Sydney WATER

Annual Report 2016–17

Letter to Shareholder Ministers

Dear Treasurer and Minister Dominello

Report on performance for the year ended 30 June 2017

We are pleased to submit the Annual Report of Sydney Water Corporation (Sydney Water) for the year ended 30 June 2017 for presentation to Parliament.

Our *Annual Report 2016–17* was prepared in accordance with the requirements of section 24A of the *State Owned Corporations Act 1989* and the *Annual Reports (Statutory Bodies) Act 1984*. The financial statements, which form part of the *Annual Report 2016–17*, have been 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

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Chapter 1.

Overview

About Sydney Water

About us

We're Australia's largest water and wastewater service provider, and our customers are at the heart of everything we do. We provide safe, refreshing drinking water to almost five million customers across Sydney, the Blue Mountains and the Illawarra. We also look after wastewater, recycled water and some stormwater services to ensure our rivers are healthy and beaches are clean. We're an organisation focused on the future, and we work with our stakeholders and regulators to make smart business decisions that ensure we're doing our part to enhance our city's sustainability and lifestyle, now and for years to come.

We are a statutory State Owned Corporation, wholly owned by the NSW 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. These are to:

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

Our purpose, mission and vision

We're a world-class organisation, delivering essential services our customers love, in our great city. Our vision is to be the lifestream of Sydney for generations to come.

Table 1: Principal statistics, 1 July 2016 to 30 June 2017

Approximate area of operations	12,700 square kilometres
Estimated population serviced by drinking water	5,037,000 people
Quantity of drinking water we produced	551,406 million litres
Length of drinking water mains we own and operate	21,951 kilometres
Number of drinking water reservoirs in service	243 drinking water reservoirs
Number of drinking water pumping stations in service	151 drinking water pumping stations
Number of properties with drinking water service available	1,936,814 properties
Estimated population receiving wastewater services	4,944,000 people
Wastewater we collected (includes discharge, bypass, overflows and other)	564,154 million litres
Length of wastewater mains we own and operate	25,597 kilometres
Number of wastewater treatment plants[1]	16 wastewater treatment plants
Number of wastewater pumping stations in service	684 wastewater pumping stations
Number of properties with wastewater service available	1,888,745 properties
Estimated population serviced by recycled water[2]	87,000 people
Quantity of recycled water we supplied	38,339 million litres
Length of recycled water mains we own and operate	706 kilometres
Number of water recycling plants	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	447 kilometres
Number of properties with stormwater drainage available	605,775 properties

1 The number of wastewater treatment and recycled water plants is based on Sydney Water's classification.
2 The population serviced by recycled water refers to Rouse Hill only and is an estimate at June 2017.

Our area of operations

Figure 1: Map of our area of operations

The year in review

A message from our Chairman and our Managing Director

Greater Sydney is going through a time of unprecedented growth and change. Over the next 20 years, another 1.74 million people[3] will live here, and the pressures on our existing resources, housing and infrastructure will only increase. The last 12 months have brought challenges, but also opportunities to shape our future and enhance our city's sustainability and lifestyle. This means we must think differently about how we operate and deliver services, while continuing to run an efficient business and deliver value for our customers and stakeholders.

We know this won't happen without strong, effective stakeholder engagement. We see our role as master planners, and we're working with the NSW Government and other key stakeholders to develop a long-term strategy to guide our business to 2040 and beyond. We're also investing now to support our city's growth, build resilience across our business and meet increasing customer expectations.

In October 2016, we announced a $2.2 billion investment to build new infrstructure and upgrade existing assets, with Western Sydney as a key focus. We're spending almost $73 million on essential infrastructure for more than 27,500 new homes in Sydney's North West Growth Centre (NWGC). We're also spending $300 million on our Lower South Creek Treatment Program which will provide new and upgraded wastewater infrastructure for more than half a million people by 2040.

We continue to work closely with agencies such as the Greater Sydney Commission, providing input and expertise that focuses on three key priorities for success – productivity, liveability, and sustainability. Water planning, water use and water-sensitive urban design are essential factors in ensuring we meet these priorities.

Advances in technology mean our customers' expectations are growing, and we're investing more to build business capability, remove inefficient processes and enable our customers to interact with us how and when it suits them. We are also working to replace our ageing billing system and various customer management systems with our Customer Experience Platform (CxP). This will simplify processes across the organisation, and enable smarter decision-making through deeper customer insights.

We are building a high-performing, capable and safe workforce to help us shift our organisation's focus from assets to customers. This year we introduced our 'Lifestream Plan to 2020', a clear roadmap that provides the detail and direction we need to plan for the future and to realise our goals by 2020.

Our success in achieving this will be driven by our people. We continue to implement our new operating model and organisational structure, which will see the right people in the right roles across all areas. We're on track to have this in place by the end of 2017.

3 Data calculated using information from www.planning.nsw.gov.au/projections.

The safety and wellbeing of our people remains a top priority. People are reporting hazards and near misses, which means we're learning more about where and how our people might get hurt. This information is reviewed at all Board meetings and at the Board's Safety and Wellbeing Committee to ensure that we are doing all that we can to provide a safe environment for all of our staff, contractors and visitors. Over the next year, we'll also do 'Safety differently', focusing on five key initiatives of our new Safe and Well Strategy 2.0. These include new life saving rules and safety commitments, wellbeing programs, identification of our 16 'fatal risk' standards, an updated 'Fair and just' framework and a new 'Alcohol and other drugs' policy.

We've seen changes to our Board and Executive this year. In March 2017, we welcomed Andrew Willicott, as General Manager, Customer Delivery, and Kevin Jones, who joined us as Chief Financial Officer. Kevin Young was reappointed as Managing Director from August 2016, Bruce Morgan was reappointed as Chair of the Board for a second term in October 2016, Greg Couttas was appointed to the Board in November 2016, and Marlene Kanga and Trevor Bourne were reappointed to the Board for a second term from February 2017.

We congratulate our people and thank the Board for some great achievements through a year of significant change and growth. We're developing a better Sydney Water and we look forward to continuing the journey.

Bruce Morgan
Chairman

Kevin Young
Managing Director

Top achievements

- We are keeping prices low for customers while continuing to invest in our city's growth. New prices introduced in July 2016, save a typical household $100 a year. With the cost of living in Sydney steadily increasing, we're proud to have moved from one of the highest water industry bills in Australia four years ago, to now the lowest water and wastewater bill of any major Australian utility.
- We continue to ensure the voice of our customers drives everything we do. Developers told us they'd rather deal with us directly to obtain Section 73 certification for minor developments. In February 2017, we successfully piloted the new Sydney Water Developer Direct (SWDD) service, which is now available across our entire area of operations. We're off to a promising start, with the first SWDD customers giving their experience a rating of 9 out of 10.
- Our new eBill service is delivering benefits for customers and value for the organisation. More than 100,000 customers have registered since the service launched in August 2016. We're also saving $270,000 in postage and printing costs, and we anticipate this will increase as more customers take advantage of this convenient online service. To find out more, or to register for eBill, visit sydneywater.com.au/ebill.
- Our campaign to 'Keep wipes out of pipes' has reached the global stage, with Sydney Water winning the Corporate Social Responsibility PR Campaign of the Year at the Asia-Pacific Communications Summit in Singapore in October 2016. More importantly, we're seeing a real shift in consumer behaviour, with recent customer sentiment surveys showing a 50% reduction in the number of people who think it's okay to flush wipes.
- Over 90% of staff voted for the new Enterprise Agreement in June 2017. This great result came from a respectful, collaborative approach between the organisation, staff members and the unions. Importantly, it means we can focus on running an efficient business, making smart decisions that benefit our customers and the communities we serve.
- We were proud to host the Ozwater conference in May 2017. This year's theme was about embracing innovation and disruption for a smarter water future. It was a wonderful opportunity to showcase our thought leadership and have exciting conversations about shaping our city's future.

Corporate Strategy update

Our Corporate Strategy defines and clarifies our aspiration to be a better business as we improve customer outcomes, build a high performance culture and deliver sustainable shareholder value. This year we introduced our 'Lifestream Plan to 2020', a detailed roadmap of the initiatives we need to focus on to achieve our mission: to be a world-class organisation, delivering essential water services our customers love, in our great city. We will achieve this through focusing on three strategic objectives:

- to ensure that our **customers are at the heart** of everything we do. Our customers trust us to look after their 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, with one critical element standing out: our customers. We know customer expectations are changing, and our strategy helps us shape our destiny and ensure we're equipped to achieve our vision of being the lifestream of Sydney for generations to come.

Strategic success measures – our performance

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

We use our five 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 2: Tier 1 SSM performance, 1 July 2016 to 30 June 2017

Strategic theme	Metric	Actual score	2016–17 target	2020 target
Customer trust	Corporate Reputation Score	6.7/10	6.7/10	7/10
Customer experience	Customer Experience Score	7.9/10	7.9/10	8.2/10
Business sustainability	Strategic Value Add	$13.9 billion	> $12.4 billion	Year-on-year increase
Organisational culture	Constructive styles	32.5%	41%	51%
	Passive-defensive / Aggressive-defensive styles	61.5%	44%	34%
Safety	Total Recordable Injury Frequency Rate (TRIFR)	• 21.9 (employees) • 9.2 (contractors)	• <10 (employees) • <6.4 (contractors)	Target set annually

Corporate reputation

Sydney Water's corporate reputation score continues to build, increasing from 4.5 out of 10 in 2004–05, to 6.7 out of 10 in 2016–17. This is an improvement on the 2015–16 score of 6.6 and means we are closing the gap on banks, mobile service providers and postal services.

Customer experience

The Customer Experience score has continued to improve for the second consecutive year, increasing from 7.8 out of 10 in 2015–16 to 7.9 out of 10 in 2016–17.

Business sustainability

Based on the 2017–18 Statement of Corporate Intent (SCI), enterprise value (excluding terminal value) is forecast at $13.9 billion, an increase of $2.2 billion over last year's enterprise value calculation of $11.7 billion.

Note: This valuation is preliminary and indicative, pending actual results for 2016–17 being completed and rolled over.

Organisational culture

We measure our organisational culture by assessing levels of different behavioural styles across the organisation. The latest results show our constructive[4] behaviour styles have remained roughly the same compared with 2015, however, there has been a slight increase in passive-defensive[5] and aggressive-defensive[6] styles during the same period.

Safety

The TRIFR increased this year for Sydney Water employees, which is concerning – from 19.1 in July 2016 to 21.9 in June 2017. Similarly, the TRIFR also increased for contractors over the same period, from 7.7 to 9.2.

To address the worsening trends in our safety performance, the Board and Executive approved Sydney Water's revised Safety Strategy in early 2017. This strategy provides the foundation for a broader change, focusing on a cultural shift, an improved safety operating model and increased safety capabilities across the organisation.

4 Constructive behavioural styles encourage staff to interact with others and approach tasks in positive ways, including affiliative, self-actualising and encouraging behaviours.

5 Passive-defensive behavioural styles are those where staff believe they must interact with people in defensive ways that will not threaten their own security, including avoidance and dependent behaviours.

6 Aggressive-defensive behavioural styles are those where staff are expected to approach tasks in forceful ways to protect their status and security, including oppositional, competitive, and perfectionistic behaviours.

Chapter 2.

Corporate governance

Our Corporate Governance Framework

The Board and Executive believe good corporate governance is essential to being 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.

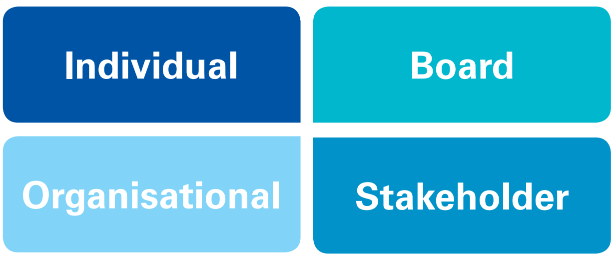

Figure 2: AICD Corporate Governance Framework

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 Board and management activities to corporate governance best practice. Under the Board Charter, the Board assesses its performance each year. In 2016–17, the Board evaluated its performance via a self-assessment.

Board of Directors

In line with the *Sydney Water Act 1994*, the *State Owned Corporations Act 1989* 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 Board member nominations. All members of the Board, except the Managing Director, are appointed for terms of up to five years, which may be renewed by the Shareholders. Each 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:

- setting the strategic direction
- establishing performance targets as set out in the *Statement of Corporate Intent*
- monitoring the achievement of those targets
- reviewing internal control systems, corporate governance frameworks, and compliance.

The Board serves the interests of the Shareholders, staff members, suppliers, customers and the broader community, and it does so honestly, fairly and diligently. It delegates responsibility to the Managing Director for implementing the strategic direction and managing day-to-day operations. The Board of Directors operates according to its Board Charter, which complements the Constitution and the Board's Code of Conduct.

Director independence

All non-executive directors on the Board are independent. To ensure their independence, all Directors are subject to the statutory duties and responsibilities regarding conflicts of interest. The Corporate Secretary maintains the Register of Disclosures which is reviewed annually. Conflicts of interests (perceived or actual) are discussed at the start of each Board meeting.

Directors may, at the discretion of the Chair, obtain independent professional advice at the expense of Sydney Water if it is necessary to discharge their duties.

Indemnity and insurance

In line with the *State Owned Corporations Act 1989* and the Constitution of Sydney Water, all Directors have been granted an indemnity with the approval of our Shareholders.

Sydney Water has a policy of insurance for Directors' and Officers' liability, which underpins and augments the Deed of Indemnity. Our Insurance Policy does not cover conduct involving a lack of good faith or a willful breach of duty.

Board of Directors skills matrix

The Board considers that its membership should comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. The Board has identified its desired skills, knowledge, experience and capabilities, and agreed how many Directors should be specialists in these areas. This matrix enables the Board Nominations Committee to assess how the Board is currently constituted and how it should best be constituted in the future to align with our Corporate Strategy. It is not expected that all Directors will have specialist skills in all areas. Rather, the Board as a whole should have the necessary skills to enable the effective corporate governance of Sydney Water.

Table 3: Board of Directors skills matrix at 30 June 2017

Skill set	Target number of Directors at desired specialist level of competency	Status
Commercial/ business experience and acumen	2	▲
Engineering and safety	2	▲
Health	1	▲
Environment	1	▲
Financial literacy	2	▲
Strategy development and implementation	3	▲
Corporate governance	2	▲
Risk management	2	▲
Law	1	▲
Information technology	1	▲
Government or State Owned Corporations	2	▲
Capital markets and investments	1	▲
Public affairs and economic reputation	2	▲

Performance indicator key

▲ Target met or exceeded

■ Target not met

Sydney Water Board Directors

Bruce Morgan
BComm, FCA, FAICD

Term:
Director:
1 January 2012 to 31 December 2014

Chairman:
1 October 2013 to 30 September 2016

1 October 2016 to 30 September 2019

Bruce is Chairman of Sydney Water (since 2013, previously a Director from January 2012). He is also Chairman of Redkite (since April 2015). He is a Director of Caltex Australia Ltd (since June 2013), Origin Energy Ltd (since November 2012), the European Australian Business Council and University of NSW Foundation.

Bruce served as Chairman of the Australian PwC Board for six years until 2012 and was a member of the PwC International Board for four years. He previously held roles as managing partner in PwC's Sydney and Brisbane offices. Bruce practised as an audit partner focused on the financial services, energy and mining sectors. He retired as a partner of PwC in October 2012.

Kevin Young
BEng (Hons), MBA, FIEAust, CPEng, FAICD

Term:
1 August 2011 for a term equivalent to his appointment as Managing Director of Sydney Water.

Kevin was reappointed as Managing Director on 1 August 2016.

Kevin was previously the Managing Director of Hunter Water and a Director of Hunter Water Australia Pty Limited. He was also previously Chairman of the Water Services Association of Australia (WSAA) and currently chairs WSAA's Utility Excellence Committee. Kevin is currently a Director of Water Aid Australia and a Fellow of both the Institution of Engineers Australia and the Australian Institute of Company Directors. From 2012 to 2016 the Institution of Engineers Australia selected him as one of Australia's top 100 influential engineers.

Dr Abby Bloom
BA (High Hons), MPH, PhD, FAICD

Term:
1 January 2013 to 31 December 2015

1 January 2016 to 31 December 2018

Abby is an experienced company director and former senior executive and corporate adviser, specialising in healthcare and health financing, 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 globally. A graduate of Yale and Sydney universities, Abby is also Adjunct Professor, Sydney Medical School's Menzies Centre for Health Policy. She is a Director of the State Insurance Regulatory Authority and The Sydney Children's Hospital Network, and a member of the Griffith University Enterprise Advisory Board.

Trevor Bourne
BSc (Mech Eng), MBA, FAICD

Term:
10 February 2014
to 9 February 2017

10 February 2017
to 9 February 2020

Trevor is a highly experienced non-executive director, having served on public and private company boards in Australia and Asia for over 15 years. He is a Director of Caltex Australia and Chairman of the ASX-listed Senex Energy Ltd. Trevor's executive career included 15 years at BHP, eight years with the then Orica subsidiary Incitec, and 15 years with Brambles – the last six as Managing Director of Australasia.

Paul Leaming
BBus, FCPA

Term:
15 September 2014
to 14 September 2017

Paul has had an extensive executive career spanning 30 years in financial services. He held the role of Chief Financial Officer at AMP Limited and before that, Chief Financial Officer and other senior finance roles at Macquarie Bank Limited. He retired from AMP Limited in December 2011.

Dr Marlene Kanga AM
BTech, MSc, PhD, Hon FIEAust, Hon FIChemE FTSE, FAICD

Term:
10 February 2014
to 9 February 2017

10 February 2017
to 9 February 2020

Marlene is an experienced business leader and company director. She has more than 30 years' experience in safety and risk engineering in the process industry. Marlene is a member of the Board of Innovation Australia and other boards involved in innovation. She is a past national president of Engineers Australia and has been listed among the top 100 engineers in Australia. Marlene has degrees in chemical engineering from the Indian Institute of Technology Bombay and Imperial College, University of London and a doctorate in Finance from Macquarie University. Marlene is an Honorary Fellow of Engineers Australia, a fellow of the Australian Academy of Technological Sciences and a Fellow of the Australian Institute of Company Directors.

Dr Diana Day
BA (Hons), DipEd, PhD, FAICD

Term:
1 June 2012 to 31 May 2015

1 June 2015 to 31 May 2018

Diana is an experienced company director of Federal and state statutory authorities, private and commercialisation companies, universities, and, not-for-profit boards. With expertise in water and environmental management, Diana led Australian agribusiness and government R&D co-investment programs while holding senior academic and public sector roles. Former directorships include Murray-Darling Basin Authority, Rural Industries R&D Corporation and Meat and Livestock Australia Ltd. Currently Adjunct Professor, Global Water Institute at the University of NSW and Australian Institute of Company Directors Advisory Committee Member, Diana consults in career management for professionals. Diana holds an Hons(1) Degree in Geography and Diploma in Education from the University of Newcastle and a Doctorate in drainage system hydrology from the University of New England. Diana is an AICD Fellow.

Richard Fisher AM
MEc, LLB, MAICD

Term:
1 January 2012
to 31 December 2014

1 July 2015 to 30 June 2018

Richard is General Counsel of the University of Sydney and an Adjunct Professor in its Faculty of Law. He is Chairman of InvoCare and was previously Chairman of Partners at Blake Dawson (now Ashurst). Richard is a former part-time Commissioner of the Australian Law Reform Commission and was an international consultant for the Asian Development Bank. He was also a member of the Library Council of NSW from 2004 to 2013. Richard holds a Master of Economics from the University of New England and a Bachelor of Laws from the University of Sydney.

Greg Couttas
BComm, FCA, MAICD

Term:
17 November 2016
to 16 November 2019

Greg's career was in professional services, having served as a senior audit partner at Deloitte for 28 years until his retirement in November 2016. Greg held several management roles at Deloitte including Managing Partner for NSW from 2005 to 2008. He served as a member of the Deloitte Australia Board from 2005 to 2016 and chaired the firm's Audit and Risk Committee for 11 years. Greg is a Director of Virtus Health Limited.

For more information on our Board of Directors, please visit sydneywater.com.au/board.

Committees

Audit and Risk

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

Members: P Leaming (Chair[7]), G Couttas (Chair [8]), R Fisher, M Kanga, K Young

Corporate Governance

Purpose: To assist the Board to monitor and manage the Board's operations to achieve optimal effectiveness.

Members: R Fisher (Chair), M Kanga, P Leaming, K Young

Environment and Health

Purpose: To oversee Sydney Water's strategic approach to environmental management and public health.

Members: A Bloom (Chair), D Day, K Young

Finance and Asset Strategy

Purpose: To assist the Board to set strategy and monitor Sydney Water's financial sustainability and asset investment.

Members: P Leaming (Chair), A Bloom, T Bourne, D Day, K Young

Nominations

Purpose: To assist the Board in fulfilling its corporate governance responsibilities with regard to director appointments and re-appointments.

Members: B Morgan (Chair), A Bloom, T Bourne, G Couttas, D Day, R Fisher, M Kanga, P Leaming, K Young

People and Remuneration

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

Members: B Morgan (Chair), A Bloom, T Bourne, R Fisher, K Young

Safety and Wellbeing

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

Members: T Bourne (Chair), D Day, M Kanga, K Young

7 July to December 2016.
8 January to June 2017.

Board meetings

The Board meets monthly, except in January and June. Meetings are held in line with Sydney Water's Constitution, following an annual schedule of set meeting dates. Additional meetings are called when Directors see fit. Eleven meetings were held during 2016–17.

Members: B Morgan (Chair), A Bloom, T Bourne, G Couttas, D Day, R Fisher, M Kanga, P Leaming, K Young

Table 4: Director meetings, 1 July 2016 to 30 June 2017

Director	Board of Directors Attended (number held)[9]	Audit and Risk Committee Attended (number held)	Corporate Governance Committee Attended (number held)	Environment and Health Committee Attended (number held)	Finance and Asset Strategy Committee Attended (number held)	People and Remuneration Committee Attended (number held)	Safety and Wellbeing Committee Attended (number held)	Nominations Committee Attended (number held)
B Morgan	(C) 11 (11)					(C) 5 (5)		(C) 2 (2)
A Bloom	11 (11)			(C) 5 (5)	4 (4)	5 (5)		2 (2)
T Bourne	10 (11)				4 (4)	5 (5)	(C) 4 (4)	2 (2)
G Couttas[10]	6 (6)	(C) 4 (4)[11]						1 (1)
D Day	11 (11)			5 (5)	4 (4)		4 (4)	2 (2)
R Fisher	11 (11)	(C) 6 (6)[12]	(C) 4 (4)			5 (5)		2 (2)
M Kanga	11 (11)	6 (6)	4 (4)				3 (4)	2 (2)
P Leaming	9 (11)	(C) 5 (6)[13]	4 (4)		(C) 4 (4)			1 (1)[14]
K Young	11 (11)	6 (6)	4 (4)	4 (5)	4 (4)	5 (5)	3 (4)	2 (2)

(C) stands for the Chairperson of the Board or committee meeting.

9 The Board held a strategy session with the Executive on 22 November 2016. This session is not counted as a Directors meeting.
10 Mr Couttas was appointed as a Director on 17 November 2016. The figures in this row reflect the number of meetings held while Mr Couttas was a Director.
11 Mr Couttas chaired the Audit and Risk Committee meetings on 22 February 2017 and 30 May 2017.
12 Mr Fisher chaired the Audit and Risk Committee meeting on 18 August 2016, as Mr Leaming was an apology.
13 Mr Leaming chaired the Audit and Risk Committee meetings on 29 September 2016, 23 November 2016 and 13 December 2016.
14 Mr Leaming was not invited to participate in the Nominations Committee meeting on 22 March 2017, as he had a conflict of interest.

Organisation chart

Figure 3: Organisation chart at 30 June 2017

Chairman: Bruce Morgan

Managing Director: Kevin Young

Non-executive Directors:
Dr Abby Bloom / Trevor Bourne / Dr Diana Day / Dr Marlene Kanga AM /
Paul Leaming / Richard Fisher AM / Greg Couttas

General Counsel and Corporate Secretary: Denisha Anbu GAICD, LLM, LLB (Hons 1), BA

Customer, Strategy and Regulation

General Manager:
Sian Leydon
BEng (Hons), MEngSc, MBA, Dip Proj Mgmt, GAICD

Communications and Government Relations / Corporate Strategy and Business Planning / Customer Direction and Experience / Program Director Operating Model / Competition and Regulation / Strategic Change Management Office / Strategic Implementation Portfolio Office

Liveable City Solutions

General Manager:
Paul Plowman
BE (Civil), MBA

Asset Knowledge / Delivery Management / Development and Infrastructure Portfolio Services / Integrated Systems Planning / Service Planning and Asset Strategy

Customer Delivery

General Manager:
Andrew Willicott
PgCert, FBCS, FCIM, MIOD

Customer Services / Civil Delivery / Developer and Business Customer Services / Networks / Projects and Services / Treatment

People and Corporate Services

General Manager:
Angela Tsoukatos
BSocWk, MM, GAICD

Audit and Assurance / Business Centre / Legal and Corporate Secretariat / People and Culture / Risk / Safety and Wellbeing

Finance Services

Chief Financial Officer and General Manager:
Jim Mitchell
BCom, FCPA, MAICD

Commercial Assurance / Commercial Management / Financial Accounting / Finance Transformation / Property / Supply Chain

Digital Services

Chief Information Officer and General Manager:
George Hunt
MSc (Distinction), BSc (Hons)

Business Engagement and Commercial / Digital and Corporate Solutions / Enterprise / Solutions / Digital Infrastructure / Digital Operations / Digital Assurance and Compliance

Executive Lead – Core Lifestream Programs

Paul Freeman
BE (Mech) (Hons)

Business Change and Readiness / CxP and BxP[15] / OMI[16] Subprogram T2020 Business Change

15 CxP stands for Customer Experience Platform; BxP stands for Business Experience Program.
16 OMI stands for Operating Model Implementation.

Chapter 3.

Our performance

Our sustainability performance indicators

We report our progress against a number of sustainability indicators each year. These relate to our results in three areas:

- customer service performance
- business performance
- environmental performance.

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 indicators and negative trends for others.

■ **Action required** Indicators show a negative long-term trend towards the goal.

– **Not applicable** Performance area not reported on.

Customer satisfaction

Under our *Operating Licence 2015–2020*, we define a complaint as 'an expression of dissatisfaction made to Sydney Water, related to its products or services, staff or the complaints-handling process itself, where a response or resolution is explicitly or implicitly expected or legally required'. During 2016–17, we received 5,090 complaints which is less than 1% of the more than 700,000 calls we received.

If a customer is dissatisfied with the action we take to resolve a complaint they may contact the Energy and Water Ombudsman of NSW (EWON) at ewon.com.au and ask them to independently review the complaint. During 2016–17, EWON received 457 complaints about us.

