

Final Statement of Corporate Intent 2022-23



Sydney
WATER

Acknowledgement of Country

Sydney Water respectfully acknowledges the traditional custodians of the land and waters on which we work, live and learn. We pay respect to Elders past and present.



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1. Agreement

This 2022-23 Statement of Corporate Intent for the Sydney Water Corporation has been agreed between:



.....
Grant King
Chairman
Sydney Water Corporation



.....
Roch Cheroux
Managing Director
Sydney Water Corporation

and



.....
The Hon. Matthew Kean MP
Shareholder



.....
The Hon. Damien Tudehope MP
Shareholder

Sydney Water Corporation
1 Smith Street
Parramatta NSW 2124

Board of Directors

Mr Grant King (Chairman)
Mr Roch Cheroux (Managing Director)
Mr Trevor Bourne
Mr Greg Coultas
Dr Susan Petterson

Ms Kate Dryden
Dr Marlene Kanga
Mr Cameron Robertson
Mr Craig Roy



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2. Objectives

The *Sydney Water Act 1994* (section 21) and the *State Owned Corporations Act 1989* (SOC Act) (section 20E) set out the principal objectives of the Corporation, namely to be a successful business, and to protect the environment and public health.

Our vision directly delivers on NSW State Outcomes

- 1 A strong and liveable New South Wales
- 2 Resilient and sustainable environment and energy
- 3 Sustainable and secure water resources



Our strategic outcome of **“Thriving, liveable & sustainable cities”** will deliver water and wastewater services for **A strong and liveable New South Wales**

We are committed to being the **‘First choice of customers and partners’**. We do so by ensuring a reliable water and wastewater services whilst striving to deliver environmental outcomes for a **resilient and sustainable environment**

We are a **“Successful & innovative business”** that seeks to provide our customers with **Sustainable and secure water resources**



3. Business Overview

Business Scope

- Sydney Water delivers essential water to over five million people in Sydney, the Illawarra and the Blue Mountains. These services include:
 - supplying drinking water to Australian Drinking Water
 - collecting and treating wastewater to regulated standards
 - recycling treated wastewater for non-drinking purposes, partially re-using treatment by-products and responsibly disposing of treated wastewater
 - managing stormwater in defined areas.
 - Identifying rainfall-resilient sources of drinking water to meet the future needs of fast-growing Greater Sydney and surrounding regions.

Regulatory Operating Environment

- In addition to its principal Acts, Sydney Water operates within a statutory and regulatory framework established through other legislation such as the *Protection of the Environment Operations Act 1997* and various regulations.
- Another key source of regulation is the *Independent Pricing and Regulatory Tribunal Act 1992*. Under this Act, the Independent Pricing and Regulatory Tribunal (IPART) determines Sydney Water’s prices (for regulated services) and acts as the Operating Licence regulator.
- NSW Health primarily regulates Sydney Water under the *Public Health Act 1991*. As required by section 35 of the *Sydney Water Act 1994*, there is a Memorandum of Understanding (MoU) between Sydney Water and NSW Health.
- The NSW Environment Protection Authority (EPA) is the primary environmental regulator for NSW. The NSW Government re-established the EPA as an independent statutory authority in February 2012. As required by section 35 of the *Sydney Water Act 1994*, there is a MoU between Sydney Water and EPA.

Principal statistics	
Service an estimated population of 5,271,000 people	Provide drinking water to over 2,081,000 properties
Supply over 524,000 million litres of water per year	Collect over 570,000 million litres of wastewater per year
Manage over 22,000 km of water pipes	26,600 km of wastewater pipes
Regulated Asset Base (RAB) of \$20.5 billion June 2022	RAB annual growth rate of 8% p.a. forecast over next 3 years



4. Financial Summary

\$m (nominal)	22/23	23/24	24/25
Revenue	2,865	2,933	3,222
Operating expenses	1,236	1,243	1,269
Earnings before interest tax depreciation and amortisation (EBITDA)	1,629	1,690	1,953
Earnings before interest and tax (EBIT)	1,209	1,256	1,492
Profit before tax	651	668	857
Net Profit after tax	456	468	600
Net Debt	12,060	13,336	15,006
Regulated Asset Base (RAB)	21,850	23,822	26,086
Capital expenditure	1,376	1,948	2,271
Dividends Declared	100	189	249

Total revenue is forecasted to be \$2.9 billion in 2022-23. Revenue projections are consistent with Sydney Water's IPART price determination for the 2020-24 period, adjusted for water demand forecasts.

