as we deliver for our city

As we progress towards our goals for our customers and our future, we must make sure our people are safe and well. We've provided our people with additional tools and resources to support them in growing a positive culture and have introduced wellbeing goals to promote good mental health.

Our results are improving, with employee engagement increasing by 4.1% to 67% in June 2019. Our Safety Differently program is also leading to an ongoing fall in Lost Time Injuries (LTIs) and the Total Recordable Injury Frequency Rate (TRIFR), which dropped to 8.6 in 2018–19, well below our target of 9.7.

We've set a solid foundation and are excited to build on this, with water playing a central role in meeting our customers' need for a thriving future.

Bruce Morgan
Chairman

Roch Cheroux
Managing Director

Our highlights 2018–19

Improving our customer experience

- Our CxP Program was delivered on budget and went live in June 2019. This is a once-in-a-generation investment in a digital platform for the future. It puts us at the forefront of innovation as one of the first utilities globally to deliver the SAP S/4HANA platform, which will offer new and enhanced capabilities for our customers.
- In October 2018, we expanded our Customer Hub to cover all our areas of operation, minimising or avoiding water outages for around 115,000 properties in 2018–19 (equating to a saving in potential customer redress payments of around $1.3 million).
- Our Customer Hub has been recognised nationally and globally, receiving awards including:
  - Customer Service Institute of Australia's 2018 Australian Service Excellence Award for Customer Service Project of the Year
  - Global Water Awards Smart Water Project of the Year, for 2019
  - Digital Utility of the Year Award – Water, for 2019.
- Our customer experience score stayed strong at 7.9 out of 10, and our corporate reputation score was 7.0 out of 10.

Increasing our water efficiency and resilience to drought

- We spent $30 million on reducing leaks. By engaging extra crews, we increased active leak detection by 66%.
- We estimate that our Active Leak Reduction Program is saving more than two billion litres of water a year. We inspected 15,001 km of mains during 2018–19. The entire 22,000 km water reticulation system has now been scanned several times since 1999, adding up to a total length of 195,000 km.
- We've boosted our residential WaterFix® program with a subsidy of nearly $6 million to help provide free plumbing checks in about 30,000 homes.

Protecting our environment and improving our performance

- To improve our environmental performance, we've increased remedial maintenance. This was funded by an $18 million environmental performance program. We've also heavily invested in our networks, with a 57% increase in employees directly working to reduce leaks and breaks caused by drought.
- We launched our 'Clean up not down' community education campaign to reduce wastewater blockages across the network. The campaign focused on building awareness that when cleaning up, fats, oils, grease and wipes should go in the bin, not down the sink or the toilet.
- In October 2018, we launched the Parramatta River Masterplan with the Parramatta River Catchment Group, to make the waterway swimmable again by 2025.
- In November 2018, Sydney Water announced a solution to eliminate the last remaining ocean outfalls, which release untreated wastewater at Vaucluse and Diamond Bay. Construction is anticipated to start in mid-2020.
- The Green Square Stormwater Drain Project will significantly reduce flooding in the Green Square area, allowing future development and improving safety for the local community. It is planned to finish in November 2019.
- In June 2019, we achieved certification to the ISO 55001:2014 standard for our asset management system, showing our core work processes are in line with industry best practice. We are one of three water utilities across Australia to have this certification.

Thank you

This year we said farewell to a 'legend of water' and our Managing Director, Kevin Young.

Among many things over the past eight years at Sydney Water, Kevin prioritised the safety and wellbeing of our people, encouraging us to use new approaches to safety and to put our customers first.

We thank Kevin for bringing his passion for the water industry to Sydney Water and wish him all the best.

Our future board

Trevor Bourne, Richard Fisher AM, Dr Abby Bloom, Cameron Robertson, Bruce Morgan, Craig Roy, Greg Couttas, Marlene Kanga AM, Roch Cheroux.

Corporate strategy update

Strategic success measures – our performance

Our strategic success measures (SSMs) help us track our progress in executing our strategy. We launched the SSMs as part of our *2015–16 Corporate Plan*, to support our strategic priorities:

- Customer at the heart.
- World class performance.
- High performance culture.

The measures focus on safety, our corporate reputation and the customer experience, supported by business sustainability and organisational culture.

Safety

Table 2: Safety performance, 1 July 2016 to 30 June 2019

Strategic theme	Metric	2016–17 actual	2017–18 actual	2018–19 target	2018–19 actual	2019–20 target
Safety	Total Recordable Injury Frequency Rate (TRIFR)[4]	23.0	11.5	<9.7[5]	8.6	Year-on-year decrease

We finished implementing the Safe and Well Together Strategy 2.0 this financial year. The strategy has created an environment in which the business can improve its decision-making ability via new frameworks, capabilities, risk mitigation tools, coaching and support.

At an enterprise level, this strategy has improved:

- safety governance and reporting
- the way we identify and control risks in our environment
- injury management
- the number of workers compensation claims
- employee safety engagement
- organisational wellbeing.

[4] The TRIFR calculation method is a 12-month rolling average.

[5] The TRIFR target is calculated as a 20% reduction on the previous year's target.

At a business level, it has reduced:

- injury numbers and severity
- high-potential incidents (near-misses and actual incidents).

A focus on wellbeing was a key part of the Safety Differently program in 2018–19, with achievements throughout the year including:

- registering 1,170 employees on the 'My wellbeing my way' portal
- increasing the number of employees using the Employee Assistance Program from 3% to 20%
- signing up 1,100 Fitness Passport members
- increasing the uptake of flu vaccinations by 45%
- considering psychological risks in change programs
- having a thriving wellbeing champion program, with 34 employees across Sydney Water
- reducing the stigma associated with mental illness by sharing stories
- educating senior managers about psychological risk factors
- training line managers in how to respond to issues that affect mental wellbeing in the workplace
- rolling out mental health awareness initiatives to all employees.

Corporate reputation

Table 3: Corporate reputation performance, 1 July 2016 to 30 June 2019

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

Our corporate reputation score ended the year at 7.0, which is in line with our 2020 target. This growth shows the continuing improvements in trust and support for Sydney Water, which scored 4.5 in 2005–06.

Our community involvement activities have continued to improve our corporate reputation and brand awareness. A key area of success was our water stations program, with more than three million people seeing our branded portable water stations at community events. We also introduced an additional 150 permanent water stations, which dispensed 1.2 million litres of tap water to communities across greater Sydney in 2018–19.

Our 2019 stakeholder reputation score, based on a combined score for respect and admiration, has increased to 7.3. We proactively engaged with an average of more than 77,000 customers each month who were affected by planned works. Our key achievements in reputation management around capital works projects included the Green Square Stormwater Drain project, the Hawkesbury-Nepean Nutrient Framework, the Refresh Vaucluse and Diamond Bay project, Refresh Woolloomooloo, Liverpool CBD, the Lower South Creek Treatment Program, the Northern Suburbs Ocean Outfall Sewer, and the Southern and Western Suburbs Ocean Outfall Sewer.

Market engagement, several industry events, and positive social and industry media coverage on LinkedIn have positioned Sydney Water as a market leader that uses an innovative approach to managing its capital and maintenance programs.

We also conducted a customer engagement program in 2018 to help inform our *Price Proposal 2020–24*. We had more than 10,000 customer interactions across greater Sydney, using consultation forums, discussion groups, interviews and online surveys. The results were reflected in our operating licence and price proposal. We successfully launched the price proposal, which received positive media coverage and the support of our minister.

Customer experience

Table 4: Customer experience performance, 1 July 2016 to 30 June 2019

Strategic theme	Metric	2016–17 actual	2017–18 actual	2018–19 target	2018–19 actual	2019–20 target
Customer experience	Customer experience score	7.9	8.0	8.1	7.9	8.2

The customer experience score of 7.9 for 2018-19, whilst marginally below the annual target of 8.1, continued to be very strong. Factors contributing to this included delivering consistently high-quality water and wastewater services, and implementing numerous initiatives to improve customer experience and advocacy. These include:

- expanding the Customer Hub to all regions:
  - increasing the amount of proactive notifications to customers
  - reducing the number of customers impacted by outages
  - improving the experience of recovery when outages occurred (based on real-time voice-of-customer feedback)
- establishing 'Developer journey' and 'Service interruptions journey' customer councils, to continuously improve the customer experience and make processes more efficient
- significantly improving brand awareness and customer satisfaction through our 'Love water, don't waste it' campaign
- focusing on reducing leaks and breaks, which improved customer sentiment, especially during this drought period
- taking part in customer engagement to inform our IPART submissions, which helped to improve customer advocacy.

Business sustainability

Table 5: Business sustainability performance, 1 July 2016 to 30 June 2019

Strategic theme	Metric	2016–17 actual ($b)	2017–18 actual ($b)	2018–19 target ($b)	2018–19 actual ($b)	2019–20 target
Business sustainability	Strategic value add[6]	13.9	14	>14	14.7	Year-on-year increase

Based on the 2018–19 outcome, our enterprise value is $14.7 billion, compared to the previous year's $14 billion, which is in line with our target of increasing value year on year.

[6] Strategic value add (SVA) measures the increase in the net present value of Sydney Water's cash flows over the next 20 years (excluding terminal value). SVA measures whether the decisions we make add value to the business. It reflects financial performance in the context of the risk-based decisions the business makes.

Organisational culture

Table 6: Organisational culture performance, 1 July 2018 to 30 June 2019

Metric[7]	2018–19 target (%)	2018–19 actual (%)
Connection to purpose	80	75
Employee engagement	70	64
Demonstration of signature behaviours	80	79
Safety differently	80	79

In 2018-19, we continued to measure our employee pulse as a quarterly indicator of our progress towards a high performing culture.

Connection to purpose

The 'Connection to purpose' score of 75% was five points below the 2018–19 target of 80%, however, incremental improvements were recorded each quarter. Three-quarters of respondents agreed that organisational objectives and priorities were clear and understood. Of those, 86% agreed that Sydney Water was taking steps to deliver better customer outcomes.

Employee engagement

The overall score of 64% was calculated as an average of the four quarterly scores. While this was six points below the target of 70%, we continually improved throughout the year, and the June result of 67% was the highest score in nearly three years.

Demonstration of signature behaviours

The 'Demonstration of signature behaviours' score improved by three points over the year and at 79% was just one point short of the target of 80%. Our 'Blue Bus' program helps people understand the importance of culture and how they contribute through their own behaviours. Over 60% of our employees have now completed the program.

Safety differently

The overall results for Safety Differently were consistently high for the last few quarters and ended the year close to target, at 79%. This positive result was due to:

- a high level of manager commitment to safety and wellbeing (score of 80%)
- people having what's needed to work safely (score of 80%)
- people believing they can influence safey and wellbeing at work (score of 84%).

[7] The 'Employee pulse' survey questions were changed in 2018–19.

Chapter 2

Our performance

Caring for our community

Customer satisfaction

Under our operating licence, we define a complaint as 'an expression of dissatisfaction made to Sydney Water related to its products or services, employees or the complaints-handling process itself, where a response or resolution is explicitly or implicitly expected or legally required'.

During 2018–19, we resolved 5,402 complaints that were our responsibility. This was less than 0.7% of the more than 860,000 customer contacts we received via phone, email, fax, mail and online (excluding self-service contacts). The total number of complaints was higher than the previous three years, mainly due to account adjustments.

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

During 2018–19, EWON received 550 complaints about us[8]. This equates to 2.8 per 10,000 customers and aligns with other water utilities overseen by EWON. We experienced less than half the average number of complaints of other water utilities across Australia.

We aim to resolve customer enquiries and complaints quickly, efficiently and to our customers' satisfaction. In 2018–19, we resolved 86.2% of complaints within 10 business days.

During 2018–19, we surveyed more than 1,600 customers to find out how they would rate the overall quality of our service. Customers rated us on a scale of zero (extremely poor) to 10 (excellent). Survey results show that our customers continue to have a positive view of the overall quality of our service, with an average satisfaction rating of 7.9. This is 0.1 decrease compared to our highest result of 8.0 in 2017–18. The score is still very high and reflects our ongoing commitment to maintaining quality services for our customers.

Table 7: Customer satisfaction indicators, 2015 to 2019

	2015	2016	2017	2018	2019
Average customer rating of overall service quality[9]	7.7	7.9	7.9[10]	8.0	7.9
Average customer rating of overall quality of drinking water[11]	8.4	7.7	7.6	7.7	7.8
Total number of complaints (including EWON)	5,945	5,321	5,090	5,308	5,952
Complaints resolved within 10 business days (%)[12]	90.9	88.9	87.2	86.6	86.2

8 EWON's report to Sydney Water for 2018–19.

9 Before 2016, data was collected as part of the Customer relationship study.

10 These results are the average from the first six months of 2017.

11 We replaced the Customer relationship study with the Customer experience monitor in 2015–16.

12 Complaints to EWON are not lodged with Sydney Water and are not included in this indicator.

Our customer commitments

Customer Contract

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

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

Customer assistance programs

We run several social programs to help ensure all customers have adequate access to water, wastewater and stormwater services. We provide concessions to eligible recipients, for which the NSW Government reimburses us.

Community outreach

We work with community welfare agencies to increase awareness of our payment assistance options and concession entitlements. We visit public schools, attend community events and interagency meetings, and hold information sessions with culturally and linguistically diverse (CALD) customers, seniors and mental health community groups.

In 2018–19, Sydney Water trained 59 people from eight different community welfare agencies in our Payment Assistance Scheme (PAS). We engaged with 91 community agency organisations accredited to assess our customers in financial hardship and apply payment assistance credits to their bills.

Pensioner concessions

We give concessions to customers who hold a Pensioner Concession Card or Department of Veterans' Affairs (DVA) Gold Card as well as recipients of a DVA intermediate rate pension. The rebates cover:

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

Hardship Support Scheme

We provide various forms of help to customers experiencing financial hardship.

We aim to help customers facing financial difficulty to manage payments, reduce debts and use mainstream payment channels. Under this program, we give customers credit to ensure they can maintain their connection to essential water and wastewater services.

We spent more than $1 million on this scheme in 2018–19 through:

- **Payment arrangements**

  We provide flexible payment plans to customers facing financial difficulties. We can defer payments for a short time and arrange smaller, regular payments using the customer's preferred payment method.

- **BillAssist®**

  Our qualified professional case coordinators provide personalised support and advice to customers in financial hardship. We also refer customers to other external specialist services that apply PAS credits to customers' accounts.

  PAS helps customers who are having difficulty paying their water bill. After completing a hardship assessment, community welfare agencies or Customer Care Case Coordinators can approve credit directly to the customer's Sydney Water account. This service is available to customers who own and occupy their home, and to private tenants who are responsible for paying for their water use. Customers must agree to a payment plan if they have already received PAS credits in the last 12 months.

- **PlumbAssist®**

  This program provides essential or emergency plumbing repairs where there is a risk to health or public safety, or to improve water efficiency or reduce water costs. To be eligible, customers must own and live in their home, and be experiencing financial hardship that prevents them from doing plumbing repairs. This service usually involves repairing leaks, and repairing or replacing broken taps, showerheads and toilets.

- **Centrepay referral**

  Customers who receive Centrelink payments can register for Centrepay, a free service that allows them to pay bills through regular deductions from their Centrelink payments. We can help customers set up Centrepay over the phone.

For more information on our financial assistance programs, visit sydneywater.com.au/helpwithyourbill.

Exempt Properties Scheme

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

We granted service charge exemptions totalling more than $17 million this year.

Blue Mountains Septic Pump-out Scheme

At the direction of the NSW Government, we continued the Blue Mountains Septic Pump-out Scheme subsidy. Around 11 properties with wastewater pump-out services benefit from the scheme, receiving assistance with ongoing pump-out charges at a total scheme cost of $50,000 in 2018–19.

Table 8: Social program expenditure, 2014–15 to 2018–19

Social programs	2014–15 ($m)	2015–16 ($m)	2016–17 ($m)	2017–18 ($m)	2018–19 ($m)
Pensioner concession	140.5	140.7	125.5	125.0	124.2
Exempt Properties Scheme	21.3	23.9	17.3	17.7	17.2
Hardship Support Scheme	0.9	1.1	1.0	1.1	1.2
Blue Mountains Septic Pump-out Scheme	0.3	0.2	0.3	0.1	0.1
Total	**167.8**[13]	**165.9**	**144.1**	**143.9**	**142.7**

[13] Includes $4.8M for Priority Sewerage Program.

Multicultural policies and services program

Across our service area, 36% of people speak a language other than English at home and 6% speak little or no English. Within some local government areas, two-thirds of the community are culturally diverse. In one area, more than 20% of the population speaks little or no English.

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

Our culturally diverse workplace not only promotes a constructive and inclusive culture but also offers insights into culturally diverse communities to support greater customer and community outcomes.

Details of our engagement with CALD communities can be seen in Table 9. The following summarises our activities and programs that address the Multicultural Policies and Services Program 2018–19 reporting themes.

Initiatives to improve outcomes for women in leadership

We have several programs in place to promote cultural diversity and women in leadership roles within our organisation. These include:

- our *Diversity and Inclusion Plan* 2015–20
- succession planning to promote women in leadership positions
- promoting women in science, technology, engineering and mathematics (STEM) roles
- our first Reconciliation Action Plan.

Language services

Translating information is a consideration we make across all communication and engagement activities. We combine research and consultation with CALD agencies to inform our plans. The language services that we make available to our communities and customers include:

- providing a free phone-based interpreter service
- distributing printed translations of service information relating to our restoration and upgrade projects, and campaign collateral used at event activations
- posting information online about commonly sourced topics
- using translators during network upgrades and projects, and at culturally diverse events
- pitching translated media releases and stories to multicultural media outlets
- translating advertising campaigns for CALD communities
- displaying bilingual messages at water stations permanently located in public and culturally diverse locations.

Services for humanitarian entrants

Through our Outreach program, we partner with community organisations that specifically support people from culturally diverse backgrounds. These organisations offer settlement services, including financial assistance for refugees and new migrants. They help us increase awareness of our services and support options, and enable us to learn more about these communities.

Our Local Community Support Grants help many organisations, offering support and community programs for everyone, including refugees and new migrants.

Table 9: CALD initiatives, 1 July 2018 to 30 June 2019

Focus	Activities
Service delivery	
Deliver mainstream services for everyone	We consider multilingual communications in all engagement and communication activities, particularly in areas with large culturally diverse populations. We also work with specialist organisations to understand how best to engage and communicate with CALD communities. All customers have access to our free phone-based interpreter service, which offers translation services for more than 150 different languages. During restoration and upgrade projects in culturally diverse areas, we use translated information and/or interpreters to notify residents of the work and ensure they understand how it may impact them. The Sydney Water website provides billing, product and campaign information in Arabic, Traditional and Simplified Chinese, Vietnamese, Greek and Korean.
Target programs that fill gaps	To understand how best to engage and communicate with CALD communities, we combine research and consultation with specialist CALD agencies. By understanding the communities within our operating area – including the size of language groups, proficiency in English and population growth – we've chosen five key languages to focus on when translating advertising campaigns and other relevant information. These are Arabic, Traditional and Simplified Chinese, Vietnamese and Korean. We regularly translate our campaigns and media stories into these languages, and pitch them to multicultural radio, print, online and social media channels. This year, our drought campaign was seen through paid and earned multicultural media. It showed the many ways to save water and educated the audience about the drought and Level 1 water restrictions when they were introduced. We distribute multilingual brochures at events and through partnerships, providing information on bill payment, financial support, drinking water, wastewater, leak checking and saving water.
Develop awareness among people from culturally diverse backgrounds of services, programs and functions funded by the NSW Government	Our Outreach program partners with 91 community organisations to assist customers who are having difficulty paying their water bill. These agencies can provide financial assistance direct to our customers through a simple and easy process that benefits people from culturally diverse backgrounds, who can be reluctant to ask for help or may not know who to ask.
Planning	
Plan for strong service delivery	We continually update our understanding of CALD communities within our service area. We use census data and consult CALD agencies to inform our strategies and plans for communication and engagement activities. Sydney Water has a Customer Council with representatives from the Ethnic Communities' Council of NSW, Multicultural NSW and the Illawarra Local Aboriginal Land Council, all of which represent CALD communities. We regularly engage with Customer Council members to gain their feedback on how our planning and operations affect the interests of our diverse customers.

Focus	Activities
Use evidence-driven planning	We always ensure we have proportionate representation of both CALD and Aboriginal and Torres Strait Islander communities in the customer research and engagement activities we undertake. In the past financial year, these have included: • engaging with customers for IPART submissions for the operating licence and the pricing reviews • campaign performance tracking and reporting • launching various trackers, including the Residential sentiment monitor, the Customer experience monitor, the Service faults tracker, the Drought tracker and the Stakeholder perceptions survey. For larger customer engagement projects, we hold multilingual focus groups in our key languages.
Leadership	
Demonstrate leadership in culturally inclusive practices	With our *Diversity and Inclusion Plan 2015–20*, we celebrate and continue to build diversity and inclusion within our workforce. We continue to focus on increasing the participation of women, particularly in STEM areas, operations and leadership. We have also implemented strategies to reduce our gender pay gap and we're seeking a gender balance in our entry-level programs. Our employees celebrate diversity through internal events such as International Women's Day, NAIDOC Week and other culturally significant days and social events.
Increase recognition of the value of cultural diversity	Our Diversity and Inclusion Taskforce is made up of employees from across our organisation who are ambassadors for our Diversity and Inclusion Program. They regularly meet to identify and advise on opportunities within our business. Our first Reconciliation Action Plan (RAP) enables us to outline and commit to implementing and measuring practical actions that build respectful relationships and create opportunities for Aboriginal and Torres Strait Islander peoples. Our Local Community Support Grants offer a helping hand to organisations that support local activities and services. We promote these grants to everyone, including organisations that support CALD communities, including new migrants and refugees.
Engagement	
Collaborate with diverse communities	We celebrate cultural diversity through our portable water station program, being present at events such as Chinese New Year, Lunar New Year and the Carnival of Cultures. We also make portable water stations available when we run Sydney Water activities. Through our Outreach program, we attend culturally diverse events, including the Korean Community and Family Expo, Eastwood Community Expo and the St George Migrant Information Day. We also attend interagency meetings throughout the year, including at the Fairfield Multicultural Interagency, the Liverpool Refugee and Migrant Interagency, the Advance Diversity Services Interagency and the Inner West Multicultural Interagency. These meetings provide opportunities for services in the area to discuss local challenges and share successful methods of engagement. They also give us an opportunity to better understand our community and increase awareness of our services and support options.

Focus	Activities
Understand the needs of people from diverse backgrounds	The permanent water refill stations we've installed through partnerships with councils have bilingual messaging in highly culturally diverse areas. Interestingly, the water station with the highest daily use has bilingual messaging and is in Cabramatta, where census data states that 83% of residents speak a language other than English at home. As the main hydration partner of Cricket NSW, we engage with CALD communities through their love of cricket. Sponsoring the HomeWorld Thunder Nation Cup allows us to celebrate the cultural diversity of teams and spectators, and to engage with CALD communities about the benefits of staying hydrated with tap water.

Community investments

Through our sponsorships and grants, we can form deeper relationships with our stakeholders and customers. They help us to educate the broader community about water efficiency, our high-quality drinking water and the importance of environmental protection and sustainability. Our donations are linked to our employee giving program which allows us to support registered Australian charities.

Table 10: Funds granted to organisations, 1 July 2018 to 30 June 2019

Program	Organisation	Project	Amount ($)
Sponsorship	Australian Museum	Program partner, Streamwatch	422,945[14]
	Carols in the Domain	Supporting sponsor	
	Cricket NSW	Official hydration sponsor	
	Greater Sydney Landcare Network	Transition partner, Streamwatch	
	Illawarra Surf Life Saving Club	Naming rights partner	
	Orange Sky Australia	Western Sydney sponsor	
	WaterAid Australia	Silver partner	
Local Community Grants	Australian Breastfeeding Association Blackheath Area Neighbourhood Centre BeConnected Community Services Blue Mountains Food Services Campbelltown Senior Cyber Seekers Cherrybrook Rural Fire Brigade Community Care Community Links Wollondilly Crossroads Community Care Centre Daceyville Public School Dee Why Public School Diversity Arts Australia Dulwich Hill Public School Fighters Against Child Abuse Australia Gateway Family Services Girl Guides Richmond HammondCare Hawkesbury's Helping Hands	Support for local activities or services provided in one of the following four categories: arts and heritage, health and wellbeing, education and safety.	50,000

[14] Sponsorship contracts contain commercial information. We follow standard business practice to keep details commercial-in-confidence.