The total number of complaints has dropped significantly over the past five years, mainly due to considerably fewer complaints about account and meter adjustments. Survey results also show that customers continue to have a positive view of the overall quality of our service, with an average satisfaction rating of 7.9 (out of 10). This reflects our commitment to maintaining quality services.

We aim to resolve customer enquiries and complaints quickly, efficiently and to customers' satisfaction. In 2016–17, we resolved 87.2% of complaints within 10 business days.

Table 5: Sustainability performance indicators

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Customer satisfaction	▲	▲	▲	▲	▲
Average rating of the overall quality of service delivered, measured through customer surveys (on a scale of 0 – extremely poor, to 10 – excellent)	7.7	7.7	7.7	7.9	7.9[17]
Average rating of customers satisfied with the overall quality of drinking water (on a scale of 0 – extremely poor, to 10 –excellent)	8.2	8.4	8.4	7.7	7.6[17]
Total number of customer complaints (including to EWON)	8,252	6,935	5,945	5,321	5,090
Percentage of complaints resolved within 10 business days[18]	90.2	91.3	90.9	88.9	87.2

Social assistance

Sydney Water offers customers in financial difficulty the option of requesting a payment extension or entering into a payment arrangement. We can also register customers for Centrepay, which allows customers receiving Centrelink benefits to pay bills through regular deductions from their Centrelink payment.

Table 6: Social assistance indicators

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Social assistance[19]	–	▲	▲	▲	▲
Number of customers, per 1,000 residential properties, who are experiencing financial difficulty and are being assisted through our hardship program or payment plans	–	12.2	10.6	9.1	8.4

17 Average rating for first six months in 2016–17. The Customer Relationship Study was replaced with the Customer Experience Survey in 2017.
18 Complaints to EWON are not lodged with Sydney Water and are not included in this indicator.
19 We introduced this indicator in 2013–14.

Service quality and system performance

Water main breaks can cause significant disruption for our customers. They often result from moisture changes in the soil causing movement in the pipes, accidental damage by third parties and loss of strength from long-term corrosion. We have programs in place to minimise unplanned water interruptions and to respond quickly when they do occur. We met our Operating Licence targets for unplanned water interruptions in 2016–17.

We respond to water main breaks and leaks reported by customers based on priority, which is determined by the severity of the break or leak. Our internal priority system ranges from 1 (least urgent) to 6 (most urgent).

Our response time performance in 2016–17 was consistent with historical trends apart from Priority 4 breaks and leaks, where performance declined slightly.

Table 7: Service quality and system performance indicators

Indicator		2012–13	2013–14	2014–15	2015–16	2016–17
Service quality and system performance		▲	▲	▲	▲	▲
Number of properties that experience unplanned water interruptions	Unplanned interruptions of more than five hours (*Operating Licence* target ≤40,000)	31,626	32,568	37,189	27,224	27,115
	Repeat (≥3) unplanned interruptions of more than one hour (*Operating Licence* target ≤14,000)	6,363	4,978	8,005	6,524	4,949
Number of water main breaks (per 100 km of water main)		29	30	26	26	24
Percentage of water main breaks attended to within priority response times	Priority 6 jobs responded to within 3 hours	93	92	92	91	91
	Priority 5 jobs responded to within 6 hours	93	91	92	90	90
	Priority 5 jobs responded to within 24 hours[20]	-	-	-	100	99
	Priority 4 jobs responded to within 5 days	91	94	91	91	88

20 We introduced this indicator in 2015–16.

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Number of wastewater main breaks and chokes (per 100 km of sewer main)	46	61	69	58	62
Number of properties that experience low water pressure (*Operating Licence* target ≤6,000)	1,280	661	133	129	83
Number of properties affected by uncontrolled wastewater overflows (*Operating Licence* target ≤14,000)	6,908	8,869	10,118	8,874	8,355
Number of properties that experience repeat (≥3) wastewater overflows (*Operating Licence* target ≤175)	39	66	80	58	38

Water drawn

Our customers continue to use water efficiently. Water use in 2016–17 was similar to the amount used in 2003–04 when water restrictions were in force and 20% less people were receiving our services. Total water use includes drinking water and unfiltered water provided for industrial use in the Illawarra. It does not include recycled water.

Table 8: Total water use

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Water drawn	▲	▲	▲	▲	▲
Total water use (ML)	516,442	532,575	515,834	529,939	557,807

Recycled water

We take wastewater that's been used in homes and businesses, and put it through a multi-step treatment process to remove impurities. The purified water can be used in many ways around your home, by businesses and in industrial processes. The amount of water we recycled this year decreased from 43 billion litres to 38 billion litres, which is primarily due to a temporary reduction in industry demand for recycled water.

Table 9: Recycled water supplied

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Recycled water performance	▲	▲	▲	▲	▲
Total volume of recycled water supplied (ML)	46,951	46,943	43,075	43,341	38,339

Water conservation

Before 2016–17, we calculated the 'volume of drinking water saved' based on a 2002 baseline. In 2016–17, we adopted a 2015–16 baseline to account for the long-term improvement in performance due to our Active Leak Detection Program. We have also excluded water savings realised through our Water Pressure Management Program, as this program provides ongoing water savings. The 2016–17 result is not comparable to previous years' results, due to this change in baseline.

For more information, see our *Water Conservation Report* at sydneywater.com.au/reports.

Table 10: Water conservation indicators

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Water conservation	▲	▲	▲	▲	▲
Total volume of drinking water saved each year by water conservation programs (ML)[21]	48,199	45,478[22]	43,768[23]	43,060	11,091

Water leakage

We manage leaks by proactively finding concealed leaks, maintaining fast response times and renewing water mains. The average water leakage for 2016–17 is estimated to be 114 ML a day, which is within the target of our Economic Level of Leakage (ELL).

Table 11: Water leakage

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Water leakage	▲	▲	▲	▲	▲
Real water losses from distribution (ML/day)	120	107	99	103	114

Water quality

We supplied customers with drinking water that performed well against the *Australian Drinking Water Guidelines 2011*. We treated raw water for increased turbidity, natural colour, organic matter, metals (iron, aluminium and manganese) and fluctuating pH levels. For more information, see our *Quarterly Drinking Water Quality Report* at sydneywater.com.au/reports

Table 12: Water quality compliance

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Water quality[24]	▲	▲	▲	▲	▲
Number of zones where microbiological compliance was achieved (out of 13 supply systems)	13	13	13	13	13

21 This does not include water saved from activities by other organisations or regulatory measures. For more information, see our Water Conservation Report at sydneywater.com.au/reports.
22 This does not include water savings fromPlumbAssist® and WaterFix® services. We cannot estimate these water savings at this time.
23 This does not include water savings from PlumbAssist® and WaterFix® services. We cannot estimate these water savings at this time.
24 We achieved microbiological compliance in 99.97% of zones.

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Compliance with health guideline values as determined by NSW Health in each water delivery system (%)	99.98	99.99	100	100	99.98
Compliance with aesthetic guideline values as determined by NSW Health in each water delivery system (%)	99.54	99.62	99.50	99.50	99.79

Infrastructure management

Capital investment programs

We renew or rehabilitate water mains when it would cost us less to replace them than it would to maintain them. In 2016–17, the average cost for water main renewal was higher than the previous year because it included the cost associated with commissioning work completed in 2015–16.

Planned capital expenditure for IT projects was on or close to budget for the year, except for key BxP and CxP expenditure, which was below budget due to significant scope adjustments and an extended Integrated Service Provider selection process.

Table 13: Capital investment

Indicator		2012–13	2013–14	2014–15	2015–16	2016–17
Capital investment		▲	▲	▲	▲	▲
Delivery of capital investment program for renewals or rehabilitation	Water mains (% of planned km achieved)	96	91	92	118	92
	Water mains (% of planned expenditure completed)	96	78	88	114	108
	Wastewater mains (% of planned km achieved)	100	108	110	90	71
	Wastewater mains (% of planned expenditure completed)	89	72	95	97	76
	Information technology (% of planned expenditure completed)	49	68	54	70	68

Planned maintenance

In 2016–17 our expenditure on planned maintenance on water and wastewater assets was approximately 9% over budget.

We completed less planned work on water mains than was budgeted for, mainly in valve and hydrant inspections or repairs, and lower priority leak repairs. This was largely due to the high number of reactive jobs, coupled with temporary resourcing constraints as our Civil Delivery business worked through the Civil Operating Model review. We are implementing a wider long-term resourcing strategy and will continue to monitor our performance.

We completed more planned work on wastewater mains than was budgeted for, which was due to more work eventuating in wastewater network repair contracts (including dig and repairs, and patch repairs).

We completed all major planned stormwater maintenance in 2016–17. The total capture rate for silt and debris was lower in 2016–17 due to less rainfall. This resulted in lower spending in 2016–17.

Table 14: Planned maintenance

Indicator		2012–13	2013–14	2014–15	2015–16	2016–17
Planned maintenance		▲	▲	▲	▲	▲
Planned maintenance (% of planned expenditure completed)	Water mains	92	98	87	77	65
	Wastewater mains	82	73	106	81	125
	Stormwater programs	116	94	126	115	90
	Property programs	100	76	83	114	97

Financial performance

We have to balance our objectives to protect public health and the environment while providing a return to shareholders and affordable services. The challenge is to do this while continuing to achieve business efficiency.

During 2016–17, our net profit after tax (NPAT) was $447 million, about $107 million above the SCI target of $340 million.

Table 15: Financial performance indicators

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Financial performance	▲	▲	▲	▲	▲
Net profit after tax (NPAT) ($m)	372	464	513	548	447
Funds flow from operations ($m)	518	603	708	687	648
Funds flow from operations interest cover ratio (times)	2.0	2.1	2.4	2.3	2.5
Return on assets (%)	7.0	7.1	7.4	7.2	6.0
Return on equity (%)	6.9	7.5	8.0	8.1	6.3

Our staff

While we are currently performing better than the utility sector industry average for each of the diversity indicators reported here, we know we still have some work to do to improve our performance.

Sydney Water is committed to creating a safe and healthy environment where everyone can bring their true selves to work and serve our customers. We have a long-term Diversity and Inclusion Strategy that focuses on building a diverse workforce and an inclusive culture.

While there are many important areas of diversity that require attention, we are focusing our resources and efforts on gender issues and on ensuring that our people have the flexibility they need to succeed both professionally and personally.

Staff engagement is measured through an internal quarterly staff survey. Our engagement score has declined in comparison with our high engagement result in 2015–16. Significant organisational changes in 2016–17 may have contributed to the decline, particularly in relation to employees being willing to recommend Sydney Water to a friend as a place to work. However, this is an expected result for organisations undergoing significant change and transformation.

Table 16: Diversity, capability and engagement indicators

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Diversity					
Percentage of leadership roles held by female staff members (as defined in our Diversity and Inclusion Plan)	–	–	–	31.8	32.7
Percentage of women in technical, trade and engineering roles[25]	–	–	–	7.4	7.6
Gender pay gap (%)	–	–	–	3.5	3.1
Capability					
Training investment per staff member ($)	1,115	1,097	1,187	1,269	1,057
Number of staff members in entry-level program (at 30 June)	78	68	84	74	61
Staff-initiated turnover for staff members with five years or less of service (%)	8.0	8.6	8.0	8.8	8.2
Staff engagement[26]	–	–	–		
The Employee Engagement Index incorporates four statements that measure the extent to which staff members feel proud, attached, inspired, and would be willing to recommend Sydney Water as an employer. (%)	–	–	–	74	65

25 Women in technical, trade and engineering roles includes all roles identified as non-traditional roles by the Australian Human Rights Commission.
26 This is a new indicator introduced in 2015–16. Data from previous years is not available.

Wastewater treatment system discharges

We monitor our wastewater treatment systems and must immediately notify the NSW Environment Protection Authority (EPA) and other authorities of any incident causing or threatening material harm to the environment. We also report minor licence non-compliance (that is, non-compliance that does not cause or threaten environmental harm) to the EPA, in line with the conditions of our environmental protection licences.

For more information, see our *Sewage Treatment System Impact Monitoring Program Report* at sydneywater.com.au/reports.

Table 17: Wastewater treatment system discharges

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Wastewater treatment system discharges	▲	▲	▲	▲	▲
Percentage of wastewater volume treated that was compliant with our environmental protection licences	99.7	100	99.7	99.0	99.3
Total volume of controlled wastewater overflows in dry weather, expressed as a percentage of total treated wastewater discharged to the environment	0.001	0.001	0.002	0.002	0.001

Trade waste agreements

In 2016–17, 96.4% of our 729 industrial trade waste customers complied with the wastewater discharge limits in their trade waste agreement. For more information, see the *Operating Licence Environment Report* at sydneywater.com.au/reports.

Table 18: Trade waste compliance

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Trade waste agreements	▲	▲	▲	▲	▲
Percentage of trade waste customers (industrial) complying with their wastewater discharge limits	92.0	95.2	97.5	97.0	96.4

Environmental compliance

We received one penalty notice from the NSW EPA during the reporting period, which related to a dry weather sewer overflow that occurred at a pumping station at Tahmoor on 24 and 25 July 2016. Notices of penalties and prosecutions are published on the NSW EPA Public Register at epa.nsw.gov.au.

Table 19: Environmental compliance

Indicator		2012–13	2013–14	2014–15	2015–16	2016–17
Environmental compliance						
Total number of prosecutions and penalty notices issued under the *Protection of the Environment Operations Act 1997*	Sydney Water	1	4	2	2	1
	Contractors	1	0	0	0	0

Heritage compliance

We have detailed processes in place to identify risks to Aboriginal and built heritage sites from operational, maintenance and construction activities. In 2016–17, there were no heritage fines or prosecutions under the *Heritage Act 1997* or the *National Parks and Wildlife Act 1974*.

Table 20: Heritage compliance indicators[27]

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Heritage compliance					
Number of fines or prosecutions issued under the *NSW Heritage Act 1977*	–	–	–	0	0
Number of fines or prosecutions issued under the *National Parks and Wildlife Act 1976*	–	–	–	0	0

27 We introduced these heritage indicators in 2015–16.

Environmental footprint

We report our footprint as a gross number (before accounting for carbon offsets) because this reflects our carbon risk exposure. Data for 2016–17 was not available in time for publication in this report.

Energy-intensive water recycling, tighter water quality standards and a growing population put continuous pressure on our efforts to maintain our environmental footprint. Despite this, we have reduced our electricity emissions thanks to a record level of self-generation from renewable biogas and hydropower in 2015–16. Our ongoing focus on energy efficiency and renewable energy generation help us to manage our carbon footprint.

Our ecological footprint represents the land area taken up by our infrastructure and disposed waste, land disturbed to produce the materials we use, and land forecast to be disturbed because of greenhouse gas emissions from our carbon footprint.

Table 21: Ecological footprint of activities

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Environmental footprint	▲	▲	▲	▲	–
Full supply chain carbon footprint for operations and capital works (million tonnes of CO^2-e emissions)	0.9	0.9	0.9	0.9	Not available
Ecological footprint of business activities (hectares)	110,000	110,000	110,000	100,000	Not available

Energy use and greenhouse gas emissions

The energy we generated from renewable sources provided about 16% of our energy needs. Our total renewable energy generation decreased by 24% compared with 2015–16. This was due to major periodic maintenance and design improvements at North Head Hydro as well as pipeline configuration changes at Prospect Hydroelectric Plant.

In 2016–17, our total gross greenhouse gas emissions decreased by 0.8% compared with 2015–16. Our grid electricity consumption remained stable this year.

Net emissions increased again in 2016–17. In previous years, we were able to surrender NSW Greenhouse Gas Abatement Certificates (NGACs) to help offset our emissions. However, we exhausted the last of our NGACs in 2015–16.

For more information, see our *Environment Compliance and Performance Report* at sydneywater.com.au/reports.

Table 22: Energy use and greenhouse gas emissions

Indicator		2012–13	2013–14	2014–15	2015–16	2016–17
Energy use and greenhouse gas emissions		▲	▲	▲	▲	▲
Total electricity used or generated by Sydney Water (million kWh)	Used	404.1	407.9	414.3	409.2	409.1
	Self-generated	65.6	65.1	72.6	85.8	65.0
Electricity generated by Sydney Water (%)		16.2	16.0	17.5	21.0	15.9
Gross greenhouse gas emissions (per 1,000 properties)[28]		189	195	197	180	176
Net greenhouse gas emissions (per 1,000 properties)[29]		85	85	84	153	176

Environmental performance monitoring

Minor localised ecosystem impacts occurred in the creeks downstream of three of our inland wastewater treatment plants. We found no evidence of impacts on the Hawkesbury-Nepean River system into which these creeks flow.

We regularly assess the impact of discharges from our Malabar, Bondi and North Head wastewater treatment plants on the offshore marine environment through the Ocean Sediment Program. This is a three-year cyclical program that assesses benthic macroinvertebrate health and ocean sediment quality. We also test the toxicity of treated wastewater from ocean plants.

For more information, see our *Sewage Treatment System Impact Monitoring Program Report* at sydneywater.com.au/reports.

28 Gross emissions are total emissions from electricity, fuel and gas use before accounting for offsets from renewable energy. Results use emission factors published by the Commonwealth Department of Climate Change and Energy Efficiency in the National Greenhouse Accounts (NGA) Factors. Sydney Water uses the full fuel cycle emissions factor.

29 Net emissions are the total gross emissions less renewable energy certificates, NGACs and/or carbon offsets surrendered.

Table 23: Environmental performance monitoring

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Environmental performance monitoring	▲	▲	▲	▲	▲
Ecosystem health downstream of inland wastewater treatment plant discharges	Health maintained downstream of 9 of the 12 inland plants	Health maintained downstream of 9 of the 12 inland plants	Health maintained downstream of 10 of the 12 inland plants	Health maintained downstream of 8 of the 12 inland plants	Health maintained downstream of 9 of the 12 inland plants
Ecosystem impacts of deep water ocean discharges	No impact	No impact	No impact	No impact	Results not yet available

Flora and fauna

We report on native vegetation if the area of a project is more than 0.01 hectares or 100 square metres. We have no targets for these native vegetation indicators, as much of the clearing is temporary and the disturbed land is revegetated through bush regeneration.

Since 2012–13, we have cleared a total of 21.23 hectares and revegetated 45.49 hectares, to achieving a net increase of 24.26 hectares of native vegetation.

We also manage more than 400 hectares of riparian lands, wetlands and naturalised stormwater assets under plans of management. This year we restored about 300 hectares of that land through bush regeneration activities.

For more information, see our *Environment Compliance and Performance Report* at sydneywater.com.au/reports.

Table 24: Flora and fauna indicators

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Flora and fauna	▲	▲	▲	▲	▲
Total area of native vegetation cleared (hectares)	0.02	7.94	7.99	2.92	2.36
Total area of native vegetation rehabilitated (hectares)	3.9	7.38	19.03	6.23	8.95
Net gain or loss in total area of native vegetation (hectares)	3.88	-0.56	11.04	3.31	6.59
Area of riparian land managed by Sydney Water under a plan of management (hectares)	421.8	422.1	423.3	424.8	431.9

By-products

We produced 36,623 dry tonnes of biosolids in 2016–17. For more information, see our *Environment Compliance and Performance Report* at sydneywater.com.au/reports

Table 25: Biosolid use

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
By-products	▲	▲	▲	▲	▲
Percentage of biosolids beneficially used	100	100	100	100	100

Waste reduction

The overall waste recycling rate is a combination of the recycling rates of construction and demolition waste from Sydney Water and contractor projects, together with office waste and process waste.

Our overall recycling rate in 2016–17 was 70%. This is consistent with the recycling rate in 2015–16, but is lower than the recycling rate achieved in previous years. The decline in our recycling rate is largely due to an increase in the amount of construction and demolition waste sent to landfill. We will continue to work with our contract partners to divert as much waste as possible from landfill.

For more information, see our *Environment Compliance and Performance Report* at sydneywater.com.au/reports.

Table 26: Waste reduction

Indicator	2012–13	2013–14	2014–15	2015–16	2016–17
Waste reduction	●	▲	▲	●	●
Percentage of solid waste recycled or used	57	88	88	71	70

Our performance

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.

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 and the NSW Government reimburses us.

Community outreach

We work with community welfare agencies to increase awareness of our payment assistance options and concession entitlements. In the past year, we have visited public schools, attended community events, inter-agency meetings and held information sessions with Culturally and Linguistically Diverse (CALD) customers, seniors and mental health community groups.

In 2016–17, Sydney Water trained 113 people from 39 different community welfare agencies on our Payment Assistance Scheme (PAS). Since the program started, we have engaged with 388 agencies accredited to assess our customers in financial hardship and apply payment assistance credits to their bill.

Customer assistance programs, 1 July 2016 to 30 June 2017

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 drainage 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 having financial difficulties 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 about $1 million on this scheme in 2016–17 through the following means:

- 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.

- Payment Assistance Scheme

We help customers who are having difficulty paying their water bill. After completing a hardship assessment, community welfare agencies or BillAssist® 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, or private tenants 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 affording plumbing repairs. We normally repair leaks, and repair or replace broken taps, showerheads and toilets through our PlumbAssist® service.

- 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* 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 spent more than $17 million this year on service charge exemptions, which were granted to more than 10,000 properties.

Blue Mountains Septic Pump-out Scheme

At the direction of the NSW Government, we continued the Blue Mountains Septic Pump-out Scheme subsidy. Around 50 properties with wastewater pump-out services benefit from the scheme, either through an up-front payment to assist with a new on-site system, or through assistance with ongoing pump-out costs. We spent about $280,000 on this scheme in 2016–17.

Table 27: Social program expenditure

Social programs	2012–13 $m	2013–14 $m	2014–15 $m	2015–16 $m	2016–17 $m
Pensioner Rebate Scheme	135.1	137.5	140.5	140.7	125.5
Exempt Properties Scheme	19.1	19.3	21.3	23.9	17.3
Hardship Support Scheme	1.1	0.9	0.9	1.1	1.0
Blue Mountains Septic Pump-out Scheme	0.2	0.2	0.3	0.2	0.3
Total	155.5	173.6	167.8	165.9	144.1

Multicultural policies and services program

Around one-third of residents in our service area are from CALD communities. In some Local Government Areas (LGAs), up to 70% of residents are from CALD backgrounds. We understand the need to respond to the changing demographics of our customers and acknowledge that many of these communities have different communication and engagement needs and preferences. We are also proud to have a culturally diverse workforce and recognise that diversity and inclusive practices lead to a constructive, high performing culture.

In 2016–17, we integrated CALD communications into our service delivery, communication campaigns and sponsorship activities. Over the next year we will continue to partner with external organisations to improve our engagement and communications with CALD communities, with a focus on people with a disability, language services and settlement services as defined in the Multicultural NSW reporting themes for 2017–18.

Table 28: CALD initiatives 1 July 2016 to 30 June 2017

Focus area	Activities
Service delivery	• We offer a free phone interpreter service for customers who need translation services. We also provide multilingual brochures and information for customers experiencing financial hardship in Cantonese, Korean, Mandarin, Vietnamese, Arabic, Greek, Italian and English. • We've engaged with members of the CALD community about major works and capital projects. To enhance our communication with these communities, we added information about translation services to the bottom of our notification letters. We're also performing detailed social analysis of CALD areas to better understand our communities. • In February 2017, we partnered with Burwood Council to install four permanent water units across the LGA. These units feature messaging in Chinese, Korean and Arabic. We worked with Multicultural NSW to translate the messaging. Community acceptance has been very high with one Burwood Park water station alone dispensing 10,000 litres of water in the first four months (equivalent to 16,700 plastic bottles of avoided waste). • We translated the messaging on our portable water stations into simplified Chinese and loaned the stations free of charge for various Chinese New Year community events. • Through our partnership with Cricket NSW, we distributed bilingual postcards to attendees of two Bangladesh national cricket matches. • We produced 8,000 reusable stainless steel drink bottles with the message 'Our Sydney, My Water' translated into the top 10 languages spoken in greater Sydney. We gave these bottles out to all staff members and also distributed them at CALD community events to celebrate the diversity of our staff members and community. • We've interviewed CALD customers about their 'drinking water story' – why they choose and trust our drinking water. These stories are featured on our drinking water education site, Our Sydney, our water. • Our WaterFix® plumbing program provided translation information in Thai and Chinese to coordinate bookings for strata buildings.

Focus area	Activities
Planning	• We have a strong understanding of where our CALD communities live and which LGAs have larger CALD communities. We use this information to inform our communication and engagement activities in these areas. • We understand that many communities have different communication needs and preferences. Some may be unwilling or unable to access information about services, entitlements and support options due to barriers such as language difficulties, computer proficiency or cultural diversity. We regularly engage with our Customer Council – which includes representatives from the Ethnic Communities' Council of NSW, Multicultural NSW and Illawarra Local Aboriginal Land Council – to understand the best ways to communicate with our diverse customer base. People with Disability Australia and Council of the Ageing (COTA) represent CALD customers with a disability and seniors respectively. These organisations all provide feedback on our planning and operations to help ensure the interests of our diverse customer base are represented.
Leadership	• Our *Diversity and Inclusion Plan 2015–2020* enables us to build a diverse and inclusive workforce. We are also focused on increasing the participation of women in the workforce, and have a target to increase the number of women in leadership roles. We will do this by focusing on inclusive attraction and recruitment strategies, and gender-balanced succession planning. • Through our Local Community Support Grants program, we provided financial assistance to local community organisations, including many that specifically support CALD communities. – We're supporting the Aboriginal Child, Family and Community Care State Secretariat's (AbSec) Youth Ambassador Program. – We're helping Boronia Multicultural Services to develop a green space for their members. – We provided funds to help Connect Marrickville upgrade its kitchen facilities, which local migrant families use to bond and reduce isolation. – We've helped Llandilo Public School create a multicultural garden to celebrate its students' diverse backgrounds and encourage sustainable food choices.
Engagement	• In collaboration with Western Sydney University, we are researching trust in drinking water among Mandarin speakers. The outcomes of this research will help inform our education, marketing and engagement with the Mandarin community. • As part of our outreach program, we attended refugee and CALD community events during 2016–17, promoting drinking water as a sustainable choice over bottled water and sugary drinks, and informing visitors of our payment assistance options. We have engaged with more than 300 community organisations, many of which specialise in services for CALD communities, to promote our Payment Assistance Program. • We attended a refugee event in Fairfield, where we surveyed attendees to better understand their drinking water preferences and willingness to share information they learnt with their family and friends. • We continue to work with NSW Health to promote the health, sustainability and financial benefits of tap water to CALD communities.

Community investments

Through our sponsorships, we can form deeper relationships with our stakeholders and customers. They help us to educate the broader community about our great-quality drinking water, the urban water cycle, and the importance of environmental protection and sustainability. Our donations are linked to our employee giving program, which allows us to support more than 120 registered Australian charities.

