

# Summary **Annual** Report 2015–16



# About this report

This is Sydney Water's full Annual Report for 1 July 2015 to 30 June 2016. It covers financial, social and environmental performance, statutory information, financial statements and other regulatory information.

The full report and a 30 page summary report are available on our website: [sydneywater.com.au](http://sydneywater.com.au)

If you have any comments about the *Annual Report 2015–16*, please email [annualreport@sydneywater.com.au](mailto:annualreport@sydneywater.com.au) or write to:

Sydney Water  
Annual Report Project Manager  
Corporate Public Affairs  
PO Box 399  
PARRAMATTA NSW 2124

## Letter to Shareholder Ministers

Dear Treasurer and Minister Perrottet

### **Report on performance for the year ended 30 June 2016**

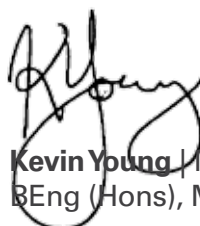
We are pleased to submit the Annual Report of Sydney Water Corporation (Sydney Water) for the year ended 30 June 2016 for presentation to Parliament. The full report includes financial statements, and we publish a 30 page summary on our website.

Our *Annual Report 2015–16* was prepared according to section 24A of the *State Owned Corporations Act 1989* and the *Annual Reports (Statutory Bodies) Act 1984*. The financial statements for 2015–16, which form part of the *Annual Report 2015–16*, were certified by the Auditor-General of New South Wales.

Yours sincerely,



**Bruce Morgan** | Chairman  
BComm, FCA, FAICD



**Kevin Young** | Managing Director  
BEng (Hons), MBA, FIE Aust, CPENG, FAICD

# About Sydney Water

At Sydney Water, we exist for our customers. We provide safe, refreshing drinking water to almost five million people across Sydney, the Blue Mountains and the Illawarra. We look after wastewater and some stormwater services to protect the health of our rivers and beaches.

As Australia's largest water and wastewater service provider, we're proud to play a key role in Sydneysiders' continuing enjoyment of this great city and iconic outdoor way of life.

We need to be both responsible for and responsive to our community to ensure all our customers can continue to enjoy the benefits of safe drinking water, and healthy rivers and beaches. This will help us meet our challenges now and as our city grows in the future.

## Our vision

Our vision is to be the lifestream of Sydney for generations to come. The services we provide help sustain and grow new life. We've been supplying high quality services to our customers for more than 128 years and we're passionate about contributing to the lifestyle of Sydney now and in the future.

We want to provide more and better choices for customers, while ensuring our essential services remain fair for all. It's our mission to be world-class, delivering essential services that our customers love, in our great city. To achieve this, we're focusing on three objectives that make up our Corporate Strategy.

### Customer at the heart

We provide high quality water and wastewater services to more than 4.9 million people every day. We're changing the way we do things to ensure the voice of customers drives our business.

### World class performance

We want to deliver more and better services for customers, underpinned by a well-organised, efficient business. To do this, we're investing in the right tools and using innovative solutions.

### High performance culture

Our focus on culture defines our values and guides how we work and interact with each other, our customers and the community. Our people bring a diverse range of thought, experience and knowledge to Sydney Water, and more than ever, they're on board and connected to bringing our strategy to life.

We are a State Owned Corporation, wholly owned by the New South Wales Government. Our performance targets and service standards are set out in our *Operating Licence 2015–2020*, which is governed by the Independent Pricing and Regulatory Tribunal (IPART).

We operate under the *Sydney Water Act 1994*, which assigns our principle objectives to:

- protect public health
- protect the environment
- be a successful business.

## Our stakeholders

We work with a range of stakeholders across various sectors representing government, community and industry groups. We are committed to involving stakeholders in our decision-making through effective engagement and relationship building.

Collaborating with our stakeholders helps us align our decision-making with the needs and expectations of the communities we operate within. We support the health and growth of

our strategic long-term relationships through face-to-face interaction, communication, negotiation, collaborative action, and shared thinking and planning.

We apply the International Association for Public Participation (IAP2) standard for engagement. The IAP2 core values set the industry benchmark for best-practice engagement.

Our engagement objectives – to guide, build and strengthen relationships – reflect Sydney Water’s signature behaviours:

1

### Focus on solutions

Engagement is a two-way process. We are committed to collaborating with and working in partnership with stakeholders to deliver solutions and outcomes for our customers.

2

### Stand up and contribute

We seek out and involve those potentially interested or affected by our work, policies and processes. We commit to providing feedback to customers, the community and stakeholders on how their input contributed to our decision-making.

3

### Do what we say

We will actively listen to and consider stakeholder needs, seeking to understand how they want to be engaged. We honour the commitments we make and will ensure information is accessible and objective, and facilitates engagement with all stakeholders who have an interest. We are committed to providing accurate and timely information.

4

### Support and encourage

We are open and honest. We will respond to the values and needs of our customers, community and stakeholders, while fostering a culture of shared ideas. We are inclusive and will work to engage with those that are harder to reach for reasons such as language, culture, age or mobility.

5

### Own the outcome

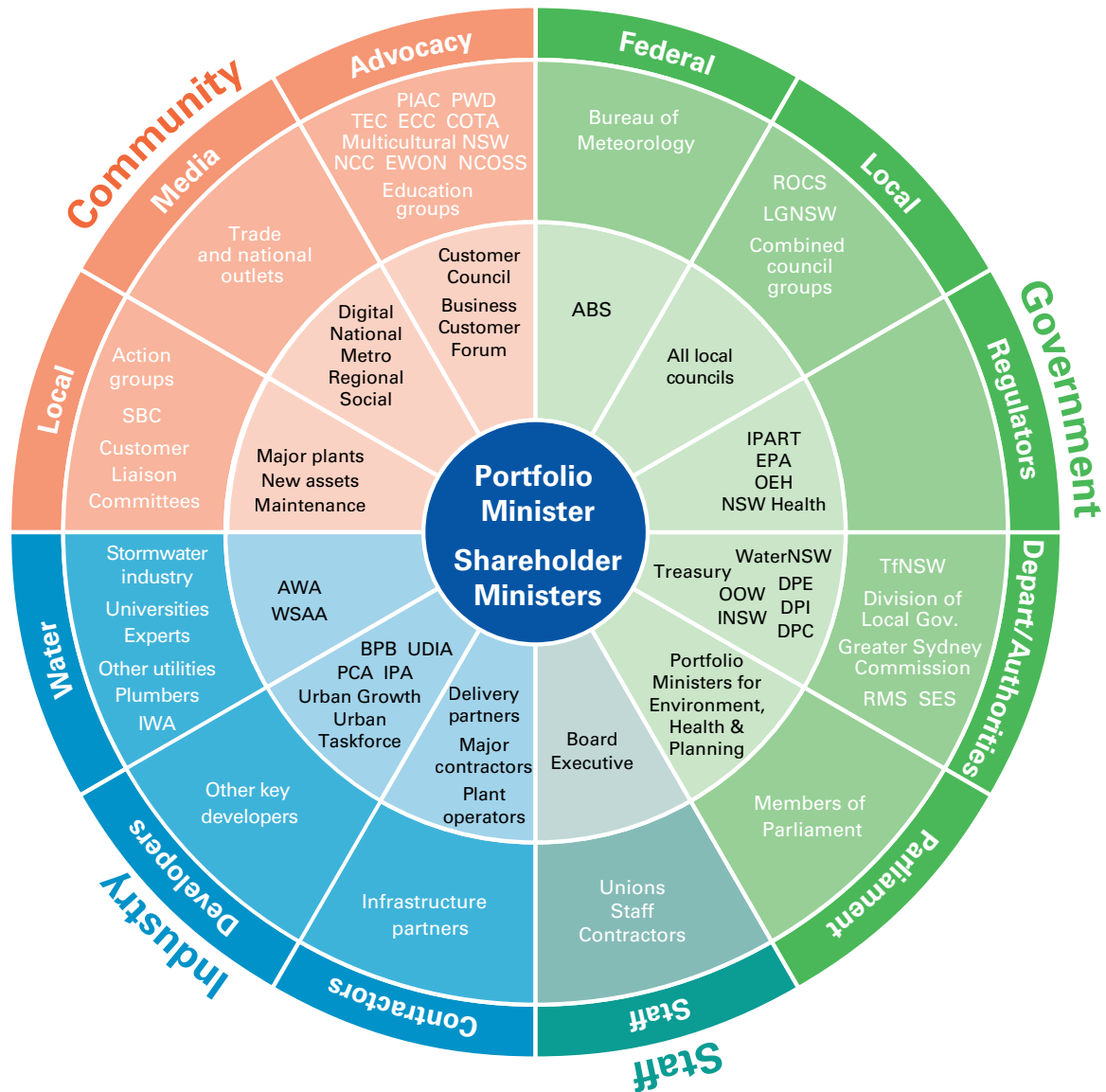
We work with our customers, community and stakeholders to identify, mitigate and resolve issues to improve outcomes for all. We will evaluate our performance so we can continuously improve our processes.

We operate within a complex matrix of stakeholder groups. We value all of our stakeholder relationships, but we invest more time and resources on particular relationships, because of their interest and impact on our operations.

These include:

- customers – business and residential
- staff and contractors
- developers
- state and local government
- regulators
- advocacy and special interest groups.