Program	Organisation	Project	Amount ($)
Local Community Grants (cont)	Jannali Public School Katoomba Leura Preschool Kookaburra Kids Macarthur Centre For Sustainable Living Marrickville High School Miracle Babies Foundation Mountains Outreach Community Service Multicultural Communities Council of Illawarra Normanhurst Neighbourhood Garden North West Disability Services Our Lady of the Rosary Catholic Primary School Panania Public School Parish of Canterbury RSPCA NSW Service for the Treatment and Rehabilitation of Torture and Trauma Survivors Springwood High School Springwood Presbyterian Church Stroke Recovery Association Studio ARTES Northside Supported Accommodation & Homelessness Services Shoalhaven Illawarra Sutherland Shire Carer Support Service Taldumande Youth Services Tennyson Rural Fire Brigade The Big Fix The Haven – Nepean Women's Shelter The Scout Association of Australia Thrive Services Toolo Transport Heritage NSW Wildlife Information Rescue and Education Service Windang Surf Life Saving Club Winmalee Community Preschool Mountains Your Music		
Beat the Bottle Environment Grants	Beat the Bottle in the Bushland Burning Palm Surf Life Saving Club Centenary Institute Green Committee Conservation Volunteers Australia Good for the Hood Host of the Peace Environment Inland Initiative Plastic Free Bondi Plastic Free Bronte Plastic Free Kiama Plastic Free Manly Plastic Free Wollongong Responsible Runners Yarra Bay Beach Surf Rider, Illawarra	Support for community action groups to run waterway and beach clean-up events	30,000[15]
Donations	Payroll donations to 124 charities	Dollar-matching employee donations	108,963

[15] Amount includes cash and in-kind contribution.

Promotions

We develop a wide range of communication materials to inform, educate and engage with more than five million customers through traditional and digital channels.

In 2018–19, we produced 198 reports, newsletters, brochures, fact sheets and other communications collateral for external audiences. Some of these contain information we must communicate to customers to comply with regulatory requirements. Others inform or educate our customers and the community about our water, recycled water, wastewater and stormwater services.

Our most widespread communications are our quarterly customer newsletters, *Water wrap* and *Business update*. We send these all to residential and non-residential customers with their quarterly bill, to enable us to communicate information about water quality, payment assistance, complaints procedures and pricing. We also use these newsletters to provide information on customer programs, campaigns and initiatives.

With over 5.79 million page views in 2018-19, the Sydney Water website sydneywater.com.au continued to provide customers with information and transactional experiences. Although most website visits are still on a desktop (58%), the use of mobile phones (35%) and tablets (7%) continues to increase, so we've made our website fully mobile responsive.

We also run promotional campaigns throughout the year to:

- educate customers about water efficiency initiatives
- encourage the community to drink tap water over bottled water
- raise awareness of the issue of plastic pollution in our waterways
- continue to drive behavioural change around wastewater system health.

We continue to engage with our customers and stakeholders through digital channels. This is reflected in increased engagement results. Our social media presence across Facebook, LinkedIn, Instagram and Twitter has seen a 15.4% increase in the last 12 months. An increase in paid media spend and running our water efficiency campaign has provided the platform for us to drive additional traffic to our pages and retain engagement.

We've updated our campaigns and education microsite to lovewater.sydney, expanding its relevance and promoting awareness of our water efficiency program and associated activities. The 2018 redevelopment of the microsite created an enhanced, scalable solution that allows us to present program content in an engaging format. The new site will harness existing and emerging technologies to drive behavioural change, educate the public, engage and empower people to take action, attract and retain new visitors, and convert visitors to mission-related goals (including surveys, pledges and peer education).

We try to ensure a consistent, repeatable customer experience across all our communications. At the same time, we focus on giving customers the information they want and need, when they want and need it, using the channels they understand and can relate to. We'll continue to develop communication collateral for CALD communities, as we know that about one third of members speak a language other than English at home. We've produced multilingual brochures with general customer information. Where relevant, we also translate information and campaign messaging in our five key languages.

Privacy principles

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

We:

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

In 2018–19, we:

- processed 142 privacy matters, which included:
  - 137 general privacy enquiries, of which six were raised by external parties
  - investigating five privacy complaints, using NSW Privacy Commissioner protocols
- conducted 11 privacy impact assessments
- completed a review of our privacy policy and published it to the intranet
- provided input into and reviewed internal policies and training materials relating to privacy
- celebrated Privacy Awareness Week by promoting general privacy principles to employees
- presented to work groups to promote better understanding of privacy
- participated in Privacy Practitioner's Network events.

Managing our workforce

Organisation structure

Table 11: Organisation structure at 30 June 2019

Chairman: Bruce Morgan

Managing Director: Kevin Young

Non-executive Directors: Dr Abby Bloom, Trevor Bourne, Richard Fisher AM, Dr Marlene Kanga AM, Greg Couttas, Cameron Robertson, Craig Roy

Interim General Counsel and Corporate Secretary: Kate Olgers

Customer, Strategy and Regulation **General Manager:** Sian Leydon	• Communications and Public Affairs • Corporate Strategy and Business Planning • Customer Direction and Experience	• Competition and Regulation • Long-Term Strategy
Liveable City Solutions **General Manager:** Paul Plowman	• Asset Knowledge • Delivery Management • City Growth and Development	• Integrated Systems Planning • Service Planning and Asset Strategy
Customer Delivery **Acting General Manager:** Bernie Sheridan	• Customer Services • Networks • Production	• Group Programs and Assurance
People and Corporate Services **General Manager:** Angela Tsoukatos	• Audit and Assurance • Business Connect • Legal and Corporate Secretariat	• People and Change • Risk • Safety and Wellbeing
Finance Services **Chief Financial Officer and General Manager:** Kevin Jones	• Commercial Assurance • Commercial Performance • Business Relationship Management	• Finance Transformation • Supply Chain and Property
Digital Business **Chief Information Officer and General Manager:** George Hunt	• Business Engagement • Digital and Corporate Solutions • Digital Assurance and Compliance	• Digital Infrastructure • Digital Experience • Customer Experience Platform (CxP) Program

Work health and safety

Sydney Water continued to prioritise safety and wellbeing. This financial year coincided with implementing the two-year Safe and Well Together Strategy 2.0. The strategy focuses on :

- lifting the safety maturity of the organisation, specifically by improving decision making
- introducing new and simple frameworks
- enhancing our safety
- leadership capabilities
- improving our business partnering for both employees and contractors.

It was also supported by business group strategies that target areas of improvement and focus at an operational level. In 2018–19, these strategies delivered results that included:

- reducing injuries (35% fall in employee injuries)
- improving the control environment (46% fewer high-potential incidents)
- reducing injury management (10% fall in workforce incapacity)
- improving workers compensation performance (18% fewer claims)
- increasing employee engagement with safety initiatives (80% safety engagement).

There has also been a concerted effort to improve wellbeing at Sydney Water. A recent Psychosocial Safety Climate (PSC)[16] survey indicated that Sydney Water was a low-risk organisation for exposure to psychosocial hazards that can result in poor psychological health.

This result was achieved through implementing a wellbeing strategy, with initiatives and outcomes including:

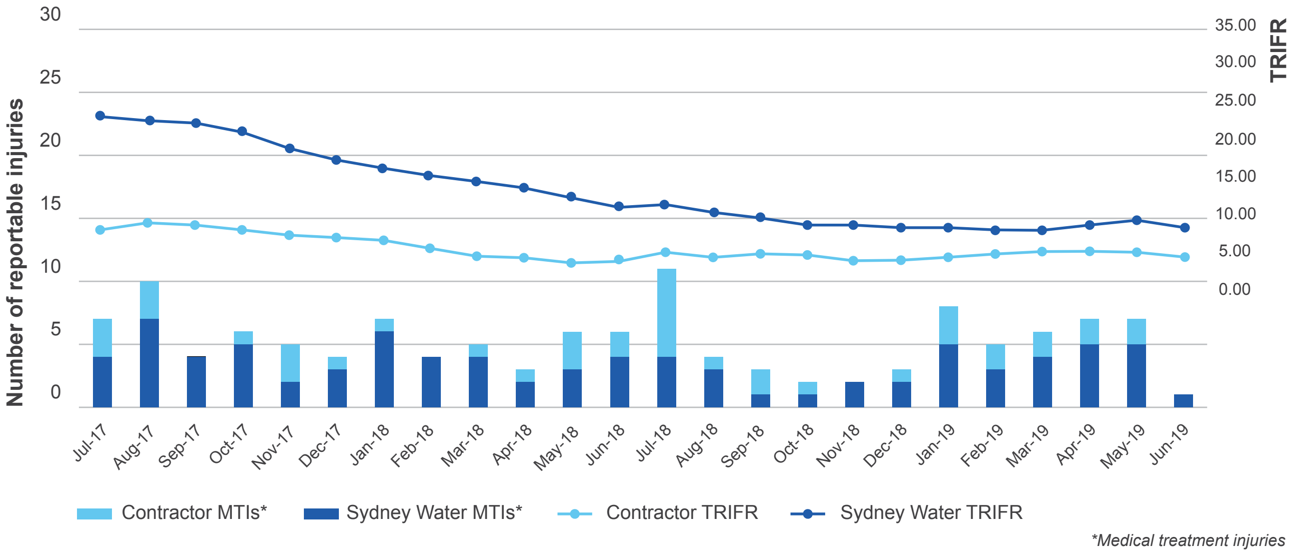
- introducing the 'My wellbeing my way' program
- using a new provider for the Employee Assistance Program, which now offers a broader range of services (use of the program rose from 3% to 20% of employees)
- introducing a Fitness Passport for all employees
- launching a thriving wellbeing champion program
- educating management in psychological risk factors and how to respond to issues that affect mental health in the workplace
- rolling out mental wellbeing awareness to all employees
- considering psychological risks in change programs
- running 'wellbeing at work' events.

Sydney Water has experienced a significant improvement in safety and wellbeing performance in the past two years. We recognise that the trajectory for improvement is plateauing, as indicated by Figure 2 and Figure 3. The next iteration of the Safety and Wellbeing Strategy is currently being finalised. This will provide the organisation with the next step change in performance and maturity.

[16] PSC is 'the shared belief held by workers that their psychological safety and wellbeing is protected and supported by senior management'. It has been adopted by Safe Work Australia and is the basis of the Australian workplace barometer. It has been developed to set national benchmarks and provide evidence needed to provide best-practice standards. (Bond, S, A., Tuckey, M, R & Dollard, M, F. (2010) 'Psychosocial safety climate, workplace bullying, and symptoms of posttraumatic stress', *Organization Development Journal*, vol. 28, no. 1, pp. 37-56.)

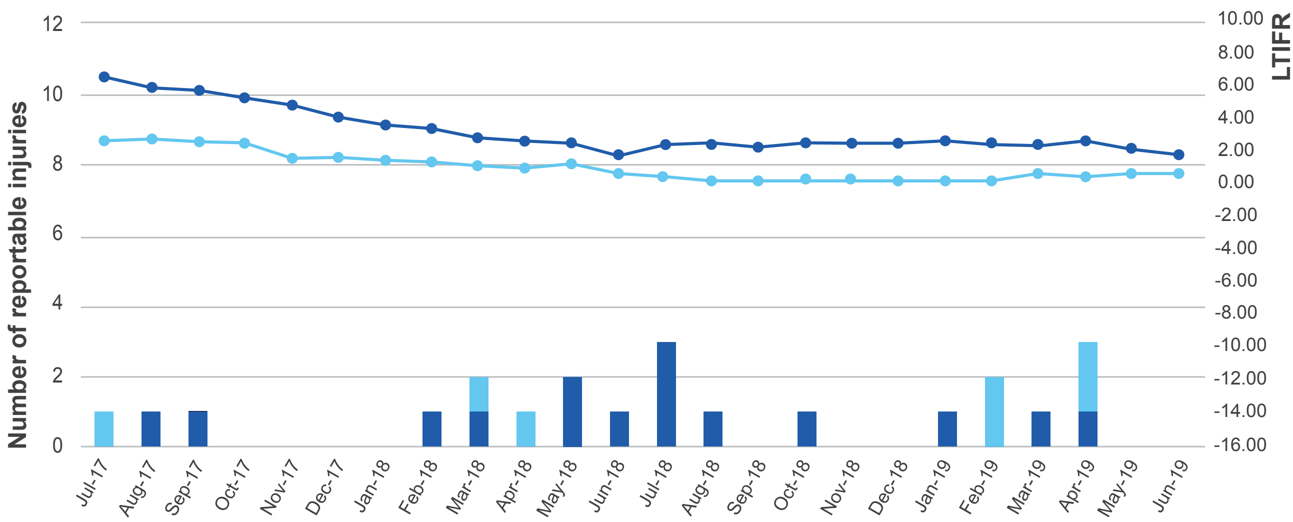
The employee TRIFR decreased from 11.5 in 2017–18 to 8.6 in 2018–19. The number of employee injuries fell by 32%.

Figure 2: TRIFR for employees and contractors, 1 July 2017 to 30 June 2019



The employee Lost Time Injury Frequency Rate (LTIFR) has remained steady at 1.7 in 2017–18 and 1.9 in 2018–19. There were seven LTIs in 2017–18 and eight in 2018–19.

Figure 3: LTIFR for employees and contractors, 1 July 2017 to 30 June 2019



Notes:

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

Workforce diversity

Statistical information on workforce diversity target groups

Table 12: Trends in the representation of workplace diversity groups[17]

Workforce diversity group	Target/ benchmark (%)	2014–15		2015–16		2016–17		2017–18		2018–19	
		No.	(%)	No.	(%)	No.	(%)	No.	(%)	No.	(%)
Women	50	776	29.9	808	30.9	836	32.6	847	33.2	943	35.3
Aboriginal and Torres Strait Islander peoples	2.6[18]	27	1.0	25	1.1	26	1.0	22	0.9	25	0.9
People whose first language is not English	19	445	17.2	425	16.3	398	15.5	379	14.8	360	13.5
People with disability	N/A[19]	59	2.3	49	1.9	40	1.6	35	1.4	32	1.2
People with disability requiring a work-related adjustment	1.5	14	0.5	13	0.5	12	0.5	8	0.3	5	0.2
Total employees			**2,593**		**2,611**		**2,564**		**2,550**		**2,669**

Table 13: Trends in the distribution of workforce diversity groups[20] – distribution index[21]

Workforce diversity group	Benchmark/ target	2015	2016	2017	2018	2019
Women	100	98	100	99	99	97
Aboriginal and Torres Strait Islander peoples	100	76	77	85	86	92
People whose first language is not English	100	106	106	105	109	111
People with disability	100	91	91	93	98	100
People with disability requiring a work-related adjustment	100	N/A	N/A	N/A	N/A	N/A

17 Employee numbers at 30 June 2019.

18 This is the minimum target by 2020.

19 The percentage employment levels are reported, but a benchmark level has not been set.

20 The information was provided by the NSW Public Service Commission.

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

Initiatives to remove discrimination in employment and promote workforce diversity

Diversity and Inclusion Plan 2015–20

We're committed to having a safe, inclusive and healthy environment where everyone can bring their true selves to work serving our customers. Our *Diversity and Inclusion Plan 2015–20* guides us in building a diverse and inclusive workforce.

Our strategic focus areas over the past three years have been flexibility and gender diversity. Since 2018, we've extended this focus to creating more opportunities for Aboriginal and Torres Strait Islander peoples.

To achieve our strategic objectives, we've set diversity targets for the organisation. We continue to measure and report on these targets monthly.

Our Diversity and Inclusion Taskforce is made up of members from across the organisation. They are ambassadors for diversity, who influence and champion our *Diversity and Inclusion Plan 2015–20*.

Women in the workforce

We've continued to make progress towards gender equity, with an 18% improvement in the representation of women in the workforce over the past five years.

We've also increased the number of women in senior leadership to 39.2% and made significant inroads into reducing our gender pay gap, which is currently 1.73% for employees on individual employment contracts.

We continue to conduct succession planning across Sydney Water, taking an inclusive and non-biased approach to ensure we have a gender-balanced succession plan and talent pipeline. We also monitor gender representation at all stages of our recruitment process.

In 2019-20, to support women in science, technology, engineering and mathematics (STEM), we'll focus on establishing networks. This includes a mentoring program for women in STEM and operations roles.

We trialled a team-based flexibility program in late 2018. We're also training 'Flex Champions' to support our teams in having conversations about flexible work that consider and balance outcomes for individuals, teams and the business.

Aboriginal and Torres Strait Islander opportunities

We launched our first RAP with Reconciliation Australia. Our Innovate RAP is a two-year plan that outlines our commitment to practical actions that build respectful relationships, foster inclusion and create opportunities for Aboriginal and Torres Strait Islander peoples.

An RAP Working Group has been set up with employees from different business units. The group works on the initiatives outlined in our RAP. This year, an Acknowledgement of Country guide was created for all employees and managers to use and to help build their awareness of the significance of this protocol. We also continue to celebrate NAIDOC Week.

Table 14: Workforce numbers

Human resources*	2014–15	2015–16	2016–17	2017–18	2018–19
Full-time equivalent – permanent	2,376	2,228	2,203	2,172	2,217
Full-time equivalent – temporary	72	145	164	200	260
Full-time equivalent – part-time	110	140	94	94	95
Total	**2,558**	**2,513**	**2,461**	**2,466**	**2,572**
Other					
Agency employees	167	191	357	280	269
Redundancies	46	35	96	46	79
Appointments	230	214	263	288	427
Average turnover (%)	4.0	4.8	6.6	8.2	6.1
Unplanned absences (%)	8.6	7.9	7.5	7.7	7.5

***Calculations:**

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

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

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

Employee and industrial relations

We've strengthened our efforts to ensure employees are engaged in reshaping Sydney Water for the future. Employees continue to contribute to significant change across the organisation.

This is supported by our union engagement model, which has served us well for several years. The Fair Work Commission provided ongoing support to work through challenges the unions and Sydney Water faced in 2018–19.

Our ability to take the organisation forward in a constructive and cooperative manner bears testament to the goodwill between all parties involved.

Executive officers

Table 15: Executive remuneration 1 July 2018 to 30 June 2019

PSSE band equivalent[22]	2017–18		2018–19		Average remuneration ($)	
	Female	**Male**	**Female**	**Male**	**2017–18 ($)**	**2018–19 ($)**
Above Band 4 equivalent	0	1	0	1	786,852	806,523
Band 4 equivalent	0	0	0	0	–	–
Band 3 equivalent	2	4	3	3	405,251	401,736
Band 2 equivalent	8	18	6	19	285,595	292,120
Band 1 equivalent	47	116	45	94	211,493	217,629
Total	**57**	**139**	**54**	**117**		
Grand total	**196**		**171**			

[22] Sydney Water does not use Public Sector Senior Executive (PSSE) remuneration package ranges. For 2018–19, we reported in line with the regulatory definition, to include People Manager remuneration equivalent to the total remuneration package of the PSSE bands. At 30 June 2019, around 11% of our employee-related expenditure was for employees remunerated at an equivalent level to the PSSE bands, compared with 13% at the end of 2017–18.

Consultant engagements

Table 16: Payments to consultants[23] for engagements valued at over $50,000, 1 July 2018 to 30 June 2019

Vendor name	Contract description	Category	Amount ($)
EY	Hub transition and workforce planning	Organisational review	202,876.63
EY	Production Improvement Program reset and review	Organisational review	68,358.00
Ironstone Capital Pty Ltd	Advisory services relating to the indicative offer stage	Finance and accounting/tax	233,200.00
AECOM Australia Pty Ltd	Energy consulting services	Management services	68,700.00
Cambridge Economic Policy Associates Pty Ltd	External evaluation of Sydney Water Customer Engagement Plan	Management services	70,000.00
Synergies Economic Consulting Pty Ltd	Drought response consulting	Management services	107,117.39
Monash University	Laboratory and field trial of cured-in-place pipe lining	Management services	73,330.00
Total			**823,582.02**

In 2018–19, we engaged 26 consultants for $50,000 or less, totalling $356,192.11.

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

Overseas travel

Table 17: Overseas travel, 1 July 2018 to 30 June 2019

Date of travel	Name	Destination	Purpose
7–12 July 2018	D. Cash	Singapore	To attend Singapore International Water Week to share our experience of transitioning to a customer-centric business through its Customer Hub initiative. Sydney Water funded the travel.
6–13 July 2018	G. Hunt S. Pydipati	India	To support WIPRO and SAP delivery in the development of Sydney Water's project of state significance, the Customer Experience Platform. Sydney Water funded the travel.
23–27 July 2018	H. Bustamante	Colorado	To share our research into dewatering at the Water Research Foundation's Dewaterability workshop and to collaborate with industry stakeholders to identify new areas for research. The Water Research Foundation funded the travel.
12–23 September 2018 and 1–8 March 2019	K. Silvester	Tokyo and Vienna	To represent Sydney Water at two International Water Association taskforce meetings relating to the United Nations Sustainable Development Goals and to participate in the 2018 World Water Congress. Sydney Water funded the travel.
1–11 March 2019	H. Liossis R. Koey C. Raynor J. Radhakrishnan P. Janardhanan J. Sylvester N. Schaeper A. Bidkar P. Bajwa	India	To implement a sanitation solution in India and learn from our international partner WaterAid, following the success of 'Team Praan' in the 2018 WaterAid Water Innovators Global Challenge. WaterAid funded the travel.
7–14 April 2019	S. Leydon	London	To represent Sydney Water at the Global Water Summit to gain knowledge and insight into how digital disruption is impacting the water sector. Sydney Water funded the travel.

Running a successful business

Risk management

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

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

Our framework is consistent with the risk management standard AS ISO 31000:2018 – *Risk management – Principles and guidelines*, and we voluntarily conform to *TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector*.

Our *Risk and opportunity management policy* includes the Sydney Water Board risk appetite statements, which help us:

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

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

Table 18: Summary of enterprise risks, 1 July 2018 to 30 June 2019

Corporate Strategy objective	Risk theme	Risk description:
Customer at the heart	Customer sentiment and experience	Fail to meet customer expectations, needs and values impacts on our social licence to operate and decreases our customer and shareholder value propositions
	Customer experience platform (CxP)	Fail to deliver or late delivery of a fit-for-purpose billing and customer management system damages corporate reputation
World class performance	Asset planning and delivery	Fail to plan and deliver critical infrastructure impacts on achievement of product and service objectives
	Asset operations	Fail to sustain critical operations and manage reasonably foreseeable business interruptions
	Digital systems	Fail to manage and protect our key digital assets compromising critical information and disrupting services
High performance culture	Public health	Fail to manage events that could lead to serious impacts to public health
	Safety and wellbeing	Fail to prevent serious, multiple or repeated injuries or deaths to the workforce and public
	Environment	Significant event or pattern of systemic events result in breach of environmental obligations

Insurance

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

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

We review the insurance program every year to ensure it:

- is appropriate for our risk appetite
- is relevant
- is effective
- has good breadth of coverage across transferable and insurable risks.

Legal events

The key changes in law that impacted Sydney Water from 1 July 2018 to 30 June 2019 were:

Heavy Vehicle National Law (NSW)

The *Heavy Vehicle National Law* (NSW) was amended on 1 October 2018 from a reactive, to a proactive regulatory regime.

Before 1 October 2018, parties in the heavy vehicle transport supply chain were deemed to be liable if a heavy vehicle incident occurred. Since then, every party in the heavy vehicle transport supply chain has a duty to ensure, so far as is reasonably practicable, the safety of its heavy vehicle transport activities. As such, a breach of the law may arise by not removing a risk of a heavy vehicle incident.

Executive officers must also exercise due diligence to ensure Sydney Water complies with its duty.

Security of Critical Infrastructure Act 2018 (Cth)

The *Security of Critical Infrastructure Act 2018* (Cth) commenced on 11 July 2018. This Act introduced three key measures to manage national security risks relating to the water sector. The measures:

- require Sydney Water to establish an asset register to report on ownership and control of water-related assets
- enable the Secretary of the Department of Home Affairs to obtain more detailed information from Sydney Water and other operators of water assets
- enable the issuing of ministerial directions to Sydney Water and other operators to mitigate national security risks, where they cannot be addressed through other means.

Modern Slavery Act 2018 (Cth)

The *Modern Slavery Act 2018* (Cth) came into force on 1 January 2019. This Act sets out a mandatory reporting regime for organisations, including the steps they must take to respond to the risk of modern slavery in their operations and supply chains. The first reporting year is 1 July 2019 to 30 June 2020, with reports due by 1 December 2020.