Table 29: Funds granted to organisations, 1 July 2016 to 30 June 2017

Program	Organisation	Project	Amount ($)
Sponsorship	Australian Museum	Sponsorship of Streamwatch Citizen Science Program.	348,500[30]
	Cricket NSW	Hydration Sponsor and Official Water Partner of Sydney Thunder, Sydney Sixers, Lendlease Breakers and NSW Blues.	
	Surf Life Saving Illawarra	Naming rights partner of Illawarra and South Coast Surf Lifesaving competition.	
	Sculpture by the Sea	Founding partner and supporting sponsor of Sculpture by the Sea.	
	Wanda Surf Life Saving Club	Support for the annual Sutherland 2Surf fun run.	
	WaterAid Australia	Major partner of NSW Annual Fundraising Ball.	
Local Community Support Grants[31]	Blacktown District Cricket Club	Helping to increase participation of girls in grade cricket.	1,000 each
	Glenwood Public School	Support for school fete.	
	Harrington Street Public School	Funding new school breakfast program.	
	Mt Druitt Town Rangers Football Club	Supporting diversity initiatives within the club.	
	Rainbow Club Australia	Developing video for their Ocean Swim to allow disabled swimmers to see the course in advance.	
	Randwick Golf Club Charity Committee	Support for their ovarian cancer fundraiser.	
	Rooty Hill RSL Football Club	Increasing diversity and inclusion initiatives within the club.	
	Ryde Hunters Hill Junior Cricket Club	Supporting cricket programs for people of all abilities.	

30 Sponsorship funding is commercial in confidence so individual amounts not shown.
31 Applications for Local Community Support Program grants are accepted annually

Program	Organisation	Project	Amount ($)
Local Community Support Grants	Springwood Public School	Helping to build a vegetation station and chicken shed.	1,000 each
	Warwick Farm Public School	Supporting local creek clean-up and student research project.	
	Western Magic Australian Rules Football Club	Supporting equipment purchase and promotion of their new club within the local community.	
Donations	Good2Give	Dollar-matching staff payroll donations made via the Good2Give portal, supporting 123 charities.	100,000
	WaterAid	Dollar-matching staff funds raised for Water Innovators Challenge.	10,000

Promotional activity

To communicate with more than five million customers of varying ages, cultures and interests, we produce a wide range of communications. Some publications are regulatory requirements, while others inform, educate or instruct customers about our products and services.

We use our customer research to adjust our communications to respond to changing customer needs. This research tells us that, while we must continue to embrace digital technologies and social media, there is still a place for traditional methods. Our most effective and remembered communications include our quarterly bill newsletter *Waterwrap* and our award-winning 'Keep wipes out of pipes' campaign. We adopted a cross-team approach for this campaign, working with our stakeholders as well as our media and public relations teams to develop striking graphics that we shared on our social media platforms

We are producing more digital material as we continue to engage with our customers and stakeholders on Facebook, Instagram, Twitter, YouTube and our online interactive forum, Sydney Water Talk. Over the past year we have produced more than 20 videos supporting various campaigns and projects across the organisation.

We've also increased our social presence on LinkedIn to ensure we build our employee brand and continue to attract and retain the best and brightest staff members.

We produce fact sheets, newsletters, booklets, calling cards, infographics and other material targeted to specific customers that detail activities in their community, construction and maintenance projects, and our customer programs. Depending on their purpose and audience, these may be mailed, emailed, published on our website or social media channels, or distributed at events. As we seek to ensure a consistent, repeatable customer experience across all our communications, we will increasingly focus on how we can give customers the information they want and need, when they need it, using the channels they understand and can relate to.

If customers want more specific information than we have published during the year, they can apply under the *Government Information (Public Access) Act 2009* . You can learn more about what information is available and how to access it at sydneywater.com.au/GIPA.

Privacy

We're committed to protecting the personal information of our customers, business partners, staff members and the general public. We voluntarily comply with the principles of the *Privacy and Personal Information Protection Act 1998 (PPIPA)*. This commitment is publicly stated in clause 13.3 of our Customer Contract. We're also subject to the *Health Records and Information Privacy Act 2002 (HRIPA).*

We ensure that we:

- only collect relevant personal information for lawful purposes directly related to our activities
- protect personal information from misuse and unauthorised access
- take reasonable steps to check the accuracy of personal information before we use it
- don't give personal information to other organisations for marketing purposes
- only use personal information for the purposes it was collected
- make all relevant staff members aware of their obligations to protect privacy
- don't disclose a customer's personal information when performing customer validation checks over the phone
- only disclose personal information to third parties if:
  - we're 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's a danger of injury or loss of life
  - our contractors need the information for essential activities.

In 2016–17, we:

- received 91 privacy enquiries (86 internal and five external)
- introduced additional elements to our privacy governance framework to deal with complaints handling, identifying privacy impacts and staff awareness
- communicated updates and changes to the framework to staff members
- updated the Executive on privacy enhancements arising from an internally commissioned privacy review
- refreshed privacy clauses in our contract shells
- provided input into new and existing projects and practices from a privacy perspective.

Our workforce

Work Health and Safety (WHS)

Sydney Water has experienced significant challenges and changes in the last year, including major restructures, a new Enterprise Agreement and operating model reviews. This level of change has affected our ability to improve safety performance beyond that achieved in the previous year. Our safety performance in this reporting period has remained relatively static with a small increase in the number of injuries.

The Total Recordable Injury Frequency Rate (TRIFR) has increased from 19.1 in 2015–16 to 21.9 in 2016–17, with three additional medical treatment injuries.

The Lost Time Injury Frequency Rate[32] (LTIFR) increased from 2.8 in 2015–16 to 4.1 in 2016–17.

Analysis of these injuries indicates that distraction and unintended consequences are the main contributing factors. Injuries resulting from sub-optimal procedures, training, tools and equipment have been infrequent and minor. We know this result is unacceptable and we need to improve.

32 Note: The LTIFR is the number of lost time injuries for each million hours worked. An injury is a 'lost time injury', if the person was away from work for one day/shift or more.

As part of implementing the Safety and Wellbeing Strategy, we have:

- developed a new Work Health and Safety management system
- identified and treated our top 16 fatal risks
- introduced a 'Fair and Just' decision making process
- implemented a new Wellbeing framework
- introduced our 'Alcohol and other drugs' policy and program
- improved occurrence reporting and safety reports
- established an improved reporting culture. The volume of reporting (both hazards and near misses) has increased by 32%, from 1,315 reports in 2015–16 to 1,740 in 2016–17.

We have also reviewed the existing Safety and Wellbeing Strategy. The existing strategy was a great platform for safety fundamentals, however we recognised the need to focus on implementing a new safety operating model, building capability and enabling a cultural shift to improve the safety and wellbeing of our staff members. Following this review, we introduced our revised Safety and Wellbeing Strategy 2.0, taking a more contemporary approach to safety management, that adopts high consequence industry practices. As part of this, we've identified several opportunities for improvement. We will:

- challenge, review and simplify our existing processes
- use the lessons we have learnt to build better and more consistent safety management practices
- align and integrate functions to support a common purpose and outcomes
- re-orient our practices so the business can best deliver its accountabilities.

We have already implemented some initiatives from the strategy, including:

- restructuring the Safety and Wellbeing team to enable improved capability and new offerings
- implementing the new safety operating model, which includes revised safety governance and reporting
- identifying and documenting controls against Sydney Water fatal risks for improved risk management.

Over the next 12 months we will continue to focus on implementing these and other initiatives.

Table 30: LTIFR and TRIFR for staff and contractors

Social programs	2012–13	2013–14	2014–15	2015–16	2016–17
LTIFR Sydney Water	2.3	6.2	4.9	2.8	4.1
LTIFR Contractors	1.0	2.0	2.4	1.8	2.7
TRIFR Sydney Water	–	–	–	19.1	21.9
TRIFR Contractors	—	–	–	7.7	9.2

Executive performance and remuneration

Table 31: Executive remuneration, 1 July 2016 to 30 June 2017

SES band equivalent	2017		2016		Average remuneration	
	Female	Male	Female	Male	2017	2016
Above band 4 equivalent	0	1	0	1	$756,589	$734,552
Band 4 equivalent	0	0	0	0	0	0
Band 3 equivalent	3	6	2	5	$390,187	$385,573
Band 2 equivalent	13	25	9	23	$279,702	$274,869
Band 1 equivalent	46	114	62	177	$202,457	$199,959
Totals	**62**	**146**	**73**	**206**		
Grand total	**208**		**279**			

Note: Sydney Water does not use NSW SES remuneration package ranges. For 2016–17, Sydney Water reported in line with the regulatory definition to include People Manager remuneration equivalent to the total remuneration package of the SES bands. At 30 June 2017, about 14% of Sydney Water's staff-related expenditure was for staff remunerated at an equivalent level to the Senior Executive Service (SES) bands (a reduction of 4% against the previous year's result).

Workforce diversity

Statistical information on workforce diversity target groups

Table 32: Trends in the representation of workforce diversity groups[33]

Workforce diversity group	Target/ benchmark (%)	2012–13		2013–14		2014–15		2015–16		2016–17	
		No.	%	No.	%	No.	%	No.	%	No.	%
Women	50	749	27.5	750	29.5	776	29.9	808	30.9	836	32.6
Aboriginal people and Torres Strait Islanders	2.6[34]	24	0.9	29	1.1	27	1.0	25	1.1	26	1.0
People whose first language is not English	19.0	490	18.0	453	17.8	445	17.2	425	16.3	398	15.5
People with a disability	N/A[35]	76	2.8	62	2.4	59	2.3	49	1.9	40	1.6
People with a disability requiring a work-related adjustment	1.5[36]	20	0.7	14	0.6	14	0.5	13	0.5	12	0.5
Total staff		**2,722**		**2,543**		**2,593**		**2,611**		**2,564**	

33 Staff numbers are as at 30 June 2017.
34 Minimum target by 2017.
35 Percentage employment levels are reported but a benchmark level has not been set.
36 Minimum annual incremental targets: 1.3% (2012), 1.5% (2013).

Table 33: Trends in the distribution of workforce diversity groups[37] – distribution index[38]

Workforce diversity group	Target/ benchmark	2013	2014	2015	2016	2017
Women	100	99	99	98	100	99
Aboriginal people and Torres Strait Islanders	100	72	70	76	77	85
People whose first language is not English	100	98	104	106	106	105
People with a disability	100	89	91	91	91	93
People with a disability requiring a work-related adjustment	100	91	N/A	N/A	N/A	N/A

Initiatives to remove discrimination in employment and promote workforce diversity

Diversity and Inclusion Plan

We are committed to creating a safe and healthy environment where everyone can bring their true selves to work and serve our customers. Our long-term Diversity and Inclusion Strategy guides us in building a diverse workforce and an inclusive culture.

While there are many important areas of diversity that require attention, we are focusing our resources and efforts on gender issues and on ensuring our people have the flexibility they need to succeed both professionally and personally.

Women in leadership

Externally, we have reviewed our recruitment processes to ensure we are using diverse sourcing channels and campaigns to attract more women into leadership roles. Internally, we are rolling out succession planning across Sydney Water, taking an inclusive and non-biased approach to ensure we have a gender-balanced succession plan and external talent pipeline. Our goal is to have a 50:50 ratio of women and men identified as future candidates for leadership and key technical positions.

In November 2016, we launched the 'Be the leader you want to be' program. This program is a clear break from traditional male-biased leadership development programs and provides gender-inclusive guides and support to help staff members create a leadership curriculum that meets their specific needs, learning styles and leadership goals. Staff members can choose to specialise in one or more of our 14 leadership competencies, and each competency has a wide range of options for development, including formal training, relationships and on-the-job learning. These options are reviewed for gender bias before being published on the Sydney Water leadership portal.

37 Information is provided by the NSW Public Service Commission.
38 A Distribution Index score 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 less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff members. 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 Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff members. The Distribution Index is not calculated where a diversity group or non-diversity group has fewer than 20 members. Calculations exclude casual staff members.

Women in science, technology, engineering and mathematics (STEM)

We are currently designing a program to attract more women into STEM disciplines at Sydney Water. The program will also provide a structured development plan for women to progress into senior STEM or leadership roles. We will launch a pilot program in the next year.

Gender pay gap

We are pleased to have one of the lowest gender pay gaps in the industry. However, we can do better, and we are aiming to have a 0% pay gap between men and women for the same role and tenure by 2020. We're conducting a 'deep dive' analysis of the gender pay gap across all groups in Sydney Water. The results will inform future strategies to address and keep reducing the pay gap.

Targets and measures

To achieve our strategic objectives, we have set clear targets for the organisation, which we measure and report on monthly. We have also introduced gender targets in each General Manager's Contribution Development Plans.

Regular reporting on the gender diversity of newly recruited staff, as well as those who are promoted and direct appointed has also been established to ensure we maintain our focus on inclusive recruitment and development practices.

People with a disability

This year we took part in the Australian Network on Disability's PACE (Positive Action towards Career Engagement) mentoring program. During this three-month program, Sydney Water mentors coached their mentees in areas such as building confidence, creating a resume and preparing for job interviews, to help them achieve their career aspirations.

Flexible work arrangements

We have developed a new policy based on approaching requests with an open mind and a 'can do' attitude and also refreshed the application process. We will be running team-based workshops on flexible work practices in the coming year. The lessons we learn from the pilot will be incorporated into the design of team-based workshops for future business units.

Sustainable workforce

A number of staff members have attended Envisage® - Create Your Future workshops, which help employees navigate later career paths and/or transition into retirement while balancing their relationships, finances, health and personal life.

Aboriginal and Torres Strait Islander representation

Sydney Water continues to celebrate NAIDOC Week with staff members. This year we shared our draft Reconciliation Action Plan (RAP) during NAIDOC Week with staff members for feedback. We will submit our RAP to Reconciliation Australia in 2018.
We also offer traineeships and industry experience to Indigenous students.

Table 34: Workforce numbers

Human resources	2012–13	2013–14	2014–15	2015–16	2016–17
FTE – permanent	2,459	2,288	2,376	2,228	2,203
FTE – temporary	108	115	72	145	164
FTE – part-time	112	106	110	140	94
Total	**2,679**	**2,509**	**2,558**	**2,513**	**2,461**
Other					
Agency staff	100	123	167	191	357
Redundancies	149	77	46	35	96
Appointments	140	205	230	200	270
Average turnover (%)	4.6	4.9	4.0	4.8	6.6
Unplanned absences (%)	3.1	3.4	3.5	3.2	3.6

Calculations:

- **Staff numbers:** We calculate staff numbers by apportioning the full-time equivalent (FTE) hours worked to the actual head count numbers.
- **Average turnover:** Staff-initiated terminations per rolling 12 months divided by the average staff head count for the same time period.
- **Unplanned absences:** Total unplanned absence hours per rolling 12 months divided by the total paid hours for the same time period.

Staff and industrial relations

In 2016–17 our Civil Maintenance and Treatment businesses embarked on ambitious programs to strengthen strategic alignment and improve competitiveness. Operational staff members, unions, managers and technical specialists collaborated to develop better ways of working while ensuring we're keeping customers at the heart of all we do.

We also negotiated a new Enterprise Agreement this year. The negotiations were chaired by the Fair Work Commission and focused on changes to working conditions. We reached agreement in June, with employees resoundingly supporting the changes. More than 90% of staff members voted in favour of the new agreement.

Consultant engagements

Table 35: Payments to consultants for engagements over $50,000, 1 July 2016 to 30 June 2017

Vendor name	Contract description	Amount $
Frontier Economics Pty Ltd	Consult on stage 2 of the capital structure review project – regulatory depreciation	62,518.20
KPMG	Consult on the Transformation Plan to 2020	657,087.30
Royal Bank of Canada	Advise on Sydney Water's Capital Structure	210,000.00
Stark Engineering Consulting Pty Ltd	Consult on digester heating options	55,104.00
University of Technology Sydney	Develop Sydney Water's Strategic Customer Social Research and Engagement Strategy	53,200.00
Viridis Consultants Pty Ltd	Review and update nine Recycled Water Quality Management Plans	81,335.52
Total payments to consultants (for engagements valued at more than $50,000 each)[39]		1,119,245.02

In 2016–17, we engaged 14 consultants on contracts valued at $50,000 or less, totalling $158,774.11.

Overseas travel

Table 36: Overseas travel, 1 July 2016 to 30 June 2017

Date of travel	Name	Destination	Purpose
11–15 July 2016	D. Zhang	Singapore	To attend and present at the Singapore Water Convention conference. As an invited speaker, the conference registration fee was waived and Sydney Water funded airfares, accommodation and incidentals.
29 July–12 August 2016	K. Young S. Leydon	UK and Germany	To visit and learn from seven UK water utilities and to visit SAP's German headquarters. Sydney Water funded Mr Young's travel expenses. Ms Leydon paid for her flights personally, but Sydney Water paid for the fee she incurred when changing her return flight.
24 September–13 October 2016	C. Haupt G. Austin	France, Denmark and Hungary	To take part in a Veolia fellowship. Travel funded by Veolia.

39 The disclosure above relates only to amounts paid on a cash basis to consultants during the year.

Date of travel	Name	Destination	Purpose
24 October–5 November 2016	D. Vitanage	UK and USA	To attend an international technology transfer workshop and provide input on innovative initiatives on critical water pipes. Travel funded by WSAA.
24–29 October 2016	P. Hadfield	Singapore	To attend and present at the Asia Pacific Communications Summit. Travel funded by Sydney Water.
24 October–1 November 2016	D. Sheedy M. Bovoro	Fiji	To mentor the Water Authority of Fiji in relation to implementing its Liquid Trade Waste Policy and Water Conservation Program. This was part of the Asian Development Bank's Water Operators Partnership Program. Travel funded by the Asian Development Bank.
12–14 February 2017	K. Young	New Zealand	To attend and present at WSAA Board and Member meetings. Travel funded by Sydney Water.
29 May–2 June 2017	A. Kirkwood	Fiji	To mentor the Water Authority of Fiji in relation to implementing its Liquid Trade Waste Policy and Water Conservation Program. This was part of the Asian Development Bank's Water Operators Partnership Program. Travel funded by the Asian Development Bank.
2–9 June 2017	P. Freeman S. Pydipati M. Gavarra	India	To support the development and delivery of the Customer Experience (CxP) program. Travel funded by Sydney Water.
18–23 June 2017	N. Nelson	Fiji	To deliver a Climate Change Adaptation training program for Pacific Island water utilities. Travel funded by the Asian Development Bank.
19–23 June 2017	D. Sheedy	Fiji	To mentor the Water Authority of Fiji in relation to implementing its Liquid Trade Waste Policy and Water Conservation Program. Travel funded by the Asian Development Bank.

Our activities

Capital expenditure

The capital works program aims to:

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

In 2016–17, we spent about $602 million on capital works, which was 17% below the $721 million budget.

Table 37: Major capital works projects completed, 1 July 2016 to 30 June 2017

Project	Project benefits
Wastewater main renewals (outputs achieved in 2016–17)	We renewed 6 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 20.1 km of reticulation wastewater mains to reduce dry weather and repeat overflows affecting customers.
Water main renewals (outputs achieved in 2016–17)	We renewed 30.1 km of water reticulation mains to maintain water supply and reduce interruptions. We renewed 15.1 km of water trunk mains to maintain water supply and reduce interruptions.
South West Growth Centre (SWGC) second release precincts (wastewater)	We built wastewater infrastructure to service growth in the East Leppington, Leppington North, Leppington and Emerald Hills precincts. The project was completed below budget because of procurement savings, but ran eight months over the planned deadline due to action taken to correct defects before the operational handover.
Astrolabe Park, stormwater renewal	We replaced existing stormwater culverts with gross pollutant traps and a wetland to ensure service reliability and to improve the quality of stormwater discharging to the Botany Wetlands. The project was completed on time and below budget due to procurement savings.
St Marys Wastewater Growth Strategy	We built a new wastewater pumping station and wastewater mains to service growth and maintain wet weather performance in St Marys. The project was completed below budget because of procurement savings, but ran 14 months over the planned deadline as we were waiting on work to be completed by the developer.
Riverstone wastewater lead-in mains	We provided wastewater-related services in the NWGC to service growth as part of the Accelerated Housing Program. The project was completed on time and within budget.

Project	Project benefits
SWGC - Austral precinct	We provided wastewater-related infrastructure in the SWGC's Austral precinct to service growth. The project was completed under budget, but ran six months over the planned deadline due to delays with negotiations and approvals from other utility providers.

Table 38: Major capital works in progress at 30 June 2017

Project	Project benefits	Budget $m	Cost to date $m
Quakers Hill/St Marys Water Recycling Plant Process and Reliability Renewal (PARR): Maintain the reliability and increase the capacity of the plant to service growth.	September 2021	319^	5.3
Riverstone Wastewater Treatment Plant Upgrade (Stage1): Increase capacity at the plant to meet licence requirements and to provide for growth in the catchment.	December 2018	125	26
Malabar Wastewater Treatment Plant Improvement Program: Upgrade the plant to improve its reliability, capability and performance.	April 2019	106	90
Wastewater treatment plant renewals: Continue to replace equipment near the end of its service life.	Ongoing	85/year*	Ongoing
Water treatment plant renewals: Continue to replace equipment near the end of its service life.	Ongoing	10/year*	Ongoing
Information technology projects: Continue 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	78/year*	Ongoing
Wastewater reticulation and wastewater trunk main renewals: Continue program to replace and rehabilitate wastewater mains near the end of their service life to reduce the impact of failures on the community and the environment.	Ongoing	78/year*	Ongoing
Water reticulation main and water trunk main renewals: Continue to replace water mains near the end of their service life to reduce interruptions to supply.	Ongoing	55/year*	Ongoing

Project	Project benefits	Budget $m	Cost to date $m
Green Square trunk stormwater drainage: Increase stormwater drainage capacity in Green Square Town Centre to reduce risk of flooding and facilitate development.	August 2018	60	51
North Head Wastewater Treatment Plant odour scrubber: Replace an odour scrubber to reduce corrosion and odour emissions.	December 2017	44	40
Picton Sewerage Scheme Amplification (Stage 2): Conduct amplification and upgrade works to the Picton Recycling Plant and new wastewater pumping station to provide for growth. The project is forecast to be $5.9 million over budget when completed, due to additional scope identified during the detailed design phase.	January 2019	35	23
Oran Park Wastewater Servicing (Stage 2, Package) 1: Provide wastewater infrastructure to support continuing growth in Oran Park and South Catherine Fields.	November 2017	27	15
Menangle Park Wastewater Servicing (Stage 1): Build a new wastewater pumping station and wastewater mains to service growth in the Menangle Park Release Area.	September 2017	23	14
SWGC first release precincts, Turner Road: Provide water-related infrastructure to service growth in the SWGC.	November 2017	21	18
Reservoir Renewal and Reliability Program: Continue to ensure reservoirs and associated equipment operate at lowest costs while meeting regulatory requirements.	Ongoing	25/year*	Ongoing
Second release precincts (water): Renew a water pumping station and provide new water booster stations and pipelines to service Austral and various precincts in Leppington.	March 2018	18	12
Powells Creek stormwater renewal: Naturalise a section of the channel to protect public safety and reduce the risk of flooding, creek erosion and subsidence.	June 2018	18	4
Strangers Creek trunk drainage construction: Provide stormwater services for growth and help manage flooding, safety and negative impacts on the environment.	September 2018	17	2

Project	Project benefits	Budget $m	Cost to date $m
Second release precincts Leppington North (wastewater): Provide seven wastewater lead-in mains to facilitate growth in nine precincts across the SWGC area.	October 2017	17	12
Wastewater pumping station renewals: Continue to replace equipment near the end of its service life.	Ongoing	23/year*	Ongoing
Servicing growth at Calderwood: Provide water and wastewater services in Calderwood for residential and employment growth.	January 2018	15	8
Emerald Hills and Central Hills growth servicing: Provide wastewater infrastructure to support continuing growth in Emerald Hills, Central Hills and East Leppington.	September 2017	14	13
Canterbury town centre: Provide new water and wastewater services to the town centre and upgrade existing wastewater pump station.	December 2017	14	9
Water pumping stations: Continue to improve reliability and safety of water pumping stations and minimise their life cycle costs.	Ongoing	14/year*	Ongoing
Picton Sewerage Scheme Amplification (Stage 1): Conduct amplification and upgrade works to the Picton Wastewater Recycling Plant to provide for growth. Most of this work was completed in November 2016, but final commissioning has been delayed due to ongoing operational constraints.	December 2017	13	12
SCADA and IICATS upgrades and related electrical upgrades for plants and network.	Ongoing	12/year*	Ongoing
Meter Replacement Program: Improve measurement and monitoring of water volume and service reliability.	Ongoing	10/year*	Ongoing

^ pending Treasury approval
* denotes five-year average in nominal dollars

Drivers of planned capital expenditure for the next financial year

Our capital works budget for 2017–18 is $785 million. This figure is nominal and does not include capital borrowing cost. Drivers of planned capital expenditure are:

- $455 million for renewing and rehabilitating assets to meet system performance regulations and customer service levels
- $241 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 North West and South West growth sectors
- $67 million for business efficiency measures such as information technology or energy saving projects that reduce operating expenditure, and new regulatory standards such as wastewater system performance under environmental protection licenses.

Between 2017–18 and 2021–22, we will deliver a capital works program of about $3.87 billion in nominal (escalated) dollars.

Research and development

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

- optimising our assets and operations
- delivering a safe and secure water supply
- protecting and caring for natural waterways
- maximising resource recovery
- enabling a resilient and liveable city.

During 2016–17, Sydney Water won the International Water Association (IWA) Project Innovation Award and the Australian Water Association (AWA) Innovation Award for various projects.

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

Sydney Water invested $5.778 million across 18 R&D projects in 2016–17, working in collaboration with local and international universities and research service providers.

Table 39: Research and development investment[40], 1 July 2016 to 30 June 2017

Project name	Collaborator/s	Investment $ (2016–17)
Winmalee environmental monitoring	Australian Nuclear Science and Technology Organisation (ANSTO), Macquarie University	341,085
Water treatment techniques	Australian National University	1,071,951
Woronora system optimisation	CSIRO	274,256
Sewer choke prediction	CSIRO	10,000
Sewer on-line monitoring	Griffith University	77,713
Contaminated land risk ranking solution	Uber.biz, CH2M Hill, EnSure	144,910
Wet weather overflow abatement	University of NSW	531,467
Drones nearshore outfalls monitoring	University of NSW	14,213
Water quality forecasting	University of NSW	503,091
Sewer corrosion and odour	University of Sydney	194,959
New material innovation	University of Sydney, Monash University, University of Waterloo, WSAA	68,984
Critical pipeline failure	University of Technology Sydney, University of Newcastle, Monash University	898,239
Sewer corrosion analytics	University of Technology Sydney, University of Newcastle, CSIRO	238.22
Biosolids reuse and management	University of Wollongong, University of Technology Sydney	56,902
Co-digestion for energy production	University of Wollongong	125,471
Sodium ion batteries	University of Wollongong	61,737
Nitrification control	Western Sydney University	161,690
Ozone development work	N/A	191,832
Project support	N/A	1,049,253
Total		**5,778,000**

40 This information has been verified by an accredited third-party. Any corrections to data reported will be included in our next Annual Report.