**Figure 1: Our stakeholders**

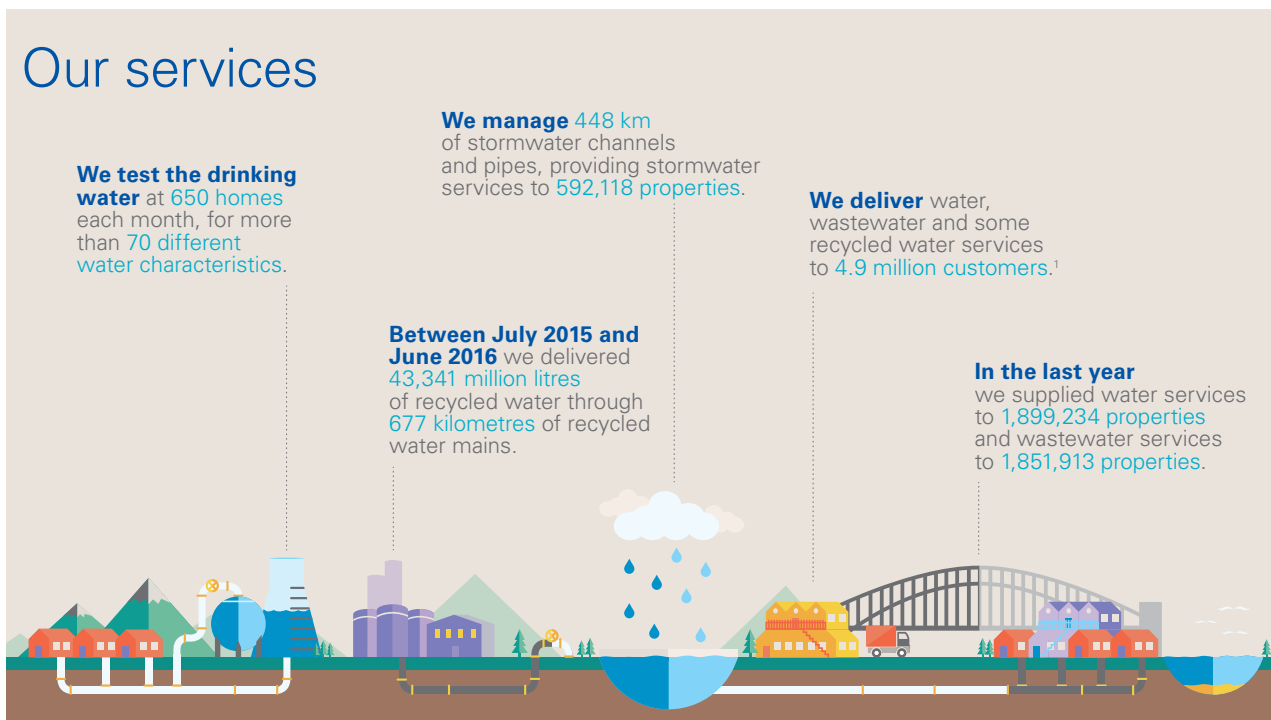


**Legend**

<b>ABS</b>	Australian Bureau of Statistics	<b>NCC</b>	Nature Conservation Council of NSW
<b>AWA</b>	Australian Water Association	<b>NCOSS</b>	NSW Council of Social Services
<b>BPB</b>	Building Professionals Board	<b>OEH</b>	Office of Environment and Heritage
<b>COTA</b>	Council on the Ageing	<b>OOW</b>	Office of Water
<b>DPC</b>	Department of Premier and Cabinet	<b>PCA</b>	Property Council of Australia
<b>DPE</b>	Department of Planning and Environment	<b>PENGOS</b>	Peak Environment Non-Government Organisations
<b>DPI</b>	Department of Primary Industries	<b>PIAC</b>	Public Interest Advocacy Centre
<b>ECC</b>	Ethnic Communities Council	<b>PWD</b>	People with Disability
<b>EPA</b>	NSW Environment Protection Authority	<b>RMS</b>	Roads and Maritime Services
<b>EWON</b>	Energy and Water Ombudsman NSW	<b>ROCS</b>	Regional Organisation of Councils
<b>GSC</b>	Greater Sydney Commission	<b>SBC</b>	Sydney Business Chamber
<b>IPA</b>	Infrastructure Partnerships Australia	<b>SES</b>	State Emergency Services
<b>IPART</b>	Independent Pricing and Regulatory Tribunal	<b>TEC</b>	Total Environment Centre
<b>IWA</b>	International Water Association	<b>TfNSW</b>	Transport for NSW
<b>INSW</b>	Infrastructure Partnerships NSW	<b>UDIA</b>	Urban Development Institute of Australia
<b>LGNSW</b>	Local Government NSW	<b>WSAA</b>	Water Services Association of Australia

# A snapshot of our business

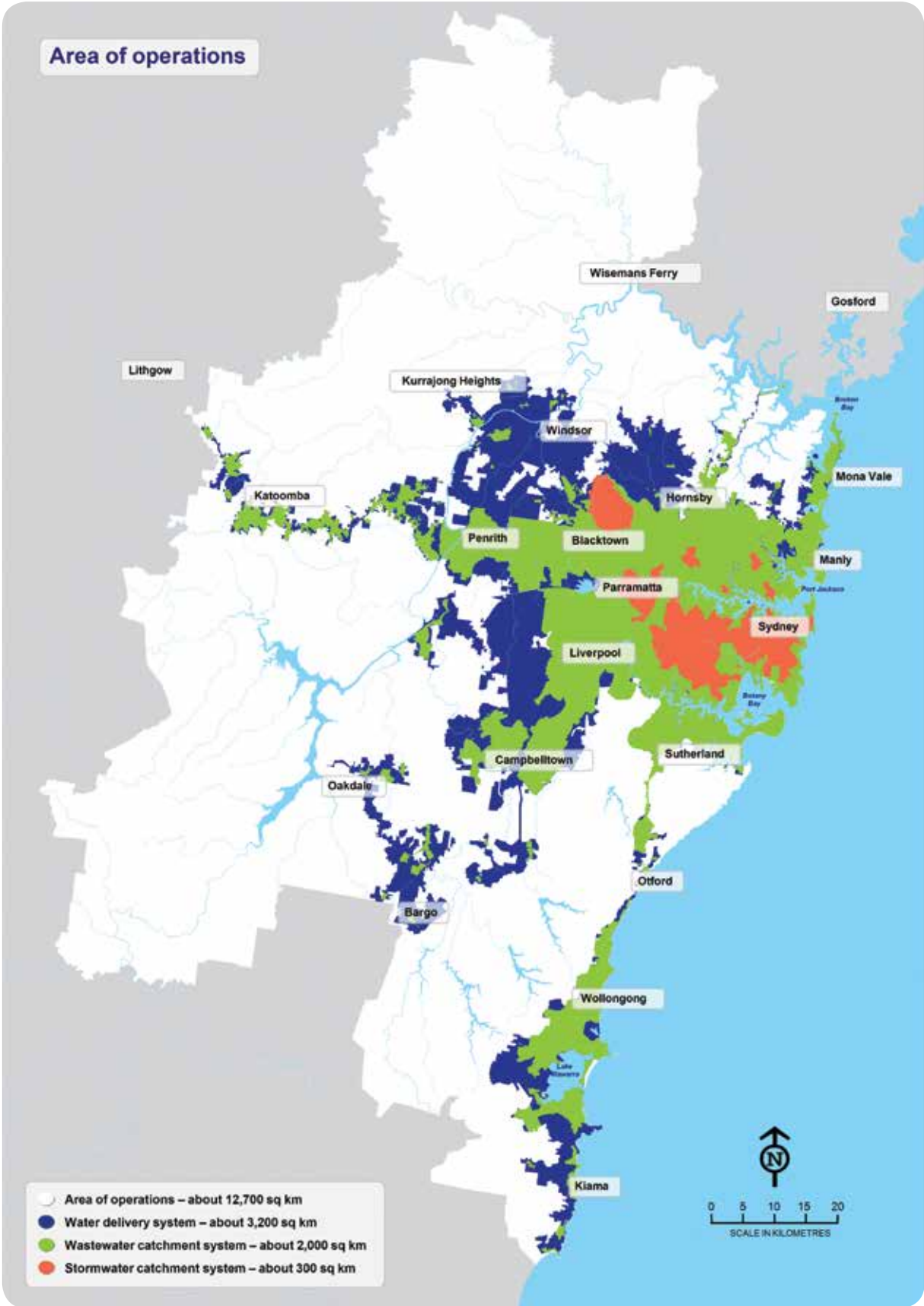
Figure 2: Key statistics, 2015–16



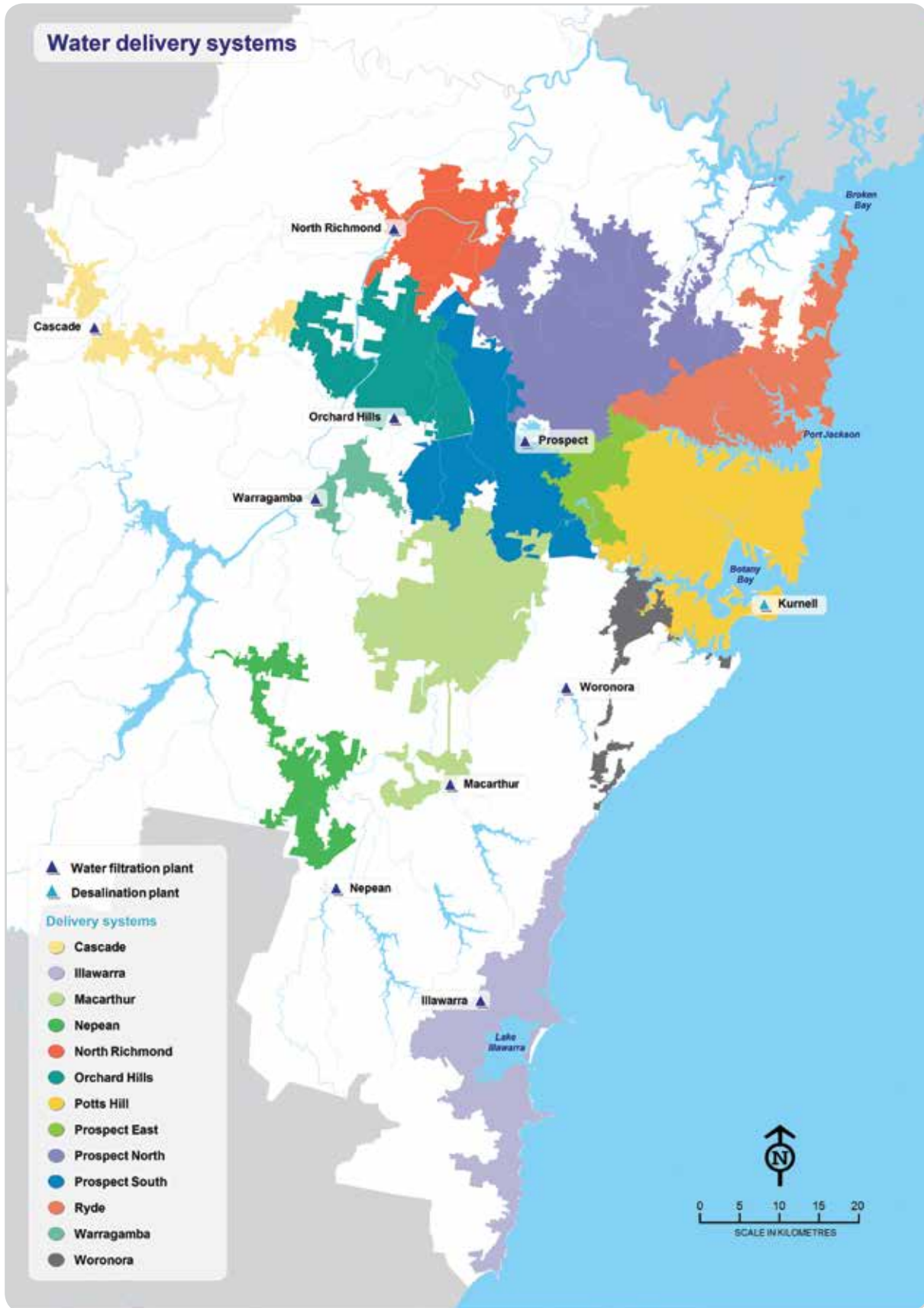
1. 24 licensed systems with the EPA plus one system (Wilton) serviced by the Water Industry Competition Act 2006 (WICA) scheme, (Bingara Gorge).  
 2. Estimated population serviced by drinking water: 4,9100,000; wastewater: 4,798,000; recycled water: 84,000. We estimate population data based on the number of residential properties serviced according to the customer billing system, the ABS Estimated Resident Population and the Department of Planning Population Projections, both published in 2014. Population serviced by recycled water refers to Rouse Hill only and is an estimate as at June 2016.