'Modern slavery' refers to situations where people are being exploited (for example, through debt bondage). It does not include such things as underpayment or substandard working conditions.

Sydney Water is acting to manage these regulatory changes.

Research and innovation

Sydney Water invests in research and innovation (R&I) to improve efficiency, effectiveness and the quality of decision-making across the business. The key drivers of our R&I program are:

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

We've developed a new *Research and Innovation Strategy – Towards 2020 and Beyond* to guide future investment in R&I.

During 2018–19, Sydney Water was the 2018 Australian Museum Eureka Prize winner for developing an analytical tool that predicts pipe failures. This will help prioritise the selection of pipes for maintenance, reduce costs and minimise disruption to water supplies. We also won the 2018 Smart City Awards' Best Community Initiative.

We report continuing and completed R&I activities, together with the resources allocated to activities that meet the eligibility criteria under subdivision 355-B of the *Income Tax Assessment Act 1997* (Cth).

We invested $3.5 million on over 15 R&I projects, in collaboration with local and international universities and research service providers.

Table 19: R&I investments made during 2018–19

Project name	Collaborator/s	Investment[24] ($) (2018–19)
Trial of new nitrification management approach for chloraminated systems	Western Sydney University	92,518
Water quality forecasting	University of New South Wales	12,699
Design and development of new and improved water treatment techniques	University of New South Wales and University of Technology Sydney	440,260
Management of concrete corrosion and odour emissions from sewers	University of Sydney and Macquarie University	171,457
Critical pipeline failure prediction	University of Technology Sydney, University of Newcastle, Monash University and CSIRO	158,365
Research on biosolids re-use and management	University of Technology Sydney	65,232
Research on co-digestion	University of Wollongong	59,105
Woronora distribution system optimisation	CSIRO	2,171
Predictive analytics for sewer corrosion	University of Newcastle, University of Technology Sydney and CSIRO	16,761
Development of a wet weather overflow abatement strategy	University of New South Wales, University of Melbourne and La Trobe University	359,271
Contaminated Land Risk Ranking Solution	CH2M Hill and ENSure JV	292,070
Sodium ion batteries	University of Wollongong	40,523
Developer CX	N/A	17,371
Customer Operations Hub	N/A	124,721
Sustaining IOT POV	N/A	821,804
R&I Project Support	N/A	810,454
Total		**3,484,782**

Table 20: Significant amendments to projects reported for the previous financial year

Project name	Collaborator/s	Previously reported investment for 2017–18 ($)	Revised investment for 2017–18 ($)
New Material Innovation	University of Sydney, Monash University, University of Waterloo and Water Services Association of Australia	25,379	218,219
Customer Operations Hub	N/A	811,170	3,418,287
Geospatial Water Service Planning Tool	N/A	N/A	496,431

[24] The information included is based on cost estimates at 30 June 2019 and may be subject to change.

Heritage delegation actions

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

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

Table 21: Decisions made under the Heritage Council of NSW delegation, 1 July 2018 to 30 June 2019

Site	Work completed
Decision approved under section 60	
Prospect Reservoir and site	Roof replacement and structural repairs at History Cottage
Bombo Headland Quarry	Geotechnical and remediation works, fencing and planting
Pressure tunnel and shafts	Electrical upgrade works
Wastewater Pumping Station No. 67 (SPS 67)	New submersible pump and HV transformer
Prospect Reservoir and site	Changes to cottage gardens, fencing and site entry
Decision approved under section 57(2) standard exemptions	
Ryde Pumping Station and site	Archaeological test pits (4)
Botany Wetlands	Geological investigations (7)
Botany Wetlands	New groundwater well (7)
Ryde Pumping Station and site	Temporary scaffold (7)
Potts Hill Reservoirs 1 and 2 and site	New automated access gate (7)
Decision approved under section 139(4) exceptions	
Parramatta (Phillip, Smith and Charles streets)	Geotechnical works

Capital expenditure

Our capital works program aims to:

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

In 2018–19, Sydney Water spent about $897 million on capital works, which was 2% over the $878 million budget.

Table 22: Major capital works projects completed, 1 July 2018 – 30 June 2019

Project	Project benefits
Wastewater main renewals (outputs achieved in 2018–19)	We renewed 4.3 km of key wastewater mains that were near the end of their service life to reduce the impact of failures on the community and the environment. We rehabilitated 24.3 km of reticulation wastewater mains to reduce dry weather and repeat overflows affecting customers.
Water main renewals (outputs achieved in 2018–19)	We renewed 21.9 km of water reticulation mains and an additional 2.6 km of critical water mains to maintain water supply and reduce interruptions.
Picton Sewerage Scheme Amplification (Stage 2)	We amplified and upgraded the Picton Water Recycling Plant and new wastewater pumping station to provide for growth, including a lead-in main, pump station upgrade and plant upgrades.
South West Growth Centre – First Release Precincts (Turner Road)	We provided water-related infrastructure to service new customers in the first release precincts of the South West Growth Centre.
Strangers Creek Trunk Drainage Construction	We rehabilitated the Strangers Creek waterway to manage the impacts of urbanisation, increase available land for development and manage flood risk.
Servicing growth at Calderwood	We provided water and wastewater services for new customers in Calderwood.
Marsden Park Residential Servicing (Stage 1)	We provided wastewater infrastructure to support residential growth (SP1160).
Oran Park Wastewater Servicing (Stage 2), Package 1	We provided wastewater services for new customers in Oran Park and South Catherine Fields.
Woolloomooloo Wastewater Stormwater Separation Project	We eliminated the combined wastewater system to improve the environmental health of Woolloomooloo Bay.
Box Hill Package 3C Lot 1	We delivered drinking water and wastewater infrastructure within the Box Hill precinct.
Southwest Priority Growth Area – Liverpool CBD Phase 1	We provided wastewater infrastructure to service growth of new dwellings in the priority servicing area of Liverpool CBD.

Table 23: Major capital works in progress as at 30 June 2019

Project	Forecast completion date	Budget ($m)	Cost to date ($m)	Details of any expected significant costs overruns, amendments or delays
Riverstone Wastewater Treatment Plant Upgrade (Stage 1): to increase the capacity at the plant to meet licence requirements and provide for growth in the catchment. Upgrade to 14.2 ML/d treatment capacity	October 2019	125	120	Project on budget, but delayed due to need to complete minor works (asset is operational)
Malabar Wastewater Treatment Plant Improvement Program: to improve reliability, capability and performance of the plant	December 2019	116	108	Project on budget, but delayed due to need to complete minor works (asset is operational)
South West Growth Centre (SWGC) – Second Release Precincts (Water): upgrading a water pumping station and providing new water booster stations and pipelines to service Austral and second-release precincts including Leppington	September 2019	18	17	Project on budget, but delayed by three months due to delays in land allocation and completion of earthworks by the developer
Quakers Hill/St Marys Water Recycling Plant Process and Reliability Renewal: to maintain reliability and increase the plant's capacity to service growth	June 2021	354	154	–
Wastewater treatment plant renewals: continuing to replace equipment near the end of its service life	Ongoing	61/year[25]	Ongoing	–
Water treatment plant renewals: continuing to replace equipment near the end of its service life	Ongoing	7/year[25]	Ongoing	–
Information technology projects: continuing minor projects to reduce operating expenditure, renew IT systems and equipment, and deliver new systems and capabilities. Major projects include a new billing system	Ongoing	89/year[25]	Ongoing	–
Wastewater reticulation and wastewater trunk main renewals: continuing to replace and rehabilitate wastewater mains near the end of their service lives, to reduce the impact of failures on the community and the environment	Ongoing	79/year[25]	Ongoing	–

[25] Denotes the five-year average in nominal dollars.

Project	Forecast completion date	Budget ($m)	Cost to date ($m)	Details of any expected significant costs overruns, amendments or delays
Water reticulation and water trunk main renewals: continuing to replace water mains near the end of their service life to reduce interruptions to supply	Ongoing	70/year[26]	Ongoing	–
Green Square Trunk Stormwater Drainage: increasing stormwater drainage capacity in the Green Square town centre to reduce the risk of flooding and facilitate development	September 2019	74	62	Project on budget, but delayed by three months due to final relocation works (asset is operational)
Marsden Park Industrial Wastewater Servicing Stage 1 (SPS1173): delivering wastewater services in Marsden Park industrial and adjacent precincts	October 2019	39	31	Project on budget, but delayed by two months due to site issues that require completion of minor works
Leppington and Leppington North Wastewater Stage 2: providing wastewater infrastructure to support growth	August 2019	22	20	Project on budget, but delayed by four months due to property access issues in constructing lead-in main
SWGC South Western Front Water Trunk Main Package 1A: providing new drinking water infrastructure in the area	October 2019	64	51	–
SWGC South Western Front Drinking Water Package 2A: providing new drinking water infrastructure in the area	March 2020	13	0	–
Schofields SP1202 Pressure Main and Gravity Main (Package 3, Work Lot C4): providing wastewater services for new customers in Schofields	December 2019	20	8	Project on budget, but delayed by 10 months due to the discovery of significant groundwater at the site
Rouse Hill Area 20 Water (Package 3, Work Lot C3): providing water services for new customers in Area 20 of Rouse Hill	October 2019	15	8	Project on budget, but delayed by 16 months due to the need to change route required to prevent deep boring underneath recently upgraded major road
Western Sydney Aerotropolis Water Retic: providing initial water services to facilitate construction of Western Sydney Airport	October 2019	16	7	–

[26] Denotes the five-year average in nominal dollars.

Project	Forecast completion date	Budget ($m)	Cost to date ($m)	Details of any expected significant costs overruns, amendments or delays
Spring Farm Urban Release wastewater: providing infrastructure to service growth in the Spring Farm urban release area	November 2019	10	4	Project on budget, but delayed by seven months due to a change in contractor design, driven by local site constraints relating to power lines
City Area 30 Stormwater Renewal: renewal of assets in the City Area 30 stormwater catchment	August 2022	20	2	–
Johnsons Creek Stormwater Renewal: renewing the channel with sandstone and native vegetation over a linear length of 600 m	August 2021	23	1	–
Rouse Hill Growth Amplification Phase 1: upgrading the wastewater treatment plant to address capacity, reliability and performance issues	August 2021	32	2	–
Riverstone Growth Amplification (Primary Treatment): increasing primary treatment at Riverstone Wastewater Treatment Plant, as part of the Rouse Hill and Castle Hill Growth Strategy	August 2020	16	2	–
Reservoir Renewal and Reliability Program: continuing to ensure reservoirs and associated equipment operate at the lowest costs while complying with regulatory requirements	Ongoing	18/year[27]	Ongoing	–
Wastewater pumping station renewals: continuing to replace equipment near the end of its service life	Ongoing	23/year[27]	Ongoing	–
Water pumping stations: continuing to improve reliability and safety and minimise the life cycle costs of water pumping stations	Ongoing	19/year[27]	Ongoing	–
SCADA and IICATS upgrades, and related electrical upgrades for plants and network	Ongoing	18/year[27]	Ongoing	–
Meter replacement program: improving measurement and monitoring of water volume and service reliability	Ongoing	14/year[27]	Ongoing	–

[27] Denotes the five-year average in nominal dollars.

Drivers of planned capital expenditure for the next financial year

Our capital works budget for 2019–20 is $852 million. This figure is nominal and does not include capitalised borrowing costs. The drivers of planned capital expenditure are:

- $467 million for renewing and rehabilitating assets to meet system performance regulations and customer service levels
- $328 million for developing new water, wastewater, recycled water and stormwater infrastructure to meet the needs of urban growth in both infill (existing) and greenfield (new) areas, including the North West and South West growth sectors
- $57 million for business efficiency measures, such as information technology or energy saving projects that reduce operating expenditure, and new regulatory standards, such as those relating to wastewater system performance under environmental protection licences.

Between 2019–20 and 2023–24, we'll deliver a capital works program of about $5.76 billion in nominal (escalated) dollars.

For more information on our environmental, financial and social performance throughout the year, please see sydneywater.com.au/reports.

Chapter 3

Financial statements

Financial performance

Performance summary

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

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

During 2018–19, our net profit after tax (NPAT) was $479 million, about $18 million below the SCI target of $497 million. We recognised a dividend of $915 million, which was $27 million lower than the SCI target of $942 million. The decrease in profit was due to a higher operating expense of $123 million (including higher bulk water purchase costs of $21 million) and higher asset charges of $19 million, which were partly offset by higher revenue of $118 million.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year were $1,456 million, $5 million under the SCI target of $1,461 million.

Table 24: Profit and loss statement, 2015–16 to 2018–19

Financial performance target	2015–16 result	2016–17 result	2017–18 result	2018–19 result	2018–19 SCI budget	2018–19 variance to SCI budget
Total income ($m)	2,844	2,659	2,898	2,927	2,809	118
Operating expenses ($m)	1,357	1,310	1,336	1,471	1,348	(123)
Earnings before interest, tax, depreciation and amortisation (EBITDA) ($m)	1,487	1,349	1,563	1,456	1,461	(5)
Depreciation, amortisation, impairments and loss on asset sales ($m)	276	284	303	317	298	(19)
Borrowing expenses ($m)	428	430	446	457	455	(2)
Total expenses ($m)	2,061	2,024	2,085	2,245	2,102	(143)
Net profit before tax (NPBT) ($m)	783	635	814	682	707	(25)
Income tax expense ($m)	235	188	242	203	211	8
Net profit after tax (NPAT) ($m)	548	447	572	479	497	(18)
Dividend ($m)	389	291	546	915	942	27

Financial performance target	2015–16 result	2016–17 result	2017–18 result	2018–19 result	2018–19 SCI budget	2018–19 variance to SCI budget
Return on assets (%)	7.2	6.0	6.8	5.8	6.0	(0.2)
Funds flow from operations	687	648	880	672	793	(121)
Funds flow interest cover (times)	2.3	2.5	3.2	2.6	2.9	(0.3)
Capital investment program[28] ($m)	681	602	790	833	811	(22)
Gearing ratio (%)	49	50	50	55	55	0

Income

- Total income for the year was $2,927 million, $118 million above the SCI target of $2,809 million.
- Regulated income was $2,598 million, $15 million above the SCI target of $2,583 million. This was due to higher wastewater usage income compared to the target.
- Non-regulated income was $329 million, $102 million above the SCI target of $227 million. This was due to higher receipts of free assets from developers ($66 million) and recognition of a $10 million government grant for the Green Square stormwater project.

Property sales

During 2018–19, we sold 18 properties that were surplus to our needs at a total gross sale price of $7.4 million. We completed all sales in line with accepted NSW Government disposal standards and guidelines. Members of the public can request access to documents regarding property disposal according to the *Government Information (Public Access) Act 2009* (NSW).

Expenditure

Our operating expenses for the year were $1,471 million, $123 million above the SCI target of $1,348 million. This was mainly due to:

- $24 million for the one-off restart of the Sydney Desalination Plant (SDP) and ongoing operational costs
- $37 million in drought-related expenses (including $24 million for maintenance relating to leaks and breaks)
- $9 million spent on the Northmead pumping station incident
- $24 million for reactive environmental and safety programs
- $457 million for total annual borrowing expenses (interest expense and government guarantee fees), which was $2 million above budget
- $203 million for our annual income tax expense, which was $8 million below the SCI target of $211 million
- $317 million in total annual asset charges (depreciation, amortisation and impairments), which was $19 million above the SCI target of $298 million. This was driven by greater capitalisation of digital projects in 2018–19 and the higher-than-normal transfer of free assets from developers.

Time for payment of accounts

Sydney Water did not pay any penalty interest payments during 2018–19 for late payments to creditors.

[28] The capital investment program numbers exclude unregulated capex and capitalised borrowing costs.

Funds flow from operations

Cash (funds flow) from our operations in 2018–19 was $672 million. This was $121 million lower than our target, due to lower water sales and high operating costs, driven mainly by drought-related activities, the cost of restarting the SDP, and funds provided for environmental and safety programs.

Funds flow from operations interest cover

The funds flow from operations interest cover ratio was 2.6. This was below the target of 2.9 due to a combination of lower water sales income and high operating costs, as mentioned above.

Investment management

We benchmark our investment portfolio's performance against the NSW Treasury Corporation's cash investment facility. This meets NSW Treasury guidelines and increases our investment returns while maintaining risk controls. In 2018–19, we had no financial investments, as we used surplus cash to minimise debt.

Debt management

At 30 June 2019, we had $35 million in the bank and our total debt was $9 billion. Our debt portfolio was sourced through NSW Treasury Corporation and we actively manage it to limit the cost of funds. Additionally, 68% of our total debt was fixed-rate debt maturing out to 2041, with the remaining 32% inflation-indexed debt maturing out to 2035.

Table 25: Debt management, 1 July 2018 to 30 June 2019

	Sydney Water	Benchmark
Market valuation at 30 June 2019[29] ($m)	9,802	9,574
Generalised cost of funds 2018–19 (%)	7.09	5.43
Weighted average cost 2018–19 (%)	5.69	5.50

Cash flow

- Cash receipts from our operations in 2018–19 were $2,585 million, $41 million lower than in 2017–18. This was mostly due to lower water sales in 2018–19.
- Total cash inflows were $3.9 billion, which is $660 million more than in 2017–18, including higher new borrowings.
- We used $1,550 million in cash for operational purposes, which is $101 million (7%) higher than in 2017–18, due to high operational and capital costs driven by drought.
- Total interest paid was $327 million, $9 million higher than in 2017–18. Total interest paid includes interest and the government guarantee fee paid on our borrowings.

Return on assets and equity

Our return on assets for 2018–19 was 5.8%, 0.2% lower than the target of 6.0%. The return on equity was 6.2%, 0.4% lower than the target of 6.6%. This was mostly due to the combination of the high cost of restarting the SDP and drought-driven operating costs.

Budget

Table 26: Budget 2019–20

Measure	Budget 2019–20 ($m)
Total income	**3,063**
Total operating expenses	1,441
Depreciation, amortisation, impairments and loss on asset sales	393
Borrowing costs	498
Total expenses	**2,332**
Profit before tax	**731**
Income tax expense	219
Profit after tax	**512**

29 The maket value of debt represents the value if all debt had to be retired. This is different to the capital value, which is the value in the financial statements.

Exemptions from the reporting provisions

Table 27: List of annual reporting exemptions

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

Pricing

How we set our prices

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

We must set prices according to the IPART-determined maximum price or the IPART-determined methodology for calculating the maximum price. We cannot charge less than the maximum price set by IPART without the NSW Treasurer's approval. In June 2016, IPART published its 2016 price determination for Sydney Water (Determination No. 5, 2016), which sets the prices we can charge for water, wastewater, stormwater drainage and other services from 1 July 2016 to 30 June 2020.

In 2018–19, we set our prices in line with IPART's pricing determinations and recommendations.

New (or upgraded) connection charges

During 2018–19, IPART released a new determination on the maximum prices for connecting, or upgrading a connection, to a water supply, sewerage or drainage system. This 2018 determination replaced those parts of the 2016 price determination that dealt with connection charges for minor service extensions and introduced a new methodology for voluntary upgrades to existing connections. We have complied with this determination.

Recycled water developer charges

Sydney Water has complied with IPART's Determination No. 8, 2006, which sets a methodology for fixing the maximum prices that a water agency may charge for recycled water developer charges.

Table 28: Compliance with *IPART's Determination No. 8*, 2006 – developer charges per ET[30]

Recycled water scheme	Status of Development Servicing Plan (DSP)	Developer charge to be levied (2018–19), $ per ET	Compliance status against the determination
Rouse Hill	Registered	4,328	Compliant
Hoxton Park	Registered	7,682	Compliant
Oran Park/Turner Road	Registered	7,451	Compliant
Colebee	Registered	7,996	Compliant

[30] Equivalent tenement

Table 29: Compliance with *IPART's Determination No. 8*, 2006 – one-off developer charges (lump sum)

Recycled water scheme	Status of DSP	One-off developer charge levied (2018–19, $ million)	Compliance status against the determination
Ropes Crossing	Registered	6.8	Compliant

Other Sydney Water prices

Table 30: IPART pricing table, 1 July 2018 to 30 June 2019

2018–19	IPART-determined price ($)	Adjustments for SDP and Shoalhaven Transfer by IPART-determined method ($)	Inflated IPART maximum prices ($, at the rate of 4.1%)	Sydney Water quarterly prices[a] ($)	
				(2018–19)	
	(2016–17)	(2018–19)	(2018–19)	Jul–Sep quarter	Oct–Jun quarters
Service charges					
Residential premises					
Water					
Metered[b]	89.95	-12.97	80.67	20.19	20.16
Unmetered	449.95	-12.97	455.43	113.88	113.85
Wastewater[c]	583.60		607.52	151.88	151.88
Stormwater (drainage)					
Stand-alone premises	74.77		77.84	19.46	19.46
Multi-premises	23.34		24.30	6.09	6.07
Non-residential properties – water					
Meter size (mm)[d]					
20	89.95	-12.97	80.67	20.19	20.16
25	140.55	-20.27	126.04	31.51	31.51
32	230.28	-33.21	206.51	51.65	51.62
40	359.82	-51.88	322.69	80.68	80.67
50	562.22	-81.07	504.20	126.05	126.05
80	1,439.27	-207.54	1,290.74	322.70	322.68
100	2,248.86	-324.28	2,016.78	504.21	504.19
150	5,059.94	-729.63	4,537.77	1,134.45	1,134.44
200	8,995.44	-1,297.11	8,067.14	2,016.80	2,016.78
250	14,054.69	-2,026.74	12,604.51	3,151.15	3,151.12
300	20,238.75	-2,918.50	18,150.50	4,537.64	4,537.62
500	56,218.75	-8,106.96	50,418.04	12,604.51	12,604.51
600	80,955.00	-11,674.02	72,601.98	18,150.51	18,150.49
Unmetered	449.95	-12.97	455.43	113.88	113.85

2018–19	IPART-determined price ($)	Adjustments for SDP and Shoalhaven Transfer by IPART-determined method ($)	Inflated IPART maximum prices ($, at the rate of 4.1%)	Sydney Water quarterly prices[a] ($)	
	(2016–17)	(2018–19)	(2018–19)	(2018–19)	
				Jul–Sep quarter	Oct–Jun quarters
Service charges					
Non-residential properties – wastewater[c]					
Meter connection charge by meter size (mm)[e,f]					
20	555.26		578.03	144.53	144.50
25	867.59		903.16	225.79	225.79
32	1,421.45		1,479.73	369.94	369.93
40	2,221.02		2,312.08	578.02	578.02
50	3,470.35		3,612.63	903.18	903.15
80	8,884.09		9,248.34	2,312.10	2,312.08
100	13,881.39		14,450.53	3,612.64	3,612.63
150	31,233.13		32,513.69	8,128.43	8,128.42
200	55,525.57		57,802.12	14,450.53	14,450.53
250	86,759.38		90,317.19	22,579.32	22,579.29
300	124,933.50		130,056.75	32,514.21	32,514.18
500	347,037.50		361,268.75	90,317.21	90,317.18
600	499,734.00		520,227.00	130,056.75	130,056.75
Deemed sewerage usage charge	167.15		174.00	43.50	43.50
Unmetered	583.60		607.52	151.88	151.88
Stormwater (drainage)					
Stand-alone premises					
Small (200 m^2 or less)	23.34		24.30	6.09	6.07
Medium (201–1,000 m^2) or low impact	74.77		77.84	19.46	19.46
Large (1,001 –10,000 m^2)	435.71		453.57	113.40	113.39
Very large (10,000 –45,000 m^2)	1,936.52		2,015.92	503.98	503.98
Largest (45,001 m^2 or greater)	4,841.32		5,039.81	1,259.96	1,259.95
Multi-premises	23.34		24.30	6.09	6.07
Usage charges ($/kL)					
Residential premises					
Filtered water	2.00		2.08	2.08	2.08
Non-residential properties					
Filtered water	2.00		2.08	2.08	2.08
Wastewater (> 0.411 kL/day wastewater discharge)[g]	1.11		1.16	1.16	1.16

2018–19	IPART-determined price ($) (2016–17)	Adjustments for SDP and Shoalhaven Transfer by IPART-determined method ($) (2018–19)	Inflated IPART maximum prices ($, at the rate of 4.1%) (2018–19)	Sydney Water quarterly prices[a] ($) (2018–19) Jul–Sep quarter	Oct–Jun quarters
Rouse Hill recycled water supply services ($/kL)					
Recycled water usage charge	1.79		1.86	1.86	1.86

a. Sydney Water's charges applied from 1 July 2018.

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

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

d. IPART's maximum determined water service charge for meter sizes not specified in its determination is calculated using the following formula: (meter size)^2 x 20 mm charge/400.