Risk management

Sydney Water has an Enterprise Risk Management Framework in place that helps us meet our strategic objectives and corporate governance accountabilities.

We have 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/NZS ISO 31000: 2009 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 Sydney Water Board's 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 and environment, safety and financial matters. The Board's Audit and Risk Committee monitors the overall effectiveness of the Enterprise Risk Management Framework as well as the robustness of the control environment. Our Executive team monitors risks relating to our day-to-day operations and the delivery of corporate objectives.

Table 40: Key risks, 1 July 2016 to 30 June 2017

Corporate Strategy objective	Risk theme	Uncertainties related to:
Customer at the heart	Strategic customer	customer expectations
	Public health	serious harm to public health from products and services
	Environment	irreversible or serious impact to natural environment
	Safety	serious harm to people in the workplace
	Continuity of service	reasonably foreseeable business interruptions
	Legal and regulatory compliance	significant compliance breaches
	Reputation	loss of trust by external stakeholders
High performance culture	People	organisational capability and culture
	Organisational change	organisational transformation
	Legal and regulatory change	shifting obligations and stakeholder expectations
World class performance	Asset	critical infrastructure assets
	Third party	sole or critical supplier
	Technological	disruptions to critical IT systems
	Financial	achieving a financially efficient frontier

Insurance

Sydney Water's insurance program focuses on transferring and mitigating risks, as a key element of the 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 the NSW Treasury Managed Fund. We review the insurance program every year to ensure it:

- is in line with our risk appetite
- is relevant
- is effective
- has good breadth of coverage across transferable and insurable risks.

Legal events

Competition and Consumer Amendment (Payment Surcharges) Act 2016

The C*ompetition and Consumer Amendment (Payment Surcharges) Act 2016* commenced on 25 February 2016. It amended the *Competition and Consumer Act 2010* to ban excessive card payment surcharges under the new section 55B. The Reserve Bank of Australia published a standard *Scheme Rules Relating to Merchant Pricing for Credit, Debit and Prepaid Card Transaction – Standard No 3 of 2016* (Standard) relating to these surcharges. This Standard applied to large merchants, including Sydney Water, from 1 September 2016.

Extension of the unfair contracts regime under the Australian Consumer Law to include small business contracts.

The unfair contracts regime of the *Australian Consumer Law* was extended to apply to 'small business contracts' which were entered in to, renewed or varied on or after 12 November 2016. After this date, terms of small business contracts that are declared "unfair" are void and unenforceable.

Heritage delegation actions

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

We are also able to 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 41: Decisions made under the Heritage Council of NSW delegation, 1 July 2016 to 30 June 2017

Site	Work completed	Decision
Bondi Ocean Outfall Sewer	New opening for new access tunnel	Approved under s. 57(2) – Standard Exemption 7
Centennial Park Reservoir	New electrical substation	Approved under s. 57(2) – Standard Exemption 7
Pressure Tunnel	Remove decommissioned gaseous chlorination equipment	Approved under s. 57(2) – Standard Exemption 7
Alexandra Canal	Widening of inlet	Approved under s. 57(2) – Standard Exemption 7
Prospect Reservoir	Upgrade of site security	Approved under s. 57(2) – Standard Exemption 7
Ryde Water Pumping Station	New telephone lines and isolating transformers	Approved under s. 57(2) – Standard Exemption 7
Prospect Reservoir	Decontamination testing	Approved under s. 57(2) – Standard Exemption 4
Sewer Vent and Cottages, Marrickville	Site remediation and soil replacement	Approved under s. 57(2) – Standard Exemption 7
Alexandra Canal	Geotechnical investigations	Approved under s. 57(2) – Standard Exemption 7
Sewage Pumping Station 271	Temporary stockpile	Approved under s. 57(2) – Standard Exemption 7
Middle Harbour Syphon	Temporary works compound	Approved under s. 57(2) – Standard Exemption 7
Sewer Vent and Cottages, Marrickville	Re-use of significant fabric in front fence	Approved under s. 57(2) – Standard Exemption 7
Cooks River Sewage Aqueduct	Site remediation and soil replacement	Approved under s. 57(2) – Standard Exemption 7
Potts Hill Reservoirs and Site	Temporary film set	Approved under s. 57(2) – Standard Exemption 11

Threatened species plans of management

Section 70 of the *Threatened Species Conservation Act 1995* requires public authorities to report on their implementation of recovery plans.

We are responsible for implementing measures included in threatened species recovery plans for:

- *Eastern Suburbs Banksia* Scrub
- Coastal Saltmarsh
- an endangered population of bandicoots (*Perameles nasuta*) at North Head
- Downy Wattle (*Acacia pubescens*)
- Green and Golden Bell Frogs (*Litoria aurea*)
- *Grevillea caleyi*
- Cumberland Plain Woodland
- Tadgell's Bluebell (*Wahlenbergia multicaulis Benth*)

We've completed 140 Property Environmental Management Plans (PEMPs) for the most environmentally sensitive sites that we own, which includes all sites with known threatened species, communities and populations. We include relevant requirements from recovery plans in each site-specific PEMP. We regularly review the implementation of these plans to improve results and ensure better environmental outcomes for threatened species, communities and populations.

Our actions between 1 July 2016 and 30 June 2017 are listed below.

Eastern Suburbs Banksia scrub

We have a management plan for Botany Wetlands, covering Bonnie Doon, Eastlakes and The Lakes golf courses, which contain remnants of *Eastern Suburbs Banksia* Scrub (ESBS). Under the plan, the clubs responsible for the golf courses must implement environmental management plans to ensure their operations protect the ESBS. We protect and maintain patches of ESBS not on golf course land through:

- physical protection
- bush regeneration
- weed management.

We also have a PEMP for North Head Wastewater Treatment Plant, which we continued to implement over 2016–17. We manually remove fuels over several years to reduce bushfire hazards at North Head Wastewater Treatment Plant and protect the ESBS. In the next 12 months we will implement a PEMP for Maroubra Reservoir, with our first area of focus on assessing weed issues and options for control and bush regeneration.

Coastal Saltmarsh

We have a plan of management for Eve Street Wetland, Arncliffe, which contains Coastal Saltmarsh. Our protective measures include:

- physical protection
- bush regeneration
- weed management
- maintenance of the wetland's tidal regime.

As part of the Cooks River naturalisation project, we planted Coastal Saltmarsh at two sites, creating over 850m^2 of new saltmarsh as well as a much larger area of new saltmarsh habitat on the naturalised banks where it will grow naturally. We continued to maintain these areas in 2016–17.

We have mapped vegetation around all of Sydney Water's tidal stormwater assets and added this information into our Geographic Information System (GIS).

We've now finished rehabilitation of Alexandra Canal, working closely with Inner West Council (previously Marrickville Council). This work has introduced new saltmarsh habitat within voids in the sandstone block canal bank.

Endangered population of bandicoots (Perameles nasuta) at North Head WWTP

We continued implementing a PEMP for North Head WWTP, which sets out how we help protect an endangered population of bandicoots (Perameles nasuta). We also contribute to feral animal control and other measures at North Head.

Acacia pubescens

We have PEMPs for Potts Hill Reservoir and the Pipehead to Potts Hill pipeline. Some of the stands of *Acacia pubescens* at Potts Hill are included in areas covered by a Voluntary Conservation Agreement (VCA) and are now managed under a new bush regeneration program. We have fenced off and signposted the VCA area to protect the new growth of the species. As a result of effective bush regeneration, we have seen regeneration of *A. pubescens* outside the fenced area and throughout the VCA area. We continue to monitor and report on the *A. pubescens*.

In the last 12 months, we began a major weed control program to reduce African Olive, Lantana and Privet within the site boundaries as part of the PEMP for Potts Hill. The first year's efforts have significantly reduced African Olive on the eastern boundary of the property.

We also implemented a remediation program, involving bush regeneration and revegetation work to help restore large areas of native vegetation on the southern and eastern banks of Prospect Reservoir.

We have also prepared and implemented a PEMP for Prospect Reservoir, focusing on weed control and bush regeneration in parts of the site.

We continued implementing the Plan of Management for Chullora Wetlands, which includes bush regeneration, weed management and potential habitat protection.

Green and Golden Bell Frog (*Litoria aurea*)

We have prepared PEMPs for Cronulla WWTP, St Marys Water Recycling Plant and Prospect Reservoir. We will implement PEMPs at sites such as Prospect and Cronulla in the next 12 months. We hope that work to reduce weed infestations and improve native vegetation will lead to better conditions for the Green and Golden Bell Frog.

Botany, Eve St and Chullora Wetlands are potential habitats for this species of frog. Plans of Management for these wetlands aim to protect and enhance this habitat.

Grevillea caleyi

We have prepared a PEMP for Site 2 south (Mona Vale Road), Tumbledown Hill, and Terrey Hills.

Cumberland Plain Woodland

The recovery plan for Cumberland Plain Woodland identifies properties that contain Cumberland Plain Woodland. We have PEMPs for the most significant of these sites. We have also prepared PEMPs for sites such as Prospect, and will roll these out from 2017–18.

We have developed and implemented a Plan of Management for Sydney Water Trunk Drainage Lands (SWTDL) in the Rouse Hill development area (RHDA). The plan is designed to protect, enhance and maintain the Cumberland Plain Woodland in different parts of the SWTDL or riparian lands in the RHDA. We are protecting and enhancing these remnants through bush regeneration and weed management in line with the plan of management. We continued bush regeneration and weed management activities in 2016–17.

Tadgell's Bluebell (*Wahlenbergia multicaulis* Benth)

Plants have been identified in a draft recovery plan for Tadgell's Bluebell (*Wahlenbergia multicaulis* Benth). We are taking no action, as the only known plants on our property are in an isolated pocket of land that is rarely accessed.

Statement on the implementation of our special objectives

Our business is underpinned by the three principal objectives outlined in section 21 of the *Sydney Water Act 1994* (the Act):

1. To be a successful business.
2. To protect the environment by conducting its operations in compliance with the principles of ecologically sustainable development (ESD).
3. To protect public health by supplying safe drinking water to its customers and other members of the public in compliance with the requirements of any operating licence.

These objectives enable us to achieve a sustainable future by balancing social, economic and environmental considerations.

In addition to this, section 22 of the Act states that in implementing the principal objectives, we have two special objectives:

1. To reduce risks to human health.
2. To prevent the degradation of the environment.

These objectives are to be interpreted and implemented by reference to the means specified in section 22 of the Act and section 6 of the *Protection of the Environment Administration Act 1991*, so far as they are relevant to our business.

This statement has been prepared to meet the requirements of section 22 (6) of the Act. It is intended to serve as a summary and demonstrate how we addressed the means identified in the Act between 1 July 2016 and 30 June 2017. It should be read in conjunction with other publicly available reports published on our website.

Implementing the special objectives

Sydney Water integrates environmental and public health management into its business decision-making and operational activities. We implement the special objectives within a total business context, rather than as separate considerations. This approach ensures that balancing social, economic, public health and environmental considerations is part of the usual way we provide services.

We have established a number of management systems, plans and frameworks to support our business operations and ensure we continue to address the special objectives. These include our:

- ISO14001 certified Environmental Management System, which provides a systematic, planned approach to managing environmental risks
- *Environment Plan* which provides clear objectives, targets and actions so we can protect the environment while addressing the challenges of our growing cities
- *Environmental Policy* which outlines our commitment to environmental protection using principles of Ecologically Sustainable Development and sets the framework for continual improvement in our environmental performance
- Drinking Water Management System, aligned with the *Australian Drinking Water Guidelines 2011*, which describes the methods we use to ensure the quality and quantity of drinking water we supply to our customers

- Recycled Water Management System, aligned with the *Australian Guidelines for Water Recycling 2006*, which describes the methods we use to ensure we supply high quality recycled water to our customers and minimise risks to human health
- Quality Management System, which will be certified to the ISO 9001 standard by 30 June 2018, and will enable us to continually monitor and measure our performance so we can improve and be more effective.

We publish several comprehensive performance reports on our website, demonstrating our implementation of, and performance against, the special objectives. Please refer to the following documents available at sydneywater.com.au/reports for more information:

- *Sydney Water Annual Report*
- *Environment Compliance and Performance Report:* details our corporate performance information on our environmental objectives, targets and indicators
- *Water Conservation Report:* outlines how we are meeting our water conservation requirements and contributing to water efficiency, leak management and water recycling initiatives
- *Sewage Treatment System Impact Monitoring Program (STSIMP) Report:* a summary of wastewater discharge quality, quantity and loads data for key pollutants relating to regulatory limits. This report also contains inland and ocean receiving water quality, wastewater overflows and recycled water data.

We consider the following means, derived from the Act and the *Protection of the Environment Administration Act 1991*, when demonstrating our implementation of the Special Objectives:

1. Reduce the impact of our discharges to the environment.
2. Reduce our use of energy, water and other substances by exploring appropriate technology and practices to reuse, recycle and recover valuable resources.
3. Responsibly manage waste and minimise waste streams where possible.
4. Connect with our customers and stakeholders to share knowledge and build community value into our decision-making.

1. Reduce the impact of our discharges to the environment.

We deliver water, wastewater, recycled water and some stormwater services to more than 5 million people in Sydney, the Illawarra and the Blue Mountains. It's important we provide these services in an environmentally responsible manner.

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Water and wastewater network

We supply water through about 22,000 km of pipes, 151 pumping stations and 243 reservoirs. We manage more than 25,000 km of wastewater pipes and 684 wastewater pumping stations. The weather presents challenges in managing this extensive network. During heavy rain, stormwater enters the wastewater network through illegal connections and cracked pipes. Our network is designed with additional capacity to cope with heavier flow during wet weather. However, if the combined wastewater and stormwater flow travelling through the network is more than the network can hold, it discharges to creeks or waterways at various planned overflow points. This is called a wet weather overflow. These overflow points prevent wastewater from backing up into our customers' homes and businesses.

Waterway models for Sydney Harbour and Botany Bay have increased our understanding of the existing health of waterways and the potential impacts of wet weather overflows. We continue to work with the NSW Environment Protection Authority (EPA) to implement a new outcomes-based regulation for wet weather overflows that will enable us to deliver better environmental and community outcomes more cost effectively, improving the liveability of greater Sydney. The new approach involves a risk assessment process that determines the potential impact from wet weather overflows against three waterway values – waterway ecosystem health, public health and aesthetics.

During dry weather, overflows are most commonly caused by tree roots blocking wastewater pipes. In 2016–17, maintenance field crews responded to more than 16,500 dry weather sewer main blockages, of which 313 (about 1.8%) overflowed into waterways. Over the last 12 months, we have used tree canopy mapping to better target preventive maintenance. This has proved very effective, identifying 30% more pipes for repair or rehabilitation compared to the same length of pipes inspected by closed-circuit television. We are now investigating the feasibility of using tree canopy mapping to predict the likelihood of chokes occurring across our network to help us plan large scale preventive maintenance programs.

We remain committed to improving our response times, as well as our containment and remediation of leaks, spills and other pollution incidents, to minimise harm to the environment with adverse impacts to community health. In 2016–17 we continued our programs to maintain and renew our network, including the:

- Avoid Fail Sewer Program (renewing sewers near high-risk sites like swimming areas, hospitals and schools)
- Dry Weather Overflow Reduction Program (reducing blockages in small-diameter sewers)
- Wet Weather Overflow Program (reducing wet weather overflows and stormwater entering the network)
- Trunk and Reticulation Water Main Renewals programs (replacing water mains that are not performing to the required standard) and Active Leak Detection Program (proactively searching for hidden leaks on our water mains).

Our ongoing investment in these programs has delivered some good results. We have:

- reduced the five-year average of overflows from network blockages from 83 (in 2002–07) to 60 for every 100 km of sewer main in 2011–17
- reduced the number of dry weather overflows from pumping stations from more than 35 (in 2001) to five or less each year since 2007
- enabled a downward trend in water main breaks and leaks since 2003–04.

Stormwater network

Stormwater assets help protect people and property from flooding, and form part of our urban waterways. Our stormwater network is a small but critical part of the metropolitan drainage system, draining 15% of Sydney's urban area. Local councils own and maintain most of the city's stormwater assets. In many areas of Sydney, poor-quality stormwater is highly detrimental to waterway health and amenity.

We maintain our network, removing grit, sediment and rubbish from 75 stormwater quality improvement devices which prevented 1,988 m^3 of debris from entering Sydney's waterways in 2016–17. We also take the opportunity to improve waterway health and amenity by naturalising stormwater assets in suitable locations when they reach the end of their structural life.

To manage flooding and improve both the quality of stormwater and the overall health of our urban waterways, we collaborate with local councils and other stakeholders to take a whole-of-catchment approach.

Private networks

At times, collective action by everyone is required to protect our waterways. There are about 25,000 km of privately owned wastewater pipes connecting homes to our network. Problems with these privately owned pipes have a big impact on the performance of the entire wastewater system and our ability to manage it. Property owners may be unaware that they own and are responsible for maintaining their pipes.

Leaking sewers and stormwater infiltration increase the risk of wet weather overflows, and rubbish that goes down drains and toilets can block both household plumbing and the wider wastewater system.

We have seen an increase in the number of wet wipes entering our wastewater system in recent years. We remove about 500 tonnes of wet wipes from our wastewater system every year. Wipes can get stuck in pipes increasing the risk of breaks and overflows to local creeks or customers' homes. In fact, we estimate that 75% of sewer blockages we respond to involve wet wipes. Our 'Keep wipes out of pipes' campaign has improved customer awareness and behaviour, with customer research showing a 50% reduction in the number of people who think that it is okay to flush wipes.

Wastewater treatment plants

Treating the community's wastewater plays a huge role in contributing to healthy waterways. Our wastewater system spans 16 wastewater treatment plants and 14 water recycling plants, licensed by the NSW EPA. Our plants receive wastewater from a range of sources and discharge treated wastewater to a number of inland fresh waterways and the ocean.

We treat about 80% of Sydney's wastewater at the three largest wastewater treatment plants (WWTPs) at North Head, Bondi and Malabar. These plants disperse primary treated wastewater through deep ocean outfalls about two to four kilometres offshore, where the water is 60 to 80 metres deep. Strong ocean currents further dilute the treated wastewater.

We monitor the environment within our area of operations to determine general trends in water quality over time. We have found no accumulation of contaminants (including pesticides and metals) and no evidence of long-term effluent toxicity. We also monitor ocean sediments to see if there are any impacts on marine ecosystem health near our deep ocean outfalls. We have been monitoring the environment for more than 10 years, and our data shows no measurable impact on marine ecosystems.

The deep ocean outfalls play a key role in keeping our beaches and swimming areas clean. The *State of the Beaches Report* for 2015–16 graded 36 out of 38 Sydney ocean beaches as 'Very good' or 'Good' however the rating for nine of the 96 sites in our area of operations decreased. This can be attributed to rainfall patterns in 2015–16, with large storms and heavy rain resulting in stormwater pollution and some wastewater overflows that caused fluctuations in water quality.

We've spent more than $3 billion in the past 25 years on improving beach and harbour water quality. This includes upgrades to our coastal wastewater systems and the roll-out of initiatives as part of the Wet Weather Overflow Abatement Program. A report by Deloitte Access Economics found our Deepwater Ocean Outfall Program, introduced 25 years ago, has provided significant social and economic benefits attributable to improved water quality at Sydney's beaches.

Our inland plants discharge into the Hawkesbury Nepean River system. Considerable urban growth is planned for the Hawkesbury Nepean catchment over the next 30 years to accommodate Sydney's growing population. This offers the opportunity to provide water services in new and better ways.

To understand the potential impacts to water services and the environment, we use our water quality and hydrodynamic model of the Hawkesbury Nepean River system to test different treatment technologies, wastewater discharge locations, environmental flow and land-use options over time.

We are also supporting the NSW EPA in its review of the regulatory framework for nutrient discharges into the Hawkesbury Nepean River system. With insights from our Hawkesbury Nepean water quality and hydrodynamic model as well as community involvement, the new regulatory framework will enable smarter integrated water solutions that provide the best balance of social, economic and environmental outcomes for this iconic river catchment.

Incidents

We recognise that the impact wastewater overflows have on the environment and the community is unacceptable and we work hard to prevent them. We have rigorous maintenance programs in place to ensure our assets operate as intended. However, managing a network as large as ours is challenging and factors like the age of some of our assets and fluctuating weather conditions mean wastewater overflows occur from time to time.

When an incident does occur, we act quickly to fix the issue and minimise the impact on the environment and the community. Our reporting protocols ensure that incidents are reported to the relevant authorities when necessary. Following an incident, we investigate the circumstances that led to it occurring and improve the way we operate to prevent them recurring.

Our regulators may issue compliance and enforcement actions in response to an incident if they find we have failed to comply with relevant environmental legislation. In 2016–17, we received a penalty notice for a dry weather wastewater overflow that occurred in Tahmoor.

2. Reduce our use of energy, water and other substances by exploring appropriate technology and practices to reuse, recycle and recover valuable resources.

Water, more than any other substance, is essential for human survival. Responsible water stewardship is critical for all of us and for the future of our business. Not only does water bring life, but how well we provide our water service influences the quality of life in Sydney, Illawarra and the Blue Mountains.

Sydney Water is a major consumer of electricity. Emissions from generating coal-fired electricity contribute to global warming. We aim to implement cost-effective opportunities to reduce our energy use and generate renewable energy.

Our commitment to optimising the use of other resources is reflected in our *Procurement policy* which embeds sustainability principles into how we source and procure goods and services.

We also support and develop the capabilities of our human resources – our staff members, contractors and suppliers. We inform and educate our staff members about their environmental accountabilities and train our contractors in environmental management.

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Water efficiency and water recycling

Over the past 20 years, we've implemented some of the largest water efficiency programs in the world. These programs were highly successful thanks to the efforts of our customers. We also understand our responsibility as an educator, to ensure people are aware of the role they play in protecting our natural resources. We provide information on our website to help people make informed decisions on how to save water. We also run tours to promote responsible water use at seven operational sites which include water filtration, water recycling and wastewater treatment plants and our Water Recycling Education Centre at the Advanced Water Treatment Plant at St Marys.

Our customers have adopted water efficient practices as part of their everyday life with water use in 2016–17 similar to the amount used in 2003–04 when the population was 20% lower than now and water restrictions were in place.

In December 2016, IPART approved our Economic Level of Water Conservation (ELWC) methodology. The ELWC methodology promotes economically efficient investment in water conservation, including water efficiency, water leakage and water recycling. The methodology will set investment priorities for water conservation projects and inform the development of our Water Conservation Plan. We used the methodology for the first time this year to report on how we conserved water in 2016–17.

We support 23 schemes that provide recycled water for use in thousands of homes and businesses, and to water parks, farms and playing fields. We also use recycled water at our plants for process and cleaning needs. We recycled more than 38 billion litres of water in 2016–17, saving over 9 billion litres of drinking water. This is a slight decrease from the 43 billion litres of water we recycled in 2015–16 which is primarily due to a temporary reduction in industry demand for recycled water.

There are currently eight sewer mining schemes operating in Sydney Water's area of operations which produced over 1.2 billion litres of recycled water in 2016-17. Sewer mining is tapping into a wastewater system (either before or after the wastewater treatment plant) and extracting wastewater, which is treated on-site before being used as recycled water.

There are also eight private on-site re-use schemes currently operating where recycled water is produced by capturing, treating and re-using wastewater from a site's buildings or facilities. This includes Sydney Water's head office building in Parramatta.

We reduce the likelihood of leaks occurring in our own network by actively detecting and repairing leaks, managing pressure in the network, monitoring our response times and continuing to implement our Pipe Renewal Program. Managing leaks saves about 30 billion litres of water a year. In 2016–17, water leakage from our drinking water network averaged 114 megalitres a day which is within the range of our economic level of water leakage.

Environmental flows

We use recycled water for environmental flows, where additional water is provided to a waterway to improve ecosystem health and value. For example, the flows may enable fish to move up and down a river to breed. We release environmental flows into the Nepean River at Penrith from the St Marys Advanced Water Recycling Plant. In 2016–17, more than 8 billion litres of recycled water helped maintain environmental flows in the Hawkesbury Nepean River.

Electricity use

The water industry is energy-intensive and we use large amounts of electricity in our treatment operations and pipe networks. We've worked for many years to reduce our energy use and prepare for a low-energy future.

We aim to keep our energy use, emissions and costs down, despite an increasing population and demand for more services. We achieve this by:

- generating our own renewable energy
- developing energy efficiency projects
- optimising our electricity purchases
- optimising resource recovery and investigating new opportunities such as food waste co digestion and using batteries to store electricity.

Renewable energy and energy efficiency

We plan for the future by understanding lifecycle costs when we invest in new assets and look for resource recovery and renewable energy options at our wastewater treatment plants. We continue to investigate innovative technologies to enable new and better ways to deliver cost-effective products and services. We are one of the industry partners in a game changing research and development project to store renewable energy. We are collaborating with the University of Wollongong and other industry partners over the next four years to develop low-cost, high-density renewable batteries, which can be used for renewable energy storage under extreme weather conditions for our pumping stations. The Australian Renewable Energy Agency (ARENA) has contributed $2.7 million to the project. The ability to store solar energy will increase the resilience of our plants, lower our operating costs and support our commitment to cost-effectively generate and source electricity from renewable sources.

In 2016–17, we generated the equivalent of 16% of our total on-site electricity needs from our eight cogeneration plants, three hydroelectric plants and solar photovoltaic systems.

Through our Energy Efficiency Management Program, we have improved our operations, saving about $4 milllion a year. We only invest in cost-effective projects and verify our savings to the standard required to create Energy Saving Certificates under the NSW Government's Energy Savings Scheme. We have implemented multiple renewable energy and energy efficiency projects (such as additional LED upgrades), saving 1,693 MWh year in 2016–17, with a further 2,400 MWh year approved for implementation in 2017–18.

We report our energy use and greenhouse gas emissions each year, under the *National Greenhouse and Energy Reporting Act 2007*.

Biogas

Since 1998 we've been capturing biogas, a by product of biosolid production, to run co-generation engines. We now have eight co-generation plants that power treatment plants and heat the digesters. Five smaller plants with anaerobic digestion either use the biogas to directly heat digesters or flare the gas, so we don't emit methane to the environment. Our Bondi Wastewater Treatment Plant generates more electricity than we need to run the plant. We continue to investigate opportunities to make other treatment plants as self-sufficient.

Co-digestion

In 2011, we started investigating co-digestion of sludge with organic waste to increase biogas production. In 2014, we began a pilot project that delivered promising results. As a result, we introduced co-digestion at our Cronulla Wastewater Treatment Plant in June 2016 to increase our renewable energy generation. In 2016–17 we introduced process improvements at the Cronulla co-generation facility that increased biogas production.

In early 2017, we opened a co-digestion research facility at our Shellharbour Wastewater Treatment Plant to research the co-digestion of various food waste streams with sewage sludge. We are working with the University of Wollongong, DC Water in the United States, and the University of NSW on this project, which is partly funded by the Australian Research Council. Results of this project could provide future waste disposal opportunities for other organisations and waste types, delivering better environmental outcomes.