# Our operations

Map 1: Full area of operations

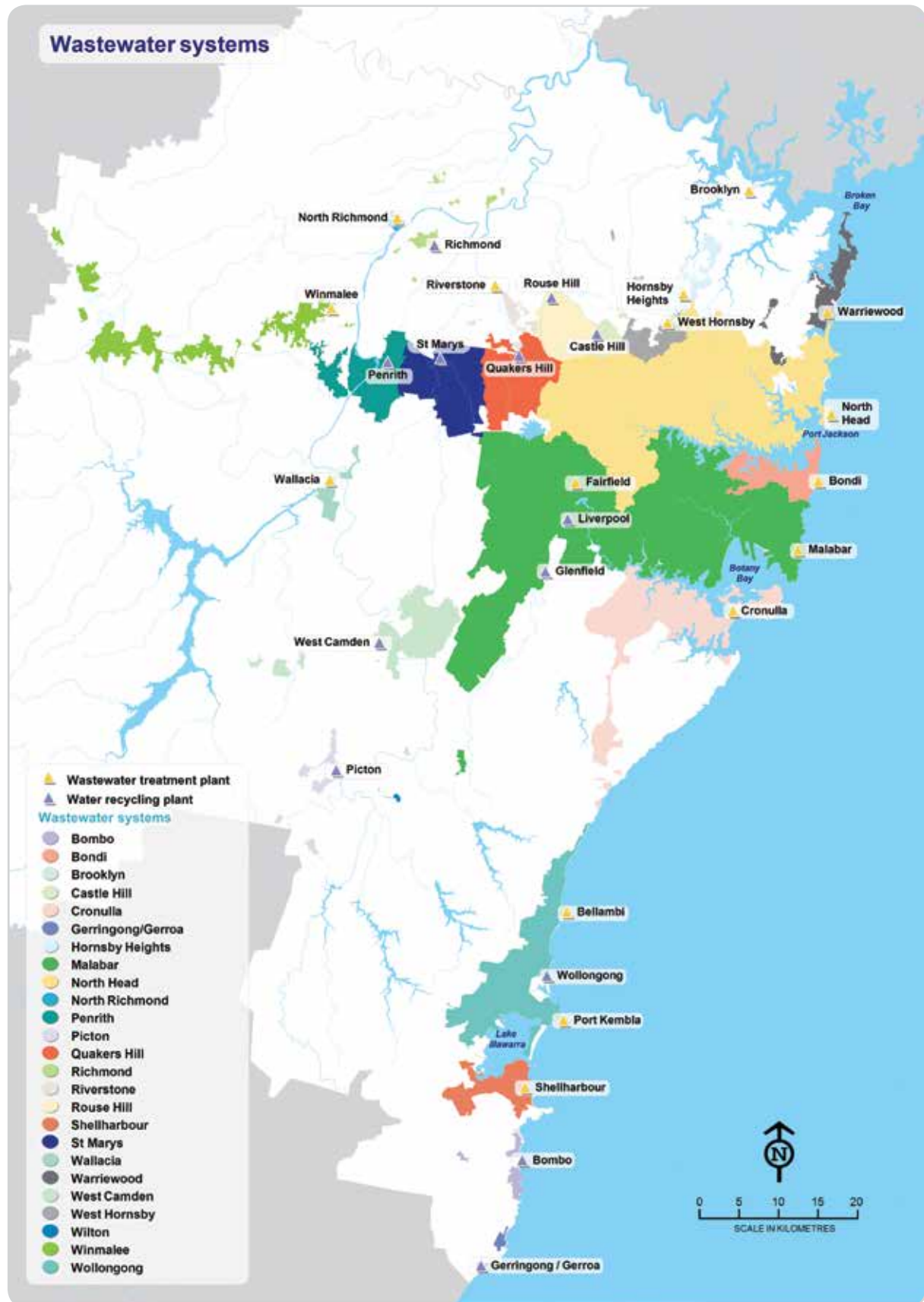


Map 2: Water delivery systems

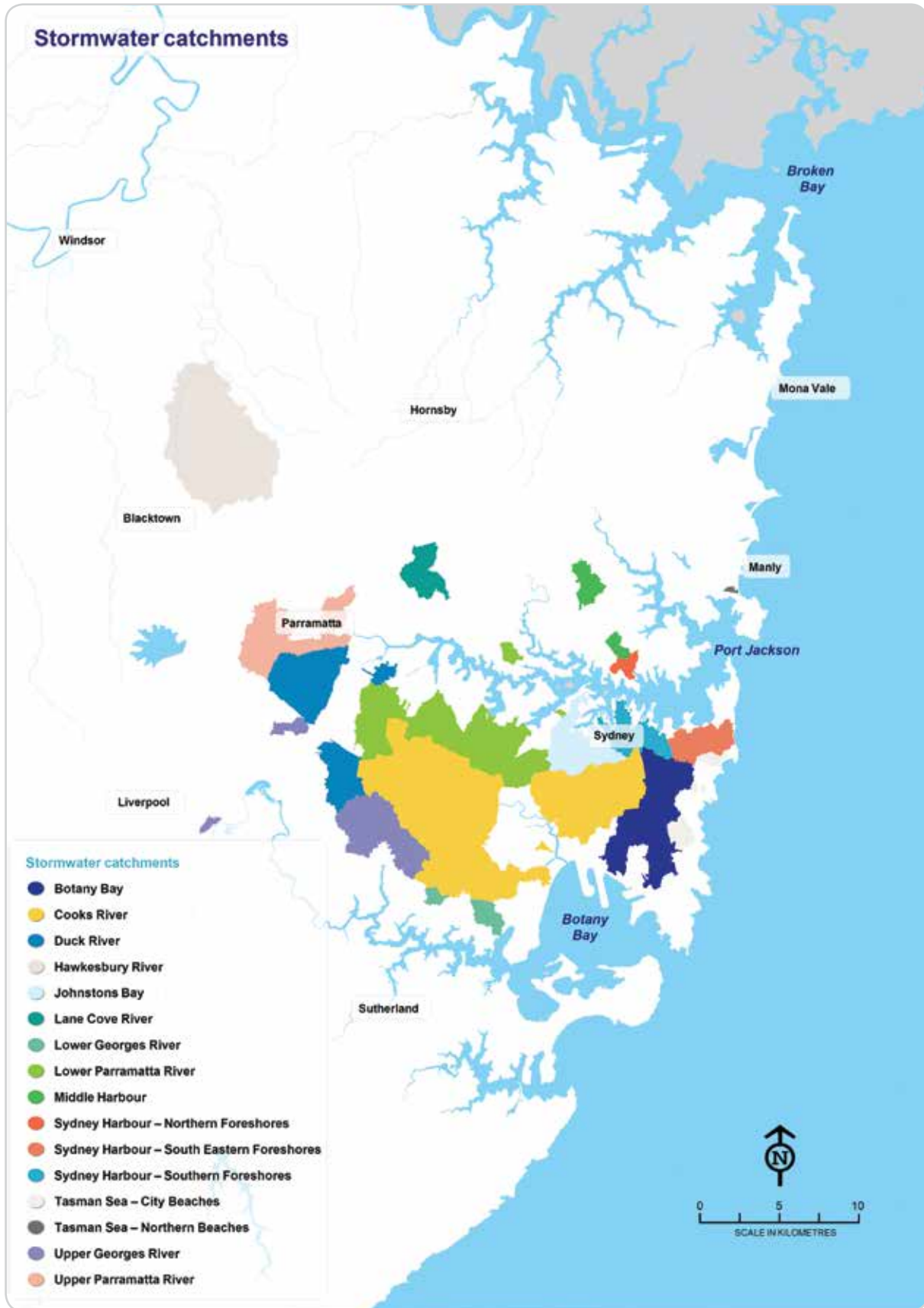




Map 3: Wastewater delivery systems



Map 4: Stormwater catchment areas



# The year in review

## A message from our Chairman and our Managing Director

### **A successful year of growth, change and engagement**

This year has seen many achievements and milestones as we reach the end of the second year of our Lifestream strategy. Our staff have been working together to bring the strategy to life.