For 2022-23 and 23/24, revenue is expected to be flat in real terms until 24/25 when revenues are impacted by the increase in capital expenditure (assumed to be included in the Regulatory Asset Base (RAB), regulated income) and the introduction of Infrastructure Contributions (unregulated revenue).

The Capital investment program in the three years from 2022/23 includes \$1.5 billion for Greater Sydney Water Strategy that Sydney Water assumed responsibility for in 2021 for the first time. The

EBITDA is expected to increase over the three years from 2022-23, reflecting increases in revenues while cost efficiencies drive a flatter operating expenditure profile. Infrastructure Contributions are reintroduced in 2024/25 that subsequently materially increase revenues

Sydney Water has prepared this SCI consistent with the Government's policies on Capital Structure Policy for Government Businesses and Financial Distribution Policy for Government Businesses.

The capital expenditure budget includes \$1.4 billion in 2022-23 and \$5.6 billion over the next three years. The Regulated Asset Base is \$21.8 billion and shows annual growth of 8% per annum over this time. The capital portfolio includes significant investment in water and wastewater network, wastewater treatment plant renewals, growth infrastructure in line with growth forecasts and investment in corporate programs including Information Technology.

5. Performance Measures

	Goals	Measures
First choice of customers and partners	1. Engage with our Customers and Stakeholders to inform our decisions and make it easier for customers and partners to do business with Sydney Water	Enterprise Advocacy Customer Satisfaction
	2. Expand our product and service offering in partnership with the market	Customer Conversion Rate
High-performance culture	3. Shape our culture to enable our Strategy	TRIFR Behaviour Index
	4. Build workforce capability and diversity	Diversity index Digitalisation index
Thriving, liveable and sustainable cities	5. Deliver safe, affordable, reliable and high-quality water services and manage our assets effectively and efficiently	Water Service - Network Reliability
		Wastewater Service - Network Reliability
	6. Embed circular economy practices as part of our core business	Volume of Recycled Water Supplied
		Environmental Impact Index
Successful and innovative business	7. Ensure Sydney Water is a successful and commercially-focused business	Leakage Performance
		Residential Potable Water Consumption
	8. Drive Innovation and make a positive social impact on our communities	Overall Profitability Indicator (EBITDA) Residential Potable Water Consumption per Capita (Litres per person per day) Return on Invested Capital Innovation Effectiveness Index



6. Representation and Commitment Statement

1. The Board of Sydney Water Corporation confirms that:
 - a) Key performance indicators within the 2022-23 SCI are based on and supported by Sydney Water's Business Plan.
 - b) The voting shareholders will be provided with financial and other information to assess the performance against commitments in this SCI and to assess the value of the Shareholders' investment in the business.
 - c) Asset maintenance policies and processes are adequate and appropriate to manage and control risks associated with physical assets.
 - d) All known 'key risks' and 'major emerging contingent liabilities' which could materially impact the current and future results of Sydney Water for the coming year have been disclosed.
 - e) Internal audit and risk management practices are consistent with standards recommended for Australian Securities Exchange (ASX) listed companies and where appropriate, has applied any additional requirements that are set out in *Internal Audit and Risk Management Policy for the General Government Sector (TPP20-03)* for the NSW Policy Sector.
 - f) The Managing Director has an employment contract and performance agreement. The performance agreement is appraised annually.
2. Sydney Water Corporation adheres to *Commercial Policy Framework* policies, as listed in *State Owned Corporations: Applicable TPPs under the Commercial Policy Framework*.
3. Sydney Water Corporation complies with NSW Treasury accounting circulars and policies applicable to SOCs.
4. Sydney Water agrees to provide information during the year to NSW Treasury, as the representative of the Voting Shareholders, as specified in the State Owned Corporation Reporting Obligation Requirements.
5. Sydney Water Corporation has agreed to be guided by the requirements of the M2012-13 and the NSW Public Sector Wages Policy and further guidance on executive remuneration contained in the Treasurer's January 2014 letter.
6. Sydney Water Corporation agrees to comply with the requirements of:
 - a) Premier's Memoranda M2012-08, Application of Biofuels.
 - b) New South Wales Industrial Relations Guidelines: Building and Construction Procurement July 2013 (Updated Sept 2017) [previously referred to as Premier's Memoranda M2013-04].