3. Responsibly manage waste and minimise waste streams where possible

One of the greatest challenges in developing and expanding urban living areas is removing waste and managing landfills that are reaching or exceeding their capacity. We aim to prevent and minimise the waste we generate, re-use materials and waste, and create value from them. Resource recovery goes one step further than re-use and considers what resources we have available, how we use them and where we can achieve value. We continue to investigate how we can capture energy and nutrients in a way that our community and customers value.

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Waste generation and recovery

Most of the waste material we generate comes from our construction and demolition projects. The nature of this work means that the amount of waste we generate and the classification of that waste fluctuates from year to year. We also generate waste through our daily operations. We continue to work with our contract partners to maximise the amount of waste material we divert from landfill through recycling programs.

In 2016–17, we generated 201,296 tonnes of solid waste. The capital works programs undertaken by both Sydney Water and our contractors were responsible for 84% of the waste we generated.

We recycled or re-used about 70% of the waste we created.

Biosolids

During wastewater treatment, we separate solids from the liquid wastewater and treat these in digesters to break down organic matter. The final material produced by the digesters is called biosolids. We monitor these biosolids and test them to ensure they comply with the EPA guidelines before agricultural re-use. This provides value for biosolids users by reducing fertiliser costs and improving soil properties.

In 2016–17 we produced more than 36,000 tonnes of biosolids from waste material that would have been discharged to the environment or sent to landfill.

Since 2003, we have re-used 100% of our biosolids as an agricultural soil conditioner or compost and continue to re-use 90% of grit and screening waste.

Trade wastewater

Accepting trade wastewater to our wastewater system is a risk for Sydney Water. Commercial and industrial business customers must enter into a trade waste agreement with us before they can discharge trade wastewater to our system. These agreements outline:

- the allowed loads and concentrations of liquid waste business customers may discharge
- acceptance standards
- sampling and analysis requirements
- any specific pre-treatment we require.

Our Business Customer Representatives engage with customers to manage their connections and use of our assets and services, and to ensure they continue to comply with our requirements.

We may disconnect a customer's service if they discharge trade waste without our approval or if they breach their trade waste agreement.

Industrial customers have more complex processes that can pose a higher risk to our treatment systems and the environment. Our trade waste monitoring program focuses on industrial customers to ensure they comply with their trade waste agreements. In 2016–17, 96% of our industrial customers complied with the conditions of their trade waste agreements.

4. Connect with our customers and stakeholders to share knowledge and build community value into our decision-making

Having the customer at the heart of everything we do is one of the values of our Corporate Strategy and underpins all our decision-making. We are committed to understanding the needs and expectations of our customers and stakeholders. We continually seek new and better ways of delivering our water, wastewater and stormwater services to improve customer experience and value.

The way our customers experience water in their daily life affects the value they place on water services and the enjoyment and comfort they receive from their urban surroundings. We engage with our customers to understand what makes their city more liveable. We partner with organisations to broaden the benefits that our services provide. We also look for new opportunities to support the amenity, productivity and sustainability of a vibrant, competitive and growing Sydney.

Key performance indicators	Page
Multicultural policies and services	43–44
Community investment	45–46
Promotional activity	46

Community involvement

We engage with our customers at events, in places and on programs that are important to them, their communities and our stakeholders. These engagement opportunities enable us to educate customers about the great quality of tap water, the urban water cycle and the importance of environmental protection and sustainability.

In 2016–17, our community involvement program focused on the health, financial and environmental benefits of drinking water straight from the tap, empowering customers to make choices that are better for them, their families and the environment.

We engaged with about 1 million people at 59 events over 125 days. We distributed 125,356 litres of water (a 121% increase on last year), which we estimate saved:

- 2,006 kg of plastic waste from landfill (equivalent to 144,845 × 600 ml plastic bottles)
- 313,390 litres of water and 146,667 kWh of energy being used to produce and supply bottled water.

We also provided almost 30,000 refillable water bottles to cafés and stakeholders to encourage people to use tap water instead of bottled water. We estimate this has saved a minimum of:

- 9,411 kg of plastic waste from landfill (equivalent to 980,300 × 600 ml plastic bottles)
- 1,470,500 litres of water and 344,097 kWh of energy being used to produce and supply bottled water.

We also took part in this year's Sydney Royal Easter Show. Around 8,679 people participated in our virtual reality experience, which showcased the benefits of choosing tap water over bottled water. As part of the experience, participants were asked to complete an entry and exit survey, which revealed some encouraging findings:

- 84% reported a change in their thinking about tap and bottled water
- 59% indicated a change in their intent to choose tap water over bottled water
- 41% of existing bottled water drinkers showed intent to choose tap water over bottled water in the future.

Connect with our customers and stakeholders

We have an extensive customer and stakeholder research program and a variety of stakeholder and customer forums to ensure we include customer, stakeholder and community needs and values in our environmental planning and decision-making. Our engagement with customers and stakeholders in 2016–17 includes the following examples:

- We engaged with our staff members and the Customer Council to develop our new draft Environment Strategy which will give greater clarity on our longer-term environmental objectives and targets. In May 2017, the Board Environment and Health Committee endorsed the draft strategy and the Executive team approved it, for engagement with key external stakeholders. We plan to finalise the strategy in December 2017.
- We surveyed our stakeholders to understand how we can improve our partnering and collaboration to deliver outcomes for customers and stakeholders.
- We engaged community members, stakeholders and local government in Quakers Hat Bay, The Spit and Clontarf on the proposed Mosman Odour Control Unit (OCU). This included community tours and workshops to review and assess proposed options.
- More than 600 people from the North West and South West Priority Growth Areas, Canterbury Town Centre and the Shepherds Bay development attended our information sessions for communities in growth areas.
- We held Community Open days, attracting around 300 attendees, to gain feedback from stakeholders and the local community on stormwater naturalisation projects (Strangers Creek and Powells Creek). These projects will improve the stormwater system, the local environment and will provide a habitat for native birds and animals.
- We hosted tours for the local community, including secondary schools, at the Picton Water Recycling Plant to get feedback on the wastewater management strategy in the area.
- We launched a new website, oursydneyourwater.com.au, which provides customers with educational resources about Sydney's safe and high-quality drinking water. It also features #aquavist – a pledge-based campaign encouraging people to choose tap water over bottled water and sugary drinks.
- We launched our 'Brand without a Bottle' competition which saw 1,500 students from Years 7 and 8 produce a script and storyboard for a short film to convince people to choose tap water over bottled water. The six finalist teams worked with a film crew to professionally film and produce their short films which were launched online for public voting. In addition to the prizes for the top three entries, each finalist school received

refillable water bottles and a permanent water station to support teenagers choosing tap water over bottled water.

- We engaged with more than 8,850 students, education professionals and stakeholders through our education programs which aim to build sustainable behaviours for our water and wastewater system and understanding of peoples shared responsibilities. This saw:
  - more than 4,600 people visiting one of our wastewater or water filtration plants or participating in the Living Heritage tour
  - more than 2,750 people engaging with one of our capacity building workshops, presentations and displays
  - more than 1,500 students engaging with our 'Brand without a Bottle' competition and Western Sydney University learning partnership 'Project H2O'.
- We partnered with Burwood Council to install four permanent water units across the LGA. These units feature messaging in Chinese, Korean and Arabic that confirm that the water in Sydney, unlike many areas around the world, is high quality and safe to drink directly from the tap. We worked with Multicultural NSW to translate the messaging. We also installed another unit at Kelso Park in Liverpool, in partnership with Liverpool Council and NSW Health's *Make Healthy Normal* campaign.
- We've served more than 38,000 litres of water from our portable refill units at 52 public events. We estimate that this saved 615 kg of plastic waste from going to landfill and over $139,185 being spent on purchasing bottled water.
- We're actively engaging with our culturally and linguistically diverse (CALD) customers through our external communication material, including:
  - providing multimedia content on the 'Our Sydney our water' website to educate our CALD customers about drinking water
  - distributing bilingual postcards to attendees of two Bangladesh national cricket matches
  - installing permanent water units with messaging in Chinese, Korean and Arabic
  - producing refillable water bottles featuring messaging in the most common multicultural languages spoken in Sydney to be used at various community events and initiatives targeting customers from CALD backgrounds
  - partnering with Western Sydney University to conduct research to help us understand trust in drinking water among Mandarin speakers which will inform our education, marketing and engagement communications
  - producing a general information brochure in five languages for CALD customers, providing information on bill payment options, financial assistance options, water saving tips and checking for leaks around the home.
- Social media was one of our most important channels for customer education and engagement this year. In the first month of the #aquavist campaign going live, the number of positive social media posts about Sydney Water rose by more than 55%. This resulted in the #aquavist campaign being the largest individual contributor of positive social media sentiment for Sydney Water in 2016–17.
- We continued our 'Keep wipes out of pipes' campaign, which has generated significant results.
  - In December 2016, the Australian Competition and Consumer Commission (ACCC) instituted proceedings in the Federal Court of Australia against two major wipes manufacturers, alleging that they each made false or misleading representation in relation to 'flushable' wipes they marketed and supplied in Australia.

- The International Water Association has created a 'Keep wipes out of pipes' position statement which is now supported by over 300 wastewater utilities and non government organisations from 23 countries.
- The campaign has also received five international and national 'Best Campaign of the Year Awards'.
- We continue to work proactively with Australian consumer advocate group CHOICE, the Australian Consumer and Competition Commission (ACCC), the Water Services Association of Australia (WSAA), the International Water Association (IWA), plumbers, school groups and public forums and a major Australian wipes manufacturer to develop collaborative solutions for this problem

Customer Council

We operate a Customer Council in accordance with our *Operating Licence and Customer Council Charter*. The Charter was developed in partnership with Customer Council members and is available on our website. We hold meetings every quarter and members include representatives from a diverse range of organisations representing our customer base. We seek advice and feedback from the Council members on a range of services and projects and encourage them to share any issues, concerns or ideas they may have. We value the input of the Council members and incorporate their advice where possible.

Land and biodiversity management

We develop and implement management plans for almost 432 hectares of wetland, riparian land and naturalised stormwater assets as well as broader vegetation management strategies for our land holdings.

These focus on:

- improving waterway health
- managing flood risks
- enhancing natural environments
- aligning land management with community values.

Since we began monitoring in 2005, we have achieved a net gain of more than 43 hectares of native vegetation through protection, rehabilitation and replanting. This includes a net gain of 4.68 hectares of native vegetation achieved this year.

We also have a responsibility to promote the beneficial use of land and groundwater that has been contaminated in the past by previously commonplace activities. We, along with our contractors, routinely conduct environmental assessments to ensure we consider and manage the environmental impacts of our activities. We design the environmental assessment for each specific activity, depending on the level of environmental risk.

Contaminated land management

We assess contamination risks of our properties, as required by the *Contaminated Land Management Act 1997*. We are currently managing one site declared to be significantly contaminated according to the applicable Management Orders.

Active use of our built heritage assets today ensures their longevity. We also recognise the inherent risks in using our historic buildings and have developed hazardous building material registers for our sites.

Our *Pollution Incident Response Management Plan* – Water and wastewater services is available at sydneywater.com.au/plans. This details how we respond to water and wastewater pollution incidents and provides our contact information, including our 24-hour emergency service line.

Chapter 4.

Financial statements

Financial performance summary

As a State Owned Corporation, 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 2016–17, our net profit after tax (NPAT) was $447 million, about $107 million above the SCI target of $340 million. We recognised a dividend payable of $291 million, which was above the SCI target of $238 million, and reflected the higher profit result. The increase in profit was due to higher water and sewer usage income and service charge income, and lower core operating costs and borrowing costs.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year were $1,349 million, $95 million above the SCI target of $1,254 million.

Table 42: Profit and loss statement 2013–14 to 2016–17[41]

Financial performance target	2013–14 result	2014–15 result	2015–16 result	2016–17 result	2016–17 SCI budget	2016–17 variance to SCI budget
Total income ($M)	2,615	2,728	2,844	2,659	2,588	71[42]
Operating expenses ($M)	1,301	1,324	1,357	1,310	1,334	24
Earnings before interest, tax, depreciation and amortisation (EBITDA) ($M)	1,314	1,404	1,487	1,349	1,254	95
Depreciation, amortisation, impairments and loss on asset sales ($M)	261	252	276	284	288	4
Borrowing expenses ($M)	414	422	428	430	481	51[42]
Total expenses ($M)	1,976	1,999	2,061	2,024	2,102	78
Net profit before tax (NPBT) ($M)	640	730	783	635	485	150
Income tax expense ($M)	175	216	235	188	146	42[43]

41 All numbers are rounded.
42 Favourable variance to SCI.
43 Unfavourable variance to SCI.

Financial performance target	2013–14 result	2014–15 result	2015–16 result	2016–17 result	2016–17 SCI budget	2016–17 variance to SCI budget
Net profit after tax (NPAT) ($M)	464	513	548	447	340	107
Dividend payable ($M)	252	664	389	291	238	53
Return on assets (%)	7.1	7.4	7.2	6.0	5.7	0.3
Funds flow interest cover (times)	2.1	2.4	2.3	2.5	2.2	0.3
Capital investment program ($M)	548	627	681	602	721	119
Gearing ratio (%)	49	49	49	50	52	2

Income

Total income for the year was $2,659 million, $71 million above the SCI target of $2,588 million. Regulated income was $2,468 million, $68 million above the SCI target of $2,400 million. This was due to higher water usage income from higher water supply and higher service charges arising from growth in property numbers. Non-regulated income was $191 million, $3 million above the SCI target of $188 million. This was due to a combination of insurance recoveries and miscellaneous sundry income.

Property sales

During 2016–17, we sold 21 properties surplus to our needs at a total gross sale price of $26 million, net of GST. We made all sales in line with accepted NSW Government disposal standards. We also placed proceeds from the sales into general revenue. Requests to access documents relating to our property disposals may be made in accordance with the *Government Information (Public Access) Act 2009*.

Expenditure

Our operating expenses for the year were $1,310 million, $24 million below the SCI target of $1,334 million. This was mostly due to lower labour and contractor costs. Total borrowing expenses (interest expense and government guarantee fees) for the year were $430 million, $51 million lower than budget, due to continuing low interest rates and low indexation. Our income tax expense for the year was $188 million, which was $42 million above the SCI target of $146 million. This was due to a higher profit result.

Total asset charges (depreciation, amortisation and impairments) for the year were $284 million, $4 million below the SCI target of $288 million. This was mostly due to impairment credits from increased property values.

Time for payment of accounts

Sydney Water made one penalty interest payment in 2016–17, which was due to a late account payment. The penalty interest paid was $35.84.

Funds flow from operations

Cash (funds flow) from our operations in 2016–17 was $648 million. This is $63 million higher than our target due to higher water sales and lower interest payments, partly offset by higher tax payments.

Funds flow from operations interest cover

The funds flow from operations interest cover ratio was 2.5. This was above the target of 2.2 due to a combination of higher sales income and lower interest charges.

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 2016–17, our investment performance was 1.56% compared to the benchmark of 2.38%, with an average investment balance of $300,000. This reflected the short-term nature of our investments, with our return closely in line with the Reserve Bank of Australia cash rate.

Debt management

At 30 June 2017, we had $3.4 million cash in the bank and our total debt was $$7.2 billion. Our debt portfolio was sourced almost entirely through NSW Treasury Corporation and we actively manage it to limit the cost of funds. Additionally, 61% of our total debt was fixed-rate debt maturing out to 2041, with the remaining 39% inflation-indexed debt maturing out to 2035.

Cash flow

Cash receipts from operations in 2016–17 were $2,484 million, $130 million lower than in 2015–16. This was mostly due to IPART-determined price reductions. Total cash inflows were $3.0 billion, which is $458 million less than in 2015–16, including lower new borrowings. Cash used for operational purposes in 2016–17 was $1,433 million, which is $21 million lower than in 2015–16, in line with cost reductions.

Total interest paid was $376 million ($80 million lower than in 2015–16) due to the modification of debt to a lower cash coupon. Total interest paid includes interest and the Government Guarantee fee paid on Sydney Water's borrowings.

Return on assets and equity

Our return on assets for 2016–17 was 6.0%, 0.3% higher than the target of 5.7%. The return on equity was 6.3%, 1.3% higher than the target of 5.0%. This was due to a combination of higher water usage and service charge income, lower core operating costs and lower borrowing costs.

Budget

Table 43: 2017–18 budget

Measure	Budget 2017–18 ($m)
Total income	**2,733**
Total operating expenses	1,339
Depreciation, amortisation, impairments and loss on asset sales	289
Borrowing costs	499
Total expenses	**2,128**
Profit before tax	**605**
Income tax expense	182
Profit after tax	**424**

Reporting exemptions

Table 44: List of annual reporting exemptions

Statutory requirements	Statutory references[44]	Comments
Format of financial statements	Section 41B(c) PF & AA	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 ARSBR	Statutory State Owned Corporations are 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* (the IPART Act). 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 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, sewerage, stormwater drainage and other services from 1 July 2016 to 30 June 2020. IPART's 2006 recycled water developer charges determination (*Determination No. 8, 2006*) sets out the methodology we must use to calculate recycled water developer charges.

In 2016–17, we set our prices in line with IPART's pricing determinations and recommendations, apart from:

- some recycled water developer charges
- charges for providing asset construction details between 7 July 2016 and 1 September 2016
- trade waste substance charges for commercial customers.

These exceptions are explained below.

Recycled water developer charges

Sydney Water has not 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. This relates to collecting capital contributions for the Hoxton Park and Oran Park/Turner Road recycled water schemes. We were non-compliant as we did not follow the process set by IPART. We reported this in our *Annual Report 2014–15 and Annual Report 2015–16.*

To rectify this, we have now finalised

44 PF & AA = Public Finance and Audit Act 1983
ARSBR = Annual Reports (Statutory Bodies) Regulation 2015

Development Servicing Plans (DSPs) for these schemes. We have registered these DSPs with IPART, in accordance with *Determination No. 8, 2006*. We have also registered a DSP for the Colebee recycled water scheme.

For the Hoxton Park, Oran Park/Turner Road and Colebee schemes, Sydney Water has approval from the NSW Treasurer to set a charge lower than that calculated in accordance with the determination. We did this to ensure that the recycled water developer charge meets the Building Sustainability Index (BASIX) requirements at the lowest cost to society.

Sydney Water's 2016–17 non-compliance with *Determination No. 8, 2006* occurred while we were preparing and finalising DSPs for these schemes. We have now registered DSPs for all residential schemes where we levy recycled water developer charges and now comply with the determination.

We have also reissued all outstanding Notice of Requirements so they contain a compliant recycled water developer charge. This charge is set at the same level as the previous capital contribution.

Table 45: Compliance with IPART's *Determination No. 8, 2006*

Recycled water scheme	Developer charge to be levied (2016–17)	Current compliance status against the determination
Rouse Hill	$4,186 per ET[45]	Compliant – updated DSP registered on 15 August 2016
Hoxton Park	$7,428 per ET	Compliant – DSP registered on 29 August 2016
Oran Park/Turner Road	$7,205 per ET	Compliant – DSP registered on 28 June 2017
Colebee	$7,731 per ET	Compliant – DSP registered on 28 June 2017
Ropes Crossing	To be determined	Compliant – DSP under development; charges yet to be applied.

Asset construction details

Between 7 July and 1 September 2016, we accidentally overcharged 43 customers who requested asset construction details. Each customer was charged $45.29 per plan instead of $44.69. This was an administrative error which has now been corrected. The total amount overcharged was $261.60. We notified IPART of our mistake and are refunding the affected customers. We've checked our systems to make sure this doesn't happen again.

Substance charges for commercial customers

Since 1 July 2012, we have undercharged commercial customers for trade waste substance charges. IPART set these charges to three decimal places instead of two decimal places. However, because of limitations in our billing system, we only applied these prices to two decimal places. We have recently become aware of this issue and are now updating our billing system to apply these prices to three decimal places.

45 ET = equivalent tenement

Table 46: IPART pricing table, 1 July 2016 to 30 June 2017

	2016–17		
	IPART determined price	Sydney Water quarterly prices	
		Jul-Sep[a] quarter	Oct-Jun quarters
Service charges ($)			
Residential premises			
Water			
Metered[b]	$89.95	$22.51	$22.48
Unmetered	$449.95	$112.51	$112.48
Wastewater[c]	$583.60	$145.90	$145.90
Stormwater (drainage)			
Standalone premises	$74.77	$18.70	$18.69
Multi premises	$23.34	$5.85	$5.83
Non-residential properties			
Water			
Meter size (mm)[d]			
20	$89.95	$22.51	$22.48
25	$140.55	$35.16	$35.13
32	$230.28	$57.57	$57.57
40	$359.82	$89.97	$89.95
50	$562.22	$140.57	$140.55
80	$1,439.27	$359.84	$359.81
100	$2,248.86	$562.23	$562.21
150	$5,059.94	$1,265.00	$1,264.98
200	$8,995.44	$2,248.86	$2,248.86
250	$14,054.69	$3,513.68	$3,513.67
300	$20,238.75	$5,059.71	$5,059.68
500	$56,218.75	$14,054.71	$14,054.68
600	$80,955.00	$20,238.75	$20,238.75
Unmetered	$449.95	$112.51	$112.48

	2016–17		
	IPART determined price	Sydney Water quarterly prices	
		Jul-Sep[a] quarter	Oct-Jun quarters
Non-residential properties			
Wastewater[c]			
Meter connection charge by meter size (mm)[e,f]			
20	$555.26	$138.83	$138.81
25	$867.59	$216.92	$216.89
32	$1,421.45	$355.37	$355.36
40	$2,221.02	$555.27	$555.25
50	$3,470.35	$867.61	$867.58
80	$8,884.09	$2,221.03	$2,221.02
100	$13,881.39	$3,470.37	$3,470.34
150	$31,233.13	$7,808.29	$7,808.28
200	$55,525.57	$13,881.40	$13,881.39
250	$86,759.38	$21,689.86	$21,689.84
300	$124,933.50	$31,233.39	$31,233.37
500	$347,037.50	$86,759.39	$86,759.37
600	$499,734.00	$124,933.50	$124,933.50
Deemed sewerage usage charge	$167.15	$41.81	$41.78
Unmetered	$583.60	$145.90	$145.90
Stormwater (drainage)			
Standalone premises			
Small (200m² or less)	$23.34	$5.85	$5.83
Medium (201-1,000m²) or low impact	$74.77	$18.70	$18.69
Large (1,001-10,000m²)	$435.71	$108.95	$108.92
Very large (10,001-45,000m²)	$1,936.52	$484.13	$484.13
Largest (45,001m² or greater)	$4,841.32	$1,210.33	$1,210.33
Multi premises	$23.34	$5.85	$5.83

	2016–17		
	IPART determined price	Sydney Water quarterly prices	
		Jul-Sep[a] quarter	Oct-Jun quarters
Usage charges ($/kL)			
Residential premises			
Filtered water	$2.00	$2.00	$2.00
Non-residential properties			
Filtered water	$2.00	$2.00	$2.00
Wastewater (> 0.685 kL per day wastewater discharge)[g]	$1.11	$1.11	$1.11
Rouse Hill Recycled Water supply services			
Recycled water usage charge ($/kL)	$1.79	$1.79	$1.79

a. Sydney Water's charges applied from 1 July 2016.
b. 'Metered residential property' means a residential property that is serviced by one or more meters and includes a residential property within a multi premises that is 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 20mm 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 the Sydney Water Corporation. 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 20mm 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 0.685 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 in accordance with 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 in accordance with 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 2017, the Auditor-General provided Sydney Water with a Statutory Audit Report as required under the *Public Finance and Audit Act 1983*. No comments were made on any significant matters requiring a response from Sydney Water.

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 2017 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: 17 August 2017

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 financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2017, 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 the 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.

Directors' Responsibility 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 must assess the Corporation's ability to continue as a going concern except where they intend to liquidate the Corporation or cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility 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.

James Sugumar

James Sugumar
Director, Financial Audit Services

17 August 2017
SYDNEY

Sydney Water Corporation

Financial Statements
for the year ended 30 June 2017

Contents

Start of audited financial statements

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue	1(a)	2,654,104	2,826,982
Other income	1(b)	5,427	17,128
Finance costs	2(a)	(429,641)	(428,045)
Other expenses	2(b)	(1,594,391)	(1,633,066)
Profit before income tax		**635,499**	**782,999**
Income tax expense	3(a)	(188,177)	(234,985)
Profit for the period		**447,322**	**548,014**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
(Loss) gain on revaluation of property, plant and equipment	15(b)	(83,174)	888,063
Income tax effect	3(b)	24,953	(266,419)
		(58,221)	621,644
Remeasurement of defined benefit superannuation net liability		310,235	(374,552)
Income tax effect	3(b)	(93,071)	112,365
		217,164	(262,187)
Total items that will not be reclassified subsequently to profit or loss, net of income tax		158,943	359,457
Other comprehensive income for the period net of income tax		**158,943**	**359,457**
Total comprehensive income for the period		**606,265**	**907,471**

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

Statement of financial position

as at 30 June 2017

	Note	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	6	3,401	5,319
Trade and other receivables	7	307,217	307,551
Other current assets	8	6,857	5,526
Current tax asset	3(c)	16,508	397
		333,983	318,793
Non-current assets classified as held for sale	4(h)	24,315	35,088
Total current assets		**358,298**	**353,881**
Non-current assets			
Property, plant and equipment	4	17,548,104	17,133,481
Intangible assets	5	171,452	159,147
Total non-current assets		**17,719,556**	**17,292,628**
Total assets		**18,077,854**	**17,646,509**
Current liabilities			
Trade and other payables	9	540,235	528,939
Borrowings and other financial liabilities	10	14,384	13,105
Current tax liability	3(c)	-	38,922
Dividends payable	13	291,225	389,232
Provisions	11	193,518	195,078
Total current liabilities		**1,039,362**	**1,165,276**
Non-current liabilities			
Borrowings and other financial liabilities	10	7,644,272	7,201,728
Deferred tax liabilities	3(c)	996,967	894,272
Provisions	11	1,073,947	1,376,967
Deferred Government grant	12	10,000	10,000
Total non-current liabilities		**9,725,186**	**9,482,967**
Total liabilities		**10,764,548**	**10,648,243**
Net assets		**7,313,306**	**6,998,266**
Equity			
Share capital	14	3,161,854	3,161,854
Reserves	15	2,099,237	2,176,009
Retained earnings		2,052,215	1,660,403
Total equity		**7,313,306**	**6,998,266**

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

Statement of changes in equity

for the year ended 30 June 2017

	Note	Share capital $'000	Asset revaluation reserve $'000	Retained earnings $'000	Total Equity $'000
Balances at 1 July 2016		3,161,854	2,176,009	1,660,403	6,998,266
Comprehensive income for this period:					
Profit for the period		-	-	447,322	447,322
Other comprehensive income		-	(58,221)	217,164	158,943
Total comprehensive income for the period		-	(58,221)	664,486	606,265
Transfers between equity items on disposal of assets	15(b)	-	(18,551)	18,551	-
Total transfers between equity items		-	(18,551)	18,551	-
Transactions with owners in their capacity as owners:					
Shared capital issued	14(b)	-	-	-	-
Dividends recognised as a liability	13	-	-	(291,225)	(291,225)
Total transactions with owners in their capacity as owners		-	-	(291,225)	(291,225)
Balances at 30 June 2017		**3,161,854**	**2,099,237**	**2,052,215**	**7,313,306**
Balances at 1 July 2015		3,148,354	1,561,746	1,756,427	6,466,527
Comprehensive income for this period:					
Profit for the period		-	-	548,014	548,014
Other comprehensive income		-	621,644	(262,187)	359,457
Total comprehensive income for the period		-	621,644	285,827	907,471
Transfers between equity items on disposal of assets	15(b)	-	(7,381)	7,381	-
Total transfers between equity items		-	(7,381)	7,381	-
Transactions with owners in their capacity as owners:					
Shared capital issued	14(b)	13,500	-	-	13,500
Dividends recognised as a liability	13	-	-	(389,232)	(389,232)
Total transactions with owners in their capacity as owners		13,500	-	(389,232)	(375,732)
Balances at 30 June 2016		**3,161,854**	**2,176,009**	**1,660,403**	**6,998,266**

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

Statement of cash flows

for the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Cash receipts in the course of operations (inclusive of Goods and Services Tax)		2,483,579	2,613,954
Cash payments in the course of operations (inclusive of Goods and Services Tax)		(1,433,032)	(1,454,093)
Cash generated from operations		1,050,547	1,159,861
Revenue grants received from Commonwealth Government		166	41
Revenue grants received from NSW Government other than for social programs		164	-
Cash receipts for social programs		144,176	165,841
Interest received		1,879	156
Income tax refunds received		397	1,254
Interest paid		(259,079)	(358,660)
Government guarantee fee paid		(117,095)	(97,813)
Income tax paid		(209,030)	(239,232)
Net cash from operating activities	6(b)	**612,125**	**631,448**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		25,167	45,920
Other capital contributions received		8,555	13,554
Security and other deposits received		21,321	24,401
Cash received from renegotiated water filtration plant agreements		-	15,919
Payments for property, plant and equipment		(532,076)	(625,469)
Payments for intangible assets		(70,146)	(36,044)
Security and other deposits released		(15,220)	(12,274)
Net cash from investing activities		**(562,399)**	**(573,993)**
Cash flows from financing activities			
Proceeds from issue of share capital	14	-	13,500
Proceeds from borrowings		350,695	601,250
Repayment of borrowings		(184)	(1,210)
Other finance payments		(12,921)	(7,404)
Dividends paid	13	(389,232)	(664,024)
Net cash from financing activities		**(51,642)**	**(57,888)**
Net increase (decrease) in cash and cash equivalents		(1,918)	**(433)**
Cash and cash equivalents at beginning of period		5,319	**5,752**
Cash and cash equivalents at end of period	6(a)	**3,401**	**5,319**

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 2017 were authorised for issue in accordance with a resolution of the board of directors on 17 August 2017.