Our focus on safety leadership is stronger than ever. We've done a lot of good work and have improved our staff safety results. We know there's still more work to do, as even one injury is one too many. Our task now is to maintain our focus and ensure safety remains a top priority for all staff.

As we transform into a more customer-focused utility, we're getting better every day at understanding our customers and providing services they value – and it shows. Customer trust in Sydney Water has been moving up steadily, and hit a peak rating of 7.1 out of 10 in February. Our corporate reputation score also peaked at 6.7 in September 2015.

Since our last pricing submission we have worked to become more efficient without compromising the high quality service we offer our customers. We've taken advantage of the reduced cost of running our business (thanks to efficiencies in both capital and operational expenditure) and we're passing the savings on to customers. For the first time in history we're lowering customers' bills, with most customers saving about \$100 a year on their water bill.

Not surprisingly, this means our customers continue to rate us highly when it comes to providing value for money. We scored 7 out of 10 in recent research results, ahead of other industry benchmarks including those for everyday banking and telecommunications service providers. Over 40% of bill payers rate our value for money as 'excellent'.

In August 2015, we introduced our 2015–16 Corporate Plan, outlining our commitments, initiatives and targets for the next 12 months. We're aligning our structure and processes to make sure our business is focused on doing what's best for our customers and community. There's significant change on the way, and it will be difficult, but we're confident we can be successful if we continue to work as one team.

There were some changes to our Executive team this year. We were pleased to welcome Sian Leydon, who leads our Customer, Strategy and Regulation team, and our Chief Information Officer, George Hunt.

### **We're connecting with customers and the community.**

Our drinking water is world class, just like our city. That's why we were surprised to learn through our customer research that about 20% of customers don't drink water straight from the tap because they are concerned about its quality. As a result of this research, we have developed a comprehensive community education and engagement program to help build customer trust in our drinking water, and more broadly in us as an organisation.

Our staff have been connecting with customers through community events, such as the Royal Easter Show and Sculpture by the Sea. As part of a trial volunteer program, staff educated the community about who we are, what we do and why Sydney's drinking water is the sustainable hydration choice. We will expand the trial volunteer program over the next year.

Working with WaterNSW and NSW Health, we have also introduced a comprehensive online drinking water quality report. This report provides unprecedented insight for customers into what happens behind the scenes to supply safe, world class drinking water.

We know our work can impact local communities. As part of becoming a customer-centric business, we're starting to engage with communities affected by proposed work before we develop our projects, instead of after. We did this in December 2015 when developing our Wet Weather Overflow Abatement Proposal for submission to IPART. We engaged extensively with the community by holding 18 workshops; participating in briefings with government, industry and media; and keeping customers informed through social media.

We're listening to our customers and delivering services they want, particularly when it comes to interacting with us online. About 44% of customers view our website on a mobile device, so we have been working to make sure our website is responsive on smartphones and tablets as well as desktop computers. Our website is now 99% responsive for smartphone and tablet users. This means a smoother experience for customers who access our website using these devices.

**We're a safe, diverse and engaged workforce**

Safety will always be a strong focus for our organisation. In December 2015, all managers took part in a Safety Leadership Challenge and committed to personal safety action plans, which they shared with their teams. Bringing all staff on the safety journey and having real conversations with our people helps reinforce the safety message: that there is no task so important and no service so urgent that we cannot take the time to do it safely.

More staff are reporting hazards and incidents, which helps us identify where people are most likely to be hurt so we can take the necessary mitigating action.

However, about ten people a month are still getting hurt, which we know is ten people too many. We will continue controlling and ultimately eliminating our hazards, while we investigate, learn and implement changes to meet the goal of zero injuries.

Our quarterly Employee Pulse survey tells us what we're doing well and where we can improve. It measures staff engagement and commitment to change, and how connected staff are to our Corporate Strategy. The latest survey results (taken in June 2016) show that many staff feel our objectives are clear, and they understand how their daily work contributes to meeting these objectives. Most staff also feel proud to work here; from frontline staff who maintain essential services or help our customers with enquiries, to our scientists, engineers, planners and office employees.

We also measure our organisational culture every two years, using an Organisational Culture Inventory (OCI) and an Organisational Effectiveness Inventory (OEI). The OCI maps the culture of the organisation across three behavioural styles: constructive, aggressive-defensive, and passive-defensive. Our latest OCI results show a significant increase in constructive behaviour styles across the organisation since launching our Lifestream strategy in 2014. This is exactly the sort of shift in mindset we need from everyone to achieve our Lifestream vision.

In March 2016, we launched our new Diversity and Inclusion Program. We're proud to be ahead of the market, with one of the lowest gender pay gaps (3.9% in 2016, compared with the industry average of 8.9%). However, this is still unacceptable, and we're working to remove the gender pay gap entirely by 2020. We're investigating a number of initiatives to help us get there, including greater use of flexible work arrangements, reverse mentoring, and targeted leadership programs for women.

We've also established a Diversity and Inclusion Advisory Council, made up of 10 passionate, talented staff from across the organisation who are committed to promoting diversity, inclusion and a sustainable workforce.

## **We're leading the way forward while learning from our past**

This year we celebrated 25 years of deep ocean outfalls, which have helped make Sydney's beaches some of the cleanest in the world. The *State of the Beaches report 2014–15* (NSW OEH) shows our beaches have improved dramatically since the first outfall began operating at Malabar in 1990. This improvement is reflected across Sydney and the Illawarra, with 94% of Sydney and 100% of Illawarra swimming sites rated as 'good' or 'very good'.

Sydney doesn't grow without us, and we support that growth by providing services that enhance our customers' quality of life while continuing to protect the natural environment. We'll spend \$856 million to provide services for about 138,000 new homes between 2014 and 2019. Almost 90% of this investment is for priority greenfield sites in the North West and South West Growth Centres, Western Sydney and the Illawarra.

In May 2016, we announced an exciting new trial at our Cronulla Wastewater Treatment Plant. We're using food waste to generate renewable energy, producing more than 60% of the energy the plant needs to run. This will save about 150,000 wheelie bins of fruit and vegetables a year from landfill, and is a great example of Sydney Water connecting with local businesses to develop solutions that benefit the environment and the local community.

While we face the future with excitement, we know we must also protect our assets to ensure security for our business and our customers. As the largest water utility in Australia, we're leading the industry when it comes to protecting customer data. In 2015–16, we updated our standard for security management from ISO 27001:2005 to ISO/IEC 27001:2013, in recognition of best-practice security controls. This means our customers can trust us to protect their personal information, as well as our water and wastewater networks. We're investing in reviewing, maintaining and improving how we store data, to ensure our customers continue to trust our organisation.

As is true in any organisation, we have faced our share of challenges this year. Severe storms in December and June tested our systems and our emergency response management, but through strong collaboration and a focus on solutions, our staff worked hard to ensure inconveniences to customers were kept to a minimum.

Sydney Water also entered into an enforceable undertaking with the NSW Environmental Protection Authority (NSW EPA) after a water pollution incident involving an unlicensed discharge of untreated wastewater from a Sydney Water sewer pipe into the Parramatta River at Rydalmere in June 2015. Under this enforceable undertaking we're contributing \$200,000 to City of Parramatta Council for use by the Parramatta River Catchment Group. We will continue to work with the NSW EPA and the community to implement learnings from this incident and prevent similar occurrences in the future.

## **Looking at the year ahead**

Over the next 12 months we will continue implementing our new Operating Model to ensure we have the right fit of people, processes and technology to transform our business and build a truly focused, customer-centric business by 2020. By next year, the organisational structure will be finalised to support and align with this model.

We're well on our way to building a strong, safe, collaborative workforce, and it's exciting to think about where we'll be a year from now. We're progressing our 'customer at the heart' approach and we're working on a new digital strategy to transform the business, ensuring we put the customer at the heart of everything we do.

Thank you to our staff and the Board for another successful year. The next 12 months will be about embracing the changes that will help us not just face the future, but shape our future.

  
**Bruce Morgan**  
Chairman

  
**Kevin Young**  
Managing Director

# Our performance

## This year's highlights

### Customer at the heart

#### Connecting with customers and the community

Having customers at the heart of everything we do means making decisions with customers in mind. It means connecting with our customers and the communities we work in to listen and understand their needs and expectations. We are focusing what we do and aligning our ways of working to make it easy for customers to connect with us now and as our city grows.

Over the past four years, we have improved customer satisfaction, created efficiencies and ensured bills remain as low as possible. Under IPART's new pricing determination, customers will now save about \$100 a year over the next four years. Over the next regulatory pricing period (2016–2020), we will continue to deliver high quality services while keeping bills down. We're also focusing on enhanced customer engagement by better aligning services to meet customer expectations and deliver better outcomes.

Last year we introduced our campaign to 'Keep wipes out of the pipes', to increase awareness of the growing impact of blockages on our wastewater system and the environment, especially the cost. This year, the result of our work with the community and industry groups is starting to show. We have reached about 15 million people through our innovative media and social media campaigns, and we are starting to see the impact, with 50% fewer Sydney Water customers believing it's acceptable to flush wipes down the toilet. We're starting to influence the wipes industry too – a leading manufacturer recently committed to developing clearer product labelling and packaging guidelines. We're also working with the Water Services Association of Australia (WSAA) to develop standards around these products to help better protect customers and the wastewater system.

The more we get to know our customers, the more we recognise their diversity, and that a 'one size fits all' solution to customer service does not work. This year we've increased our focus on connecting with customers from a culturally and linguistically diverse (CALD) background and have gained some valuable insights. We engaged with five different CALD communities – Indian, Cantonese, Mandarin, Iranian and Filipino – to better understand how these communities prefer to receive information, and who they trust to provide it. This was also a great opportunity to educate participants about the safety of our drinking water, saving water around their homes, looking after their wastewater systems, paying bills and financial assistance options. We will use what we've learned to provide more tailored information and advice, to ensure all of our customers have fair access to our information and services.