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

f. IPART's maximum determined wastewater meter connection charge for meter sizes not specified in its determination is calculated using the following formula: (meter size)^2 x 20 mm charge/400 x df%.

g. For non-residential properties, the sewerage usage charge will apply when a property's discharge into the sewerage system exceeds 0.411 kL/day

Notes:

- Other charging arrangements – including Rouse Hill and Kellyville Village stormwater drainage, boarding houses, metered standpipes, trade waste and ancillary charges - were set according to IPART's determined maximum price. Please visit sydneywater.com.au/ourprices to view this information.
- Sydney Water charges one non-residential property a low-impact stormwater drainage charge instead of the Rouse Hill stormwater drainage charge, as approved by the Treasurer in 2014. This is the only non-residential property in the Rouse Hill area that does not receive the benefit of a land size cap or non-residential low-impact charge.
- In the 2016 determination, IPART only determined maximum recycled water usage charges for Rouse Hill. It did not determine prices for our other mandated recycled water schemes of Hoxton Park, Colebee, Oran Park and Turner Road, and Ropes Crossing. Rather, it required that Sydney Water set the prices of these schemes according to its *Pricing Arrangements for Recycled Water and Sewer Mining – SWC, HWC, GSC, WSC 2006*. In line with these guidelines and the price we charge at Rouse Hill, Sydney Water adopted a recycled water charge for the mandated schemes at 90% of the drinking water usage charge.

Auditor-General's statutory audit report

At the completion of the audit of Sydney Water's financial statements for the year ended 30 June 2019, the Auditor-General provided Sydney Water with a statutory audit report as required under the *Public Finance and Audit Act 1983* (NSW).

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

Sydney Water Corporation

Financial Statements
for the year ended 30 June 2019

Contents

Start of audited Financial Statements

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue	1(a)	2,926,086	2,887,928
Other income	1(b)	1,529	10,569
Finance costs	2(a)	(457,006)	(446,427)
Other expenses	2(b)	(1,788,718)	(1,638,460)
Profit before income tax		**681,891**	**813,610**
Income tax expense	3(a)	(203,260)	(241,508)
Profit for the year		**478,631**	**572,102**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property, plant and equipment	4	344,796	261,815
Income tax effect	3(a)	(103,439)	(78,544)
		241,357	183,271
Remeasurement of defined benefit superannuation net liability	11(c)	(176,570)	427,728
Income tax effect	3(a)	52,971	(128,319)
		(123,599)	299,409
Other comprehensive income for the year net of income tax		**117,758**	**482,680**
Total comprehensive income for the year		**596,389**	**1,054,782**

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

Statement of financial position

as at 30 June 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	6	34,608	3,983
Trade and other receivables	7	401,132	349,708
Other current assets	8	16,081	19,443
Current tax asset		5,245	-
		457,066	373,134
Non-current assets classified as held for sale		4,631	10,638
Total current assets		**461,697**	**383,772**
Non-current assets			
Property, plant and equipment	4	19,582,746	18,473,580
Intangible assets	5	297,199	235,632
Total non-current assets		**19,879,945**	**18,709,212**
Total assets		**20,341,642**	**19,092,984**
Current liabilities			
Trade and other payables	9	670,211	638,862
Borrowings and finance lease liabilities	10	99,230	15,966
Current tax liability		-	32,385
Dividends payable	13	320,553	296,490
Provisions	11	186,459	185,173
Deferred Government grants	12	-	350
Total current liabilities		**1,276,453**	**1,169,226**
Non-current liabilities			
Borrowings and finance lease liabilities	10	9,317,522	8,173,064
Deferred tax liabilities	3(b)	1,339,219	1,246,499
Provisions	11	884,981	672,597
Deferred Government grants	12	-	10,000
Total non-current liabilities		**11,541,722**	**10,102,160**
Total liabilities		**12,818,175**	**11,271,386**
Net assets		**7,523,467**	**7,821,598**
Equity			
Share capital	14	3,161,854	3,161,854
Asset revaluation reserve		2,515,607	2,277,625
Retained earnings		1,846,006	2,382,119
Total equity		**7,523,467**	**7,821,598**

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

Statement of changes in equity

for the year ended 30 June 2019

	Note	Share capital $'000	Asset revaluation reserve $'000	Retained earnings $'000	Total Equity $'000
Balance at 30 June 2018 as originally presented		3,161,854	2,277,625	2,382,119	7,821,598
Changes in accounting policy	21	-	-	20,033	20,033
Restated total equity as at 1 July 2018		**3,161,854**	**2,277,625**	**2,402,152**	**7,841,631**
Profit for the year		-	-	478,631	478,631
Other comprehensive income		-	241,357	(123,599)	117,758
Total comprehensive income for the year		-	241,357	355,032	596,389
Transfers between equity items on disposal of assets		-	(3,375)	3,375	-
Total transfers between equity items		-	(3,375)	3,375	-
Transactions with owners in their capacity as owners:					
Dividends recognised	13	-	-	(914,553)	(914,553)
Total transactions with owners in their capacity as owners		-	-	(914,553)	(914,553)
Balance at 30 June 2019		**3,161,854**	**2,515,607**	**1,846,006**	**7,523,467**
Balance at 1 July 2017		3,161,854	2,099,237	2,052,215	7,313,306
Profit for the year		-	-	572,102	572,102
Other comprehensive income		-	183,271	299,409	482,680
Total comprehensive income for the year		**-**	**183,271**	**871,511**	**1,054,782**
Transfers between equity items on disposal of assets		-	(4,883)	4,883	-
Total transfers between equity items		**-**	**(4,883)**	**4,883**	**-**
Transactions with owners in their capacity as owners:					
Dividends recognised	13	-	-	(546,490)	(546,490)
Total transactions with owners in their capacity as owners		**-**	**-**	**(546,490)**	**(546,490)**
Balance at 30 June 2018		**3,161,854**	**2,277,625**	**2,382,119**	**7,821,598**

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

Statement of cash flows

for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Cash receipts		2,584,514	2,626,049
Cash payments		(1,550,115)	(1,449,045)
Cash generated from operations		1,034,399	1,177,004
Social programs grants received from NSW Government		142,620	144,050
Other grants received from NSW Government		-	350
Grants received from Commonwealth Government		60	30
Contributions paid to Climate Change Fund		(3,240)	(3,140)
Interest received		96	190
Income tax refunds received		2,541	15,360
Interest paid		(178,031)	(182,363)
Government guarantee fee paid		(149,211)	(136,376)
Income tax paid		(201,179)	(165,306)
Net cash flows from operating activities	6(b)	**648,055**	**849,799**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		6,472	29,669
Other cash contributions received		25,436	12,552
Security and other deposits received		20,261	20,903
Payments for property, plant and equipment		(796,525)	(671,776)
Payments for intangible assets		(90,550)	(101,891)
Security and other deposits released		(23,601)	(16,862)
Net cash flows from investing activities		**(858,507)**	**(727,405)**
Cash flows from financing activities			
Proceeds from borrowings		1,147,533	433,797
Repayment of borrowings		(12)	(25)
Other finance payments		(15,954)	(14,359)
Dividends paid	13	(890,490)	(541,225)
Net cash flows from financing activities		**241,077**	**(121,812)**
Net increase in cash and cash equivalents		30,625	582
Cash and cash equivalents at beginning of the year		3,983	3,401
Cash and cash equivalents at end of the year	6(a)	**34,608**	**3,983**

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

About these Financial Statements

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

The Corporation provides water and water-related services under its Operating Licence to customers in its area of operations in NSW. It operates under the commercial disciplines of the NSW Government's Commercial Policy Framework and accordingly the directors have determined that it is a for-profit entity for financial reporting purposes. The Corporation's ultimate parent is the NSW Government. Accordingly, the Corporation's financial statements form part of the consolidated NSW Total State Sector Accounts. The Corporation's financial statements for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the board of directors on 16 August 2019.

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

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

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

Performance for the reporting period
The financial statements cover the financial performance and cash flows of the Corporation for the reporting period 1 July 2018 to 30 June 2019, and its financial position as at 30 June 2019.

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

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

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

- Note 4 Property, plant and equipment;
- Note 5 Intangible assets;
- Note 7 Trade and other receivables; and
- Note 11 Provisions.

Accounting policies
The accounting policies described in these financial statements are based on the requirements applicable to for-profit entities and have been consistently applied to all reporting periods presented. Significant accounting policies that summarise the basis of recognition and measurement of material items presented in these financial statements are provided in each applicable note about those items. The Corporation changed its accounting policies following the adoption of AASB 9 *Financial Instruments* (AASB 9) and AASB 15 *Revenue from Contracts with Customers* (AASB 15) on 1 July 2018 and made retrospective adjustments (refer to note 21).

Significant changes in legislation applicable to the Corporation
The *Government Sector Finance Act 2018* ("the GSF Act") was enacted on 1 December 2018. This legislation consolidated and replaced the following legislation (and related regulations) applicable to the Corporation:

- the *Public Finance and Audit Act 1983*;
- the *Public Authorities (Financial Arrangements) Act 1987*; and
- the *Annual Reports (Statutory Bodies) Act 1984*.

Financial statement reporting for 2018-19 still falls under the *Public Finance and Audit Act 1983* as the GSF Act financial statement reporting provisions will not commence until 1 July 2019. Before the commencement of the GSF Act, the power to enter into financial arrangements required approval under the *Public Authorities (Financial Arrangements) Act 1987*. The GSF Act's transitional provisions will allow the Corporation's borrowing approvals to continue to be valid until the earlier of the arrangements ending, the approval being amended or revoked by the Treasurer or until 1 December 2021 being three years after commencement of the GSF Act.

Notes to the Financial Statements

Performance for the reporting period

Note 1. Income

(a) Revenue

	Note	Regulated		Non- Regulated		Total	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue from contracts with customers							
Service availability charges (redress rebates)		1,288,477	1,255,960	(6,034)	(4,962)	1,282,443	1,250,998
Usage charges		1,141,857	1,204,483	13,988	14,682	1,155,845	1,219,165
Ancillary services		16,198	16,942	3,689	4,748	19,887	21,690
Developer contributions	6(b)	-	878	271,602	218,202	271,602	219,080
Sundry revenue		-	-	7,679	9,170	7,679	9,170
Total revenue from contracts with customers		**2,446,532**	**2,478,263**	**290,924**	**241,840**	**2,737,456**	**2,720,103**
Timing of revenue recognition							
Over time		2,430,334	2,460,443	7,954	9,720	2,438,288	2,470,163
At a point in time		16,198	17,820	282,970	232,120	299,168	249,940
		2,446,532	**2,478,263**	**290,924**	**241,840**	**2,737,456**	**2,720,103**
Other revenues							
NSW Government grants for social programs		143,160	143,865	-	-	143,160	143,865
Other grants from NSW Government		-	-	10,350	-	10,350	-
Grants from Commonwealth Government		-	-	60	30	60	30
Interest revenue		-	-	1,270	1,199	1,270	1,199
Rent revenue from operating leases		6,090	6,871	6,283	7,029	12,373	13,900
Sundry revenue		2,176	2,331	19,241	6,500	21,417	8,831
Total other revenues		**151,426**	**153,067**	**37,204**	**14,758**	**188,630**	**167,825**
Total revenue		**2,597,958**	**2,631,330**	**328,128**	**256,598**	**2,926,086**	**2,887,928**

Recognition and measurement

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

Revenue from contracts with customers

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

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

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

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

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

The Corporation recognises revenue based on a right to invoice as this corresponds with the value customers have received to date from their consumption of the services. Consumption is measured through the reading of the Corporation's installed meters. The Corporation recognises an estimate for the accrued revenue earned from unbilled consumption where meters have not been read as at the reporting date (refer to note 7).

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

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

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

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

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

Other revenues

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

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

(b) Other income

	Note	2019 $'000	2018 $'000
Net gain on disposal of property, plant and equipment	6(b)	909	2,855
Income from sale of greenhouse trading certificates		620	7,714
Total other income recognised in profit or loss		**1,529**	**10,569**

Note 2. Expenses

(a) Finance costs

	Note	2019 $'000	2018 $'000
Interest and finance charges arising from financial liabilities at amortised cost using the effective interest method			
Interest expense		245,857	232,185
Amortisation of deferred discounts on loans	6(b)	69,917	71,782
Total interest expense using the effective interest method		315,774	303,967
Government guarantee fee expense – NSW Treasury		152,120	149,212
Deferred borrowing costs/premiums expensed on refinancing of loans	6(b)	10,066	-
Indexation of CPI bonds	6(b)	36,205	39,179
Other		10	362
		514,175	492,720
Less amount capitalised as borrowing costs		(57,169)	(46,293)
Total finance costs recognised in profit or loss		**457,006**	**446,427**

Recognition and measurement

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

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

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

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

(b) Other expenses

	Note	2019 $'000	2018 $'000
Employee-related expenses:			
Total employee-related expenses before amounts capitalised		454,010	438,361
Less amounts capitalised		(86,609)	(77,475)
Total employee-related expenses net of capitalisation		367,401	360,886
Non-employee related expenses:			
Availability charges and purchases of bulk water – Water NSW		217,097	207,693
Availability charges and operational costs - Sydney Desalination Plant Pty Ltd		199,059	173,415
Tariff expenses from water filtration plant agreements		85,623	87,270
Maintenance services	2(d)	243,533	187,134
Operational services		128,812	116,238
Materials, plant and equipment		51,913	33,481
Operating leases		59,161	54,284
Electricity and other energy		56,106	57,877
Contributions paid to Climate Change Fund		3,240	3,140
Transport		2,795	2,413
Property including land tax		25,847	22,616
Data management		24,716	23,916
Other expenses from ordinary activities		49,074	39,568
Total non-employee related expenses before amounts capitalised		1,146,976	1,009,045
Less amounts capitalised		(43,456)	(34,413)
Total non-employee related expenses net of capitalisation		1,103,520	974,632
Depreciation and amortisation expenses:			
Depreciation of property, plant and equipment	4	263,790	239,339
Amortisation of intangible assets	5	29,447	34,979
	6(b)	293,237	274,318
Net losses from disposal of:			
Property, plant and equipment	6(b)	15,279	14,195
Intangible assets	6(b)	371	-
		15,650	14,195
Impairment losses expensed (reversed) through profit or loss:			
Receivables	7(c)	601	711
Property, plant and equipment	4, 6(b)	6,430	2,720
Intangible assets	5, 6(b)	1,879	9,684
Non-current assets classified as held for sale	6(b)	-	1,314
		8,910	14,429
Total other expenses recognised in profit or loss		**1,788,718**	**1,638,460**

(c) Additional information on superannuation expense

	Note	2019 $'000	2018 $'000
Superannuation expense recognised in profit or loss			
Defined benefit schemes			
Current service cost	11(c)	8,884	12,378
Net interest on the net defined benefit liability (asset)	11(c)	25,235	26,512
Defined benefit superannuation expense as advised by the Administrator		34,119	38,890
Other movements		(1,773)	(2,062)
Defined benefit superannuation expense before amounts capitalised		32,346	36,828
Less amount capitalised		(4,774)	(4,409)
Defined benefit superannuation expense		**27,572**	**32,419**
Defined contribution schemes			
Total defined contribution superannuation expense before amounts capitalised		13,626	12,859
Less amount capitalised		(1,555)	(1,253)
Defined contribution superannuation expense		**12,071**	**11,606**
Total superannuation expense recognised in profit or loss		**39,643**	**44,025**

(d) Additional information on maintenance expense

	Note	2019 $'000	2018 $'000
Maintenance expenses			
Maintenance related expense included in employee related expenses	2(b)	65,463	63,421
Maintenance services expenses included in non-employee related expenses	2(b)	243,533	187,134
Total maintenance expenses		**308,996**	**250,555**

Recognition and measurement

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

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

Note 3. Taxation

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

	2019 $'000	2018 $'000
Current tax expense		
Current tax on profits for the year	161,681	200,129
Adjustments for current tax of prior years	(673)	(1,290)
	161,008	198,839
Deferred tax expense		
Origination and reversal of temporary differences	41,878	41,991
Adjustments for prior years	374	678
	42,252	42,669
Total income tax expense in profit or loss	**203,260**	**241,508**
Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	681,891	813,610
Tax at the Australian tax rate of 30% (2018: 30%)	204,567	244,083
Tax effect of amounts which are not (taxable) deductible in calculating taxable income		
Research and development concession	(462)	(669)
Sundry items	(546)	(1,294)
	203,559	242,120
(Over) provided in prior year – current tax	(673)	(1,290)
Under provided in prior year – deferred tax	374	678
Income tax expense	**203,260**	**241,508**
Income tax on other comprehensive income		
Deferred tax relating to:		
Revaluation of property, plant and equipment	103,439	78,544
Remeasurement of defined benefit superannuation liability	(52,971)	128,319
Total income tax on other comprehensive income	**50,468**	**206,863**

Recognition and Measurement

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

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

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

(b) Deferred tax assets and liabilities

Movements

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

	Balance 1 July 2017 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Balance 30 June 2018 $'000
Property, plant and equipment and intangibles	1,376,422	44,033	78,544	1,498,999
Other assets	722	4,248	-	4,970
Employee benefits	(352,179)	(8,314)	128,319	(232,174)
Provisions not currently deductible	(22,048)	2,248	-	(19,800)
Anticipated receipts and accrued expenses	(1,599)	(35)	-	(1,634)
Capital grants from NSW Government	(3,000)	-	-	(3,000)
Greenhouse trading certificates	(1,351)	489	-	(862)
Net tax (assets) / liabilities	**996,967**	**42,669**	**206,863**	**1,246,499**

Carrying amounts

	Assets 2019 $'000	Assets 2018 $'000	Liabilities 2019 $'000	Liabilities 2018 $'000	Net 2019 $'000	Net 2018 $'000
Property, plant and equipment and intangibles	-	-	1,652,878	1,498,999	1,652,878	1,498,999
Other assets	-	-	4,735	4,970	4,735	4,970
Employee benefits	(290,129)	(232,174)	-	-	(290,129)	(232,174)
Provisions not currently deductible	(25,645)	(19,800)	-	-	(25,645)	(19,800)
Anticipated receipts and accrued expenses	(2,530)	(1,634)	-	-	(2,530)	(1,634)
Capital grants from NSW Government	-	(3,000)	-	-	-	(3,000)
Greenhouse trading certificates	(90)	(862)	-	-	(90)	(862)
Tax (assets) liabilities	**(318,394)**	**(257,470)**	**1,657,613**	**1,503,969**	**1,339,219**	**1,246,499**
Set-off of tax	318,394	257,470	(318,394)	(257,470)	-	-
Net tax (assets) / liabilities	**-**	**-**	**1,339,219**	**1,246,499**	**1,339,219**	**1,246,499**

(c) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised excluding any amount of GST, except where the amount of GST incurred by the Corporation as a purchaser is not recoverable from the ATO. In such cases, the GST incurred is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included in other debtors in the statement of financial position (refer to note 7(a)). Cash flows for GST are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as cash flows from operating activities.

Assets and fair values

Note 4. Property, plant and equipment

Movements and carrying amounts

	Market land and buildings	Leasehold property	System assets - Infrastructure including system land	System assets - Infrastructure (finance lease)	Plant and equipment	Computer equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2017 – net carrying amount	140,978	24,217	16,074,797	390,314	50,740	11,950	855,108	17,548,104
Additions to work in progress	-	-	-	-	-	-	724,537	724,537
Additions transferred from work in progress	10,075	198	541,907	(2)	17,406	12,026	(581,610)	-
Additions – other and adjustments	-	-	207,660	-	-	-	-	207,660
Disposals	-	-	(14,186)	-	(29)	(1)	-	(14,216)
Reclassified as assets held for sale	(14,430)	-	-	-	-	-	-	(14,430)
Other reclassifications	(28,198)	3,417	28,198	-	(3,417)	-	2,169	2,169
Revaluation increments/(decrements) recognised in the asset revaluation reserve	8,494	(1,672)	252,014	2,979	-	-	-	261,815
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	1,383	-	-	-	-	-	(4,103)	(2,720)
Depreciation charge	(274)	(1,790)	(206,018)	(8,735)	(14,048)	(8,474)	-	(239,339)
At 30 June 2018 – net carrying amount	**118,028**	**24,370**	**16,884,372**	**384,556**	**50,652**	**15,501**	**996,101**	**18,473,580**
Additions to work in progress	-	-	-	-	-	-	804,389	804,389
Additions transferred from work in progress	5,705	104	599,642	-	7,040	19,558	(632,049)	-
Additions – other and adjustments	-	-	245,036	-	-	-	-	245,036
Disposals	-	-	(15,265)	-	(6)	(8)	-	(15,279)
Reclassified from assets held for sale	444	-	-	-	-	-	-	444
Other reclassifications	3,669	-	(3,669)	-	-	-	-	-
Revaluation increments recognised in the asset revaluation reserve	18,405	2,145	323,043	1,203	-	-	-	344,796
Impairment (losses) or revaluation (decrements) recognised in profit or loss	(1,170)	-	-	-	-	-	(5,260)	(6,430)
Depreciation charge	(188)	(2,057)	(225,783)	(8,573)	(12,435)	(14,754)	-	(263,790)
At 30 June 2019 – net carrying amount	**144,893**	**24,562**	**17,807,376**	**377,186**	**45,251**	**20,297**	**1,163,181**	**19,582,746**

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

	Market land and buildings	Leasehold property	System assets - Infrastructure including system land	System assets - Infrastructure (finance lease)	Plant and equipment	Computer equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2017								
Fair value – Level 3								
Cost	-	-	-	-	162,146	51,911	855,108	1,069,165
Fair value – market approach	145,445	24,560	-	-	-	-	-	170,005
Fair value – income approach	-	-	16,074,797	390,314	-	-	-	16,465,111
	145,445	24,560	16,074,797	390,314	162,146	51,911	855,108	17,704,281
Accumulated depreciation	(67)	(163)	-	-	(111,406)	(39,961)	-	(151,597)
Accumulated impairment	(4,400)	(180)	-	-	-	-	-	(4,580)
	(4,467)	(343)	-	-	(111,406)	(39,961)	-	(156,177)
At 1 July 2017 – net carrying amount	**140,978**	**24,217**	**16,074,797**	**390,314**	**50,740**	**11,950**	**855,108**	**17,548,104**
At 30 June 2018								
Fair value – Level 3								
Cost	-	-	-	-	172,883	63,924	996,101	1,232,908
Fair value – market approach	121,455	25,387	-	-	-	-	-	146,842
Fair value – income approach	-	-	16,884,372	384,556	-	-	-	17,268,928
	121,455	25,387	16,884,372	384,556	172,883	63,924	996,101	18,648,678
Accumulated depreciation	(78)	(826)	-	-	(122,231)	(48,423)	-	(171,558)
Accumulated impairment	(3,349)	(191)	-	-	-	-	-	(3,540)
	(3,427)	(1,017)	-	-	(122,231)	(48,423)	-	(175,098)
At 30 June 2018 – net carrying amount	**118,028**	**24,370**	16,884,372	384,556	**50,652**	**15,501**	**996,101**	**18,473,580**
Revalued assets based on cost model								
Cost	39,105	26,641	19,149,543	678,680				
Accumulated depreciation	(3,679)	(9,876)	(4,657,258)	(285,910)				
Accumulated impairment	(9,140)	-	-	-				
	(12,819)	(9,876)	(4,657,258)	(285,910)				
At 30 June 2018 – net carrying amount	**26,286**	**16,765**	**14,492,285**	**392,770**				

(a) Asset classes

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

System assets
These are infrastructure assets that deliver water, wastewater and stormwater services to customers through an integrated network of various asset categories. This class also includes system land and water meters. System land is land upon which the various system asset categories are located and which has no other alternative use. System assets that are subject to a finance lease arrangement are shown separately to those that are owned by the Corporation.

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

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

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

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

(b) Acquisitions and capitalisation

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

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

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

Inspection costs are capitalised when incurred and are depreciated over the period until the next inspection. Restoration costs are also capitalised when a decision to decommission the asset has been made. This also gives rise to the recognition of a corresponding liability as a provision (refer to note 11(d)).

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

(c) Asset revaluations

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

For system assets, market land and buildings and leasehold properties, re-measurement to fair value is undertaken by way of an asset revaluation. For these asset classes, revaluation increments are recognised in other comprehensive income and credited to an asset revaluation reserve within equity in the statement of financial position. Plant and equipment, computer equipment and work in progress are not subject to revaluations as their carrying amounts closely approximate their fair value.