Basis of preparation
These general purpose financial statements have been prepared in accordance with applicable Australian Accounting Standards (including Australian Interpretations) issued by the Australian Accounting Standards Board (AASB), mandates issued by NSW Treasury and other mandatory and statutory reporting requirements, including NSW Treasury Circulars 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 material items:

- certain classes of property, plant and equipment are stated at fair value;
- 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 2016 to 30 June 2017, and its financial position as at 30 June 2017.

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

Comparative information
Where relevant, comparative amounts are restated to conform to the current reporting period's presentation. This could arise as a result of the requirements of new or revised Australian Accounting Standards and Australian Interpretations, a voluntary change in accounting policy or a reclassification of items presented.

Key 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 found in the following notes:

- Note 4 Property, plant and equipment;
- Note 5 Intangible assets;
- Note 7 Trade and other receivables;
- Note 11 Provisions; and
- Note 16 Commitments.

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.

Notes structure
The notes to the financial statements are organised into logical groupings. Each note in most cases is structured to disclose quantitative disclosures first, followed by relevant accounting policies and then any other relevant additional information. Notes for the more material items that are relevant to an understanding of the financial statements are presented earlier in the document, with other required note disclosures located more at the rear of the document.

Significant changes in the current reporting period
There were no changes in accounting policy during the reporting period, nor did the introduction of new Accounting Standards lead to any change in measurement or disclosure in these financial statements. Details of new Accounting Standards introduced during the reporting period, but which are not yet effective and which have not been early adopted by the Corporation, are provided in note 22.

Notes to the Financial Statements

Performance for the reporting period

Note 1. Income

(a) Revenue

	Regulated		Non- Regulated		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Service availability charges (Customer redress rebates)	1,197,465	1,261,360	(5,433)	(5,628)	1,192,032	1,255,732
Usage charges	1,102,804	1,182,913	12,987	12,856	1,115,791	1,195,769
Ancillary services	15,895	15,735	3,249	3,070	19,144	18,805
Sundry revenue	1,301	1,060	10,300	22,252	11,601	23,312
Interest revenue	-	-	1,620	2,319	1,620	2,319
NSW Government grants for social programs	144,119	165,869	-	-	144,119	165,869
Grants from NSW Government	-	-	164	-	164	-
Grants from Commonwealth Government	-	-	166	41	166	41
Rent revenue from operating leases	6,292	6,277	6,380	6,441	12,672	12,718
Developer contributions	48	42	156,747	152,375	156,795	152,417
Total revenue	**2,467,924**	**2,633,256**	**186,180**	**193,726**	**2,654,104**	**2,826,982**

Recognition and measurement

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

Rendering of services
Revenue from the rendering of water, wastewater and stormwater services is made up of:

- Service availability charges, which are a fixed charge to customers covering the cost of making the Corporation's water, wastewater and stormwater services available;
- Usage charges, which reflect revenue derived from the consumption and use made of the Corporation's water, wastewater and trade waste services; and
- Ancillary services, which 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 from these services is recognised on an accrual basis as the services are provided.

In regard to usage charges covering water usage, sewer usage, trade waste and recycled water charges, the Corporation recognises an estimate for the accrued revenue earned from the unbilled consumption of these services where meters have not been read as at the reporting date. (Refer note 7).

Interest revenue
Interest revenue is recognised as the interest accrues, using the effective interest method.

Government grants
Grants that compensate the Corporation for expenses incurred or revenue foregone are recognised as revenue in profit or loss in the same periods in which the expenses are incurred or the revenue is foregone.

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. (Refer note 12).

Social program reimbursements
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.

Rent revenue from operating leases
Rent revenue from operating leases is recognised on a straight-line basis over the lease term.

Developer contributions
Developer contributions may be in the form of monetary or non-monetary resources, and include cash advances received free of repayment obligation towards the construction of assets, and assets that are acquired at no cost.

Developer contributions are recognised as revenue in profit or loss at their fair value.

Developer contributions in the form of cash are now mainly applicable to recycling works. Their fair value is the amount of cash received from the developer and they are recognised as revenue when received.

Developer contributions in the form of assets are recognised upon certification by the Corporation that the assets are in accordance with the Corporation's standards and when control of the assets is transferred to the Corporation. Their fair value at initial recognition is an estimate of the sub-contractor's cost, which in effect represents replacement cost as at the date of acceptance.

(b) Other income

	2017 $'000	2016 $'000
Net gain on disposal of property, plant and equipment	740	8,622
Net gain on disposal of greenhouse trading certificates	-	159
Net fair value unrealised gain on greenhouse trading certificates	4,687	8,347
Total other income recognised in profit or loss	**5,427**	**17,128**

Other income is non-regulated.

Recognition and measurement

Other income includes gains arising from the disposal or re-measurement to fair value of assets or liabilities, where those gains are required to be taken to profit or loss.

Disposal of assets
The net gain or loss on disposal of other current assets is calculated as the difference between the carrying amount of the assets at the time of disposal and the net proceeds on disposal and is recognised in profit or loss in the period of disposal.

Gains or losses arising from the sale of property holdings are recognised at the date that the risks and rewards of ownership have been transferred to the purchaser and the Corporation has no continuing involvement with the property. This is normally considered to be when legal title passes to the purchaser at the date of settlement.

Net losses on disposal are reclassified as expenses.

Fair value gains through profit and loss
Refer accounting policies for derivative financial instruments (note 18(d)) and greenhouse trading certificates (note 8). Net fair value losses are reclassified as expenses.

Note 2. Expenses

	Note	2017 $'000	2016 $'000
(a) Finance costs			
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss using effective interest method:			
Interest expense		244,938	334,994
Amortisation of deferred discounts (premiums) on loans	6(b)	74,798	(5,241)
Total interest expense using effective interest method		319,736	329,753
Government guarantee fee expense		136,379	117,095
Indexation of CPI bonds	6(b)	31,436	24,597
Other		9	11
		487,560	471,456
Less amount capitalised	6(b)	(57,919)	(43,411)
Total finance costs expense recognised in profit or loss		**429,641**	**428,045**

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 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.

	Note	2017 $'000	2016 $'000
(b) Other expenses			
Employee-related expenses:			
Total Employee-related expenses	2(c)	412,313	432,422
Less amount capitalised		(75,716)	(70,142)
		336,597	362,280
Non employee-related expenses:			
Availability charges and purchases of bulk water from Water NSW		197,707	215,278
Availability charges from Sydney Desalination Plant Pty Limited		194,289	195,289
Tariff expenses from water filtration plant service agreements		86,501	103,811
Maintenance services expenses	2(c)	182,484	167,862
Operational services expenses		108,986	109,897
Materials, plant and equipment expenses		41,959	39,069
Operating lease (minimum lease payments) expenses		55,336	53,798
Electricity and other energy expenses		41,660	38,090
Transport expenses (excluding leases)		2,115	2,265
Property expenses (excluding leases)		24,175	21,621
Data management expenses (excluding leases)		21,371	19,432
Other expenses from ordinary activities		41,690	48,185
		998,273	1,014,597
Less amount capitalised		(24,717)	(19,363)
Total non-employee related expenses		973,556	995,234
Total core operations expenses		1,310,153	1,357,514
Depreciation and amortisation expenses:			
Depreciation and amortisation of property, plant and equipment	4(g), 6(b)	224,748	201,317
Amortisation of intangible assets	5(d), 6(b)	44,537	50,013
		269,285	251,330
Total other expenses in the course of ordinary activities		1,579,438	1,608,844
Net losses from disposal of:			
Property, plant and equipment		19,023	17,247
Intangible assets		231	-
Impairment losses expensed (reversed) through profit or loss:			
Receivables	7(c)	177	(818)
Property, plant and equipment	4, 6(b)	(4,484)	6,019
Intangible assets	5, 6(b)	6	1,774
		(4,301)	6,975
Total other expenses recognised in profit or loss		**1,594,391**	**1,633,066**

	Note	2017 $'000	2016 $'000
(c) Additional dissections of expenses			
Superannuation expense (gain) recognised in profit or loss:			
Defined benefit schemes			
Total expense advised by Pillar Administration	11(b)	41,934	37,805
Other movements		(2,242)	(1,900)
		39,692	35,905
Less amount capitalised		(4,300)	(3,804)
		35,392	32,101
Defined contribution schemes			
Total expense		12,541	12,617
Less amount capitalised		(1,233)	(1,090)
		11,308	11,527
Total superannuation expense (gain) recognised in profit or loss		**46,700**	**43,628**
Maintenance expenses			
Maintenance related expense included in employee related expenses	2(b)	61,983	63,534
Maintenance services expenses included in non-employee related expenses	2(b)	182,484	167,862
Total maintenance expenses		**244,467**	**231,396**

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 that are required to be taken to profit or loss under the relevant applicable Australian Accounting Standards including Australian Interpretations.

The line item 'Other expenses' is comprised of employee related expenses, non employee-related expenses, expenses that arise from asset adjustments and various losses recognised in profit or loss. Examples of losses are those arising from the disposal of property, plant and equipment and asset impairment losses not able to be taken to the asset revaluation reserve.

Expenses are disclosed in these financial statements by nature.

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.

The water filtration agreements that previously existed in respect of the Prospect, Woronora and Illawarra plants were renegotiated during the previous reporting period. The water filtration agreement that previously existed in respect of the Macarthur plant was renegotiated during the 2010-11 reporting period. The previous agreements were service agreements and all charges incurred were recognised as an expense within profit or loss.

The renegotiated agreements now have within them a number of different conditions and tariff components. 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

* For a nominal value of $1.

The capital components of the tariffs that are specifically related to the acquisition of the plants over the terms of the new agreements meet the criteria of a finance lease and accordingly finance lease assets and finance lease liabilities have been recognised in the statement of financial position (refer notes 4 and 10(c)). The service element components of the tariff are recognised as an expense within profit or loss.

Disclosure of the Corporation's finance lease commitments in respect of these agreements is shown in note 16(c).

Operating lease expenses
Payments made under operating leases are representative of the pattern of benefits derived from the leased assets and accordingly they are recognised as an expense in profit or loss in the periods in which they are incurred. In most cases, recognition as an expense occurs on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense in profit or loss.

Depreciation and amortisation
Refer to note 4(g) for details on depreciation of property, plant and equipment and note 5(d) for details on amortisation of intangible assets.

Note 3. Taxation

	Note	2017 $'000	2016 $'000
(a) Income tax expense recognised in profit or loss			
Current tax expense			
Current year		153,786	202,623
Adjustments for prior years		(186)	610
		153,600	203,233
Deferred tax expense			
Origination and reversal of temporary differences		35,050	33,340
Adjustments for prior years		(473)	(1,588)
		34,577	31,752
Total income tax expense in profit or loss		**188,177**	**234,985**
Reconciliation between income tax expense and profit before income tax			
Profit before income tax		635,499	782,999
Tax at the Australian tax rate of 30% (2016: 30%)		190,650	234,900
Increase in tax expense due to:			
Non-deductible expenses		-	1,383
Decrease in tax expense due to:			
Research and development concession		(424)	(320)
Non-assessable items		(1,390)	-
		188,836	235,963
Under (Over)-provided in prior year		(659)	(978)
Income tax expense		**188,177**	**234,985**
(b) Income tax on other comprehensive income			
Deferred tax relating to:			
Revaluation of property, plant and equipment	15(b)	(24,953)	266,419
Remeasurement of defined benefit superannuation liability		93,071	(112,365)
Total income tax on other comprehensive income		**68,118**	**154,054**

(c) Deferred tax assets and liabilities

Recognised in Statement of financial position:

	Assets 2017 $'000	Assets 2016 $'000	Liabilities 2017 $'000	Liabilities 2016 $'000	Net 2017 $'000	Net 2016 $'000
Property, plant and equipment and intangibles	-	-	1,395,454	1,382,698	1,395,454	1,382,698
Accrued interest revenue	-	-	16	496	16	496
Consumable stores	-	-	706	557	706	557
Prepaid expenses	-	-	-	75	-	75
Employee benefits	(352,179)	(442,850)	-	-	(352,179)	(442,850)
Provisions not currently deductible	(22,048)	(21,932)	-	-	(22,048)	(21,932)
Anticipated receipts and accrued expenses	(1,599)	(1,640)	-	-	(1,599)	(1,640)
Capital grants from NSW Government	(3,000)	(3,000)	-	-	(3,000)	(3,000)
Other financial instruments	(19,032)	(19,032)	-	-	(19,032)	(19,032)
Greenhouse trading certificates	(1,351)	(1,100)	-	-	(1,351)	(1,100)
Tax (assets) liabilities	**(399,209)**	**(489,554)**	**1,396,176**	**1,383,826**	**996,967**	**894,272**
Set-off of tax	399,209	489,554	(399,209)	(489,554)	-	-
Net tax (assets) / liabilities	**-**	**-**	**996,967**	**894,272**	**996,967**	**894,272**

There were no unrecognised deferred tax assets and liabilities for the Corporation at the reporting date.

Movements in temporary differences:

	Balance 1 July 2016 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Balance 30 June 2017 $'000	Balance 1 July 2015 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Balance 30 June 2016 $'000
Property, plant and equipment and intangibles	1,382,698	37,709	(24,953)	1,395,454	1,073,774	42,505	266,419	1,382,698
Accrued interest revenue	496	(480)	-	16	399	97	-	496
Consumable stores	557	149	-	706	320	237	-	557
Prepaid expenses	75	(75)	-	-	-	75	-	75
Employee benefits	(442,850)	(2,400)	93,071	(352,179)	(318,161)	(12,324)	(112,365)	(442,850)
Provisions not currently deductible	(21,932)	(116)	-	(22,048)	(19,881)	(2,051)	-	(21,932)
Anticipated receipts and accrued expenses	(1,640)	41	-	(1,599)	(5,144)	3,504	-	(1,640)
Capital grants from NSW Government	(3,000)	-	-	(3,000)	(3,000)	-	-	(3,000)
Other financial instruments	(19,032)	-	-	(19,032)	(19,032)	-	-	(19,032)
Greenhouse trading certificates	(1,100)	(251)	-	(1,351)	(809)	(291)	-	(1,100)
Net tax (assets) / liabilities	**894,272**	**34,577**	**68,118**	**996,967**	**708,466**	**31,752**	**154,054**	**894,272**

Recognition and Measurement

Income tax
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. Taxation liability is assessed according to the National Tax Equivalent Regime (NTER). The NTER closely mirrors the Commonwealth *Income Tax Assessment Acts* of 1936 and 1997 (as amended) and is administered by the Australian Taxation Office (ATO).

Income tax expense comprises both current and deferred tax. 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.

Current tax asset and liability
Current tax is the expected tax payable or receivable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

At the reporting date, the Corporation had a current tax asset receivable of $16.508 million (2016: $0.397 million) and a nil current tax liability (2016: $38.922 million) in respect of the current reporting period. These balances represent the remaining balance of income taxes payable (or, if a current tax asset, receivable) at the reporting date in respect of the current period, after allowing for payments already made during the reporting periods on a pay-as-you-go basis.

The income tax payable in respect of the operating result for the reporting period was $153.786 million (2016: $202.623 million).

Deferred taxes
The Corporation applies the 'balance sheet method' of tax-effect accounting to determine income tax expense and current and deferred tax assets and liabilities.

Deferred tax represents future assessable or deductible amounts that arise due to temporary differences existing at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (their tax bases). Deferred tax balances are not recognised for temporary differences that arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting profit nor taxable profit.

Deferred tax assets and liabilities provided are based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities to which they relate. They are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax laws enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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.

Goods and services tax
Revenue, expenses and assets are recognised excluding any amount of Goods and Services Tax (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 as a current asset or liability in the statement of financial position. Cash flows of 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.

Commitments are disclosed inclusive of GST where applicable. (Refer note 16).

Note 4. Property, plant and equipment

Movements and carrying amounts

Year ended 30 June 2017	Market land and buildings	Leasehold property	System assets - Infrastructure including system land (owned)	System assets - Infrastructure (under finance lease)	Plant and equipment	Computer equipment	Work in progress	Total (Fair value hierarchy – Level 3)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2016 – net carrying amount	170,858	12,794	15,759,680	292,246	58,435	10,850	828,618	17,133,481
Additions to work in progress	-	-	-	-	-	-	602,500	602,500
Additions transferred from work in progress	1,487	453	558,188	21	4,905	10,339	(575,393)	-
Additions – other and adjustments	-	-	148,238	-	-	-	-	148,238
Disposals	-	-	(18,885)	-	(436)	(7)	-	(19,328)
Reclassified as assets held for sale	(13,349)	-	-	-	-	-	-	(13,349)
Other reclassifications	(3,202)	137	3,040	-	25	-	-	-
Revaluation increases (+) or decreases (-) recognised in the asset revaluation reserve	(15,534)	6,893	(74,727)	-	-	-	-	(83,368)
Impairment losses (-) recognised in the asset revaluation reserve	-	-	-	-	-	-	-	-
Impairment losses reversed (+) and recognised in the asset revaluation reserve	-	-	-	194	-	-	-	194
Impairment losses or revaluation decrements (-) recognised in profit or loss in the line item 'Other expenses'	-	-	-	-	-	-	(617)	(617)
Impairment losses reversed or revaluation increments (+) recognised in profit or loss in the line item 'Other expenses'	868	4,233	-	-	-	-	-	5,101
Depreciation charge	(150)	(293)	(194,521)	(8,363)	(12,189)	(9,232)	-	(224,748)
At 30 June 2017 – net carrying amount	**140,978**	**24,217**	**16,181,013**	**284,098**	**50,740**	**11,950**	**855,108**	**17,548,104**

	Market land and buildings	Leasehold property	System assets - Infrastructure including system land (owned)	System assets - Infrastructure (under finance lease)	Plant and equipment	Computer equipment	Work in progress	Total (Fair value hierarchy – Level 3)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2016								
Fair value – Level 3 (and valuation technique):								
Cost	-	-	-	-	159,344	51,550	828,618	1,039,512
Market valuation - 2016	176,845	12,970	-	-	-	-	-	189,815
Fair value – income approach	-	-	15,759,680	292,246	-	-	-	16,051,926
	176,845	12,970	15,759,680	292,246	159,344	51,550	828,618	17,281,253
Accumulated depreciation or amortisation	(36)	(43)	-	-	(100,909)	(40,700)	-	(141,688)
Accumulated impairment	(5,951)	(133)	-	-	-	-	-	(6,084)
	(5,987)	(176)	-	-	(100,909)	(40,700)	-	(147,772)
Net carrying amount	**170,858**	**12,794**	**15,759,680**	**292,246**	**58,435**	**10,850**	**828,618**	**17,133,481**
At 30 June 2017								
Fair value – Level 3 (and valuation technique):								
Cost	-	-	-	-	162,146	51,911	855,108	1,069,165
Market valuation - 2017	145,445	24,560						170,005
Fair value – income approach	-	-	16,181,013	284,098	-	-	-	16,465,111
	145,445	24,560	16,181,013	284,098	162,146	51,911	855,108	17,704,281
Accumulated depreciation or amortisation	(67)	(163)	-	-	(111,406)	(39,961)	-	(151,597)
Accumulated impairment	(4,400)	(180)	-	-	-	-	-	(4,580)
	(4,467)	(343)	-	-	(111,406)	(39,961)	-	(156,177)
Net carrying amount	**140,978**	**24,217**	**16,181,013**	**284,098**	**50,740**	**11,950**	**855,108**	**17,548,104**
Revalued assets based on cost model:								
Cost	53,338	19,980	18,494,286	596,081				
Accumulated depreciation or amortisation	(7,398)	(4,762)	(4,437,833)	(273,734)				
Accumulated impairment	(11,180)	-	-	-				
	(18,578)	(4,762)	(4,437,833)	(273,734)				
Net carrying amount 30 June 2017	**34,760**	**15,218**	**14,056,453**	**322,347**				

Year ended 30 June 2016	Market land and buildings $'000	Leasehold property $'000	System assets - Infrastructure including system land (owned) $'000	System assets - Infrastructure (under finance lease) $'000	Plant and equipment $'000	Computer equipment $'000	Work in progress $'000	Total (Fair value hierarchy – Level 3) $'000
At 1 July 2015 – net carrying amount	203,531	12,850	14,499,436	43,150	66,996	9,712	635,709	15,471,384
Additions to work in progress	-	-	-	-	-	-	677,633	677,633
Additions transferred from work in progress	3,170	1,046	457,508	3,338	5,111	7,245	(477,418)	-
Additions – other and adjustments	-	-	138,863	246,943	(156)	-	-	385,650
Disposals	(84)	-	(16,486)	-	(1,019)	(7)	-	(17,596)
Reclassified as assets held for sale	(59,345)	-	-	-	-	-	-	(59,345)
Other reclassifications	6,165	-	(6,176)	-	11	-	(4,972)	(4,972)
Revaluation increases (+) or decreases (-) recognised in the asset revaluation reserve	18,389	-	-	-	-	-	-	18,389
Impairment losses (-) recognised in the asset revaluation reserve	-	-	-	-	-	-	-	-
Impairment losses reversed (+) and recognised in the asset revaluation reserve	2,161	-	865,054	2,459	-	-	-	869,674
Impairment losses or revaluation decrements (-) recognised in profit or loss in the line item 'Other expenses'	(3,908)	(885)	-	-	-	-	(2,334)	(7,127)
Impairment losses reversed or revaluation increments (+) recognised in profit or loss in the line item 'Other expenses'	1,108	-	-	-	-	-	-	1,108
Depreciation charge	(329)	(217)	(178,519)	(3,644)	(12,508)	(6,100)	-	(201,317)
At 30 June 2016 – net carrying amount	**170,858**	**12,794**	**15,759,680**	**292,246**	**58,435**	**10,850**	**828,618**	**17,133,481**

	Market land and buildings	Leasehold property	System assets - Infrastructure including system land (owned)	System assets - Infrastructure (under finance lease)	Plant and equipment	Computer equipment	Work in progress	Total (Fair value hierarchy – Level 3)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2015								
Fair value – Level 3 (and valuation technique):								
Cost	-	-	-	-	157,226	55,308	635,709	848,243
Market valuation - 2015	208,733	12,980	-	-	-	-	-	221,713
Fair value – income approach	-	-	14,499,436	43,150	-	-	-	14,542,586
	208,733	12,980	14,499,436	43,150	157,226	55,308	635,709	15,612,542
Accumulated depreciation or amortisation	-	-	-	-	(90,230)	(45,596)	-	(135,826)
Accumulated impairment	(5,202)	(130)	-	-	-	-	-	(5,332)
	(5,202)	(130)	-	-	(90,230)	(45,596)	-	(141,158)
Net carrying amount	**203,531**	**12,850**	**14,499,436**	**43,150**	**66,996**	**9,712**	**635,709**	**15,471,384**
At 30 June 2016								
Fair value – Level 3 (and valuation technique):								
Cost	-	-	-	-	159,344	51,550	828,618	1,039,512
Market valuation - 2016	176,845	12,970	-	-	-	-	-	189,815
Fair value – income approach	-	-	15,759,680	292,246	-	-	-	16,051,926
	176,845	12,970	15,759,680	292,246	159,344	51,550	828,618	17,281,253
Accumulated depreciation or amortisation	(36)	(43)	-	-	(100,909)	(40,700)	-	(141,688)
Accumulated impairment	(5,951)	(133)	-	-	-	-	-	(6,084)
	(5,987)	(176)	-	-	(100,909)	(40,700)	-	(147,772)
Net carrying amount	**170,858**	**12,794**	**15,759,680**	**292,246**	**58,435**	**10,850**	**828,618**	**17,133,481**
Revalued assets based on cost model:								
Cost	55,221	19,387	17,752,484	432,282				
Accumulated depreciation or amortisation	(7,220)	(4,516)	(4,220,638)	(89,431)				
Accumulated impairment	(12,048)	(4,233)	-	-				
	(19,268)	(8,749)	(4,220,638)	(89,431)				
Net carrying amount 30 June 2016	**35,953**	**10,638**	**13,531,846**	**342,851**				

Recognition, measurement and valuation

(a) Asset classes

The Corporation has the following asset classes comprising 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 asset categories that work together to form an entire network (‘system assets’), 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 note 11(c)).