Using smarter analytics on leak, rebate and water consumption data, we developed a new sophisticated algorithm to proactively identify customers with higher than normal water use – an indicator of potential leaks. We have also developed a proactive customer notification process, so when we find an anomaly in a customer’s water use, we send them a letter and a clear, simple fact sheet to help check for leaks in their homes. To date, we have issued more than 1,200 ‘high-use notification’ letters, which has proactively identified 141 concealed leaks. This is a great outcome for customers, and will potentially reduce the financial burden on some customers facing abnormally high water bills.

We continue to work with river groups, local councils and other stakeholders to improve the health of local waterways. We’re part of the working group for the ‘Our Living River’ initiative to make Parramatta River swimmable again by 2025 – something that hasn’t happened in more than 50 years. Strong collaboration with councils, government agencies and community groups is a key part of making this initiative a success.

In August 2015, we completed our naturalisation work of the Cooks River. We replaced steep, deteriorated, concrete panels with gently sloped riverbanks and stabilised these with sandstone and native plants. This has not only improved the health of the waterway, but has also created an attractive recreational area for the local community.

In September 2015, we announced our sponsorship of Cricket NSW. As the official hydration Partner for Cricket NSW, we’ve been able to educate communities about the many benefits of Sydney’s drinking water over bottled water and sports drinks. The partnership is an Australian first, and has helped us reach and engage with more than 2.2 million people through social media, at matches and community activities to spread the benefits of drinking tap water.

## World class performance

### Connected to the future

**To help us achieve our vision, we must make sure we have the right capabilities and that we run an efficient business that makes good commercial decisions. Through world class performance we’ll deliver great customer outcomes. If our business is in good shape we will continue to be the lifestream of Sydney for generations to come.**

We have developed a new online report on drinking water quality, which provides powerful insight into what happens behind the scenes to make drinking water safe. Customers can go online to see where their water comes from, view daily quality results, and learn how we filter and monitor drinking water to ensure it’s safe to drink straight from the tap. This work is an excellent example of Sydney Water staff, NSW Health and Water NSW collaborating to achieve a great outcome for customers. We were also recognised by the World Health Organization, which highlighted how we are leading the way in providing transparent, comprehensive water quality information to our customers every day.

We are always looking for ways to reduce our carbon footprint. In the last 12 months we generated 21% of the electricity we used across all our sites. Our Bondi Wastewater Treatment Plant now produces enough renewable energy from waste to power the entire plant. We use cogeneration to convert the biogas (waste methane gas), produced by the plant, into renewable energy. This is not only great for the environment, it also enables us to return 13% of the net energy produced at the Bondi plant back to the grid, and it's reducing greenhouse gas emissions at our Bondi site alone by over 8,000 tonnes a year.

In May 2015, we launched a three-year trial to produce more renewable energy at our Cronulla Wastewater Treatment Plant – using existing digestion and cogeneration assets to convert over 600 wheelie bins a day of food scraps into electricity. This prevents a huge amount of waste from going to landfill, with Sydney Water and local businesses working together to look outside the square and develop solutions which benefit the environment and the local community.

We're connecting with public and private sector stakeholders to investigate best-practice opportunities for a water-sensitive approach to urban planning. As part of an interagency water working group, we are reviewing our current approach and looking at integrated water planning. This collaborative approach supports more sustainable, resilient, productive and liveable cities, and will enhance and protect the health of urban waterways while mitigating flood risk. Water-sensitive urban design also provides enhanced public amenities that harvest, clean and recycle water; increase urban biodiversity; and reduce urban 'heat island' effects.

In 2015–16, we partnered with the IT industry to consolidate our telecommunications spend, saving money and improving our business. Our voice and data contract will enable us to achieve cost savings year-on-year, and enhance mobile phone management, innovation and corporate network efficiencies.

We realise more and more customers are completing tasks and finding information online. We continue to work on solutions to make it easier for customers to interact with us when and where it suits them. In August 2015, we launched a mobile version of our Supply and Service radar – a regularly updated map showing planned and unplanned water outages in real time. Since the initial launch in April 2015, the map has attracted 81,900 page views (excluding staff views). Over 72% of these were 'unique' views and visitors spent an average of 4.41 minutes on the page.

Our social media presence continues to grow. Over the past 12 months, our Facebook followers (people who 'like' our Facebook page) have increased on average by about 200 new fans each month. The average business page growth is 80 new fans a month. In April 2016, we also took part in our first live chat, connecting with customers and the community to answer questions about water efficiency and checking for leaks. Our reach and engagement on Twitter and LinkedIn has also increased, with over 1,000 new connections on LinkedIn since the beginning of the year, and steadily increasing 'impressions' (the number of people reached) on Twitter. In January 2016, we had 246,000 total impressions, which by July had increased to 408,000.

Corporate governance

Customer at the heart

World class performance

High performance culture

Financial statements

Appendixes



## High performance culture

### Our connected workforce

**To truly be a customer-centric business we need a high performing, customer-focused culture working constructively as one team. We are innovative, and our people are empowered to deliver great customer outcomes. We understand our role as customer ambassadors, no matter what part of the business we work in.**

We are maintaining our strong focus on safety and wellbeing, as we know that nothing we deliver is worth it if we hurt ourselves in the process. This year we held the Safety Leadership Challenge to make sure all people managers across the organisation understand our safety performance and to encourage visible safety leadership. All managers have developed personal safety action plans for the next 12 months, to demonstrate and encourage commitment to a safe workplace.

We've consulted with staff, management and other utilities to identify the highest potential fatal risks to our people. From this, we developed 16 fatal risk standards as part of our new Work Health and Safety Management System framework. Covering topics such as driving, worker fatigue, confined space and working with electricity, the standards clearly outline the risks, and requirements for managing these risks.

We observed National Safe Work Month in October 2015. Staff were able to attend safety roadshows at various sites, provide feedback on new safety initiatives and share their ideas for improving safety at Sydney Water. This was an excellent opportunity to reaffirm our commitment to working safely together every day.

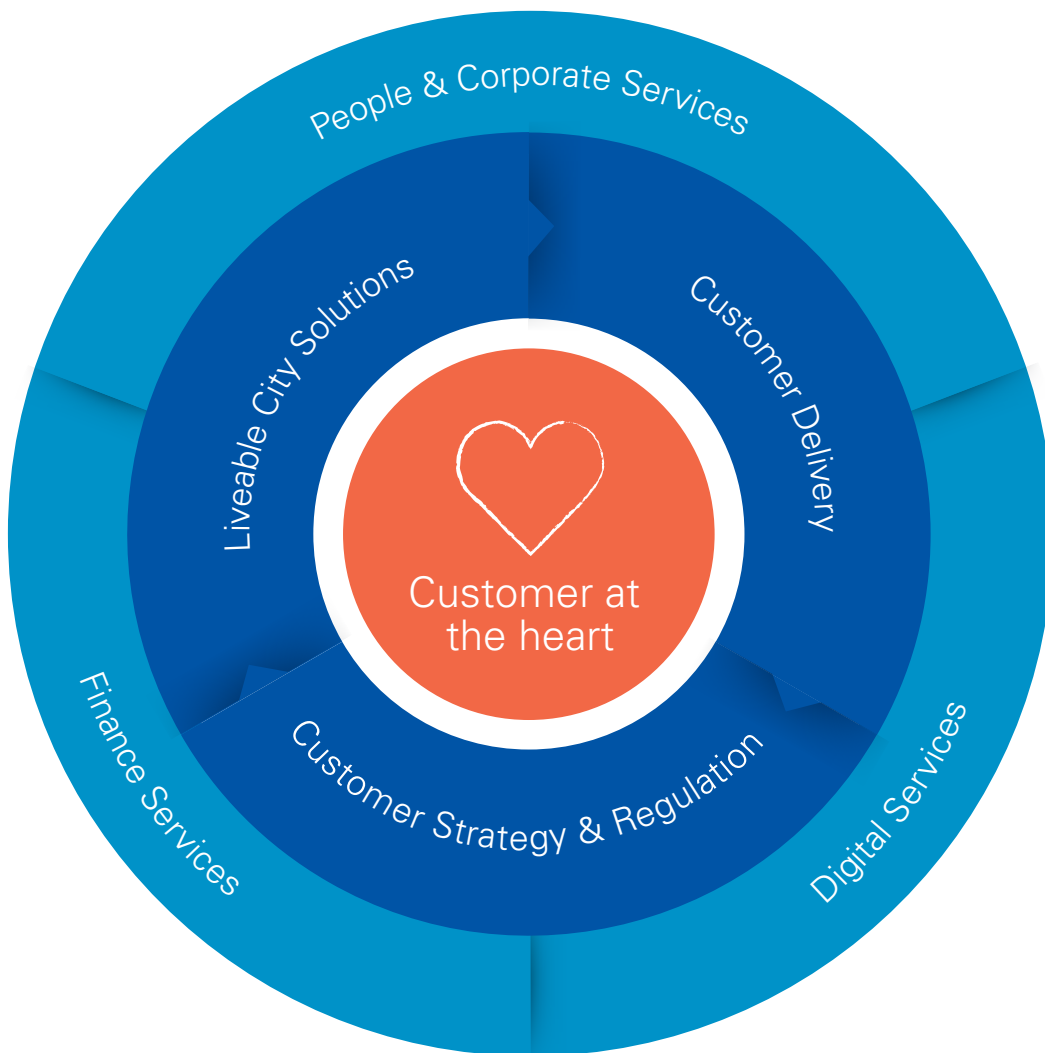
Staff from our Service Delivery team developed an innovative method to clean wastewater pumping stations using our Integrated Instrumentation Control Automation and Telemetry System (IICATS). Traditionally, crews were regularly required to clean these manually. This was not only expensive, but also a safety risk. The new method eliminates the need to enter the pumping station at all, reduces the need to manually clean it and reduces odour problems and noise concerns. Following a successful trial, we will introduce this method to all 677 wastewater pumping stations, and anticipate savings of more than \$1 million a year when fully implemented.

We are changing the way we work together, continuing our transformation to a great, customer-centric, world class organisation. We have been too siloed in the past, and our focus on putting the customer at the heart of everything we do means we must be responsive to changing customer expectations, and have the right people and processes in the right place to support our activities. To achieve this, we are revising our operating model.