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

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

For system assets, the 'individual asset' is considered to be the entire system asset network at the whole of entity level. This is because all of the system asset categories work together as an integrated network to provide services to customers and to generate cash flows, rather than individually.

For market land and buildings and the leasehold property, the 'individual asset' is considered to be each individual land parcel together with any building improvements on the land parcel.

When revaluing system assets, market buildings and leasehold property to fair value, any accumulated depreciation or amortisation is netted against the gross carrying amount and the resulting balance is then increased or decreased by the revaluation adjustment.

Upon disposal of assets that have been revalued, any asset revaluation reserve balance relating to the disposed assets is transferred to retained earnings.

(d) Fair value approaches and hierarchy levels

Fair value is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.' There are three approaches to calculating fair value:

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

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

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

Due to the unique nature of the Corporation's property, plant and equipment assets, the inputs used to determine fair value are unobservable, and so are considered level 3 valuations. This also applies to intangible assets (refer to note 5).

(e) Fair value measurement of asset classes

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

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

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

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

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

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

Market land and buildings, and leasehold property – market approach
Fair value is measured based on valuations of the open market value of the property by independent valuers, after (where applicable) taking into account community expectations, government directives and heritage aspects concerning the future use of the property being valued.

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

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

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

(f) Fair value model

A discounted cash flow model is used to determine the total fair value of all of the Corporation's asset classes, including market land and buildings, leasehold property, system assets, plant and equipment and computer equipment, and also intangible assets (refer to note 5). Fair value is calculated based on discounting the future cash flows derived from the IPART methodology for regulated assets and including estimated cash flows from non-regulated assets.

For the current reporting period, future revenues were estimated as follows:

- For future years where IPART has set prices in their last Pricing Determination (from 1 July 2016 to 30 June 2020 – the current 'Price Path'), the revenue requirement determined by IPART was used. This is for the 1 year following the 30 June 2019 balance date (2018: 2 years). Adjustments were made (where required) for changes in water demand/usage and customer growth.
- For future years (after 30 June 2020), the methodology applied by IPART was used. This involves determining a regulatory asset base (RAB) for the purpose of calculating an 'annual revenue requirement', and therefore the future cash flows, that will be generated by the Corporation's assets. The 'annual revenue requirement' is the revenue needed to pay for the Corporation's investment in its assets ('return of' capital), obtain an investment return ('return on' capital) and pay for operating expenses. It also covers an allowance for a theoretical income tax amount and working capital.

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

Assumptions	Approach used to determine fair value and impact on fair value measurement
Discount rate	Post-tax WACC 'nominal' of 5.65% (2018: 5.8%). The rate was determined after a market assessment of rate parameters. The asset value would increase with a reduction in the discount rate.
CPI rate for the current 'Price Path'	The RAB was escalated from the previous reporting date using a CPI rate of 2.0% (2018: 2.0%) for the remainder of the current 'Price Path' period (to 30 June 2020). The asset value would increase/decrease with CPI.
CPI rate for future years after the current 'Price Path'	The adjusted RAB above is then escalated using a CPI rate of 2.5% (2018: 2.5%) for determining the annual revenue requirement beyond the current 'Price Path', for future years in the forecast after 30 June 2020. The asset value would increase/decrease with CPI.
Period of discounting	The discounting incorporates cash flows over a ten-year period and an estimate of 'terminal value' using the Gordon's Growth Model. Asset values would be slightly lower if the period of discounting was reduced as future earnings would be based on a reduced and more recent time period and would not include future earnings that may be derived from additional capital investment in the outer years.
Service and usage revenue cash inflows	Estimates of future revenue earnings were drawn from the Corporation's Statement of Corporate Intent and were based on: - IPART's June 2016 Pricing Determination and expected earnings rates over succeeding pricing periods, - the RAB determined by IPART from the June 2016 Pricing Determination and rolled forward thereafter, and - capital spending over the future forecast / discount period. The asset value would be higher if future revenues were considered higher.
Other non-regulated revenue cash inflows	Cash flows from non-regulated recycled water assets are added to future regulated income streams. Investment and interest income is excluded. The asset value would be higher if non-regulated revenue (including developer charges on unregulated recycled water assets) was higher.
Operating expenditure cash outflows	Operating expenditures were drawn from the Corporation's Statement of Corporate Intent, excluding non-cash items such as depreciation and impairment expenses. The asset value would be higher if operating expenditure was lower than that incorporated into prices over the current 'Price Path' and no effect thereafter as it is assumed that operating expenditure would be fully funded ('passed through') in future IPART Pricing Determinations.
Capital expenditure cash outflows	Capital expenditure over the 10-year forecast period. The asset value would be higher if capital expenditure was higher.
Cash flows from franking credits	Benefits accruing from franking credits that could accompany future dividends paid by the Corporation to a hypothetical investor (in the private sector) were included in future cash flows.

Sensitivity analysis

Discount rate	**Rate Applied %**	**If higher +0.2%**	**If lower -0.2%**
Nominal post-tax rate	5.65%	5.85%	5.45%
Calculated fair value of property, plant and equipment ($000)	19,582,746	18,327,746	20,985,746
Resulting change ($'000)		(1,255,000)	1,403,000

Estimated future service and usage revenue	**Rate Applied %**	**If higher +1.0%**	**If lower -1.0%**
Statement of Corporate Intent 2019-20	100%	101%	99%
Calculated fair value of property, plant and equipment ($000)	19,582,746	20,294,746	18,870,746
Resulting change ($'000)		712,000	(712,000)

Terminal value growth rate (CPI)	**Rate Applied %**	**If higher +0.25%**	**If lower -0.25%**
Terminal value growth rate	2.5%	2.75%	2.25%
Calculated fair value of property, plant and equipment ($000)	19,582,746	20,839,746	18,509,746
Resulting change ($'000)		1,257,000	(1,073,000)

(g) Depreciation and amortisation

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

The normal life expectancies of major asset classes and categories of property, plant and equipment when initially installed are as follows for 2019 and 2018:

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

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

(h) Classification as assets held for sale

Assets classified as held for sale are assets that are expected to be recovered primarily through sale rather than use. These are shown under current assets in the statement of financial position. Immediately before classification as held for sale, the measurement of the asset is updated consistent with the revaluation policies for property, plant and equipment. On initial classification as held for sale, the asset is measured at the lower of its carrying amount and its fair value less costs to sell. Any subsequent impairment losses of assets held for sale are recognised as an expense in profit or loss. Any reversals of impairment are also recognised in profit or loss, but not exceeding the amount of impairment losses previously recognised as an expense before the asset was classified as held for sale. Once a depreciable asset is classified as held for sale, depreciation ceases for that asset.

(i) Finance lease assets

Leases where the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases.

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

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

(j) Impairment testing

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

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

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

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

Note 5. Intangible assets

Movements and carrying amounts

	Computer software – internally developed $'000	Computer software – acquired from external parties $'000	Total computer software $'000	Easements and other rights of access $'000	Work in progress $'000	Total $'000
At 1 July 2017 – net carrying amount	31,808	30,246	62,054	10,586	98,812	171,452
Additions to work in progress	-	-	-	-	110,207	110,207
Additions transferred from work in progress	7,761	30,691	38,452	1,984	(40,436)	-
Additions – other	-	-	-	805	-	805
Reclassifications	-	-	-	-	(2,169)	(2,169)
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	-	-	-	200	(9,884)	(9,684)
Amortisation charge	(14,201)	(20,778)	(34,979)	-	-	(34,979)
At 30 June 2018 – net carrying amount	**25,368**	**40,159**	**65,527**	**13,575**	**156,530**	**235,632**
Additions to work in progress	-	-	-	-	94,068	94,068
Additions transferred from work in progress	126,905	70,008	196,913	2,672	(199,585)	-
Additions - other	-	-	-	(805)	-	(805)
Disposals	(111)	(259)	(370)	-	-	(370)
Reclassifications	-	-	-	-	-	-
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	-	-	-	360	(2,239)	(1,879)
Amortisation charge	(14,811)	(14,636)	(29,447)	-	-	(29,447)
At 30 June 2019 – net carrying amount	**137,351**	**95,272**	**232,623**	**15,802**	**48,774**	**297,199**

	Computer software – internally developed $'000	Computer software – acquired from external parties $'000	Total computer software $'000	Easements and other rights of access $'000	Work in progress $'000	Total $'000
At 1 July 2018						
Fair value – Level 3						
Cost	142,054	373,931	515,985	-	156,530	672,515
Fair value – income approach	-	-	-	13,575	-	13,575
	142,054	373,931	515,985	13,575	156,530	686,090
Accumulated amortisation	(116,686)	(333,772)	(450,458)	-	-	(450,458)
	(116,686)	(333,772)	(450,458)	-	-	(450,458)
At 1 July 2018 – net carrying amount	**25,368**	**40,159**	**65,527**	**13,575**	**156,530**	**235,632**
At 30 June 2019						
Fair value – Level 3						
Cost	261,234	383,542	644,776	-	48,774	693,550
Fair value – income approach	-	-	-	15,802	-	15,802
	261,234	383,542	644,776	15,802	48,774	709,352
Accumulated amortisation	(123,883)	(288,270)	(412,153)	-	-	(412,153)
	(123,883)	(288,270)	(412,153)	-	-	(412,153)
At 30 June 2019 – net carrying amount	**137,351**	**95,272**	**232,623**	**15,802**	**48,774**	**297,199**
Revalued assets based on cost model						
Cost				32,581		
Accumulated amortisation				-		
Accumulated impairment				(16,779)		
				(16,779)		
At 30 June 2019 – net carrying amount				**15,802**		

	Computer software – internally developed $'000	Computer software – acquired from external parties $'000	Total computer software $'000	Easements and other rights of access $'000	Work in progress $'000	Total $'000
At 1 July 2017						
Fair value – Level 3						
Cost	134,293	343,240	477,533	-	98,812	576,345
Fair value – income approach	-	-	-	10,586	-	10,586
	134,293	343,240	477,533	10,586	98,812	586,931
Accumulated amortisation	(102,485)	(312,994)	(415,479)	-	-	(415,479)
	(102,485)	(312,994)	(415,479)	-	-	(415,479)
At 1 July 2017 – net carrying amount	**31,808**	**30,246**	**62,054**	**10,586**	**98,812**	**171,452**
At 30 June 2018						
Fair value – Level 3						
Cost	142,054	373,931	515,985	-	156,530	672,515
Fair value – income approach	-	-	-	13,575	-	13,575
	142,054	373,931	515,985	13,575	156,530	686,090
Accumulated amortisation	(116,686)	(333,772)	(450,458)	-	-	(450,458)
	(116,686)	(333,772)	(450,458)	-	-	(450,458)
At 30 June 2018 – net carrying amount	**25,368**	**40,159**	**65,527**	**13,575**	**156,530**	**235,632**
Revalued assets based on cost model						
Cost				30,117		
Accumulated amortisation				-		
Accumulated impairment				(16,542)		
				(16,542)		
At 30 June 2018 – net carrying amount				**13,575**		

(a) Asset classes

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

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

Computer application software is dissected between software that has been internally developed and software that has been acquired from external sources.

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

(b) Acquisition and capitalisation

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

(c) Fair value measurement of asset classes

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

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

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

(d) Amortisation

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

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

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

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

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

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

Working capital management

Note 6. Cash and cash equivalents

(a) Balances at the reporting date

	2019 $'000	2018 $'000
Cash at bank	34,608	3,983

Recognition and measurement

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with a maturity period of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Corporation does not hold any cash equivalents (2018: $Nil).

Cash balance not recognised
Under the terms of an agreement between City of Parramatta Council and the Corporation, the Corporation is contributing to the overall development of the Civic Place public domain at Parramatta. At the reporting date, an amount of $3.842 million (2018: $3.793 million) is currently placed in an interest-bearing bank account administered by the Corporation in accordance with the agreement.

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

(b) Notes to the statement of cash flows

	Note	2019 $'000	2018 $'000
Reconciliation of profit to net cash flows from operating activities			
Profit for the year		**478,631**	**572,102**
Adjustments for:			
Gain on disposal of property, plant and equipment	1(b)	(909)	(2,855)
Loss on disposal of property, plant and equipment	2(b)	15,279	14,195
Loss on disposal of intangible assets	2(b)	371	-
Developer contributions	1(a)	(271,602)	(219,080)
Depreciation and amortisation	2(b)	293,237	274,318
Amortisation of deferred discounts on loans	2(a)	69,917	71,782
Indexation of CPI bonds	2(a)	36,205	39,179
Deferred borrowing costs/premiums expensed on refinancing of loans	2(a)	10,066	-
Impairment loss recognised for property, plant and equipment	2(b), 4	6,430	2,720
Impairment loss (reversed) recognised for intangible assets	2(b), 5	1,879	9,684
Impairment loss recognised for non-current assets classified as held for sale	2(b)	-	1,314
Government grants for investing activities recognised in income		(10,000)	-
Net movement in statement of financial position items applicable to operating activities:			
Other current assets		3,657	(7,131)
Trade and other receivables		(51,567)	(44,033)
Trade and other payables		14,524	17,889
Provisions		47,665	27,804
Income tax assets and liabilities		4,622	91,561
Deferred Government grants		(350)	350
Net cash flows from operating activities		**648,055**	**849,799**

Non-cash financing and investing activities
Assets that are acquired by the Corporation under finance leases or other similar financing arrangements, and assets handed over at no cost by developers, are not included in the statement of cash flows as these are regarded as non-cash.

The amount capitalised during the current reporting period in respect of assets handed over at no cost by developers to the Corporation was $245.036 million (2018: $207.660 million).

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

	Other advances $'000	Borrowings - NSW Treasury Corporation $'000	Blue Mountains Sewage Transfer Scheme finance lease $'000	Water filtration plant agreements finance lease $'000	Dividends payable $'000	Total $'000
Balance at 1 July 2017	37	7,235,812	51,543	371,264	291,225	7,949,881
Cash flows	(25)	433,797	(2,450)	(11,909)	(541,225)	(121,812)
Non-cash amortisation of deferred premiums	-	71,782	-	-	-	71,782
Non-cash indexation of CPI indexed bonds	-	39,179	-	-	-	39,179
Dividends payable	-	-	-	-	546,490	546,490
Balance at 30 June 2018	**12**	**7,780,570**	**49,093**	**359,355**	**296,490**	**8,485,520**
Restatement on adoption of AASB 9 (see note 21)	-	(20,033)	-	-	-	(20,033)
Balance at 1 July 2018	**12**	**7,760,537**	**49,093**	**359,355**	**296,490**	**8,465,487**
Cash flows	(12)	1,147,533	(2,607)	(13,347)	(890,490)	241,077
Non-cash amortisation of deferred premiums	-	69,917	-	-	-	69,917
Non-cash indexation of CPI indexed bonds	-	36,205	-	-	-	36,205
Deferred borrowing costs/premiums expensed on refinancing of loans	-	10,066	-	-	-	10,066
Dividends payable	-	-	-	-	914,553	914,553
Balance at 30 June 2019	**-**	**9,024,258**	**46,486**	**346,008**	**320,553**	**9,737,305**

Note 7. Trade and other receivables

(a) Balances at the reporting date

	2019 $'000	2018 $'000
Trade receivables		
Outstanding service availability and usage charges	105,367	101,377
Loss allowance	(1,181)	(646)
	104,186	100,731
Accrued unbilled usage charges on unread meters:		
Water	181,346	169,618
Sewer	9,083	11,466
Other	5,996	6,049
	196,425	187,133
Other trade debtors	18,423	9,799
Loss allowance	(98)	(98)
	18,325	9,701
Total trade receivables	**318,936**	**297,565**
Other receivables		
Other debtors and accrued revenue	71,845	42,565
Prepayments	10,351	9,578
Total other receivables	**82,196**	**52,143**
Total current trade and other receivables	**401,132**	**349,708**

Recognition and measurement

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

Trade and other receivables are recognised initially at the amount of consideration that is unconditional when they are recognised at fair value. The Corporation holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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

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

(b) Ageing analysis of trade receivables billed to customers

	Gross Amount 2019 $'000	Allowance for Impairment 2019 $'000	Net amount 2019 $'000	Gross Amount 2018 $'000	Allowance for Impairment 2018 $'000	Net amount 2018 $'000
Outstanding service and usage charges						
Not past due	5,587	-	5,587	5,136	(8)	5,128
Past due 22 - 30 days	14,357	-	14,357	12,008	(30)	11,978
Past due 31 - 60 days	18,768	-	18,768	18,803	(76)	18,727
Past due 61 - 90 days	10,583	-	10,583	9,884	(68)	9,816
Past due 91 - 180 days	38,349	-	38,349	36,943	(206)	36,737
Past due 181 - 365 days	9,607	(1,181)	8,426	10,124	(258)	9,866
Past due > 365 days	8,116	-	8,116	8,479	-	8,479
	105,367	**(1,181)**	**104,186**	**101,377**	**(646)**	**100,731**
Other trade debtors						
Not past due	9,733	-	9,733	5,161	-	5,161
Past due 15 - 30 days	1,748	-	1,748	219	-	219
Past due 31 - 60 days	1,145	-	1,145	397	-	397
Past due 61 - 90 days	807	-	807	140	-	140
Past due 91 - 180 days	1,123	-	1,123	285	-	285
Past due 181 - 365 days	1,645	-	1,645	3,189	-	3,189
Past due > 365 days	2,222	(98)	2,124	408	(98)	310
	18,423	**(98)**	**18,325**	**9,799**	**(98)**	**9,701**

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

(c) Movement in loss allowance

	Outstanding Service and usage charges		Other trade debtors		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Carrying amount at beginning of the year	(646)	-	(98)	(185)	(744)	(185)
Charge for impairment reversal (expense)	(601)	(702)	-	(9)	(601)	(711)
Amounts written off	66	56	-	96	66	152
Carrying amount at end of the year	**(1,181)**	**(646)**	**(98)**	**(98)**	**(1,279)**	**(744)**

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables (refer to note 17(b)).

Note 8. Other current assets

	2019 $'000	2018 $'000
Stock, stores and materials - at cost	15,781	16,568
Greenhouse trading certificates – at fair value	300	2,875
Total other current assets	**16,081**	**19,443**

Recognition and measurement

Stock, stores and materials at cost
Inventories include a variety of items on hand including stock, stores and materials for operational and maintenance purposes. These items have been measured by actual count or weight and are valued at the lower of cost and net realisable value using the 'weighted average' basis of valuation for the purposes of determining cost. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Water that resides in the Corporation's infrastructure assets at the reporting date is not recognised as inventory. This water is under the control of the Water Administration Ministerial Holding Corporation.

Greenhouse trading certificates
Greenhouse trading certificates are traded in energy markets and are required by energy retailers to meet greenhouse gas emissions or renewable energy targets. Greenhouse trading certificates can either be held for trading purposes or surrendered to the regulators that administer them to demonstrate the achievement of carbon neutral initiatives. The Corporation can purchase these certificates or generate them through energy saving initiatives, such as installing water saving devices in customers' properties or constructing co-generation facilities to produce renewable energy at a number of its treatment plants. Greenhouse trading certificates that are generated by the Corporation for a nominal registration fee and which are held for potential trading purposes are initially recognised at fair value based on the market price at the time. Their carrying amount is subsequently restated at each reporting date to the fair value based on the prevailing market price at that time, with any gains or losses recognised in profit or loss. The inputs used to determine the fair value are based on a quoted price in an active market and so are considered to be level 1 valuations.

Note 9. Trade and other payables

	2019 $'000	2018 $'000
Current		
Trade payables	102,683	78,592
Non-trade payables	95,408	101,524
Income in advance	7,932	5,564
Government guarantee fee payable	152,124	149,215
Interest expense payable	46,366	36,279
Accrued expenses	265,698	267,688
Total trade and other payables	**670,211**	**638,862**

Recognition and measurement

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

Debt Management

Note 10. Borrowings and finance lease liabilities

	2019 $'000	2018 $'000
Current		
Borrowings:		
Other advances	-	12
Come and Go borrowings – NSW Treasury Corporation	81,500	-
Finance lease liabilities:		
Blue Mountains Sewage Transfer scheme	2,772	2,607
Water filtration plant agreements	14,958	13,347
Total current borrowings and finance lease liabilities	**99,230**	**15,966**
Non-current		
Borrowings:		
Long-term borrowings – NSW Treasury Corporation	8,942,758	7,780,570
Finance lease liabilities:		
Blue Mountains Sewage Transfer Scheme	43,714	46,486
Water filtration plant agreements	331,050	346,008
Total non-current borrowings and finance lease liabilities	**9,317,522**	**8,173,064**

Recognition and measurement

(a) Borrowings

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

Interest-bearing borrowings are classified as current liabilities only if the borrowing is due to be settled within 12 months after the reporting date and there is no discretion on the part of the Corporation to extend or refinance the obligation on a long-term basis with the respective lender. All other interest-bearing borrowings are classified as non-current liabilities, including those in which the Corporation has the discretion to refinance or roll over the borrowings for at least 12 months after the reporting date even if they are due to mature within a shorter period. The borrowings held with NSW Treasury Corporation were restated due to a change in accounting policy due to the adoption of AASB 9 (refer to note 21). The comparatives were not restated in accordance with the AASB 9 transition option mandated by NSW Treasury.

(b) Finance lease liabilities

Finance lease liabilities comprise liabilities for the Corporation's obligations under the Blue Mountains Sewage Transfer Scheme agreement and under the water filtration plant agreements.

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

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

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

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

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

(c) Borrowing facilities

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

Financing facilities	Utilised 2019 $'000	Not Utilised 2019 $'000	Total Facility 2019 $'000	Utilised 2018 $'000	Not Utilised 2018 $'000	Total Facility 2018 $'000
Bank overdraft facility	-	15,000	15,000	-	15,000	15,000
Purchase credit card facility	272	2,228	2,500	187	2,313	2,500
Guarantee facility	19,273	10,727	30,000	19,750	10,250	30,000
Come and Go short-term borrowing facility	81,500	18,500	100,000	-	100,000	100,000
Long-term borrowing facility	8,942,758	1,472,242	10,415,000	7,780,582	2,634,418	10,415,000
	9,043,803	**1,518,697**	**10,562,500**	**7,800,519**	**2,761,981**	**10,562,500**

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

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

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

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

Long-term borrowing facilities
The Corporation has the NSW Treasurer's approval to obtain long-term borrowing facilities from NSW Treasury Corporation. The Corporation cannot borrow in its own name from the market without the NSW Treasurer's approval. Accordingly, both new loans and the refinancing of maturing loans are arranged via NSW Treasury Corporation. NSW Treasury Corporation loans are negotiated with either a floating interest rate, in which case the rate is reset periodically, or at a fixed rate where interest is paid half-yearly in arrears or on maturity.

NSW Treasury Corporation also provides CPI indexed bonds and resettable loans to the Corporation. CPI indexed bonds are either restated by an indexation adjustment based on CPI on a quarterly basis, or they require payment of the CPI indexation semi-annually along with the interest payment. Resettable loans are loans where the interest rate resets in line with the regulatory Pricing Determination period. These loans are usually refinanced at maturity. Fixed rate loans currently have maturities up to 22 years (2018: 23 years) for the Corporation. CPI indexed bonds have a maximum term to maturity of 16 years to 2035 (2018: 17 years to 2035). None of these facilities are secured against the assets of the Corporation.

Other liabilities

Note 11. Provisions

	2019 $'000	2018 $'000
Current		
Short-term provisions:		
Annual leave	29,050	29,724
Termination benefits	7,780	12,039
Employee benefits on-costs	1,677	1,746
Road restoration	12,124	8,576
Total short-term provisions	50,631	52,085
Current portion of long-term provisions:		
Long service leave	95,484	99,693
Employee benefits on-costs	5,204	5,433
Superannuation	279	269
Workers' compensation self-insurance	1,384	1,489
General insurance	1,291	1,135
Restoration costs from decommissioning and maintaining system asset network components	32,186	25,069
Total current portion of long-term provisions	135,828	133,088
Total current provisions	**186,459**	**185,173**
Non-current		
Long-term provisions:		
Employee benefits for long service leave	6,804	6,455
Employee benefits on-costs	371	352
Post-employment benefits from superannuation	820,444	618,200
Workers' compensation self-insurance	18,759	17,114
General insurance	2,081	2,046
Restoration of leased premises	11,364	10,256
Restoration costs from decommissioning and maintaining system asset network components	25,158	18,174
Total non-current provisions	**884,981**	**672,597**
Employee benefits and related on-costs		
Employee benefits – current	124,534	129,417
Employee benefits on-costs – current	6,881	7,179
Employee benefits – non-current	6,804	6,455
Employee benefits on-costs – non-current	371	352
Aggregate employee benefits and related on-costs	**138,590**	**143,403**

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

The Corporation expects to make payments totalling $28.340 million (2018: $27.161 million) for annual leave, and payments totalling $11.790 million (2018: $11.300 million) for long-service leave in the next reporting period. All other provisions under current liabilities are expected to be paid in the next reporting period for the amount recognised.