Where system assets are handed over by developers free of charge, they are initially recognised at fair value using the cost approach (see below under (d) Fair value measurement) 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.' This is sometimes referred to as an 'exit price'.

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 (ie 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 assets, the inputs used to determine fair value are unobservable, and so are considered to be level 3 valuations. This also applies to intangible assets in note 5.

(e) Fair value measurement of asset classes

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

System assets – income approach
Market land and buildings – market approach
Leasehold property – market approach
Plant and equipment – cost approach
Computer equipment – cost approach

System assets
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 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 inputs and assumptions used to estimate the future net cash flows. (Refer (f) below).

The Corporation aligns its approach to determining the future cash flows with the pricing methodology applied by its regulator, the Independent Pricing and Regulatory Tribunal (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. This is considered to be more relevant to a market participant than the estimated depreciated current replacement cost of these assets.

As IPART's methodology assesses the total fair value of all the Corporation's regulated assets, the asset values of non-regulated assets are added in order to determine the total fair value of all assets. The fair value of system assets is then derived by deducting the fair value of other classes of assets (that are shown separately) from the total fair value of all assets.

Market land and buildings, and leasehold property
The market approach is used to value these assets. Fair value is measured based on valuations of the open market value of the property by independent valuers.

Inputs to the valuations are sale prices of similar properties in the same or comparable localities, rental income and applicable lease term. Where land is environmentally contaminated and reliable estimates of remediation costs have been determined, this is incorporated in the market valuation. 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 market valuations are obtained every three years, unless market conditions necessitate an earlier valuation. 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
Fair value of plant and equipment, computer equipment and work in progress is based on the cost approach. Depreciated historical cost is considered to be an acceptable surrogate for a market-based fair value for plant and equipment and computer equipment. Cost is considered to be 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 (see 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 3 years from the 30 June 2017 balance date (2016: 4 years).
- For future years, the methodology applied by IPART was used together with a long-term earning rate applicable to public trading enterprises as recommended by NSW Treasury. The long-term rate used at the 30 June 2017 balance was unchanged from the rate used by IPART in their last Determination of 4.9% real post tax (2016: a long term rate of 5.3% was applied). The IPART methodology 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.

Estimates of future cash flows were calculated for a total period of 10 years together with an estimate of 'terminal value' using the Gordon Growth model. Benefits accruing from franking credits that could accompany future dividends paid by the Corporation to a hypothetical investor (in the private sector) were excluded from future cash flows and in determining the discount rate.

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

Input	Impact on fair value measurement	30 June 2017	30 June 2016
Discount rate	The asset value would increase with a reduction in the discount rate.	Post-tax WACC of 6.1% pa 'nominal'. The rate was determined after a market assessment of rate parameters.	Post-tax WACC of 6.5% pa 'nominal'. The rate was determined after a market assessment of rate parameters.
CPI rate	The asset value would increase/decrease with CPI.	RAB was escalated from the previous reporting date by the CPI rate of 2.5% prior to determining the annual revenue requirement for years after the current Price Path (from 1 July 2020). Modelling was undertaken in a 'nominal' framework.	RAB was escalated from the previous reporting date by the CPI rate of 2.5% prior to determining the annual revenue requirement for years after the current Price Path (from 1 July 2020). Modelling was undertaken in a 'nominal' framework.
Period of discounting	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.	10 years (with an estimate of 'terminal value').	10 years (with an estimate of 'terminal value').

Input	Impact on fair value measurement	30 June 2017	30 June 2016
Cash inflows:			
Service and usage revenue	The asset value would be higher if future revenues were considered to be higher.	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, - the RAB determined by IPART from the June 2016 Pricing Determination and rolled forward thereafter, and - capital spending over the future forecast / discount period.	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, - the RAB determined by IPART from the June 2016 Pricing Determination and rolled forward thereafter, and - capital spending over the future forecast / discount period.
Other non-regulated revenue	The asset value would be higher if non-regulated revenue (including developer charges on unregulated recycled water assets) was higher.	Cash flows from non-regulated recycled water assets are added to future regulated income streams. Investment/interest income is excluded.	Cash flows from non-regulated recycled water assets are added to future regulated income streams. Investment/interest income is excluded.
Cash outflows:			
Operating expenditure	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.	Operating expenditure from budgets in the Corporation's Statement of Corporate Intent, excluding non-cash items such as depreciation and impairment expenses.	Operating expenditure from budgets in the Corporation's Statement of Corporate Intent, excluding non-cash items such as depreciation and impairment expenses.
Capital expenditure	Asset value would be higher if capital expenditure was higher.	Capital expenditure over the 10 year forecast / discount period.	Capital expenditure over the 10 year forecast / discount period.

Sensitivity analysis

	Rate Applied %	If higher +0.2%	If lower -0.2%
(i) Discount rate			
Nominal post-tax rate	6.1%	6.3%	5.9%
Calculated fair value of property, plant and equipment ($000)	17,548,104	16,686,104	18,512,104
Resulting change ($'000)		(862,000)	964,000

	Rate Applied %	If higher +1.0%	If lower -1.0%
(ii) Estimated future service and usage revenue			
Statement of Corporate Intent 2017-18	100%	101%	99%
Calculated fair value of property, plant and equipment ($000)	17,548,104	18,055,104	17,041,104
Resulting change ($'000)		507,000	(507,000)

(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:

Depreciable asset classes and categories of property, plant and equipment	Number of Years
System asset network categories:	
Dams (non-catchment)	200
Stormwater wetlands infrastructure	200
Canals and tunnels	100
Major pipelines (above ground)	140
Weirs	100
Submarine outfalls	100
Water mains	55 to 150
Wastewater mains	
- Gravity mains – pipe conduit only	55 to 130
- Pressure mains	55 to 130
Stormwater drains and basins	80 to 150
System buildings	20 to 50
Water, sewage and stormwater pumping stations:	
- Civil component	50 to 100
- Electrical component	25 to 30
- Mechanical component	25 to 40
- Electronic component	15
Water and sewage treatment plants and water filtration plants under a finance lease:	
- Civil component	50 to 100
- Electrical component	25 to 30
- Mechanical component	25 to 40
- Electronic component	15
Reservoirs:	
- Civil component	20 to 150
- Electrical component	30
- Mechanical component	40
- Electronic component	15
Integrated control systems	3 to 10
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. Classification as held for sale occurs only when:

- the Corporation is committed to a plan to sell the asset;
- an active program to locate a buyer and complete the plan has been initiated;
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to occur within one year from the date of classification.

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.

At the reporting date, there were 9 properties (2016:18 properties) classified as assets held for sale totalling $24.315 million (2016: $35.088 million). 2 properties are former maintenance depots, 3 properties are surplus pieces of land around reservoirs, 3 properties were previously used, or partly used, to locate treatment facilities, whilst 1 property is vacant land adjoining drainage assets. These properties are now considered to be surplus to the needs of the Corporation. Cumulative valuation increments recognised as other comprehensive income (over the current and past reporting periods) totalled $21.846 million (2016: $33.401 million) for these properties.

(i) Leased assets

Finance Leases
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.

Operating Leases
Leases of property, plant and equipment where the Corporation as a lessor does not retain substantially all the risks and rewards of ownership are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on a straight-line basis.

(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 the value in use of the assets. 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

Year ended 30 June 2017	Computer software – internally developed $'000	Computer software – acquired from external parties $'000	Total computer software $'000	Easements and other rights of access $'000	Acquisitions in progress $'000	Total (Fair value hierarchy – Level 3) $'000
At 1 July 2016 – net carrying amount	33,187	56,568	89,755	9,790	59,602	159,147
Additions to acquisitions in progress	-	-	-	-	57,079	57,079
Additions transferred from acquisitions in progress	14,338	2,729	17,067	802	(17,869)	-
Additions - other	-	-	-	-	-	-
Disposals	-	(231)	(231)	-	-	(231)
Reclassifications	-	-	-	-	-	-
Impairment losses or revaluation decrements (-) recognised in profit or loss in the line item 'Other expenses'	-	-	-	(6)	-	(6)
Impairment losses reversed or revaluation increments (+) recognised in profit or loss in the line item 'Other expenses'	-	-	-	-	-	-
Amortisation charge	(15,717)	(28,820)	(44,537)	-	-	(44,537)
At 30 June 2017 – net carrying amount	**31,808**	**30,246**	**62,054**	**10,586**	**98,812**	**171,452**

	Computer software – internally developed	Computer software – acquired from external parties	Total computer software	Easements and other rights of access	Acquisitions in progress	Total (Fair value hierarchy – Level 3)
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2016						
Fair value – Level 3 (and valuation technique):						
Cost	123,594	341,990	465,584	-	59,602	525,186
Fair value – income approach	-	-	-	9,790	-	9,790
	123,594	341,990	465,584	9,790	59,602	534,976
Accumulated amortisation	(90,407)	(285,422)	(375,829)	-	-	(375,829)
Accumulated impairment	-	-	-	-	-	-
	(90,407)	(285,422)	(375,829)	-	-	(375,829)
Net carrying amount	**33,187**	**56,568**	**89,755**	**9,790**	**59,602**	**159,147**
At 30 June 2017						
Fair value – Level 3 (and valuation technique):						
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)
Accumulated impairment	-	-	-	-	-	-
	(102,485)	(312,994)	(415,479)	-	-	(415,479)
Net carrying amount	**31,808**	**30,246**	**62,054**	**10,586**	**98,812**	**171,452**
Revalued assets based on cost model:						
Cost				27,781		
Accumulated amortisation				-		
Accumulated impairment				(17,195)		
				(17,195)		
Net carrying amount				**10,586**		

Year ended 30 June 2016	Computer software – internally developed $'000	Computer software – acquired from external parties $'000	Total computer software $'000	Easements and other rights of access $'000	Acquisitions in progress $'000	Total (Fair value hierarchy – Level 3) $'000
At 1 July 2015 – net carrying amount	28,131	83,951	112,082	9,337	38,213	159,632
Additions to acquisitions in progress	-	-	-	-	46,330	46,330
Additions transferred from acquisitions in progress	24,532	3,154	27,686	(70)	(27,616)	-
Additions - other	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	4,972	4,972
Impairment losses or revaluation decrements (-) recognised in profit or loss in the line item 'Other expenses'	-	-	-	-	(2,297)	(2,297)
Impairment losses reversed or revaluation increments (+) recognised in profit or loss in the line item 'Other expenses'	-	-	-	523	-	523
Amortisation charge	(19,476)	(30,537)	(50,013)	-	-	(50,013)
At 30 June 2016 – net carrying amount	**33,187**	**56,568**	**89,755**	**9,790**	**59,602**	**159,147**

	Computer software – internally developed $'000	Computer software – acquired from external parties $'000	Total computer software $'000	Easements and other rights of access $'000	Acquisitions in progress $'000	Total (Fair value hierarchy – Level 3) $'000
At 1 July 2015						
Fair value – Level 3 (and valuation technique):						
Cost	104,942	347,025	451,967	-	38,213	490,180
Fair value – income approach	-	-	-	9,337	-	9,337
	104,942	347,025	451,967	9,337	38,213	499,517
Accumulated amortisation	(76,811)	(263,074)	(339,885)	-	-	(339,885)
Accumulated impairment	-	-	-	-	-	-
	(76,811)	(263,074)	(339,885)	-	-	(339,885)
Net carrying amount	**28,131**	**83,951**	**112,082**	**9,337**	**38,213**	**159,632**
At 30 June 2016						
Fair value – Level 3 (and valuation technique):						
Cost	123,594	341,990	465,584	-	59,602	525,186
Fair value – income approach	-	-	-	9,790	-	9,790
	123,594	341,990	465,584	9,790	59,602	534,976
Accumulated amortisation	(90,407)	(285,422)	(375,829)	-	-	(375,829)
Accumulated impairment	-	-	-	-	-	-
	(90,407)	(285,422)	(375,829)	-	-	(375,829)
Net carrying amount	**33,187**	**56,568**	**89,755**	**9,790**	**59,602**	**159,147**
Revalued assets based on cost model:						
Cost				27,452		
Accumulated amortisation				-		
Accumulated impairment				(17,662)		
				(17,662)		
Net carrying amount				**9,790**		

Recognition, measurement and valuation

(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 acquisitions 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 class of intangible assets is as follows:

Computer software – cost approach
Easements and other rights of access – income approach

Fair values determined under these approaches are assessed to be Level 3. (Refer note 4(d)).

Computer application software
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 to be an acceptable surrogate for depreciated replacement cost under the cost approach.

Easements and other rights of access
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 notes 4(e) and 4(f)). Easements and other rights of access are included in the calculation of fair value of system assets. Any valuation adjustment that is applied to system assets is also applied to easements and other rights of access. Such adjustments are recognised in profit or loss.

(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.

Acquisitions in progress of 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

Cash at the end of the reporting period is recorded as $3.401 million (2016: $5.319 million) in the statement of financial position and statement of cash flows. The Corporation does not currently hold any cash equivalents (2016: $Nil).

Recognition and measurement

Cash and cash equivalents in the statement of financial position comprise positive cash balances 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.

During the reporting period, the cash book balance can fluctuate from a positive balance to a negative (overdraft) balance. When the cash book balance is negative at the reporting date, it is shown as a bank overdraft under borrowings in the statement of financial position. (Refer note 10). Cash balances earn interest at bank rates.

Short-term deposits maturing three months or less are considered cash equivalents. These usually consist of interest-bearing deposits held by the Corporation. There were no interest-bearing deposits or other cash equivalents at the current or previous reporting dates.

(b) Notes to the statement of cash flows

Reconciliation of profit to net cash from operating activities

	Note	2017 $'000	2016 $'000
Profit for the period		**447,322**	**548,014**
Adjustments for:			
Profit or loss items classified as either investing or financing:			
Net loss (gain) on disposal of property, plant and equipment (including assets held for sale		18,283	8,625
Net loss (gain) on disposal of intangible assets	2(b)	231	-
Developer contributions		(156,794)	(152,417)
Depreciation and amortisation	2(b)	269,285	251,330
Interest expense capitalised to work in progress	2(a)	(57,919)	(43,411)
Interest expense on developer agreements		158	192
Amortisation of deferred discounts (premiums) on loans	2(a)	74,798	(5,241)
Indexation of CPI bonds	2(a)	31,436	24,597
Impairment loss recognised (reversed) for property, plant and equipment	2(b), 4	(4,484)	6,019
Impairment loss recognised (reversed) for intangible assets	2(b), 5	6	1,774
Net movement in statement of financial position items applicable to operating activities:			
Other current assets		(1,164)	(1,490)
Trade and other receivables		2,614	(16,245)
Trade and other payables		(4,344)	(34,180)
Provisions		13,154	46,874
Income tax assets and liabilities		(20,457)	(2,993)
Net cash from operating activities		**612,125**	**631,448**

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 $148.238 million (2016: $138.863 million).

There were no new finance leases during the current reporting period. During the previous reporting period, finance lease assets and liabilities totalling $262.862 million were recognised from the renegotiated agreements for the Prospect, Woronora and Illawarra water filtration plants. (Refer note 2(c)).

Standby credit arrangements
Details of financial accommodation facilities for the Corporation are disclosed in note 10(b).

Cash balance not recognised
Under the terms of an agreement between Parramatta City 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 $3.746 million (2016: $3.700 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 Parramatta City 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 Parramatta City Council provides to the Corporation certification of public domain works procured by the 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 31 December 2018 will return to the Corporation's normal cash management activities and restrictions over the use of this cash will cease.

Note 7. Trade and other receivables

(a) Balances at the reporting date

	2017 $'000	2016 $'000
Trade receivables		
Outstanding service availability and usage charges billed	88,544	87,714
Accrued unbilled usage charges on unread meters:		
Water usage	149,510	154,583
Sewer usage	5,732	12,638
Other usage	5,775	5,458
	161,017	172,679
Other trade debtors billed	5,622	5,395
Allowance for impairment	(185)	(32)
	5,437	5,363
Total trade receivables	**254,998**	**265,756**
Other receivables		
Other debtors and accrued revenue	37,744	30,638
Prepayments	14,475	11,157
Total other receivables	**52,219**	**41,795**
Total current trade and other receivables	**307,217**	**307,551**

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. They are recognised initially and subsequently carried at original invoice amount less any impairment losses for amounts considered to be either doubtful or uncollectible. The recoverability of trade receivables is regularly reviewed. Known bad debts are written off against the allowance when identified. Receivables that are due greater than 12 months are discounted to amortised cost using the Government bond rate.

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. These charges are billed to customers with actual consumption once meters are read. The Corporation estimates the accrual based on consumption data and other inputs.

Outstanding debts for service availability and usage charges are required to be settled within 21 days. Other debts are generally required to be settled between 14 and 60 days. Accrued investment income is receivable within a maximum of six months. 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 2017 $'000	Allowance for Impairment 2017 $'000	Net amount 2017 $'000	Gross Amount 2016 $'000	Allowance for Impairment 2016 $'000	Net amount 2016 $'000
Outstanding service and usage charges billed						
Not past due	3,229	-	3,229	1,167	-	1,167
Past due 22 - 30 days	11,755	-	11,755	14,564	-	14,564
Past due 31 - 60 days	15,508	-	15,508	17,414	-	17,414
Past due 61 - 90 days	8,331	-	8,331	9,711	-	9,711
Past due 91 - 180 days	33,750	-	33,750	30,656	-	30,656
Past due 181 - 365 days	8,469	-	8,469	7,156	-	7,156
Past due > 365 days	7,502	-	7,502	7,046	-	7,046
	88,544	**-**	**88,544**	**87,714**	**-**	**87,714**
Other trade debtors billed						
Not past due	4,862	-	4,862	4,857	-	4,857
Past due 15 - 30 days	66	-	66	67	-	67
Past due 31 - 60 days	157	-	157	57	(3)	54
Past due 61 - 90 days	51	-	51	41	(3)	38
Past due 91 - 180 days	117	(1)	116	235	(8)	227
Past due 181 - 365 days	176	(149)	27	100	(16)	84
Past due > 365 days	193	(35)	158	38	(2)	36
	5,622	**(185)**	**5,437**	**5,395**	**(32)**	**5,363**

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 allowance for impairment

	Outstanding Service and Usage charges		Other trade debtors		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Carrying amount at beginning of period	-	(1,246)	(32)	(2)	(32)	(1,248)
Charge for impairment reversal (expense)	-	849	(177)	(31)	(177)	818
Amounts written off	-	397	24	1	24	398
Carrying amount at end of period	**-**	**-**	**(185)**	**(32)**	**(185)**	**(32)**

Note 8. Other current assets

	2017 $'000	2016 $'000
Stock, stores and materials - at cost	2,355	1,858
Greenhouse trading certificates - at market value	4,502	3,668
Total other current assets	**6,857**	**5,526**

Recognition and measurement

Stock, stores and materials at cost
Inventories include a variety of items on hand including stock, stores and materials of a critical nature for operational and maintenance purposes.

These items have been arrived at by actual count, weight or measurement and are valued at the lower of cost and net realisable value using the 'first-in first-out' 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 Ministerial Holding Corporation and its value is not considered to be material.

Greenhouse trading certificates
Greenhouse trading certificates held at the reporting date by the Corporation include Large-scale Generation Certificates (LGCs), Energy Savings Certificates (ESCs) and Small-scale Technology Certificates (STCs).

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 in order 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 as part of other income.

Greenhouse trading certificates that are generated by the Corporation for a nominal registration fee and which are not held for trading purposes are recognised at the cost of registration. When greenhouse trading certificates are surrendered, their carrying value is recognised as an expense in profit or loss at that time.

Note 9. Trade and other payables

	2017 $'000	2016 $'000
Current		
Trade payables	45,224	56,576
Non-trade payables	60,322	62,038
Income in advance	5,205	5,268
Accrued expenses	429,484	405,057
Total trade and other payables	**540,235**	**528,939**

Recognition and measurement

Trade and other payables mainly represents unpaid liabilities, both invoiced and accrued, for goods and services provided to the Corporation prior to the end of the reporting period. It also includes security deposits received and overpaid receipts that are repayable, as well as other liabilities such as statutory taxes payable and income received in advance that has not as yet been earned.

Recognition of trade and other payables in relation to goods or services purchased by the Corporation occurs when the goods or services have been received and an obligation to make future payments arises. Income received in advance is recognised initially as a current liability and subsequently recognised as revenue in profit or loss in the period in which it has been earned.

Trade and other payables are recognised at cost, which is considered to approximate amortised cost due to their short-term nature. They are not discounted, as the effect of discounting would not be material for these liabilities.

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.

Details in relation to liquidity risk and market risk generally are disclosed in note 18, including a maturity analysis of these payables and all other financial assets and financial liabilities.

Debt Management

Note 10. Borrowings and other financial liabilities

	2017 $'000	2016 $'000
Current		
Current portion of long-term borrowings	25	184
Other financial liabilities		
Current portion of obligation under Blue Mountains Sewage Transfer scheme	2,450	2,303
Current portion of finance lease liabilities	11,909	10,618
Total current borrowings and other financial liabilities	**14,384**	**13,105**
Non-current		
Long-term borrowings - NSW Treasury Corporation	7,235,824	6,778,921
Other financial liabilities:		
Long-term obligation under Blue Mountains Sewage Transfer Scheme	49,093	51,543
Long-term obligation under finance lease liabilities	359,355	371,264
Total non-current borrowings and other financial liabilities	**7,644,272**	**7,201,728**

(a) Recognition and measurement

Borrowings
Interest-bearing borrowings obtained by the Corporation from the 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 the Consumer Price Index (CPI) in Australia.

Amortised cost is calculated by taking into account 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.

Gains or losses are recognised in profit or loss when liabilities are derecognised, such as through a debt restructuring or early repayment of debt, as well as through the amortisation process.

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.

Other financial liabilities
Other financial liabilities comprise liabilities for the Corporation's obligations under the Blue Mountains Sewage Transfer Scheme agreement and finance lease liabilities. These are described below under (c).

(b) Financial accommodation

The Corporation obtains financial accommodation from the following facilities:

- a bank overdraft facility with its corporate banker;
- a purchase credit card facility with its corporate banker;
- a guarantee facility with either its corporate banker or NSW Treasury Corporation;
- a 'Come and Go' short-term borrowing facility with NSW Treasury Corporation; and
- long-term borrowing facilities with NSW Treasury Corporation.

These financing facilities are approved by the NSW Treasurer under the *Public Authorities (Financial Arrangements) Act 1987*. The NSW Treasurer's approval of the facilities relating to the Corporation is in place until amended or revoked.

Details in relation to each of these facilities at the reporting date are provided below.

Financial accommodation	Utilised 2017 $'000	Not Utilised 2017 $'000	Total Facility 2017 $'000	Utilised 2016 $'000	Not Utilised 2016 $'000	Total Facility 2016 $'000
Bank overdraft facility	-	15,000	15,000	-	10,000	10,000
Purchase credit card facility	87	2,413	2,500	139	2,361	2,500
Guarantee facility	22,320	7,680	30,000	21,883	8,117	30,000
Come and Go facility	-	100,000	100,000	-	100,000	100,000
Long-term borrowings facility	7,235,849	266,151	7,502,000	6,779,105	464,895	7,244,000
	7,258,256	**391,244**	**7,649,500**	**6,801,127**	**585,373**	**7,386,500**

Bank overdraft facility
The Corporation has a bank overdraft facility with its corporate banker. The bank overdraft facility is used as and when required as part of the Corporation's daily cash management functions. 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 the NSW Treasurer's approval for a purchase credit card facility limit of up to $5.0 million (2016: $5.0 million). The facility in place with the Corporation's banker is $2.5 million (2016: $2.5 million). 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 of up to $30.0 million (2016: $30.0 million) 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 (formerly the WorkCover Authority) 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 the NSW Treasury Corporation. The 'Come and Go' facility is used extensively as part of the Corporation's daily cash management function during the reporting period.

Long-term borrowing facilities
The Corporation has the NSW Treasurer's approval to obtain long-term borrowing facilities from the central borrowing authority, the 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 existing loans are arranged via the NSW Treasury Corporation.

Long-term borrowings consist mostly of NSW Treasury Corporation loans. They also consist of a small number of remaining loans that the Corporation obtained from other entities prior to the existence of NSW Treasury Corporation and which are still yet to mature. They are referred to as Other advances.

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. Additionally, the NSW Treasury Corporation provides CPI indexed bonds and resettable loans to the Corporation.

CPI indexed bonds are either restated by an indexation adjustment based on the Australian 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.

Short-term debt facilities have a term to maturity of between one and six months, while fixed rate loans currently have maturities up to 24 years (2016: 25 years) for the Corporation. CPI indexed bonds have a maximum term to maturity of 18 years to 2035 (2016: 19 years to 2035).

None of these categories are secured against the assets of the Corporation.

(c) Other financial liabilities

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 for a nominal consideration of $1 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. The liability is now stated at amortised cost, using the effective interest method.

Finance lease liabilities
As mentioned in note 2(c), the Corporation has identified finance leases within the renegotiated water filtration agreements with the owners of the Prospect, Macarthur, Illawarra and Woronora Water Filtration Plants.

The new agreement for the Prospect plant extends to 30 November 2035. The new agreement for the Woronora and Illawarra plants extends to 30 November 2036 while the agreement for the Macarthur plant extends to 8 September 2030. The tariff components with these agreements comprise both service element components and also capital components that relate to the acquisition of the plants by the end of the agreements, at which time legal title transfers to the Corporation for a terminal nominal value of $1.

The capital components of the tariffs that are specifically related to the acquisition of the plants over the terms of these agreements meet the criteria of a finance lease and accordingly finance lease assets and finance lease liabilities have been recognised in the statement of financial position.

The finance lease liabilities represent the net present value of the future payment stream of these lease payments at the reporting date. 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. Lease payments are allocated between repayment of principal and interest, the latter of which is recognised within finance costs in profit or loss.

Refer note 18(f) for a maturity analysis of Borrowings and Other financial liabilities.

Other liabilities

Note 11. Provisions

(a) Carrying amounts

	2017 $'000	2016 $'000
Current		
Short-term provisions:		
Annual leave	30,494	33,047
Termination benefits	13,747	16,310
Employee benefits on-costs	1,695	2,206
Road restoration	7,900	6,099
	53,836	57,662
Current portion of long-term provisions:		
Long service leave	97,109	109,950
Employee benefits on-costs	5,292	5,992
Superannuation	239	202
Workers' compensation self-insurance	1,705	1,812
General insurance	786	1,279
Restoration of leased premises	1,123	65
Restoration costs from decommissioning system asset network components	33,428	18,116
	139,682	137,416
Total current provisions	**193,518**	**195,078**
Non-current		
Long-term provisions:		
Employee benefits for long service leave	8,102	11,394
Employee benefits on-costs	442	621
Post-employment benefits from superannuation	1,016,812	1,296,446
Workers' compensation self-insurance	18,522	20,989
General insurance	2,071	2,563
Restoration of leased premises	8,908	10,603
Restoration costs from decommissioning system asset network components	19,090	34,351
Total non-current provisions	**1,073,947**	**1,376,967**
Employee benefits and related oncosts		
Employee benefits – current	127,603	142,997
Employee benefits on-costs – current	6,987	8,198
Employee benefits – non-current	8,102	11,394
Employee benefits on-costs – non-current	442	621
Aggregate employee benefits and related oncosts	**143,134**	**163,210**

Under current liabilities, the Corporation expects to make payments totalling $20.383 million (2016: $21.202 million) for annual leave, and payments totalling $17.769 million (2016: $18.349 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

General

Provisions are liabilities of uncertain timing or amount. A provision is recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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.