Our new customer-centric structure is in place from July 2016 and is made up of six groups:

1. Customer, Strategy and Regulation
2. Liveable City Solutions
3. Customer Delivery
4. Finance Services
5. People and Corporate Services
6. Digital Services.

**Figure 3: Our new organisation structure (as at 4 July 2016)**



## Our awards and recognition

As an organisation, the work we do spans several industries. The awards listed here recognise our achievements during 2015–16, in fields from innovation in research and training to security performance.



### Australian Water Association (AWA) Awards 2016

We won a number of AWA Awards in 2016:

- Our research team, in partnership with other Australian water utilities, universities and international utilities, won the **NSW and National AWA Research Innovation Awards** for their work on the Advanced Condition Assessment and Pipe Failure Prediction Project.
- Sydney Water graduate Kathryn Silvester, won the NSW and National **2016 Young Water Professional of the Year Award**.
- Sally Armstrong, who leads our Customer Direction and Experience team, was a finalist for the **Kamal Fernando Mentoring Award – NSW**.
- Catherine Port, Manager Product & Service Strategy, won the **Award for Best Ozwater Paper and Presentation** for her paper 'A risk-based approach for management and regulation of wet weather overflows'.



### National Infrastructure Awards 2016

Sydney Water won the **Service Provider Excellence Award** category of the Infrastructure Australia Awards for our long-term investment in IICATS.



### Australian Red Cross Awards 2016

We were honoured to receive the Australian Red Cross Blood Service's National Award as the **Highest Donation Frequency Organisation** with 1,000 – 4,999 staff.



### Outstanding Security Performance Awards 2015

Our Security Services team won the **Outstanding Security Performance Award 2015** in the In-house Security Team category.



### Auscontact Awards 2015

Our Customer Interaction team won the **NSW Award for Innovation**, recognising the COACH program, a cultural change program that challenges staff to think differently about how they interact with customers and each other.



### Stormwater Awards for Excellence 2015

Sydney Water won the **Award for Excellence in Integrated Stormwater Design** for the Cooks River Naturalisation Project.



### LearnX Impact Awards 2015

Our Environmental Accountabilities eLearning module won the Silver Award for **Best Bespoke/Custom eLearning module** at the 2015 LearnX Impact Awards.

## Our Corporate Strategy

Our lifestream journey began in mid-2014 with the launch of our new Corporate Strategy, and with it, our three strategic objectives:

- to ensure that our customers are at the heart of everything we do. Our customers trust us to look after our water, wastewater and stormwater services, and they find us easy to deal with and transparent
- to be a world class business. We provide great value while maintaining a high standard of quality. We work with the community and our partners to create a sustainable future together

- to build a high performance culture. Our customers will see us living our values and experience the difference in the way we do things. We will take ownership and own our outcomes.

Since our journey began, we have focused on how we will achieve success over the next five years with one critical element standing out: our customers.

Transforming our business to a customer-centric organisation is what will take us from being a good organisation to a great one, and will help us achieve our vision of being the lifestream of Sydney for generations to come.

## What we've achieved so far

We are on track to reach our target customer experience score of 8.2 by 2020. Customer experience measures help us understand what our customers go through when interacting with us, and what we need to do to make that experience a great one. To help shift this score, we're engaging with customers and stakeholders to understand the processes that annoy or frustrate them, and what we can do improve. It seems customers are noticing our efforts. Since we first started measuring this in 2007, we have improved from an overall rating of 6.9 to a rating of 7.8 in the last survey.

Our engagement with customers showed that those who call us to report a fault are not always told when that fault is repaired. This can cause frustration and lead to a lack of trust. We have now introduced a simple SMS/email notification process to update customers when a fault they have reported is fixed. This has been very well received by customers.

We incorporated customer preferences for bill stability and control in our proposal for water use prices and our pricing regulator, the Independent Pricing and Regulatory Tribunal (IPART) accepted this change. We will continue to engage our economic regulators and advocate for customer-centric decisions. We will also continue engaging with our customers to understand their preferences – and willingness to pay – for new services.

We're delivering more for customers while running our business more efficiently. Our modern mobile workforce initiative has cut the cost of delivering ten key Service Delivery tasks by more than 18%. This means we're getting the right people to the right place, with the right equipment, the first time around.

The new People, Leadership and Culture (PLC) Business Centre, established in March 2016, is allowing us to be more efficient by enabling staff to access human resources and payroll services and advice quickly and easily. The Business Centre has been well received by staff, with 90% of staff very satisfied with their experience.

Our culture is becoming more constructive. Moving from defensive to constructive behaviours means we spend less energy on conflict, negotiation and opposing attitudes, and more energy on improving our systems and processes to provide a better experience for customers. Staff are also showing a stronger connection to the Corporate Strategy and know that our behaviour influences our results.

Our safety performance is improving and fewer people are being injured at work. Our people managers are leading the way, taking part in safety leadership challenges and committing to developing and implementing their own personal safety action plans. In saying that, people are still being injured, and even one injury is too many. We know there is still more work to do to meet our targets.

## Strategic success measures: Our performance

Our strategic success measures help track the progress we are making towards our strategy and help us understand where to focus our efforts.

We use our four Tier 1 Strategic Success Measures (SSMs) to guide our business through its strategic journey to 2020. These measures focus on customer experience and our corporate reputation, supported by business sustainability, organisational culture and safety.

**Table 1: Tier 1 SSM performance, 2015–16**

Strategic theme	Metric	Actual result	2015–16 target	2020 target
Customer trust	Corporate reputation score	6.6/10	6.5/10	7/10
Customer experience	Customer experience score	7.8/10	7.8/10	8.2/10
Business sustainability	Strategic value add	\$11.7 billion	> \$11.4 billion	Year-on-year increase
Organisational culture	Constructive styles	32.25%	31%	51%
	Passive-aggressive/defensive styles	56.63%	54%	34%

### Customer trust

Our corporate reputation continues to build, increasing from 4.5/10 to a new high of 6.7 in the third quarter of 2015–16. We are closing the gap on the banks, mobile service providers and Australia Post.

### Customer experience

After three years of flat performance, customer experience has shown a slight uplift for 2015–16. This must be viewed in the context of a change in data collection methods for the last quarter of 2015–16, from telephone to online surveys. The actual result for the June 2016 quarter was 7.9 using the new data collection method. The result of 7.8 was determined by replicating the telephone surveys previously used.

## Business sustainability

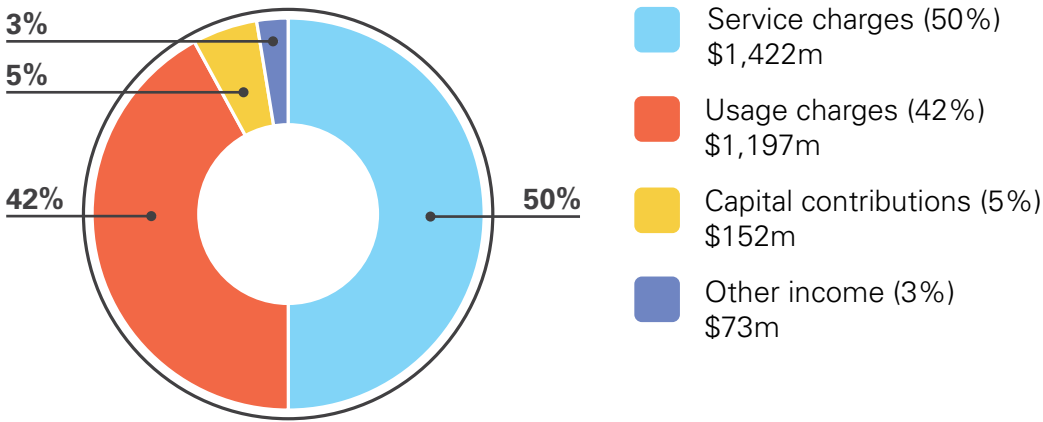
- Based on the 2016–17 *Statement of Corporate Intent* (SCI), enterprise value (excluding terminal value) forecast is \$11.7 billion, an increase of \$300m over last year’s enterprise value calculation of \$11.4 billion.
- Valuation is preliminary and indicative, pending actual results for 2015–16 being completed and rolled over into the 2016–17 SCI.
- We attribute the increase in value to investments in cash flow generating assets during 2015–16.

## Organisational culture

- We have exceeded the target for an increase in constructive behaviour styles. We also reduced passive-defensive and aggressive-defensive styles. While these decreases did not meet our targets, we are progressing well.
- The culture foundations program has enabled substantial progress on people aspects of our culture. We continue to address systemic levers of cultural change such as decision-making structures, policy and processes.
- In 2015–16, 74% of staff attended workshops to debrief the 2015 culture results and build an understanding of cultural outcomes at individual, team and organisational levels.

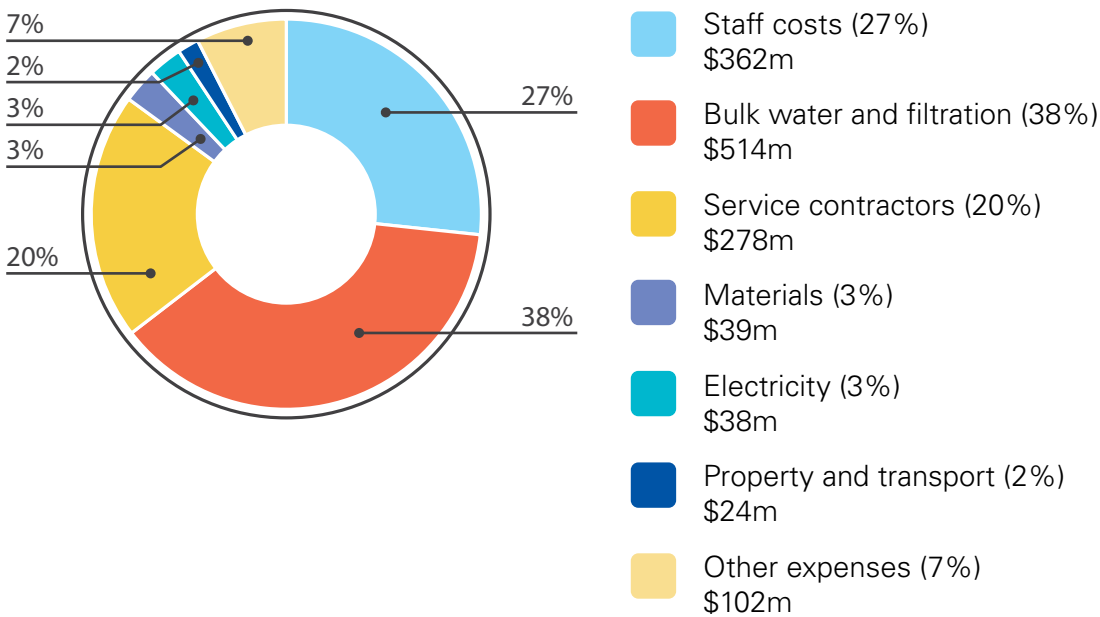
# Financial highlights

**Figure 4: Our total income – \$2.8 billion**



Our total income for 2015–16 was \$2.8 billion. We received higher income due to IPART – determined price rises for service and usage charges in 2015–16.