Recognition and measurement

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

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

(a) Employee benefits provisions

Short-term employee benefits
Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled less than 12 months after the reporting date in which the employees render the related service. They include wages, salaries and annual leave. All short-term employee benefits that are payable at the reporting date are measured on an undiscounted basis at the nominal amount expected to be paid. Liabilities for wages and salaries are included within trade and other payables (refer to note 9).

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

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

Long service leave liabilities
Long service leave liabilities represent the present value of the future benefits that employees have earned in return for their service in the current and prior reporting periods. Long service leave liabilities are actuarially calculated. Actuarial calculations consider assumptions related to expected wages and salary levels, experience of employee departures and periods of service. The discount rate used is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating to the terms of these obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks
There are a number of risks to which the Pooled Fund exposes the Corporation. The more significant risks relating to the defined benefits are:

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

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

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

Net defined benefit liability movement
The significant increase in the net defined benefit liability year on year is primarily due to the decrease in the discount rate applied by the Pooled Fund's actuary. This discount rate decreased from 4.11% as at 30 June 2018 to 2.95% as at 30 June 2019.

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

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

The Funding basis is used to determine the level of employer contributions needed to be provided by each employer to meet the defined benefit obligations. The net underfunded shortfall calculated using the Funding Basis at 30 June 2019 is $57.550 million (refer to note 11(c)(i)).

	SASS		SANCS		SSS		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Reconciliation of the net defined benefit liability (asset)								
Net defined benefit liability (asset) at beginning of the year	90,996	123,016	35,674	37,747	491,530	856,049	618,200	1,016,812
Current service cost	4,438	5,611	1,344	1,656	3,102	5,111	8,884	12,378
Net interest on the net defined benefit liability (asset)	3,640	3,155	1,443	971	20,152	22,386	25,235	26,512
Actual return on Fund assets less interest income	(6,811)	(10,275)	74	(350)	(37,542)	(52,833)	(44,279)	(63,458)
Actuarial (gains) losses arising from changes in demographic assumptions	183	1,774	54	(620)	(359)	6,266	(122)	7,420
Actuarial (gains) losses arising from changes in financial assumptions	21,371	(30,973)	2,581	(3,658)	207,981	(328,227)	231,933	(362,858)
Actuarial (gains) losses arising from liability experience	5,238	3,909	1,069	1,242	(17,269)	(13,984)	(10,962)	(8,833)
Employer contributions	(4,887)	(5,221)	(1,143)	(1,314)	(2,415)	(3,238)	(8,445)	(9,773)
Net defined benefit liability (asset) at end of the year	**114,168**	**90,996**	**41,096**	**35,674**	**665,180**	**491,530**	**820,444**	**618,200**
Reconciliation of the fair value of fund assets								
Fair value of fund assets at beginning of the year	179,871	182,864	6,168	11,704	933,951	912,965	1,119,990	1,107,533
Interest income	6,847	4,476	122	223	36,978	23,075	43,947	27,774
Actual return on Fund assets less interest income	6,811	10,275	(74)	350	37,543	52,833	44,280	63,458
Employer contributions	4,887	5,221	1,143	1,314	2,414	3,238	8,444	9,773
Contributions by participants	2,434	2,687	-	-	1,736	2,184	4,170	4,871
Benefits paid	(20,833)	(25,766)	(6,227)	(6,406)	(68,813)	(67,676)	(95,873)	(99,848)
Taxes, premiums and expenses paid	325	114	(90)	(1,017)	6,698	7,332	6,933	6,429
Fair value of fund assets at end of the year	**180,342**	**179,871**	**1,042**	**6,168**	**950,507**	**933,951**	**1,131,891**	**1,119,990**
Reconciliation of the defined benefit obligation								
Present value of defined benefit obligations at beginning of the year	270,867	305,880	41,842	49,451	1,425,481	1,769,014	1,738,190	2,124,345
Current service cost	4,438	5,611	1,344	1,656	3,102	5,111	8,884	12,378
Interest cost	10,487	7,631	1,565	1,194	57,130	45,461	69,182	54,286
Contributions by fund participants	2,434	2,687	-	-	1,736	2,184	4,170	4,871
Actuarial (gains) losses arising from changes in demographic assumptions	183	1,774	54	(620)	(359)	6,266	(122)	7,420
Actuarial (gains) losses arising from changes in financial assumptions	21,371	(30,973)	2,581	(3,658)	207,981	(328,227)	231,933	(362,858)
Actuarial (gains) losses arising from liability experience	5,238	3,909	1,069	1,242	(17,269)	(13,984)	(10,962)	(8,833)
Benefits paid	(20,833)	(25,767)	(6,227)	(6,406)	(68,813)	(67,676)	(95,873)	(99,849)
Taxes, premiums and expenses paid	325	115	(90)	(1,017)	6,698	7,332	6,933	6,430
Present value of defined benefit obligations at end of the year	**294,510**	**270,867**	**42,138**	**41,842**	**1,615,687**	**1,425,481**	**1,952,335**	**1,738,190**
Adjustment for effect of asset ceiling								
At beginning/end of the year	-	-	-	-	-	-	-	-

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

Fair value of Pooled Fund assets

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

Asset category	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Percentage invested in each asset class
As at 30 June 2019:					
Short term securities	4,042,116	2,135,561	1,906,555	-	9.6
Australian fixed interest	2,294,672	4,993	2,289,679	-	5.4
International fixed interest	1,968,094	6,827	1,952,396	8,871	4.7
Australian equities	8,368,928	7,818,302	547,571	3,055	19.8
International equities	11,387,439	8,795,299	2,592,132	8	27.0
Property	3,588,230	698,607	717,079	2,172,544	8.5
Alternatives	10,558,182	327,329	5,758,095	4,472,758	25.0
Total	**42,207,661**	**19,786,918**	**15,763,507**	**6,657,236**	**100.0**
As at 30 June 2018:					
Short term securities	4,401,164	2,185,469	2,215,695	-	10.5
Australian fixed interest	2,234,922	41,854	2,193,068	-	5.3
International fixed interest	1,396,107	8,116	1,387,991	-	3.3
Australian equities	9,271,405	8,719,442	548,908	3,055	22.2
International equities	10,891,349	8,499,476	2,391,501	372	26.1
Property	3,711,287	788,018	608,934	2,314,335	8.9
Alternatives	9,894,829	420,898	5,332,818	4,141,113	23.7
Total	**41,801,063**	**20,663,273**	**14,678,915**	**6,458,875**	**100.0**

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

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

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

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

The fair value of the Pooled Fund's total assets as at the reporting date include $99.5 million (2018: $97.7 million) in NSW Government bonds. Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of $316.0 million (2018: $280.0 million); and
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of $331.0 million (2018: $287.0 million).

Significant actuarial assumptions at the reporting date

	2019	2018
Discount rate	2.95% pa	4.11% pa
Salary increase rate (excluding promotional increases):		
2017-18 to 2018-19	2.70% pa	2.70% pa
2019-20 to 2020-21	3.20% pa	3.20% pa
2021-22 to 2024-25	3.20% pa	3.20% pa
2025-26	3.20% pa	3.20% pa
Thereafter	3.20% pa	3.20% pa
Rate of CPI increase		
2018-19	1.75% pa	2.25% pa
2019-20	1.75% pa	2.25% pa
2020-21	2.00% pa	2.25% pa
2021-22	2.25% pa	2.50% pa
2022-23	2.25% pa	2.50% pa
Thereafter	2.50% pa	2.50% pa

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

Sensitivity analysis

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

	Base case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	2.95%	1.95%	3.95%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Defined benefit obligation ($'000)	1,952,335	2,228,306	1,726,051

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	As above	As above	As above
Rate of CPI increase	As above	Above rates plus 0.5% pa	Above rates less 0.5% pa
Salary inflation rate	As above	As above	As above
Defined benefit obligation ($'000)	1,952,335	2,076,580	1,838,796

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	Above rates plus 0.5% pa	Above rates less 0.5% pa
Defined benefit obligation ($'000)	1,952,335	1,960,531	1,944,452

	Base case	Scenario G Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation ($'000)	1,952,335	1,980,278	1,932,002

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

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

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

Funding arrangements
Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2018. Contribution rates are set after discussions between the employer, STC and NSW Treasury. Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

(i) Surplus/deficit

The following is a summary of the 30 June 2019 and 30 June 2018 financial position of the Schemes calculated in accordance with AASB 1056 *Superannuation Entities*.

	SASS		SANCS		SSS		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accrued benefits *	225,238	224,381	29,850	33,538	934,353	916,380	1,189,441	1,174,299
Net market value of fund assets	(180,342)	(179,871)	(1,042)	(6,168)	(950,507)	(933,951)	(1,131,891)	(1,119,990)
Net (surplus) deficit	**44,896**	**44,510**	**28,808**	**27,370**	**(16,154)**	**(17,571)**	**57,550**	**54,309**

* There is no allowance for a contribution tax provision in the accrued benefits figure. Allowance for contribution tax is made when setting the contribution rates

(ii) Contribution recommendations

Recommended contribution rates for the Corporation are:

	SASS		SANCS		SSS	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Multiple of member contributions	1.9	1.9	-	-	1.6	1.6
Percentage of member salary	-	-	2.5	2.5	-	-

The actual rate of contributions currently falls below the actuary's recommended contribution rates. The Corporation is committed to meeting its funding obligations to ensure the defined benefit superannuation schemes are fully funded by 30 June 2030.

(iii) Economic assumptions

The economic assumptions adopted for the AASB 1056 *Superannuation Entities* as at 30 June 2019:

Weighted Average Assumptions:	
Expected rate of return on Fund assets backing current pension liabilities	7.4% pa
Expected rate of return on Fund assets backing other liabilities	6.4% pa
Expected salary increase rate (excluding promotional salary increases)	3.2% pa
Expected rate of CPI increase	2.2% pa

Expected contributions to be paid in the next reporting period

	SASS		SANCS		SSS		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expected employer contributions	4,441	4,625	1,050	1,169	1,944	2,777	7,435	8,571

Maturity profile of defined benefit obligation
The weighted average duration of the defined benefit obligation is 12.1 years (2018: 12.4 years).

(d) Other provisions

Movements and carrying amounts

	Road restoration $'000	Workers' compensation self-insurance $'000	General insurance $'000	Restoration of leased premises $'000	Restoration costs of decommissioning and maintaining system asset network components $'000
Carrying amounts at beginning of the year					
Current	8,576	1,489	1,135	-	25,069
Non-current	-	17,114	2,046	10,256	18,174
	8,576	**18,603**	**3,181**	**10,256**	**43,243**
Movement during the year					
Provisions made	16,797	3,812	10,515	860	27,955
Provisions used	(13,249)	(2,292)	(10,415)	-	(14,177)
Unwinding of discount	-	20	91	248	323
	3,548	**1,540**	**191**	**1,108**	**14,101**
Carrying amounts at end of the year					
Current	12,124	1,384	1,291	-	32,186
Non-current	-	18,759	2,081	11,364	25,158
	12,124	**20,143**	**3,372**	**11,364**	**57,344**

Road restoration
This provision recognises obligations for payment of road restoration costs to councils. Such obligations arise where roads need to be restored to their original condition at the completion of construction or maintenance activity. There is uncertainty in relation to the amount and timing of payment and the Corporation's estimates are based on past experience of works undertaken. Road restoration costs are capitalised as part of the cost of an asset that is constructed. Where no asset is created and road restoration costs are incurred, the costs are expensed in profit or loss.

Workers' compensation self-insurance and general insurance
The workers' compensation self-insurance provision recognises the Corporation's remaining self-insurance liability for workers' compensation injury claims prior to 1 March 2007. The general insurance provision recognises the Corporation's remaining self-insurance liability claims relating to damage, costs, acts of grace payments, loss or injury (other than workers' compensation).

The provisions are actuarially calculated on a discounted cash flow basis, using information including estimates of the probable cost of each claim, the type of injuries and claims, potential recoveries and industry wide experience. The provisions also include an estimate for incurred but not reported claims based on past experience and is based on a likelihood of adequacy of 50%. There is uncertainty with some factors such as probable costs, discount rates, settlement period, the likelihood of adequacy and estimations of future claims, and claims incurred and not yet reported.

Restoration of leased premises
This provision recognises the Corporation's obligation to pay restoration costs for leased premises where the Corporation must restore the premises back to their original state at the end of the lease term. Estimates of restoration costs are discounted using the yield on government bonds. The main uncertainty is in relation to the actual restoration costs that will ultimately be incurred. Restoration costs are separately capitalised against assets that have been acquired as part of leasing the premises, such as fitouts. Where the Corporation has not incurred expenditure to acquire assets as part of leasing the premises, the restoration costs are expensed in profit or loss.

Restoration costs of decommissioning and maintaining system asset network components
This provision recognises the Corporation's obligation for restoration costs of decommissioning and/or maintaining system asset network components, including costs of dismantling, decommissioning, removing a system asset network component and restoring the site on which it was located. It also includes constructive obligations for rectification works where safety issues have been identified, such as electrical cabling repairs and asbestos removal. Estimates are made in relation to the period over which the system asset network component will be decommissioned or the constructive obligation is expected to be settled. The liability is calculated on a discounted cash flow basis.

Note 12. Deferred Government grants

	2019 $'000	2018 $'000
Current		
NSW Government grant for environmental restoration planning	-	350
Total current deferred Government grants	**-**	**350**
Non-Current		
NSW Government capital grant for Housing Acceleration Fund	-	10,000
Total non-current deferred Government grants	**-**	**10,000**

Recognition and measurement

Conditional Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received, and that the Corporation will comply with the conditions attaching to them. They are then transferred to profit or loss as revenue as the conditions are fulfilled, unless they are of a material amount that compensates the Corporation for the cost of a specific identifiable asset or assets, in which case they are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset or assets.

Note 13. Dividends payable

	2019 $'000	2018 $'000
Dividends payable at the beginning of the year	296,490	291,225
Movement during the year		
Dividend recognised on ordinary shares at 28.92 cents per share (2018: 17.28 cents per share)	914,553	546,490
Dividends paid on ordinary shares at 28.16 cents per share (2018: 17.12 cents per share)	(890,490)	(541,225)
	24,063	**5,265**
Dividends payable at the end of the year	**320,553**	**296,490**

Under the NTER, the Corporation is not required to maintain a dividend franking account.

Recognition and measurement

A liability for dividends payable is recognised in the reporting period in which the dividend is declared. Dividends are regarded as declared when they are appropriately authorised as no longer at the discretion of the Corporation. This occurs through a formal process whereby the Board recommends the dividend to its voting shareholder Ministers and the final agreed dividend is accepted and approved by the voting shareholder Ministers prior to the end of the reporting period.

Equity

Note 14. Share capital

Carrying amounts and movements

	2019 $'000	2018 $'000
Issued and fully paid up share capital	3,161,854	3,161,854
Total share capital	**3,161,854**	**3,161,854**
Balance at beginning and at the end of the year:		
3,161,854,000 (2018: 3,161,854,000) ordinary shares	**3,161,854**	**3,161,854**

The Corporation's two shareholders are:

- the Treasurer and Minister for Industrial Relations; and
- the Minister for Finance and Small Business.

Each shareholder holds 1,580,927,000 (2018: 1,580,927,000) ordinary shares non-beneficially on behalf of the NSW Government. The shares entitle the NSW Government to a dividend from the Corporation. The amount of the dividend is determined as part of the annual process of negotiating and agreeing the Corporation's Statement of Corporate Intent with the shareholder Ministers.

Any changes to the Corporation's share capital can only be undertaken in accordance with the Corporation's constitution and with the agreement of its shareholder Ministers.

Unrecognised Items

Note 15. Commitments

(a) Capital expenditure commitments

	2019 $'000	2018 $'000
Contractual commitments for capital expenditure (inclusive of GST)	917,146	812,257

Contractual commitments for capital expenditure covers both property, plant and equipment and intangible assets. Amounts disclosed for these commitments include total GST of $83.377 million (2018: $73.842 million).

(b) Operating lease commitments

	2019 $'000	2018 $'000
Payable as lessee		
Future operating lease rentals:		
Not later than one year	48,573	47,596
Later than one year and not later than five years	183,196	179,191
Later than five years	407,622	450,593
	639,391	**677,379**
Representing:		
Non-cancellable operating leases	639,391	677,379
`	**639,391**	**677,379**

The Corporation has an agreement to obtain recycled water from a plant that is owned and operated by an external party in the Rosehill/Camellia area. This recycled water plant was constructed under a privately financed project (PFP). This is in substance an operating lease for the Corporation in relation to the payments made to obtain the recycled water which is subsequently sold to a small number of foundation customers for industrial and irrigation purposes. The lease agreement is for a term of 20 years, extending to 2031-32.

The Corporation leases motor vehicles under operating leases. Leases for motor vehicles are predominantly for terms between two and five years and provide the Corporation with an option to replace at the end of the lease term.

The Corporation leases properties under operating leases. Leases for property generally have terms of one to ten years' duration with option periods following, ranging up to 15 years.

Where no option periods exist under these leases, it is necessary to negotiate a new lease with the owner, who has the right to require vacant possession. Where there are option periods, the option to continue occupation rests with the Corporation alone.

The leasing of the head office building at 1 Smith Street, Parramatta is by way of an operating lease of 15 years (ending in May 2024) with two 5-year option periods.

Amounts disclosed for these commitments include total GST of $33.759 million (2018: $33.344 million).

	2019 $'000	2018 $'000
Receivable as lessor		
Future operating lease rentals:		
Not later than one year	11,465	15,533
Later than one year and not later than five years	16,404	9,149
Later than five years	80,423	12,203
	108,292	**36,885**

Operating leases are non-cancellable and are mainly in respect of residential, commercial and industrial properties, open space and space for telecommunication towers. Operating leases are for terms ranging from less than one year to 50 years. Lease rentals are generally reviewed annually. Amounts disclosed for these commitments include total GST of $9.845 million (2018: $3.353 million).

(c) Finance lease commitments

	Note	2019 $'000	2018 $'000
Payable as lessee			
Future minimum lease payments:			
Not later than one year		62,227	61,577
Later than one year and not later than five years		242,012	245,103
Later than five years		557,947	621,334
		862,186	**928,014**
Future finance costs		(469,692)	(519,566)
Finance lease liabilities – present value		**392,494**	**408,448**
Current		17,730	15,954
Non-current		374,764	392,494
Financial lease liabilities in statement of financial position	10	**392,494**	**408,448**

These finance lease commitments represent the future payments arising from finance leases (refer to note 10(b)). Amounts disclosed for these commitments do not include GST as they are comprised of principal and interest payments.

Note 16. Contingencies

(a) Contingent liabilities

A contingent liability is a possible obligation that may become payable depending on a future event or a present obligation that is not probable to require payment or cannot be reliably measured. A provision is not recognised for contingent liabilities. The Corporation is a party to various legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such claims cannot be reliably measured at this time. In the directors' opinion, disclosure of any further information would be prejudicial to the interests of the Corporation.

Guarantees provided
Under the *Workers' Compensation Act 1987*, as the Corporation was a self-insurer until 1 March 2007 and as a state owned corporation was deemed to not have government employer status, the Corporation is required to provide a guarantee to Insurance and Care NSW that secures the Corporation's remaining self-insurance workers' compensation liability. The value of the guarantee at the reporting date was $19.273 million (2018: $19.750 million) (refer to note 10(c)).

(b) Contingent assets

The Corporation is seeking to recover costs incurred under contractual arrangements through litigation. It is also seeking to settle a number of outstanding insurance claims and recover costs or losses from insurers. In the directors' opinion, disclosure of any further information about these claims would be prejudicial to the interests of the Corporation and cannot be reliably measured at this time.

Other Notes

Note 17. Financial risk management

(a) Financial instruments and financial risk factors

The Corporation has the following financial instruments:

- cash and cash equivalents (refer to note 6);
- trade and other receivables (refer to note 7);
- greenhouse trading certificates (refer to note 8);
- trade and other payables (refer to note 9);
- borrowings (refer to note 10); and
- finance lease liabilities (refer to note 10).

These financial instruments expose the Corporation to a range of financial risks in its normal course of business operations. These risks include liquidity risk, credit risk, interest rate risk and regulatory risk. The Corporation does not have any material exposure to price risk or foreign currency risk.

(b) Financial risk exposures

Liquidity risk
During the current and previous reporting periods, there were no defaults or breaches on any borrowings payable. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed low based on previous reporting periods' data and current reassessment of risk. Liquidity risk is managed by the Corporation through the maintenance of extensive short-term and long-term cash flow forecasting models, and through the availability of borrowing facilities approved by the NSW Treasurer under the GSF Act (refer to note 10(c)).

The objective is to maintain a balance of funding and flexibility in ensuring cash is available each day to meet the Corporation's financial obligations, whilst maintaining a daily bank balance with minimum surplus funds (with a target of between $Nil and $4.0 million on at least 80% of calendar days). In addition, the Corporation's treasury management policies limit debt with terms to maturity of less than three months to 30% of total borrowings within the Corporation's debt portfolio.

Whilst current liabilities are greater than current assets, the Corporation continues to operate as a going concern. The Corporation derives the majority of its revenue from the operation of its infrastructure assets.

Credit risk
Exposures to credit risk for the Corporation are primarily in relation to cash and cash equivalents and trade and other receivables. At the reporting date, the maximum exposure to credit risk for the Corporation is represented by the carrying amount of cash and cash equivalents and trade and other receivables in the statement of financial position (refer to notes 6 and 7).

<u>Cash and cash equivalents</u>
The Corporation only deals with creditworthy counterparties and recognised financial intermediaries as a means of mitigating the risk of financial losses from defaults. Policies are in place to monitor the credit ratings of counterparties and to limit the amount of funds placed with those counterparties, depending on their credit rating.

<u>Trade and other receivables</u>
The Corporation monitors balances outstanding on an ongoing basis and has policies in place for the recovery or write-off of amounts outstanding. The Corporation from 1 July 2018 applies the simplified approach under AASB 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the lifetime expected credit losses, trade and other receivables were grouped based on:

- whether the debtors related to service availability and/or usage charges or related to sundry charges; and
- shared credit risk characteristics including whether the outstanding debtor is subject to legal recovery.

The expected loss rates are based on the payment profiles of revenues over the ten-year period prior to the reporting date and the related historical credit losses experienced over the same period. The historical loss rates were then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation identified the NSW gross domestic product rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on the expected change in this factor. The Corporation did not record any additional loss allowance on adopting the lifetime expected credit loss approach as the additional impact was not material.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model approach. Individual trade and other receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The remaining trade and other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Corporation considered that there was evidence of impairment if there was a high probability that the debtor would enter bankruptcy or that there was a failure by customers to have made any payments for a period greater than 365 days. Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Interest rate risk
The Corporation is exposed to changes in market interest rates, primarily from the Corporation's portfolio of interest-bearing short and long-term borrowings. The Corporation manages this exposure by implementing various treasury management policies and controls approved by the Board that are designed to ensure debt maturities are spread across the yield curve. These controls include approved parameters specifying the minimum and maximum percentages of debt issuance in maturity bands, approved parameters limiting the maximum exposure to floating interest rate debt products, portfolio duration and weighted average life management targets and approved trading bands.

Long-term fixed rate and CPI indexed bonds with maturities to 2041 have been issued in order to maintain a high weighted average life of the debt portfolio over time. At the reporting date, the debt portfolio was comprised of 68% of fixed rate bond debt and 32% CPI indexed debt (2018: 64% of fixed rate bond debt and 36% CPI indexed debt).

The Corporation's Treasury Management Policy has been approved by the Board, allowing debt management strategies to manage the financial impact of regulatory risks that occur in the current regulatory pricing environment (refer to 'Regulatory risk' below).