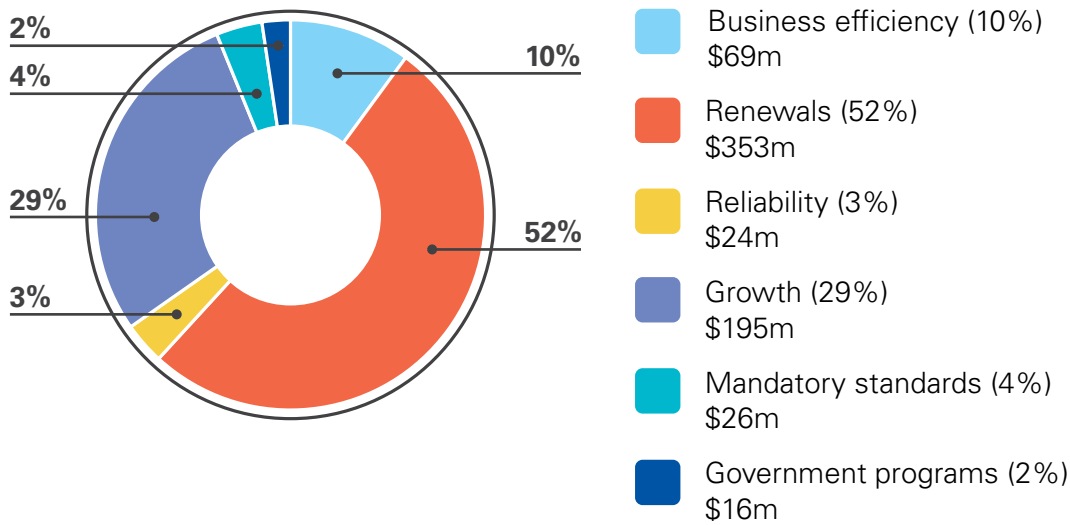
**Figure 5: Our total operating expenditure – \$1.4 billion**



Our total operating expenditure for 2015–16 was \$1.4 billion, \$34 million higher than in 2014–15. Wages and other cost escalations were partly offset by ongoing efficiencies.



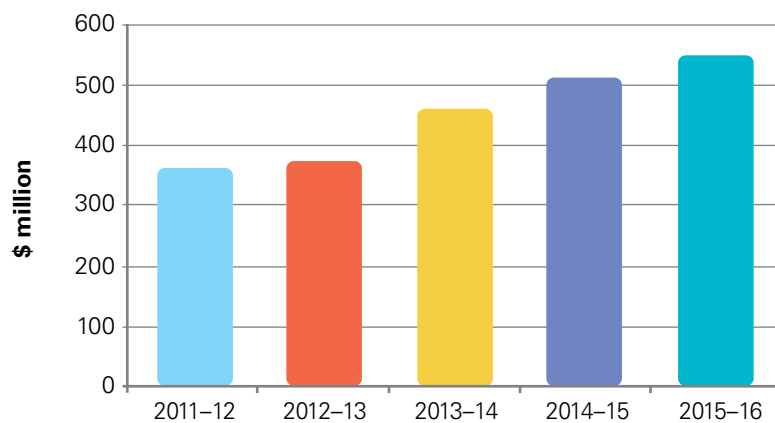
**Figure 6: Our total asset investment – \$681 million**



In 2015–16 we invested in:

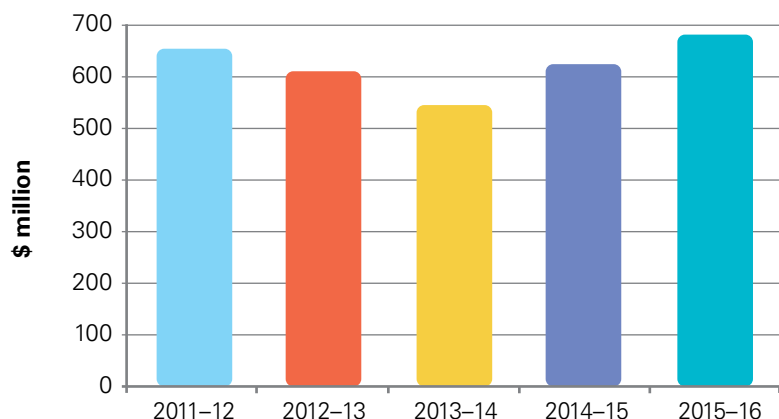
- replacing or rehabilitating water and wastewater pipelines
- renewing water and wastewater treatment plants
- providing for growth in existing areas and the north-west and south-west of Sydney.

**Figure 7: Our profit after tax – \$548 million**



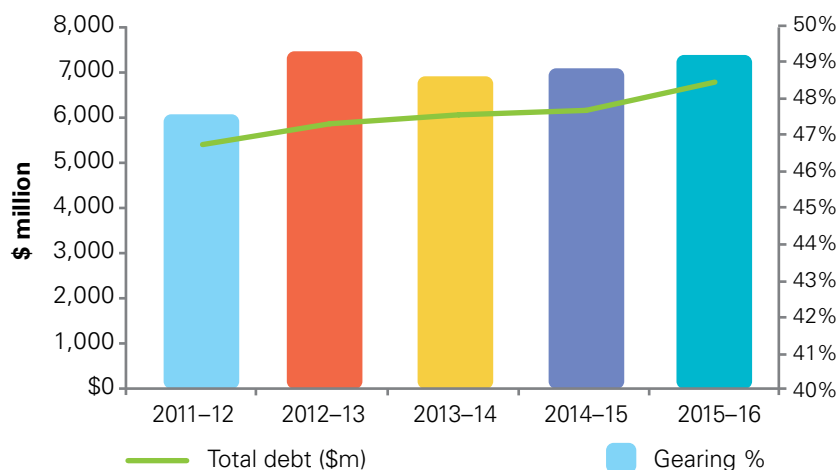
Our profit after tax for 2015–16 was \$548 million, \$35 million higher than in 2014–15. This was due to the higher income we made from service and usage charges (\$99 million higher than in 2014–15), but was partly offset by higher asset charges (\$23 million higher than in 2014–15) and the increased income tax expense (\$19 million higher than in 2014–15).

**Figure 8: Our historical capital expenditure**



Our capital investment program for 2015-16 included continued major investments in core water and wastewater assets, to ensure reliability and growth. Total capital expenditure over the past five years has focused on core investment, such as renewals and to provide for growth.

**Figure 9: Our debt and gearing**



Debt increased by around \$620 million in 2015-16 to assist in funding new capital investment. Our gearing (debt divided by debt plus equity) remained relatively flat in 2015-16, with increased system asset values offsetting the increased debt.

**Table 2: Summary profit and loss\***

	2011–12 \$m	2012–13 \$m	2013–14 \$m	2014–15 \$m	2015–16 \$m
Total income	2,671	2,521	2,615	2,728	2,844
Operating expenses	1,204	1,343	1,301	1,324	1,357
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>1,467</b>	<b>1,178</b>	<b>1,314</b>	<b>1,404</b>	<b>1,487</b>
Depreciation, amortisation and impairments	298	245	261	252	276
Interest expense	557	398	414	422	428
<b>Profit before tax</b>	<b>612</b>	<b>536</b>	<b>640</b>	<b>730</b>	<b>783</b>
Taxation expense	245	163	175	216	235
<b>Profit after tax</b>	<b>367</b>	<b>372</b>	<b>464</b>	<b>513</b>	<b>548</b>
Dividend payable	242	291	252	664	389

\* All figures are rounded to whole dollars million. All figures before 2012–13 represent the Consolidated Group. All subsidiaries are now divested.

Earnings before interest, tax, depreciation and amortisation were almost \$1.5 billion. This was \$83 million higher than in 2014–15 due to higher income from IPART-determined price rises.

Depreciation, amortisation and impairments were \$276 million. This was \$24 million higher than in 2014–15, due to higher depreciation on the larger system asset base and more losses on asset disposals.

Interest expense was \$428 million. This was \$6 million higher than in 2014–15, with the impact of a higher government guarantee fee largely offset by transferring more interest costs to capital.

Tax expense for the year was \$235 million. This was \$19 million higher than in 2014–15, in line with the higher profit result.

The dividend payable of \$389 million is lower than the \$664 million target in the 2015–16 *Statement of Corporate Intent (SCI)* and reflects changed shareholder expectations.

**Table 3: Summary balance sheet\***

	2011–12 \$m	2012–13 \$m	2013–14 \$m	2014–15 \$m	2015–16 \$m
Property, plant and equipment	13,450	13,949	14,635	15,471	17,333
Other assets	567	502	483	475	514
<b>Total assets</b>	<b>14,017</b>	<b>14,451</b>	<b>15,118</b>	<b>15,946</b>	<b>17,647</b>
Total debt	5,412	5,866	6,059	6,160	6,779
Other liabilities	2,673	2,620	2,665	3,319	3,869
<b>Total liabilities</b>	<b>8,085</b>	<b>8,486</b>	<b>8,724</b>	<b>9,479</b>	<b>10,648</b>
<b>Net assets/equity</b>	<b>5,932</b>	<b>5,965</b>	<b>6,394</b>	<b>6,467</b>	<b>6,998</b>

\* All figures are rounded to whole dollars million. All figures before 2013–14 represent the Consolidated Group. All subsidiaries are now divested.