The table below details the carrying amounts of financial assets and financial liabilities, including their weighted average interest rates, that are exposed to interest rate risk at the reporting date:

	Note	Weighted average interest rate 2019 %	2018 %	Carrying amount 2019 $'000	2018 $'000
Financial assets					
At amortised cost:					
Cash	6	1.15	1.30	34,608	3,983
				34,608	**3,983**
Financial liabilities					
At amortised cost:					
Borrowings:					
Other advances	10	-	8.44	-	12
Come and Go Facility	10	1.35	2.26	81,500	-
NSW Treasury Corporation loans	10	3.17	4.00	8,942,758	7,780,570
Finance lease liabilities:					
Blue Mountains Sewage Transfer Scheme	10	6.25	6.25	46,486	49,093
Water filtration plant agreements	10	10.19	10.19	346,008	359,355
				9,416,752	**8,189,030**

Sensitivity analysis
The table below shows the effect on profit after tax and equity at the reporting date if nominal interest rates had been 100 basis points (that is, one percentage point) higher or lower than current levels, with all other variables being held constant and taking into account all underlying exposures and related hedges if any.

Based on the value of the Australian short-term interest rates (one month Bank Bill Swap Rate – BBSW) at the reporting date of 1.22% (2018: 2.02%), a 100 basis points increase would increase the rate to 2.22% (2018: 3.02%) and a 100 basis points decrease would reduce the rate to 0.22% (2018: 1.02%). This is broadly representative of recent interest rate increases and decreases within a certain range, which is reasonably possible given historical movements in official interest rates by the Reserve Bank of Australia. Historically, the Reserve Bank of Australia official cash rate has fluctuated between 1.25% and 2.50% over the past five years.

	Interest Revenue Higher (lower) 2019 $'000	2018 $'000	Post Tax Profit Higher (lower) 2019 $'000	2018 $'000	Equity Higher (lower) 2019 $'000	2018 $'000
Judgement of reasonably possible events						
Interest rates 100 basis points higher	346	40	242	28	242	28
Interest rates 100 basis points lower	(346)	(40)	(242)	(28)	(242)	(28)

For the current reporting period shown above, the sensitivity to changes in interest rates at the reporting date relates to the bank account balance only, as no debt was subject to changes in interest rates at the reporting date.

Regulatory risk
Regulatory risk is the risk that the Corporation's actual cost of debt will not be fully compensated through the methodology employed by IPART in determining the Corporation's prices to be charged to customers. The main components of regulatory risk are real interest rate risk, debt margin risk and inflation risk.

Regulatory risk is managed by the Corporation through policies and strategies to hedge the components of regulatory risk. These include strategies that align the debt portfolio structure to IPART's cost of debt determination methodology.

The objective of managing regulatory risk is to ensure that the Corporation's actual cost of debt does not vary significantly from the cost of debt included by IPART in its Pricing Determination, and so that this does not impact negatively on financial ratios and the Corporation's corporate credit rating.

(c) Financial risk management policies, objectives and reporting

The risks outlined above are managed in accordance with treasury management policies approved by the Board. These policies provide a framework of strict controls to manage the impact of these exposures, within the overall framework of the GSF Act. The policies cover a number of aspects such as:

- approved delegation levels and segregation of duties for dealing, authorising and settling treasury management transactions;
- approved credit limits for dealing with counterparties;
- the types of treasury transactions, including derivatives, that the Corporation can enter into;
- approved limits for hedging foreign exchange exposures;
- the structure of debt and investment portfolios; and
- approved benchmarks for managing performance.

Treasury and financial risk management performance is reported to a designated sub-committee of the Board on a semi-annual basis. Treasury management strategies and performance are also reported on and reviewed on a monthly basis by a Treasury Committee of senior finance managers.

(d) Capital management

The Corporation's objective when managing capital is to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide appropriate returns for its shareholders and benefits for the community within its area of operations. This is achieved by maintaining an optimal capital structure that aims to minimise or reduce the cost of capital, whilst at the same time ensuring the Corporation's operations and capital works objectives are achieved. The capital structure of the Corporation is monitored on the basis of key performance indicators, which include:

- the level of gearing for the Corporation; and
- its debt to equity ratio.

In determining appropriate prices for the Corporation to charge its customers, IPART has adopted a standard gearing assumption of 60 per cent for the purposes of determining the Corporation's weighted average cost of capital (WACC). The WACC is a key input in IPART's regulatory pricing methodology in which a regulated asset base is used to determine the Corporation's 'annual revenue requirement' (and ultimately prices to be charged to customers) based on the efficient use of resources and an appropriate rate of return on capital invested. The table below shows the level of capital employed at the reporting date for the Corporation, as well as financial ratios used in the management of capital based on the definitions within NSW Treasury's Commercial Policy Framework.

	Note	2019 $'000	2018 $'000
Interest-bearing debt*	10	9,024,258	7,780,582
Other interest-bearing liabilities**	10	392,494	408,448
Total interest-bearing liabilities		**9,416,752**	**8,189,030**
Total equity		7,523,467	7,821,598
Total capital employed		**16,940,219**	**16,010,628**
		%	**%**
Gearing ratio (Interest-bearing debt / Interest-bearing debt + Total equity)		54.53	49.87
Debt to equity ratio (Total interest-bearing liabilities / Total equity)		125.17	104.70

*Interest-bearing debt consists of borrowings from NSW Treasury Corporation and borrowings from other advances.
** Other interest-bearing liabilities consists of the Blue Mountain Sewage Transfer Scheme finance lease liability and the water filtration plant agreement finance lease liabilities.

(e) Maturity analysis of financial assets and financial liabilities recognised in the statement of financial position.

The following tables reflect the maturity bands for settlement of the carrying amounts of financial assets and financial liabilities recognised in the statement of financial position at the reporting date.

	Note	Repricing or maturing in: Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	More than 5 years $'000	Total $'000
2019								
Financial assets								
Cash	6	34,608	-	-	-	-	-	34,608
Trade and other receivables *		359,451	-	-	-	-	-	359,451
Greenhouse trading certificates	8	300	-	-	-	-	-	300
		394,359	**-**	**-**	**-**	**-**	**-**	**394,359**
Financial liabilities								
Trade and other payables *		649,798	-	-	-	-	-	649,798
Borrowings:								
Other advances	10	-	-	-	-	-	-	-
NSW Treasury Corporation Loans and Come and Go Facility	10	1,299,993	1,332,856	818,072	531,138	783,382	4,258,817	9,024,258
Finance lease liabilities:								
Blue Mountains Sewage Transfer Scheme	10	2,772	2,951	3,139	3,341	3,554	30,729	46,486
Water filtration plant agreements	10	14,958	16,729	14,206	15,013	16,590	268,512	346,008
		1,967,521	**1,352,536**	**835,417**	**549,492**	**803,526**	**4,558,058**	**10,066,550**
2018								
Financial assets								
Cash	6	3,983	-	-	-	-	-	3,983
Trade and other receivables *		304,405	-	-	-	-	-	304,405
Greenhouse trading certificates	8	2,875	-	-	-	-	-	2,875
		311,263	**-**	**-**	**-**	**-**	**-**	**311,263**
Financial liabilities								
Trade and other payables *		622,582	-	-	-	-	-	622,582
Borrowings:								
Other advances	10	12	-	-	-	-	-	12
NSW Treasury Corporation Loans and Come and Go Facility	10	696,794	1,566,903	1,139,666	518,951	520,443	3,337,813	7,780,570
Finance lease liabilities:								
Blue Mountains Sewage Transfer Scheme	10	2,607	2,773	2,951	3,139	3,341	34,282	49,093
Water filtration plant agreements	10	13,347	14,958	16,729	14,206	15,013	285,102	359,355
		1,335,342	**1,584,634**	**1,159,346**	**536,296**	**538,797**	**3,657,197**	**8,811,612**

* These balances differ from the statement of financial position as they exclude prepayments and statutory taxes receivable in the case of trade and other receivables, and income in advance and statutory taxes payable in the case of trade and other payables. These items are out of scope in relation to these disclosures.

(f) Contractual maturities of all cash flows from financial liabilities

The following tables reflect the maturity bands for all undiscounted contractual payments for settlement, including repayments of principal and interest, resulting from recognised financial liabilities as at the reporting date. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at the reporting date.

						Repricing or maturing in:	
	Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	More than 5 years $'000	Total $'000
2019							
At amortised cost:							
Trade and other payables *	649,798	-	-	-	-	-	649,798
Borrowings:							
Other advances	-	-	-	-	-	-	-
NSW Treasury Corporation Loans and Come and Go Facility	1,545,442	1,510,811	991,410	747,913	924,382	5,041,942	10,761,900
Finance lease liabilities:							
Blue Mountains Sewage Transfer Scheme	14,122	14,678	15,257	15,858	16,482	129,581	205,978
Water filtration plant agreements	48,105	48,250	44,182	43,593	43,712	428,366	656,208
	2,257,467	**1,573,739**	**1,050,849**	**807,364**	**984,576**	**5,599,889**	**12,273,884**
2018							
At amortised cost:							
Trade and other payables *	622,582	-	-	-	-	-	622,582
Borrowings:							
Other advances	13	-	-	-	-	-	13
NSW Treasury Corporation Loans and Come and Go Facility	711,946	1,808,825	1,470,553	658,355	710,689	4,048,727	9,409,095
Finance lease liabilities:							
Blue Mountains Sewage Transfer Scheme	13,803	14,356	14,932	15,531	16,154	149,256	224,032
Water filtration plant agreements	47,774	48,105	48,250	44,182	43,593	472,078	703,982
	1,396,118	**1,871,286**	**1,533,735**	**718,068**	**770,436**	**4,670,061**	**10,959,704**

* These balances differ from the statement of financial position as they exclude income in advance and statutory taxes payable. These items are out of scope in relation to these disclosures.

(g) Fair values of financial assets and financial liabilities

The following table details the carrying amounts, their fair values and the basis for determining the fair value at the reporting date for all financial instruments:

	Basis of fair value	Note	Carrying amount 2019 $'000	Carrying amount 2018 $'000	Fair Value 2019 $'000	Fair Value 2018 $'000
Financial assets						
Cash	Carrying amount	6	34,608	3,983	34,608	3,983
Trade and other receivables *	Carrying amount		359,451	304,405	359,451	304,405
Greenhouse trading certificates	Quoted price in active market	8	300	2,875	300	2,875
			394,359	**311,263**	**394,359**	**311,263**
Financial liabilities						
Trade and other payables *	Carrying amount		649,798	622,582	649,798	622,582
Borrowings						
Other advances	DCF** using interest rate swap rate from independent market source	10	-	12	-	13
NSW Treasury Corporation Loans	DCF using interest rates from independent market source	10	8,942,758	7,780,570	9,802,185	8,228,909
Come and go Facility	DCF using interest rates from independent market source	10	81,500	-	81,500	-
Finance lease liabilities						
Blue Mountains Sewage Transfer Scheme	DCF using interest rate swap rate from independent market source	10	46,486	49,093	168,495	167,735
Water filtration plant agreement	DCF using interest rates from independent market source	10	346,008	359,355	515,453	506,465
			10,066,550	**8,811,612**	**11,217,431**	**9,525,704**

* These balances differ from the statement of financial position as they exclude prepayments and statutory taxes receivable in the case of trade and other receivables, and income in advance and statutory taxes payable in the case of trade and other payables. These items are out of scope in relation to these disclosures.
** Discounted cash flows

There were no financial instruments at either the current reporting date or the previous reporting date that were carried in the statement of financial position at fair value determined by any of the three valuation methods defined in note 4(d) except for the greenhouse trading certificates which are determined using level 1 valuation inputs.

Note 18. Related party disclosures

The Corporation has related party relationships with key management personnel and with entities that belong to the NSW Total State Sector consolidated group controlled by the NSW Government.

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. This comprises all directors, whether executive or non-executive, senior executives who lead the various divisional groups of the Corporation, the Corporation's two shareholder Ministers and its Portfolio Minister.

Compensation is shown below for the directors and the senior executives only. The NSW Legislature pays compensation to Ministers and this is not reimbursable from the Corporation.

	2019 $'000	2018 $'000
Short-term employee benefits	3,671	4,066
Post-employment benefits	279	290
Other long-term benefits	38	23
Termination benefits	194	-
	4,182	**4,379**
This comprises compensation relating to:		
Directors:		
Executive	807	806
Non-executive	620	622
	1,427	1,428
Senior executives	2,755	2,951
	4,182	**4,379**

The above disclosures for senior executives are based on actual payments made for employee benefits during the reporting period.

(b) Other transactions with key management personnel and related entities

From time to time, key management personnel may purchase goods or services from the Corporation. These purchases are on the same terms and conditions as those entered into by other customers and are trivial in nature. There were no related party transactions during either the current or previous reporting periods with other entities related to the Corporation's directors and senior executives.

(c) Other related party transactions

The Corporation is both a lessor and a lessee to a number of peppercorn leases where the other party is a member of the NSW Total State Sector consolidated group. The peppercorn leases are held to help further the strategic objectives of the NSW Government. The fair value of these leases is not quantified as the costs to obtain valuations would outweigh any benefits of providing such disclosure.

The Corporation also provides unmetered water for urban and bush firefighting free of charge to NSW Fire and Rescue and the NSW Rural Fire Service.

Note 19. Consultants

The total amount paid or payable to consultants engaged by the Corporation during the reporting period was $1.179 million (2018: $1.603 million).

Note 20. Auditors' remuneration

The audit fee (exclusive of GST) for the audit of the financial statements by the Audit Office of NSW is $0.455 million (2018: $0.455 million).

Note 21. Changes in accounting policies

This note explains the impact of the adoption of AASB 9 and AASB 15 on the Corporation's financial statements.

(a) AASB 9

AASB 9 replaces the provisions of AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) that relate to the recognition, classification and measurement of financial assets and financial liabilities, the derecognition of financial instruments and the impairment of financial assets. AASB 9 has led to a change in the Corporation's accounting policies.

Modification of borrowings held at amortised cost
In 2015-16, a portion of the borrowings held with NSW Treasury Corporation was modified and not derecognised giving rise to a gain of $29.1 million for the Corporation. The Corporation applied AASB 139 to discount the cash flows of the modified borrowings at the revised effective interest rate as the modification was not considered substantially different. This had the impact of the changes in cash flow being recognised over the remaining term of the modified borrowings.

AASB 9 came into effect on 1 July 2018 and requires that the cash flows of the modified borrowings must be discounted instead at their original effective interest rate. AASB 9 must be applied retrospectively. The modification under AASB 9 would have resulted in the recognition of an immediate gain of $29.1 million in profit or loss in 2015-16. As at 30 June 2018, only $9.1 million of the gain had been released to profit or loss. The remaining $20.0 million is required to be adjusted against opening retained earnings on transition to AASB 9. The Corporation has not restated comparatives on the adoption of AASB 9 as per the transition option mandated by NSW Treasury.

Hence an adjustment was recognised to decrease non-current borrowings and to increase retained earnings on 1 July 2018. The following extract of the 2017-18 statement of financial position shows the impact of the adjustment recognised. The extract shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Statement of Financial Position (extract)	Original 30 June 2018 $'000	AASB 9 $'000s	Restated 1 July 2018 $000s
Non-current liabilities			
Borrowings and finance lease liabilities	8,173,064	(20,033)	8,153,031
Total non-current liabilities	**10,102,160**	**(20,033)**	**10,082,127**
Total liabilities	**11,271,386**	**(20,033)**	**11,251,353**
Net assets	**7,821,598**	**20,033**	**7,841,631**
Equity			
Retained earnings	2,382,119	20,033	2,402,152
Total equity	**7,821,598**	**20,033**	**7,841,631**

Classification and measurement of financial assets
Financial assets are now classified based on the Corporation's business models for management of the financial assets and their associated cash flow characteristics. Classification then determines the measurement basis. AASB 9 simplifies the previous AASB 139 classification and measurement structure in place for financial assets. Management's assessment of the business models which apply to the Corporation's financial assets did not give rise to a change in their measurement. Cash (refer to note 6) and trade and other receivables (refer to note 7) continue to be held at amortised cost. The greenhouse trading certificates (refer to note 8) continue to be held at fair value through profit or loss.

Impairment
AASB 9 requires the Corporation to record expected credit losses on its trade and other receivables, either on a 12-month basis or a lifetime basis. The Corporation adopted the simplified approach under AASB 9 and will record lifetime expected losses on its trade receivables and other receivables. The lifetime expected credit loss is defined as the expected credit losses that result from all possible default events over the expected life of the financial asset.

For trade receivables and other receivables, the history of past allowances for impairment has indicated a low level of default. Once this is combined with forward estimates for current credit risk, the loss allowance under the lifetime expected credit loss approach does not significantly change when compared to the loss allowance based on the previous 'incurred approach'. The Corporation did not record any additional loss allowance on adopting AASB 9 as the additional impact was not considered material (refer to note 17(b)).

(b) AASB 15

AASB 15 changes the Corporation's accounting policies for revenue recognition and measurement. Revenue is recognised when the control over good or services is passed to the customer. The concept of control replaces the concept of the transfer of risks and rewards to the customer under the previous revenue related Accounting Standards and Accounting Interpretations.

The transaction price is allocated to each performance obligation attached to the provision of the goods or services. Revenue is then recognised either over time or at a point in time. Applying the AASB 15 changes to the Corporation's revenue streams did not change the revenue recognition or measurement outcomes. AASB 15 does however increase the qualitative and quantitative disclosure requirements (refer to note 1(a)).

Note 22. Accounting Standards and Accounting Interpretations issued but not yet effective

At the reporting date, several Accounting Standards and Accounting Interpretations have been issued that are not yet effective and which have not been early adopted by the Corporation. These Accounting Standards and Accounting Interpretations are not expected to have a material impact on the financial results of the Corporation in the reporting period when they become operative, except for AASB 16 *Leases* (AASB 16), AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) and AASB 2018-5 *Amendments to Australian Accounting Standards – Deferral of AASB 1059* (AASB 2018-5).

(a) AASB 16 – effective from 1 July 2019

AASB 16 will require the Corporation to recognise, as a lessee, right-of-use assets and lease liabilities for most operating leases. The right-of-use asset represents the lessee's right to use the underlying leased asset and will be measured similar to other non-financial assets (such as property, plant and equipment). Accordingly, this new asset will be depreciated similar to existing finance lease assets.

The lease liability represents the lessee's obligations to make lease payments. The lease liability will be initially measured as the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease or the incremental borrowing rate of the lessee if the first option is not readily determined. Lease payments will be dissected into a principal portion and an interest portion, with the principal portion reducing the lease liability over time. Operating lease payments that are currently expensed in profit or loss will be replaced by depreciation of the recognised right-of-use asset and the interest expense incurred on the lease liability. Expenses recognised in the earlier years of the lease term will be higher as the interest charges will be calculated on a larger lease liability balance. Existing finance leases are not expected to be impacted from the transition to AASB 16.

Based on the current portfolio of operating leases and the incremental borrowing rates as at the reporting date and the transition options mandated by NSW Treasury, it is forecast that lease liabilities and the right-of-use assets will increase by approximately $377 million as at 1 July 2019. Forecast operating lease rental expense of $44 million will be replaced by an increase in forecast depreciation expense of $37 million and an increase in forecast interest expense of $18 million for the year ended 30 June 2020. These profit and loss estimates are subject to change as it is highly likely that the portfolio of operating leases and the incremental borrowing rates will change between the transition date and 30 June 2020.

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

- The Corporation will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always applied. Comparative information will not be restated;
- The Corporation will adopt the practical expedient whereby the fair value of the right-of use asset will be the same as the lease liability at 1 July 2019;
- The Corporation will adopt the practical expedient to not recognise a right-of-use asset and a corresponding lease liability for all operating leases where the lease term is less than 12 months or where these are of low value (i.e. less than $10,000);
- The Corporation will adopt the practical expedient to exclude non-lease components of leases from determining the right-of-use asset and the corresponding lease liability. These non-lease components include items such as outgoings and maintenance; and
- The Corporation will adopt the practical expedient not to reassess whether a contract is, or contains, a lease at the date of initial application.

Lessor accounting under AASB 16 is substantially unchanged from the current accounting under AASB 117 'Leases'.

(b) AASB 1059 and AASB 2018-5 – effective from 1 July 2020

AASB 1059 will require the Corporation (as a grantor) to recognise the service concession assets it controls. A service concession arrangement involves an external operator providing public services related to a service concession asset on behalf of a public-sector grantor for a specified period and managing at least some of those services.

The grantor controls the service concession asset if it controls or regulates the services an external operator must provide with the service concession asset, to whom it must provide them and at what price, and if it controls any significant residual interest in the asset at the end of the service concession arrangement term. A service concession asset shall be measured at current replacement cost as defined by the cost approach to fair value under AASB 13 *Fair Value Measurement*.

The impact for the Corporation is that the existing Prospect, Macarthur, Illawarra and Woronora water filtration plant assets, the Blue Mountains Sewage Tunnel asset, the Gerringong Gerroa Sewage Treatment Plant and the St Mary's Advanced Water Treatment Plant assets all meet the definition of service concession assets. These assets will be reclassified from system assets to service concession assets (within property, plant and equipment) on 1 July 2020.

Further, the impact of a change in valuation from the existing income approach to the cost approach will result in an increase in value of the afore-mentioned assets in the range of approximately $600 million to $800 million. This increase will be recorded as an increase to retained earnings on 1 July 2020. The increase in value will lead to an increase in depreciation expense of between $15 million to $20 million per annum. These estimates are subject to change as more detailed current replacement cost valuations will be performed before the transition date.

There will also be a corresponding decrease to the value of system assets on that date, via the asset revaluation reserve, as the overall fair value of all assets held by the Corporation under the income approach does not change because of AASB 1059. The only impact is to the valuations between the two asset classes of system assets and service concession assets and not to the overall value of property, plant and equipment. AASB 2018-5 deferred the introduction of AASB 1059 by one year from 1 July 2019 to 1 July 2020.

Note 23. Events occurring after the reporting period

The previous Chief Executive Officer, Kevin Young, left the Corporation on 31 July 2019. The current Chief Financial Officer, Kevin Jones, will be the interim Chief Executive Officer for the period 1 August 2019 to 1 September 2019. A new Chief Executive Officer, Roch Cheroux, will commence from 2 September 2019.

End of audited financial statements

Directors' Declaration

In the opinion of the Directors of Sydney Water Corporation:

(a) the accompanying Financial Statements and notes thereto:

(i) exhibit a true and fair view of the financial position of the Corporation as at 30 June 2019 and of its financial performance, as represented by its transactions for the year ended on that date;

(ii) comply with applicable Australian Accounting Standards (including Australian Accounting Interpretations) and other mandatory and statutory reporting requirements, including Part 3 of the *Public Finance and Audit Act 1983* and the associated requirements of the *Public Finance and Audit Regulation 2015*.

(b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

(c) we are not aware of any circumstances at the date of this declaration that would render any particulars included in the accompanying Financial Statements and notes thereto to be misleading or inaccurate.

Signed in accordance with section 41C(1C) of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Directors:

Director

Director

Date: 16 August 2019

INDEPENDENT AUDITOR'S REPORT

Sydney Water Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Sydney Water Corporation (the Corporation), which comprise the Statement of profit or loss and other comprehensive income for the year ended 30 June 2019, the Statement of financial position as at 30 June 2019, the Statement of changes in equity and the Statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Other Information

The Corporation's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The directors of the Corporation are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Directors' Declaration.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

Director's Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the PF&A Act and the *State Owned Corporations Act 1989*, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Corporation or to cease operations or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the financial statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

19 August 2019
SYDNEY

Chapter 4

Appendixes

Appendix 1: Corporate governance

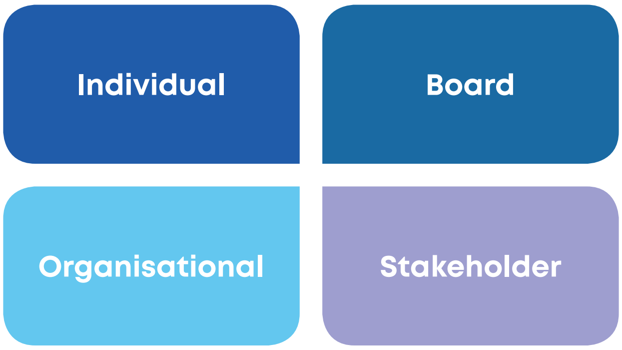
Our corporate governance framework

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

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

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

Figure 4: AICD Corporate Governance Framework



The framework aligns with the ASX *Corporate Governance Principles and Recommendations* (3rd Edition) and the NSW Audit Office Governance Lighthouse Model. It serves as a basis for measuring and comparing the activities of the Board and management to corporate governance best practice.

Under the Board Charter, the Board assesses its performance each year. In 2019, the Board commenced evaluation of its performance with assistance from an independent governance advisor.

The Board also complies with the NSW Treasury TPP 17-10 *Guidelines for Governing Boards of Government Businesses*.

Board of Directors

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

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

The Board's role and responsibilities

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

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

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

Director independence

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

Indemnity and insurance

In line with the *State Owned Corporations Act 1989* (NSW) and the Constitution of Sydney Water, all Directors have been granted an indemnity with the approval of our shareholders, in accordance with the NSW Treasury TPP 18-04 *Directors and Officers Indemnity Policy for State Owned Corporations*.

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

Board of Directors skills matrix

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

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

Table 31: Board of Directors skills matrix at 30 June 2019

Skills and experience	Explanation	Target number of Directors at the desired specialist level of competency	Status
Commercial/business experience acumen	Experience at senior executive level within a large and complex business	2	▲
Engineering and safety	Experience at senior executive level in providing engineering or safety services and products, including overseeing of work, health and safety systems	2	▲
Health	Technical and professional expertise in protecting public health as it relates to water	1	▲
Environment	Technical and professional expertise in water resource management and environmental protection practices	1	▲
Financial literacy	Expertise in financial statements and drivers of financial performance within a large and complex business including finance controls and audit standards	2	▲
Strategy development and implementation	Expertise in developing, setting and implementing clear strategic direction including growth	3	▲
Corporate governance	Experience with the highest standards of corporate governance, including overseeing governance frameworks	2	▲
Risk management	Experience in applying and overseeing risk management frameworks and regulatory relationships	2	▲
Law	Qualifications in law and/or experience in interpreting and applying relevant legislative frameworks within a large and complex business	1	▲
Digital services/ strategy	Experience and expertise in developing, selecting and implementing leading business transformational technology, including responding to digital disruption	1	▲
Government/ State-owned corporation	Government and/or state-owned corporation (SOC) expertise with an understanding of public policy objectives and commercial policy frameworks	2	▲
Capital markets/ investments	Expertise in banking, debt capital markets and investments	1	▲
Public affairs/ economic reputation	Experience managing public affairs and reputation risk, including key stakeholder and reputation management	2	▲

Performance indicator key

▲ Target met or exceeded ■ Target not met

Sydney Water Board Directors

Bruce Morgan

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

Chairman

Chairman: 1 October 2013 to current

Director: 1 January 2012 to 30 September 2013

Chairman of the Nominations and Remuneration Committees

Skills and experience

Extensive business experience as a Non-executive Director, including in energy and transport fuels, and from his executive career in the audit and professional services industry. He has specific experience in the financial services, energy and mining sectors, leading some of PwC's most significant clients in Australia and internationally.

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

External appointments

Bruce is a Non-executive Director of Caltex Australia Limited, Origin Energy Limited, the European Australian Business Council, the University of NSW Foundation and Redkite Pty Ltd.

Kevin Young

BEng (Hons), MBA, FIE Aust, CPENG, FAICD

Chief Executive Officer and Managing Director

Managing Director: 1 August 2011 to 31 July 2019

Skills and experience

Kevin has more than 40 years' experience working for the private sector and government authorities in engineering and water industries in Australia, the United Kingdom and the United States. He has extensive experience in strategic planning, financial and commercial management, corporate governance, regulatory relationships, safety, infrastructure, community engagement, industrial relations, culture and business transformation. Before commencing with Sydney Water, Kevin was Managing Director of Hunter Water.

External appointments

Kevin is a Non-executive Director of Water Aid Australia and Chairman of the Water Services Association of Australia (WSAA) Utility Excellence Committee. He has also been a Director of Hunter Water Australia Pty Limited and Chairman of WSAA.

Trevor Bourne

BSc (Mech Eng), MBA, FAICD

Non-executive Director

Director: 10 February 2014 to current

Chairman of the Safety and Wellbeing Committee

Member of the Planning and Infrastructure, Remuneration and Nominations committees

Skills and experience

Trevor brings to the Board management experience, including as chief executive officer, in manufacturing, logistics, engineering and large-scale projects. He is an experienced Non-executive Director, having served on public and private company boards for more than 15 years. Trevor is a leader and advocate for work, health and safety improvements.

External appointments

Trevor is Chairman of Senex Energy Limited and a Non-executive Director of Virgin Australia Holdings Limited. Formerly, he was a Non-executive Director of Caltex Australia Limited and Origin Energy Limited, and Managing Director of Brambles Australasia.

Dr Marlene Kanga AM

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

Non-executive Director

Director: 10 February 2014 to current

Chair of the Planning and Infrastructure Committee

Member of the Safety and Wellbeing, Remuneration and Nominations committees

Skills and experience

Marlene is an experienced business leader and Non-executive Director. She has more than 30 years' experience in the chemical and process engineering industry in Australia and New Zealand. A past national president of Engineers Australia, she has been recognised as one of Australia's leading women engineers and for her contribution to the engineering profession as a Member of the Order of Australia.

External appointments

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

Dr Abby Bloom

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

Non-executive Director

Director: 1 January 2013 to current

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

Skills and experience

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

External appointments

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

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

Greg Couttas

BComm, FCA, MAICD

Non-executive Director

Director: 17 November 2016 to current

Chairman of the Audit and Risk Committee

Member of the Safety and Wellbeing, Remuneration and Nominations committees

Skills and experience

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

External appointments

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

Richard Fisher AM

MEc, LLB, MAICD

Non-executive Director

Director: 1 January 2012 to current

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

Skills and experience

Richard brings to the Board extensive general and commercial law expertise. He is General Counsel of the University of Sydney and is an Adjunct Professor in the University's Faculty of Law. Formerly, Richard was a Partner at Blake Dawson (now Ashurst) and Chairman of Partners.

Richard was a part-time Commissioner of the Australian Law Reform Commission and an international consultant for the Asian Development Bank.

External appointments

Richard was formerly the Chairman of InvoCare.

Cameron Robertson

MEc, FIAA, GAICD

Non-executive Director

Director: 21 December 2017 to current

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

Skills and experience

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

External appointments

Cameron is a Non-executive Director of WestConnex and the Worsley Cogeneration Plant. He is a member of the Direct Asset Committee for First State Super and the Finance and Investment Committee for the St Vincent's Health Group.

Craig Roy

MSc, MBA, FAICD

Non-executive Director

Director: 1 January 2019 to current

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

Skills and experience

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

External appointments

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

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

Board committees

The following permanent committees have been convened.

Audit and Risk

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

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

Safety and Wellbeing

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

Members: T Bourne (Chair), M Kanga, C Robertson[31], G Couttas, C Roy[32], K Young

Planning and Infrastructure

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

Members: M Kanga (Chair), R Fisher, A Bloom, T Bourne, C Robertson, C Roy[32], K Young

Nominations

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

Members: B Morgan (Chair), A Bloom, T Bourne, G Couttas, R Fisher, M Kanga, C Robertson, C Roy[32]

Remuneration

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

Members: B Morgan (Chair), A Bloom, T Bourne, G Couttas, R Fisher, M Kanga, C Robertson, C Roy[32], K Young

Board meetings and attendance

The Board meets monthly, except in January and June (unless required). Meetings are held in line with Sydney Water's Constitution following an annual schedule of set meeting dates and additional meetings called when Directors see fit. Eleven meetings were held in 2018-19.

Table 32: Director meetings, 1 July 2018 to 30 June 2019

	Meeting	Board of Directors	Audit and Risk Committee	Planning and Infrastructure Committee	Safety and Wellbeing Committee	Nominations Committee	Remuneration Committee	MD Recruitment Committee[33]
Directors	Number held	11	5	6	4	3	1	4
B Morgan		(C) 11	4[34]	6[34]	4[34]	(C) 3	(C) 1	(C) 4
A Bloom		11	5	6		3	1	1[34]
T Bourne		11	3[34]	6	(C) 4	3	1	4
G Couttas		11	(C) 5	5[34]	4	3	1	4
R Fisher		10	4	4		2		2[34]
M Kanga		10	1[34]	(C) 6	4	2	1	4
C Robertson		11	5	5	4	3	1	2[34]
C Roy[30]		4	1[34]	3	2	1		
K Young		11	5[34]	6	4	3	1	4

Notes: The above table reflects meetings attended by all Directors as members or observers. The Board held a strategy session with the Executive on 21 November 2018. This session is not counted as a Directors' meeting.

(C) Committee Chairperson.

31 Cameron Robertson was a member from July 2018 to December 2018.
32 Craig Roy was appointed from 1 January 2019.
33 This is a special committee to oversee the recruitment of a Chief Executive Officer/Managing Director.
34 Not a member of the committee. Attended as an observer.

Appendix 2: Government Information (Public Access) Act 2009

We received 95 valid applications under the *Government Information (Public Access) Act 2009* (GIPA Act) in 2018–19. We also decided 16 applications carried over from 2017–18. For six applications, the processing period allowed under the GIPA Act extends into the 2019–20 financial year. Two applications were withdrawn by the applicants.

In 2018–19, 103 applications were decided, which included:

- granting 86 applicants access to information in full
- granting four applicants access to information, in part because there were overriding public interest concerns against disclosing some information (as listed in Table A, section 14 of the GIPA Act)
- refusing to deal with four applications because the applicants failed to provide the requested advance deposit for the processing charge
- being unable to provide the information to seven applicants because Sydney Water did not have the information
- not releasing the information to two applicants because it was already available to the public.

We aim to proactively make information publicly available on our website. We do this by:

- identifying categories of information often sought
- publicising initiatives, developments or projects that we want the public to know about
- identifying important information we've produced since a previous review
- providing information that it would be in the public interest for us to disclose.

You can learn more about what information is available and how to access it at sydneywater.com.au/GIPA.

Table A: Number of applications by type of applicant and outcome[35]

Applicant	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/ deny whether information is held	Application withdrawn
Media	0	1	0	0	0	0	0	0
Members of Parliament	0	0	0	1	0	0	0	0
Private sector business	29	0	0	1	0	0	0	0
Not-for-profit organisations or community groups	0	0	0	4	0	0	0	0
Members of the public (application by legal representative)	20	1	0	1	2	4	0	1
Members of the public (other)	37	2	0	0	0	0	0	1

Table B: Number of applications by type of application and outcome

Type	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[36]	1	1	0	0	0	0	0	0
Access applications (other than personal information applications)	81	1	0	7	2	4	0	1
Access applications that are partly personal information applications and partly other	4	2	0	0	0	0	0	1

[35] We may make more than one decision regarding a particular access application. If so, we record each decision made. This also applies to Table B.

[36] A 'personal information application' is an access application for personal information (as defined in clause 4 of Schedule 4 to the GIPA Act) about the applicant, where the applicant is an individual.

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the GIPA Act)	6
Application is for excluded information of the agency (section 43 of the GIPA Act)	0
Application contravenes restraint order (section 110 of the GIPA Act)	0
Total number of invalid applications received	6
Invalid applications that subsequently became valid applications	4

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to the GIPA Act

	Number of times consideration used[37]
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	2
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of GIPA Act

	Number of occasions when application not successful
Responsible and effective government	1
Law enforcement and security	1
Individual rights, judicial processes and natural justice	1
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

[37] More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	102
Decided after 35 days (by agreement with applicant)	1
Not decided within time (deemed refusal)	0
Total	103

Table G: Number of applications reviewed under Part 5 of the GIPA Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	1	1
Review by Information Commissioner[38]	0	0	0
Internal review following recommendation under section 93 of GIPA Act	0	0	0
Review by NSW Civil Administrative Tribunal (NCAT)	0	0	0
Total	0	1	1

Table H: Applications for review under Part 5 of the GIPA Act (by type of applicant)

	Number of applications for review
Applications by access applicants	2
Applications by persons to whom the information 'subject to access' relates (see section 54 of the GIPA Act)	0

Table I: Applications transferred to other agencies

	Number of applications transferred
Agency-initiated transfer	0
Applicant-initiated transfer	0

[38] The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made. There was one decision under review by the Information Commissioner during 2018–19 that continued into 2019–20, so we haven't counted it in Table G.

Appendix 3

Table 33: Public interest disclosures, 1 July 2018 to 30 June 2019

Public interest disclosures	Number of disclosures[39]
Number of public interest disclosures received by Sydney Water	55
Number of public officials who made public interest disclosures to Sydney Water	55
Number of public interest disclosures received, relating to:	
• corrupt conduct	53
• maladministration	2
• serious and substantial waste	0
• government information contravention	0
• local government pecuniary interest contravention	0
Number of public interest disclosures finalised in this reporting period	46

We have an established internal reporting policy to the Managing Director and Internal Audit Group. We also maintain an independent corruption hotline available to employees and the public to report corrupt behaviour, serious waste of resources or any other suspicious matters.

We raise employee awareness through:

- the annual e-learning program
- a quarterly integrity update on current issues
- awareness articles in the weekly employee newsletter, *e-News*
- face-to-face training for teams, including new employees during their induction.

Appendix 4: Annual report external production costs

We have outsourced production of some elements of this year's Annual Report production due to limitations with internal capabilities and resources. The total estimated cost of producing the Annual Report 2018–19 is $8,250 (excluding GST).[40]

[39] Reporting aligns with the NSW Ombudsman's definition, which includes contractors, subcontractors and instances where anonymous disclosures could reasonably be believed to have been made by employees, contractors or subcontractors.

[40] Estimated figure correct at time of publication.

Chapter 5

Glossary and indexes

Glossary

A

Audit and Risk Committee (ARC)

Australian Institute of Company Directors (AICD)

Average

The sum of scores divided by the total number of results.

B

BillAssist®

Sydney Water's customer assistance program to help customers with payment difficulties and/or growing debt.

Biosolids

Nutrient-rich, organic waste products that can be used in agriculture, composting and land rehabilitation.

Bypass

Partially treated wastewater discharged from a wastewater treatment plant.

C

Catchment

An area of land surrounding a dam or water storage, or the area served by a wastewater treatment plant.

Rain falling over a water catchment drains to a dam and may contain nutrients, minerals and contaminants collected from the land surfaces.

Waste is collected from homes and businesses in wastewater pipes (sewers) within a wastewater catchment and drains by gravity or is pumped to a specific wastewater plant.

Centrepay

A regular payment arrangement that allows customers receiving income support from Centrelink to pay bills through regular deductions from their Centrelink payment.

Conservation

Resource use, management and protection to prevent degrading, depleting or wasting resources to ensure resources are sustainable for present and future generations.

Culturally and linguistically diverse (CALD)

People who speak English as a second language.

CxP

Customer Experience Platform (SAP S/4 HANA).

D

Drinking water

Water treated to comply with *Australian Drinking Water Guidelines 2011* to the satisfaction of NSW Health.

DSP

Development Servicing Plan

E

EAP

Employee Assistance Program

EBITDA

Earnings before interest, tax, depreciation and amortisation

Employee engagement

The extent to which employees commit to someone or something in their organisation, how hard they work, and how long they stay as a result of that commitment.

Energy & Water Ombudsman NSW (EWON)
The NSW Government–approved dispute resolution scheme for NSW electricity, gas and water customers.

Environment Protection Authority (EPA)
An independent body that regulates and responds to activities that can affect the health of the NSW environment and its people.

ET
Equivalent tenement

F

Filtration (water)
A process for removing particles from water by passing it through a porous barrier – such as a screen, membrane, sand or gravel.

G

***Government Information (Public Access) Act 2009* (GIPA Act)**
An Act to facilitate public access to government information.

I

IICATS
Integrated instrumentation, control, automation and telemetry system

Independent Pricing and Regulatory Tribunal (IPART)
The independent pricing regulator for the water, public transport, local government, electricity and gas industries, as well as the licence administrator of water, electricity and gas.

Information Commissioner
The Information and Privacy Commission NSW is an independent statutory authority that administers legislation dealing with privacy and access to government-held information in NSW.

K

Kilolitre (kL)
One thousand litres of water or one tonne of water.

L

Litre (L)
A measure of liquid volume.

Lost Time Injury (LTI)
A work-related injury or illness that results in an individual being unable to work on a subsequent scheduled workday or shift.

Lost Time Injury Frequency Rate (LTIFR)
The main measure of safety performance in many companies in Australia. It is the number of lost-time injuries multiplied by one million divided by the number of man-hours worked in the reporting period.

M

Mass
A measure of weight.

Megalitre (ML)
One million litres of water or one thousand tonnes of water.

Minimum
The lowest recorded reading.

Monitoring
An ongoing testing program to assess potential changes in circumstances.

N

NAIDOC
National Aboriginal and Islanders Day Observance Committee

NPAT
Net profit after tax

NSW Civil and Administrative Tribunal (NCAT)
The specialist tribunal service in NSW dealing with a broad and diverse range of matters, including the administrative review of government decisions.

O

Operating licence

A licence issued under the *Sydney Water Act 1994* (NSW) that sets many of our performance standards. IPART administers our operating licence.

P

Payment Assistance Scheme (PAS)

The PAS assists customers who have trouble paying their Sydney Water bill.

PlumbAssist®

A service that helps customers in financial hardship make emergency or essential plumbing repairs.

PSSE

Public Sector Senior Executive

R

R&I

Research and innovation

Recycled water

Highly treated wastewater used in industrial processes, in irrigation for agriculture, in urban parks and landscapes, and in households for flushing toilets, car washing and watering gardens. It is not for drinking or personal use.

Recycling

Collecting and processing a resource so that it can be re-used.

Regulators

Organisations that set regulations and standards. Sydney Water's regulators include IPART, the EPA and NSW Health.

Rehabilitate

To restore to good condition.

Renew

To make new, to restore or to make effective for an additional period.

Reservoir

A man-made water storage area. Water is transferred from dams and treatment plants by gravity or pumping stations to reservoirs, which are usually on high land. The water then flows through a system of mains and smaller pipes to our customers.

Risk assessment

The process of gathering data and assessing it to estimate short and long-term harmful effects on human health or the environment from exposure to hazards from a particular product or activity.

S

SCADA

Supervisory control and data acquisition

SDP

Sydney Desalination Plant

Sewage

See Wastewater.

Sewage overflow

See Wastewater overflow.

STEM

Science, technology, engineering and mathematics

Stormwater

Rainwater that runs off the land, frequently carrying various forms of pollution such as litter, debris, animal droppings and dissolved chemicals. This mainly untreated water is carried in stormwater channels and discharged directly into creeks, rivers, the harbour and the ocean.

Stormwater system

The system of pipes, canals and other channels used to carry stormwater to bodies of water, such as rivers or oceans. The system does not usually involve treatment.

Streamwatch

A citizen science program run by the Australian Museum transferred to Great Sydney Landcare Network on 1 July 2018.

T

Total Recordable Injury Frequency Rate (TRIFR)

TRIFR is the sum of all lost time injuries plus the number of work-related injuries or illnesses requiring medical treatment per million hours worked.

Trade waste

Industrial or commercial wastewater with significant potential contaminants, with limits usually set by agreements.

Treatment (water)

The filtration and disinfection process.

V

Volume

The size, measure or amount of anything in three dimensions.

W

Waste

Discarded, rejected, unwanted, surplus or abandoned substances. Does not include gas, water, wastewater, beneficially-used biosolids and re-used water.

Wastewater

The dirty water that goes down the drains of homes and businesses and into the wastewater system.

Wastewater overflow

A wastewater overflow occurs when wastewater escapes from the wastewater system due to insufficient capacity or a blockage in the pipe.

Wastewater system

The system of pipes and pumping stations for collecting and transporting wastewater from each property to the wastewater treatment plant.

Wastewater treatment plant

The place where we put wastewater through filtration and other treatment processes. Once the waste is treated, we then either discharge it to the environment or recycle it.

Water demand

Total amount of water needed for drinking, agriculture, industry, recreation and gardening. This is seasonal and highly influenced by the weather.

Water filtration plant

A treatment plant that improves water quality by removing impurities through filtration.

Water pumping stations

Stations that house mechanical pumping equipment used to transport water from lower ground to higher ground through pipes.

Water quality

The physical, chemical and biological measures of water.

Water Services Association of Australia (WSAA)

The peak industry body that brings together and supports the Australian urban water industry. Members provide water and wastewater services to more than 16 million Australians and provide services to many of the country's largest industries and commercial enterprises.

Waterways

All streams, creeks, rivers, estuaries, inlets and harbours.

Wetlands

Low-lying areas often covered by shallow water, such as marshes, mangroves, swamps, bogs or billabongs. Rich in biodiversity, they store and filter water and replenish underground water supplies.

Index of figures, maps and tables

Statutory information index

Annual Reports (Statutory Bodies) Act 1984	
Section 7(1)(a)(i) The financial report prepared in accordance with the requirements of the *Public Finance and Audit Act 1983* (PF&A Act)	61-115
Section 7(1)(a)(ii) The opinion of the auditor given under Division 3 Part 3 of the PF&A Act	117-119
Section 7(1)(a)(iia) A response from the statutory body to any issue which the Auditor-General or an authorised person raises in a report under section 43(2) of the PF&A Act as being a significant issue	60
Section 7(1)(a)(iii) A detailed budget for the financial year to which the report relates and an outline budget for the next financial year	52-54
Section 9(1) Nature of report of operations: (a) charter (b) aims and objectives (c) access (d) management and structure (e) summary review of operations (f) legal change	Please refer to individual items listed under Schedule 1 within this statutory information index
Section 9A Letter of submission	3
Annual Reports (Statutory Bodies) Regulation 2015	
Regulation 5 Identification of audited financial statements	63-115
Regulation 7 Detailed budget	52-54
Regulation 8(1)(a) Significant matters	Not applicable
Regulation 8(1)(b)(c) *Privacy and Personal Information Protection Act 1998*	31
Regulation 8(2)(a) External production costs	133
Regulation 8(2)(b) Internet address	Back page
Regulation 10 Comparison of investment performance	54
Regulation 11 Comparison of liability management	54
Regulation 12 Number and remuneration of senior executive	37
Regulation 14(2) Content index	This table
Regulation 14(2) Table of contents	4-5
Regulation 17(4) Exemptions from reporting	55
Schedule 1 Charter	8
Schedule 1 Aims and objectives	8-10, 16-19
Schedule 1 Access	Back cover
Schedule 1 Management and structure	15, 32, 122-128
Schedule 1 Summary review of operations	11-14, 22, 45-48, 52-54
Schedule 1 Funds granted to non-government community organisations	28-29
Schedule 1 Social programs	23-24
Schedule 1 Legal change	41-42
Schedule 1 Economic or other factors	11-13, 52-54
Schedule 1 Management and activities	8-19, 45-48

Schedule 1 Research and development	42-43
Schedule 1 Human resources	35-37
Schedule 1 Consultants	38
Schedule 1 Workforce diversity	25, 27, 35-36
Schedule 1 Land disposal	53
Schedule 1 Promotion – overseas travel	39
Schedule 1 Consumer response	22
Schedule 1 Payment of accounts	Not applicable
Schedule 1 Time for payment of accounts	53
Schedule 1 Risk management and insurance activities	40-41
Schedule 1 Controlled entities	Not applicable
Schedule 1 Multicultural policies and services program	25-28
Schedule 1 Agreements with Multicultural NSW	Not applicable
Schedule 1 Work health and safety	13, 16-17, 33-34
Government Information (Public Access) Act 2009	
Section 125 Reports to Parliament	129-132
Heritage Act 1977	
Section 169 Heritage delegations	44
Independent Pricing and Regulatory Tribunal Act 1992	
Section 18 Implementation of price determinations	56-59
Public Interest Disclosures Act 1994	
Section 31 Reports to Parliament	133
State Owned Corporations Act 1989	
Section 24A (3)(a) Departures from performance targets in the Statement of Corporate Intent	52-53
Section 24A (3)(b) Reasons for departures from performance targets	52-54
Sydney Water Act 1994	
Schedule 5(2)(a) Detailed budget	52-54
Schedule 5(2)(b) Outline budget for 2019-20	54
Schedule 5(3)(a) Research and development	42-43
Schedule 5(3)(b) Human resources	35-37
Schedule 5(3)(c) Consultants	38
Schedule 5(3)(d) Equal employment opportunity	35-36
Schedule 5(3)(e)(i) Promotion	30
Schedule 5(3)(e)(ii) Overseas travel	39
Schedule 5(3)(f) Consumer response	22
Schedule 5(3)(g) Guarantee of service	22
Schedule 5(3)(h) Time for payment of accounts	53
Schedule 5(4) Comparison of investment performance	54
Schedule 5(5) Comparison of liability management performance	54

About this report

This is Sydney Water's full Annual Report for 1 July 2018 to 30 June 2019. It covers our:

- statutory information
- financial statements
- other regulatory information.

Visit sydneywater.com.au/annualreport to read the *Annual Report 2018–19* and previous reports.

If you have any comments or questions about this report, please email annualreport@sydneywater.com.au or write to:

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