Total assets were valued at \$17.6 billion, \$1.7 billion higher than in 2014–15. This was driven by capital expenditure on renewing existing assets and adding new assets, together with the year-end uplift in system assets to 'fair value'.

Total liabilities were \$10.6 billion. This was \$1.2 billion higher than in 2014–15, due to additional borrowings, higher finance lease liabilities and higher defined benefit superannuation liabilities.

**Table 4: Summary cash flow\***

	2011–12 \$m	2012–13 \$m	2013–14 \$m	2014–15 \$m	2015–16 \$m
<b>Sources</b>					
Receipts from operations	2,231	2,405	2,477	2,520	2,614
Grants, interest, community service obligations and other operational receipts	182	155	172	165	167
Borrowings	610	440	174	89	601
Other receipts	2,223	26	92	102	113
<b>Total sources</b>	<b>5,246</b>	<b>3,026</b>	<b>2,915</b>	<b>2,876</b>	<b>3,495</b>
<b>Uses</b>					
Operational expense payments	1,328	1,405	1,443	1,431	1,454
Capital expenditure payments	666	593	527	588	662
Dividends paid	230	368	291	252	664
Income tax paid	92	181	188	149	239
Interest paid	557	464	449	436	456
Borrowing reduction and other payments	2,413	17	17	18	21
<b>Total uses</b>	<b>5,286</b>	<b>3,028</b>	<b>2,915</b>	<b>2,874</b>	<b>3,495</b>
<b>Increase (decrease) in cash</b>	<b>(41)</b>	<b>(2)</b>	<b>0</b>	<b>2</b>	<b>0</b>

\* All figures are rounded to whole dollars million. All figures before 2013–14 represent the Consolidated Group. All subsidiaries are now divested. Interest paid includes the government guarantee fee and capital expenditure payments include payments for intangibles.

Cash receipts from operations in 2015–16 were \$2.6 billion (\$96 million higher than in 2014–15). This increased because of IPART-determined price increases. Total cash inflows were \$3.5 billion (\$619 million more than in 2014–15) including increased borrowings.

Cash used for operational purposes in 2015–16 was \$1.5 billion. This was just \$23 million higher than in 2014–15, in line with cost containment.

A total of \$662 million was used to fund the asset investment program.

Total interest paid includes interest and the government guarantee fee paid on Sydney Water's borrowings. Total interest paid was \$456 million (\$20 million higher than in 2014–15) due to higher total debt.

We paid a dividend of \$664 million to the NSW Government in 2015–16, which reflected the target in the 2015–16 *Statement of Corporate Intent (SCI)*.





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## Balanced sustainability scorecard

In this scorecard, we assess progress against our sustainability indicators each year, and reflect the results in the summary statements and ratings for a range of performance areas. We include performance data and commentary on the sustainability indicators in this report.

### Sustainability indicator key

-  **Expectations met or exceeded**  
Indicators show a positive long-term trend towards the goal.
-  **Areas to improve**  
Indicators show mixed results, with positive trends for some and negative trends for others.
-  **Action required**  
Indicators show a negative long-term trend towards the goal.
-  **Not applicable**  
Performance not reported.

**Table 5: Customer at the heart – balanced sustainability scorecard**

Customer at the heart – performance summary	Progress rating		
	2013–14	2014–15	2015–16
<b>Customer satisfaction:</b> Customers have a positive view of the overall quality of service we deliver. We aim to resolve customer enquiries and complaints quickly, efficiently and to the customer’s satisfaction.	▲	▲	▲
<b>Social assistance:</b> We continued to support customers in need by providing flexible payment arrangements and tailored assistance for customers experiencing financial hardship.	▲	▲	▲
<b>Service quality and system performance:</b> We maintained high levels of water and wastewater system performance and met licence targets.	▲	▲	▲
<b>Water efficiency:</b> Our water efficiency initiatives saved more than 43 billion litres of water in 2015–16. We are continuing to implement a range of cost-effective water efficiency, leak management and recycled water programs that meet individual customer needs.	▲	▲	▲
<b>Water drawn:</b> Customers are still using water efficiently, maintaining historically low levels of total water use following drought restrictions. Our customers have adopted water-efficient practices as part of their everyday life.	▲	▲	▲
<b>Water quality:</b> We continue to supply our customers with safe drinking water that complies with the requirements of the <i>Australian Drinking Water Guidelines 2011</i> to the satisfaction of NSW Health.	▲	▲	▲

**Table 6: World class performance – balanced sustainability scorecard**

World class performance – performance summary	Progress rating		
	2013–14	2014–15	2015–16
<b>Profitability:</b> Profitability was above target due to higher income from water use, assets received free of charge and lower operating costs. This was driven mostly by lower contractor costs, and lower borrowing costs due to lower interest rates.	▲	▲	▲
<b>Debt servicing:</b> We managed our borrowing costs better. This was due to a combination of higher income, lower costs and lower interest charges.	▲	▲	▲
<b>Return on assets and equity:</b> Our return on assets and equity was marginally higher than the target. This was due to a combination of higher income from water use and developers, and operating cost efficiencies.	▲	▲	▲
<b>Infrastructure management:</b> We continue to invest in programs to renew, rehabilitate and maintain our infrastructure to reliably deliver essential services.	▲	▲	▲
<b>Recycled water:</b> We support 23 recycled water schemes that provide recycled water for use in homes and businesses, and to irrigate parks, farms and playing fields.	▲	▲	▲
<b>Wastewater treatment system discharges:</b> We met licence requirements to help protect the local environment and public health.	▲	▲	▲
<b>Water leakage:</b> We manage leaks by proactively finding concealed leaks; maintaining fast response times to reported leaks and breaks; and renewing water mains, saving more than 30 billion litres of water each year.	▲	▲	▲
<b>Trade waste agreements:</b> We managed trade waste agreements to meet wastewater discharge limits and ensure biosolids met required standards.	▲	▲	▲
<b>Environmental compliance:</b> We received two penalty notices from the EPA during the reporting period, for dry weather overflows that occurred at Cronulla and Bardwell Creek. The EPA also accepted our proposal for an enforceable undertaking relating to an effluent leak into the Parramatta River at Rydalmere. No proceedings or penalty notices were issued to Sydney Water contractors during 2015–16.	■	■	■
<b>Heritage compliance:</b> We have detailed processes in place to identify risks to Aboriginal and built heritage sites from operational, maintenance and construction activities. We introduced this indicator in 2015–16.	-	-	▲
<b>Environmental footprint:</b> Our full supply chain carbon footprint and ecological footprint remained stable in 2014–15. Data for 2015–16 was not available in time for publication of this report.	▲	▲	-

**Overview**

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World class performance – performance summary	Progress rating		
	2013–14	2014–15	2015–16
<b>Energy use and greenhouse gas emissions:</b> We surrendered the last of our bank of NSW Greenhouse Gas Abatement Certificates in 2015–16, increasing net greenhouse gas emissions. However, our gross greenhouse gas emissions decreased by 7.2%. Our energy generation was equivalent to 21% of electricity used, which is our highest energy generation to date.	▲	▲	▲
<b>Environmental performance monitoring:</b> Long-term monitoring results show that water quality and ecosystem health of inland and coastal waterways are being maintained.	▲	▲	▲
<b>Flora and fauna:</b> We revegetated disturbed land, resulting in a net cumulative gain of 15.97 hectares of native vegetation over the last five years.	▲	▲	▲
<b>By-products:</b> We continued to meet our target of beneficially using 100% of the biosolids we generate.	▲	▲	▲
<b>Waste reduction:</b> Our overall recycling rate fell to 71% largely due to an increase in construction and demolition waste sent to landfill by our contractors. We'll continue to work with our contract partners to divert as much material from landfill as possible.	▲	▲	●

**Table 7: High performance culture – balanced sustainability scorecard**

High performance culture – performance summary	Progress rating		
	2013–14	2014–15	2015–16
<b>Safety:</b> We are very pleased with our steps forward in relation to safety and wellbeing. We have improved our safety performance in 2015–16. Our Lost Time Injury Frequency Rate (LTIFR) decreased by 42% for our staff and 25% for our contractors, compared to 2014–15. We introduced a new indicator, the Total Recordable Injury Frequency Rate (TRIFR) in 2015–16. We must continue to focus on delivering our Safe and Wellbeing Strategy to further improve our performance in this area.	■	●	●
<b>Diversity:</b> We are committed to building a diverse and inclusive workforce that supports our strategic aspirations, reflects our values and is reinforced through our signature behaviours.	–	–	●
<b>Capability:</b> We provide diverse training programs and professional development opportunities to help improve staff skills and knowledge. We continue to receive a high number of applications for our entry-level programs.	▲	▲	▲
<b>Staff engagement:</b> Employee engagement was consistently above target throughout 2015–16.	–	–	▲

# Contact us

## By telephone

**Customer enquiries:** 13 20 92 (Monday – Friday, 8.30 am – 5.30 pm)

**Help with leaks and faults:** 13 20 90 (24 hours every day)

**Corruption hotline:** Freecall 1800 500 965 (24 hours every day)

**Interpreter service:** 13 14 50

We offer a free teletypewriter (TTY) service for customers with hearing and speech difficulties. Call the National Relay Service on 13 36 77 and enter the phone number 13 20 90 (24 hours every day).

## By post

Sydney Water  
PO Box 399  
PARRAMATTA NSW 2124

## On the web

[sydneywater.com.au](http://sydneywater.com.au)  
[facebook.com/SydneyWater](https://facebook.com/SydneyWater)  
[twitter.com/sydneywaternews](https://twitter.com/sydneywaternews)

## By email

For *Annual Report* enquiries: [annualreport@sydneywater.com.au](mailto:annualreport@sydneywater.com.au)

For general enquiries: [customerservice@sydneywater.com.au](mailto:customerservice@sydneywater.com.au)

## Annual Report online

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