When some or all of a provision is expected to be reimbursed from a third party, the reimbursement receivable is recognised as an asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

A provision is classified as a current liability if the Corporation does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Accordingly, employee benefits provisions which are due to be settled wholly within 12 months, such as annual leave entitlements and the unconditional component of long service leave entitlements, must be classified as current liabilities regardless of when they are expected to be settled.

Employee benefits provisions

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. They include wages, salaries and sick 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.

Expenses for wages and salaries are recognised on an accrual basis as services are rendered by employees. (Refer Note 2(b)). Expenses for sick leave, which is non-vesting, are recognised when the absences occur.

Liabilities for wages and salaries are included within trade and other payables (refer note 9), while liabilities for any non-vesting sick leave, where applicable, are included within provisions in the statement of financial position.

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:

(a) an entity's decision to terminate an employee's employment before the normal retirement date; or

(b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

In the case of the Corporation, this refers specifically to redundancy benefits payable to employees as a result of organisational restructures.

A liability and expense for termination benefits are recognised either when the Corporation can no longer withdraw an offer of termination benefits or when the Corporation recognises costs for a restructuring that involves the payment of termination benefits, whichever is the earlier.

For termination benefits payable as a result of an entity's decision to terminate an employee's employment, the time when the Corporation can no longer withdraw the offer of those benefits is when it has communicated a plan of termination to the affected employees and unions. This is considered to be when:

- actions required to complete the plan indicate that it is unlikely that there will be any significant change to the plan;
- the plan identifies the number of employees affected, their job classifications or functions and their locations and the expected completion date; and
- the plan outlines sufficient details for the employees to determine the amount and type of termination benefits to be received.

A provision is recognised under these circumstances even when the plan does not identify each individual employee affected by the plan.

For termination benefits payable as a result of (b) above, the time when the Corporation can no longer withdraw the offer of termination benefits is the earlier of when the employee accepts the offer and, if applicable, when a restriction takes effect on the Corporation's ability to withdraw the offer. If such a restriction exists at the time of the offer, this would be when the offer was made.

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. This liability is usually settled in the following reporting period and thus is not discounted. When specific employees are not known, an estimate for a provision is calculated on the basis of the number of employees expected to accept an offer of termination benefits in accordance with the termination plan. The liability is only discounted, using market yields on Government bonds, if the termination benefits are not expected to be settled wholly before 12 months after the annual reporting date.

Other long-term employee benefits

Other long-term employee benefits are long service leave and annual leave. These liabilities are classified as long-term as they are not expected to be settled wholly within 12 months of the reporting date.

The liabilities for these employee benefits represent the present value of the future benefits that employees have earned in return for their service in the current and prior reporting periods, less the fair value of any related assets (where applicable) at that date. Both long service leave and annual leave employee benefits 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 Government bonds that have maturity dates approximating to the terms of these obligations.

The liabilities and expenses for these employee benefits 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. Liabilities for annual leave are classified as current liabilities in the statement of financial position regardless of when they are expected to be settled.

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 in the statement of financial position, 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 the liabilities for these employee benefits.

Post-employment benefits

Post-employment benefits are benefits provided to employees and former employees through superannuation schemes. The Corporation contributes to two types of superannuation schemes: Defined contribution schemes and Defined benefit schemes.

- **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.

- **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 Government 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).

  Disclosures in relation to defined benefit schemes are shown below in (b).

(b) Defined Benefit Superannuation

The Corporation contributes to three closed 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 Pillar Administration.

Nature of benefits provided by the 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'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 Trustee 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 Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth'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 2015. The next actuarial investigation will be performed at 30 June 2018.

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

- Administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund rules;
- Management and investment of the Fund assets; and
- Compliance with 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 defined benefit Fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

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

	SASS		SANCS		SSS		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Reconciliation of the net defined benefit liability (asset)								
Net defined benefit liability (asset) at beginning of period	144,920	106,309	40,646	34,699	1,110,880	756,090	1,296,446	897,098
Current service cost	6,515	6,192	1,990	2,060	7,743	2,568	16,248	10,820
Net interest on the net defined benefit liability (asset)	2,828	3,131	794	1,026	22,064	22,828	25,686	26,985
Past service cost	-	-	-	-	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-	-	-	-	-
Actual return on Fund assets less interest income	(12,741)	(390)	(972)	90	(63,235)	(914)	(76,948)	(1,214)
Actuarial (gains) losses arising from changes in demographic assumptions	(70)	2,931	(46)	(826)	(273)	71,671	(389)	73,776
Actuarial (gains) losses arising from changes in financial assumptions	(16,434)	25,867	(2,076)	3,722	(182,549)	260,127	(201,059)	289,716
Actuarial (gains) losses arising from liability experience	3,610	6,857	(1,092)	1,554	(34,358)	3,862	(31,840)	12,273
Adjustment for effect of asset ceiling	-	-	-	-	-	-	-	-
Employer contributions	(5,612)	(5,977)	(1,497)	(1,679)	(4,223)	(5,352)	(11,332)	(13,008)
Net defined benefit liability (asset) at end of period	**123,016**	**144,920**	**37,747**	**40,646**	**856,049**	**1,110,880**	**1,016,812**	**1,296,446**
Reconciliation of the fair value of fund assets								
Fair value of fund assets at beginning of period	186,609	185,249	16,510	19,504	884,439	908,425	1,087,558	1,113,178
Interest income	3,467	5,292	255	540	16,995	26,649	20,717	32,481
Actual return on Fund assets less interest income	12,741	390	972	(90)	63,235	914	76,948	1,214
Employer contributions	5,612	5,977	1,497	1,679	4,223	5,352	11,332	13,008
Contributions by participants	2,965	2,843	-	-	3,086	3,332	6,051	6,175
Benefits paid	(28,402)	(11,598)	(7,625)	(4,778)	(66,903)	(61,995)	(102,930)	(78,371)
Taxes, premiums and expenses paid	(128)	(1,544)	95	(345)	7,890	1,762	7,857	(127)
Transfers in	-	-	-	-	-	-	-	-
Contributions to accumulation section	-	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-	-
Exchange rate changes	-	-	-	-	-	-	-	-
Fair value of fund assets at end of period	**182,864**	**186,609**	**11,704**	**16,510**	**912,965**	**884,439**	**1,107,533**	**1,087,558**
Reconciliation of the defined benefit obligation								
Present value of defined benefit obligations at beginning of period	331,529	291,558	57,156	54,203	1,995,319	1,664,515	2,384,004	2,010,276
Current service cost	6,515	6,192	1,990	2,060	7,743	2,568	16,248	10,820
Interest cost	6,295	8,423	1,049	1,566	39,059	49,477	46,403	59,466
Contributions by fund participants	2,965	2,843	-	-	3,086	3,332	6,051	6,175
Actuarial (gains) losses arising from changes in demographic assumptions	(70)	2,931	(46)	(826)	(273)	71,671	(389)	73,776
Actuarial (gains) losses arising from changes in financial assumptions	(16,434)	25,867	(2,076)	3,722	(182,549)	260,127	(201,059)	289,716
Actuarial (gains) losses arising from liability experience	3,610	6,857	(1,092)	1,554	(34,358)	3,862	(31,840)	12,273
Benefits paid	(28,402)	(11,598)	(7,625)	(4,778)	(66,903)	(61,995)	(102,930)	(78,371)
Taxes, premiums and expenses paid	(128)	(1,544)	95	(345)	7,890	1,762	7,857	(127)
Transfers in	-	-	-	-	-	-	-	-
Contributions to accumulation section	-	-	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-	-
Exchange rate changes	-	-	-	-	-	-	-	-
Present value of defined benefit obligations at end of period	**305,880**	**331,529**	**49,451**	**57,156**	**1,769,014**	**1,995,319**	**2,124,345**	**2,384,004**

	SASS		SANCS		SSS		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Reconciliation of the effect of the Asset Ceiling								
Adjustment for effect of asset ceiling at beginning of period	-	-	-	-	-	-	-	-
Change in the effect of the asset ceiling	-	-	-	-	-	-	-	-
Adjustment for effect of asset ceiling at end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 fund assets
All Pooled Fund assets are invested by SAS Trustee Corporation (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	Quoted prices in active markets for identical assets Level 1 $'000	Significant observable inputs Level 2 $'000	Unobservable inputs Level 3 $'000
As at 30 June 2017:				
Short term securities	3,087,307	3,077,362	9,945	-
Australian fixed interest	2,500,725	997	2,499,728	-
International fixed interest	480,991	-	480,991	-
Australian equities	9,446,079	8,947,483	498,572	24
International equities	12,053,503	9,033,497	1,869,112	1,150,894
Property	3,453,107	926,104	533,191	1,993,812
Alternatives	9,066,055	390,898	5,068,137	3,607,020
Total	**40,087,767**	**22,376,341**	**10,959,676**	**6,751,750**
As at 30 June 2016:				
Short term securities	2,050,414	2,044,454	5,960	-
Australian fixed interest	2,720,590	2,724	2,717,865	-
International fixed interest	834,374	(1,358)	835,731	-
Australian equities	9,720,877	9,171,767	549,087	24
International equities	12,093,667	9,026,207	2,078,766	988,694
Property	3,650,267	1,113,253	618,946	1,918,068
Alternatives	7,115,949	470,130	3,122,185	3,523,634
Total	**38,186,138**	**21,827,178**	**9,928,540**	**6,430,420**

The percentage invested in each asset class at the reporting date is as follows:

	2017 %	2016 %
Short-term securities	7.7	5.4
Australian fixed interest	6.2	7.1
International fixed interest	1.2	2.2
Australian equities	23.6	25.5
International equities	30.1	31.7
Property	8.6	9.5
Alternatives	22.6	18.6
	100.0	**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.

Fair value of the fund's financial instruments

The fair value of the Pooled Fund's total assets as at the reporting date include $354.0 million (2016: $189.6 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 $250.0 million (2016: $222 million); and
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of $261.0 million (2016: $243 million).

Significant actuarial assumptions at the reporting date

	2017	**2016**
Discount rate	2.62% pa	1.99% pa
Salary increase rate (excluding promotional increases):		
2016-17	-	2.50% pa
2017-18 to 2018-19	2.50% pa	2.50% pa
2019-20 to 2020-21	3.50% pa	3.50% pa
2021-22 to 2024-25	3.00% pa	3.00% pa
2025-26	3.00% pa	3.00% pa
Thereafter	3.50% pa	3.50% pa
Rate of CPI increase		
2016-17	2.00% pa	1.75% pa
2017-18	2.00% pa	2.25% pa
2018-19	2.25% pa	2.50% pa
Thereafter	2.50% pa	2.50% pa

Pensioner mortality: The pensioner mortality assumptions are as per the 2015 Actuarial investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the Trustee'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	2.62%	1.62%	3.62%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Defined benefit obligation ($'000)	2,124,345	2,450,100	1,860,725

	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)	2,124,345	2,266,861	1,994,739

	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)	2,124,345	2,136,151	2,113,004

	Base case	**Scenario G Higher mortality ***	**Scenario H Lower mortality ****
Defined benefit obligation ($'000)	2,124,345	2,160,422	2,101,398

*Assumes the short term pensioner mortality improvement factors for years 2017-2021 also apply for years after 2021.

**Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2017 to 2021.

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

Asset – Liability matching strategies

The Trustee 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 the Trustee.

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 2015. 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 2017 and 30 June 2016 financial position of the Fund calculated in accordance with Australian Accounting Standard AASB 1056 ‘Superannuation Entities’.

	SASS		SANCS		SSS		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000
Accrued benefits *	223,598	231,016	35,421	40,474	934,988	942,660	1,194,007	1,214,150
Net market value of fund assets	(182,864)	(186,609)	(11,704)	(16,510)	(912,965)	(884,439)	(1,107,533)	(1,087,558)
Net (surplus) deficit	**40,734**	**44,407**	**23,717**	**23,964**	**22,023**	**58,221**	**86,474**	**126,592**

* 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	
	2017	2016	2017	2016	2017	2016
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 contributions rates. The Corporation is committed to meeting its funding obligations to ensure the defined benefit superannuation schemes are fully funded by 30 June 2030.

The Corporation is currently exploring a number of options over the medium to long-term to fund the increased contributions and this exploration is at an early stage.

(iii) Economic assumptions

The economic assumptions adopted for the 30 June 2017 AASB 1056 Accounting Standard “Superannuation Entities”:

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)	2.7% to 30 June 2019 then 3.2% pa thereafter
Expected rate of CPI increase	2.2% pa

Expected contributions

	SASS		SANCS		SSS		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000
Expected employer contributions to be paid in the next report period	5,632	5,402	1,562	1,733	4,938	5,331	12,132	12,466

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.5 years (2016: 14.5 years).

(c) Other provisions

Reconciliations of movements in carrying amounts for the current reporting period

	Road restoration	Workers' compensation self-insurance	General insurance	Restoration of leased premises	Restoration costs from decommissioning system asset network components
	$'000	$'000	$'000	$'000	$'000
Carrying amounts at beginning of period					
Current	6,099	1,812	1,279	65	18,116
Non-current	-	20,989	2,563	10,603	34,351
	6,099	**22,801**	**3,842**	**10,668**	**52,467**
Movement during the period					
Provisions made (reversed)	14,035	(1,253)	8,480	(839)	9,548
Provisions used	(12,234)	(1,691)	(9,536)	-	(10,016)
Unwinding of discount	-	370	71	202	519
	1,801	**(2,574)**	**(985)**	**(637)**	**51**
Carrying amounts at end of period					
Current	7,900	1,705	786	1,123	33,428
Non-current	-	18,522	2,071	8,908	19,090
	7,900	**20,227**	**2,857**	**10,031**	**52,518**

Road restoration

This provision recognises obligations for payment of road restoration costs to local government 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

These provisions recognise the Corporation's remaining self-insurance liability for workers' compensation injury claims prior to 1 March 2007, and its proportion of insured and uninsured claims where the Corporation is liable to pay for damage, costs, loss or injury (other than for workers' compensation) respectively.

These 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 workers' compensation liability also includes 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 about a number of 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.

In relation to workers' compensation self-insurance, the actuary has estimated expected recoveries totalling $0.482 million (2016: $0.481 million). These recoveries have not been recognised as an asset as they are not considered to be virtually certain.

In relation to general insurance, the amount recognised for covered claims is not greater than the deductible stated on the relevant policy.

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. Estimates will also change if there is a change in the discount rate.

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 from decommissioning system asset network components

This provision recognises the Corporation's obligation for restoration costs from decommissioning 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. Obligations arise when it is known that an asset is being constructed for a temporary period or when a management decision is made to decommission a system asset, or when investigations reveal that safety issues require rectification.

The liability is calculated on a discounted cash flow basis, based on government bond yields. Estimates of costs are made on a case by case basis at the reporting date. Estimates are also 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. These estimates are inherently uncertain. Estimates will also change if there is a change in the discount rate.

Any changes to the liability that result from changes in the estimated timing or amount of the outflow of economic benefits required to settle the obligation, or a change in the discount rate, are recognised through the asset revaluation reserve to the extent of any existing credit balance, otherwise it is expensed in profit or loss.

Any changes to the liability from the unwinding of the discount due to the passage of time is recognised as a finance cost in profit or loss.

Note 12. Deferred Government grant

	2017 $'000	2016 $'000
NSW Government capital grant for Housing Acceleration Fund	10,000	10,000
Total deferred Government grants	**10,000**	**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.

During the 2014-15 reporting period, the Corporation received a capital grant from the NSW Government towards capital works on stormwater assets in the Green Square development under the Housing Acceleration Fund scheme (Stage 2). This grant has been recognised initially as deferred income and will be subsequently transferred progressively to profit or loss on a systematic and rational basis over the useful lives of the related assets when they are ultimately constructed and begin to depreciate. There were no new capital grants received from the NSW Government in the current or previous reporting period.

Note 13. Dividends payable

Dividends recognised during the period:

Dividend on ordinary shares held by the Corporation's shareholders and recognised as a liability at 9.21 cents per share (2016: 12.31 cents per share)	291,225	389,232

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

Dividends paid during the period:

Dividend on ordinary shares paid to the Corporation's shareholders at 12.31 cents per share (2016: 21.09 cents per share)	389,232	664,024

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 Shareholder Ministers prior to the end of the reporting period.

Equity

Note 14. Share capital

	2017 $'000	2016 $'000
Issued and fully paid up share capital		
(a) Carrying amounts		
Share capital	3,161,854	3,161,854
Total share capital	**3,161,854**	**3,161,854**
(b) Movements during the reporting period		
Balance at beginning of period:		
3,161,854,000 (2016: 3,148,354,000) ordinary shares	3,161,854	3,148,354
Shares issued and fully paid up during the period:		
Nil (2016: 13,500,000) ordinary shares	-	13,500
Balance at end of period:		
3,161,854,000 (2016: 3,161,854,000) ordinary shares	**3,161,854**	**3,161,854**

Significant terms and conditions

The Corporation's two shareholders are:

- the Treasurer and Minister for Industrial Relations; and
- the Minister for Finance, Services and Property.

Each shareholder holds 1,580,927,000 (2016: 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 shareholders.

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 shareholders.

There were no equity contributions received or issues of shares in the current reporting period. During the previous reporting period, the Corporation received an equity cash contribution of $13.500 million from its shareholders and issued ordinary shares of an equivalent amount. The purpose of this share capital contribution was to provide the Corporation with funding for works being undertaken under the NSW Government's Housing Acceleration Fund scheme.

Note 15. Reserves

	Note	2017 $'000	2016 $'000
(a) Carrying amounts			
Asset revaluation reserve		2,099,237	2,176,009
Total reserves		**2,099,237**	**2,176,009**

The asset revaluation reserve relates to system and property assets within property, plant and equipment and non-current assets classified as held for sale (prior to their reclassification to current assets), and comprises after-tax revaluation increments and decrements for these assets and any applicable impairment write-downs to recoverable amount on an individual asset basis. (Refer note 4(c)).

(b) Movements during the reporting period

	Note	2017 $'000	2016 $'000
Balance at beginning of period		2,176,009	1,561,746
Net (loss) gain before tax on revaluation of system and property assets		(83,174)	888,063
Transfer from (to) retained earnings		(18,551)	(7,381)
Tax effect of asset revaluation	3(b)	24,953	(266,419)
Balance at end of period		**2,099,237**	**2,176,009**

Unrecognised Items

Note 16. Commitments

	2017 $'000	2016 $'000
(a) Capital expenditure commitments		

The total amount of contractual commitments for capital expenditure (covering both property, plant and equipment and intangible assets) at the reporting date (inclusive of GST) is $926.375 million for the Corporation (2016: $724.327 million) The amount of GST included in this amount that is recoverable from the ATO is $84.216 million (2016: $65.848 million).

(b) Operating lease commitments

Payable as lessee

	2017 $'000	2016 $'000
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	47,373	45,679
Later than one year and not later than five years	178,569	164,285
Later than five years	262,983	292,294
	488,925	**502,258**
Representing:		
Cancellable operating leases	24,165	26,521
Non-cancellable operating leases	464,760	475,737
`	**488,925**	**502,258**
Non-cancellable operating lease rentals are payable:		
Not later than one year	37,971	36,707
Later than one year and not later than five years	163,860	146,760
Later than five years	262,929	292,270
	464,760	**475,737**

The Corporation leases property and motor vehicles under operating leases. It also 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) that 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.

Leases for property generally have terms of one to 10 years' duration with option periods following, ranging up to 15 years. The only exception is a 99-year ground lease at Homebush that does not expire until 2086.

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.

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 lease agreement involving the recycled water plant at Rosehill/Camellia is for a term of 20 years, extending to 2031-32.

Amounts disclosed for these commitments include total GST of $16.344 million (2016: $15.912 million) for the Corporation and the Group that is recoverable from the ATO.

	Note	2017 $'000	2016 $'000
Receivable as lessor			
Future operating lease rentals not provided for in the financial statements and receivable:			
Not later than one year		14,903	13,390
Later than one year and not later than five years		8,727	8,799
Later than five years		10,096	13,996
		33,726	**36,185**

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, with the longest remaining term expiring in 2039. Lease rentals are generally reviewed annually.

Amounts disclosed for these commitments include total GST of $3.066 million (2016: $3.289 million) that is payable to the ATO.

(c) Finance lease commitments

Payable as lessee

	Note	2017 $'000	2016 $'000
Future minimum lease payments payable:			
Not later than one year		47,559	47,359
Later than one year and not later than five years		188,312	191,689
Later than five years		515,671	559,853
		751,542	**798,901**
Less future finance costs		380,278	417,019
Finance lease liabilities – present value		**371,264**	**381,882**
Current		11,909	10,618
Non-current		359,355	371,264
Financial lease liabilities in statement of financial position	10	**371,264**	**381,882**

These finance lease commitments represent the future payments arising from finance leases within the agreements for the Prospect, Macarthur, Illawarra and Woronora Water Filtration Plants. (Refer also note 2(c)).

These agreements contain a bargain purchase option for the Corporation to acquire the Plants for a nominal value of $1 at the end of the agreements. The discount rate used to derive the net present value of the future lease payments is a 'real' pre-tax rate of 7.50% per annum. This is equivalent to a 'nominal' pre-tax rate of 10.19% per annum.

Amounts disclosed for these commitments do not include GST as they are comprised of principal and interest payments. The additional GST that would be applicable when making these payments and which would be recoverable from the ATO by the Corporation is $75.154 million (2016: $79.890 million)

Note 17. Contingencies

(a) Contingent liabilities

Details of contingent liabilities by class are set out below. These are matters in which provisions are not required as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Litigation
Claims made against the Corporation in which there is a risk of financial exposure (other than matters covered by workers' compensation self-insurance and general insurance provisions – refer note 11(c)) and which have been referred to lawyers amounted to $0.372 million (2016: $Nil). There are other claims that are in existence at the reporting date but they 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.

Site contamination and licence compliance
The Corporation has risk exposures from normal operations in the form of contaminated land/infrastructure and environmental incidents. These risks are managed in conjunction with the Office of Environment and Heritage. There is an ongoing program for management of contamination and its remediation. It is not possible to estimate these contingent liabilities reliably, as the need for and the type of remediation are dependent on future events that cannot be determined at this time.

Matters identified in which there is a risk of financial exposure due to matters relating to contamination and environmental incidents amounted to $6.700 million (2016: $6.800 million).

Operational activities
Risk exposures occur as a result of past or existing contracts or other operational activities. It is not possible to estimate these contingent liabilities reliably as most exposures require clarification of the extent of loss.

Matters identified in which there is a risk of financial exposure from operational activities amounted to $2.039 million (2016: $3.739 million).

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 (formerly the WorkCover Authority) that secures the Corporation's remaining self-insurance workers' compensation liability. The value of the guarantee at the reporting date was $22.320 million (2016: $21.883 million). (Refer also note 10(b)).

There are other indemnities that are in existence at the reporting date. However, they are considered remote or not able to be reliably measured at this time.

(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.

Note 18. Financial risk management

(a) Financial instruments and financial risk factors

The Corporation has the following financial instruments:

- cash and cash equivalents (refer note 6);
- trade and other receivables (refer note 7);
- trade and other payables (refer note 9);
- borrowings (refer note 10); and
- other financial liabilities (refer 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, market risk (both interest rate risk and foreign currency risk) and regulatory risk.

(b) Financial risk exposures

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

During the current and previous reporting periods, there were no defaults or breaches on any loans 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 financial accommodation facilities approved by the NSW Treasurer under the *Public Authorities (Financial Arrangements) Act 1987*. (Refer note 10(b)).

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 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.

During the current reporting period, the Corporation's liquidity risk increased due to the additional funding required to meet commitments under its extensive capital works program, given the Corporation's revenue levels under its current IPART Pricing Determination. The exposure to this increased liquidity risk was managed by obtaining the approval of the NSW Treasurer to secure appropriate long-term and short-term borrowing facilities with NSW Treasury Corporation, and using the facilities in accordance with approved policies for cash flow management, so that all commitments could be met as and when they fell due.

While 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. (Refer note 4).

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. In this context, it refers to the risk that indebted counterparties will default on their contractual obligations, resulting in financial loss to the Corporation. Exposures to credit risk for the Corporation are primarily in relation to trade and other receivables, but can exist in respect of all financial assets recognised in the statement of financial position, such as cash and cash equivalents, investments in marketable securities and derivative financial instruments (if any).

In respect of trade and other receivables, the Corporation monitors balances outstanding on an ongoing basis and has policies in place for the recovery or write-off of amounts outstanding.

In respect of cash and cash equivalents, investments in marketable securities and derivative financial instruments (if any), 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. In addition, only highly liquid marketable securities are used for investment purposes.

There was no change to the level of credit risk exposure for the Corporation during the current reporting period. At the reporting date, there were no significant concentrations of credit risk in which the Corporation is significantly exposed to any single counterparty or group of counterparties having similar characteristics or similar geographical locations.

At the reporting date, the maximum exposure to credit risk for the Corporation is represented by the carrying amount of each financial asset in the statement of financial position. (Refer notes 6 and 7).

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The objective in managing interest rate risk is to manage the impact that changes in interest rates will have on the Corporation's financial outcomes, and thus support the delivery of financial targets contained in the Corporation's Statement of Corporate Intent.

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. In addition, the Corporation is able to enter into derivative financial instruments, such as interest rate swaps, to assist in managing interest rate risk (if required).

The Corporation regularly analyses its interest rate exposure, giving consideration to potential renewals of existing positions, possible hedging strategies and the appropriate mix of fixed rate, floating variable rate and CPI indexed debt undertaken in light of current and expected conditions in the economy that may affect interest rates. Debt portfolios are constantly repositioned and compared with approved benchmark positions in order to manage the impact of interest rates on finance costs over the long term and to measure portfolio performance.

The Corporation's exposure to interest rate risk at the reporting date increased compared to the previous reporting date due to higher debt levels. However, sustained low official cash rates and longer term bond rates have led to stable debt financing costs.

The Corporation's interest rate exposures are being managed strategically by placing new and maturing debt for fixed maturity periods in fixed and floating rate debt instruments as appropriate in line with parameters approved by the Board under current treasury management policies.

Long-term fixed rate and CPI indexed bonds with maturities to 2041 have been issued in order to maintain a high modified duration of the debt portfolio over time. At the reporting date, the debt portfolio was comprised of 61% of fixed rate bond debt and 39% CPI indexed debt. (2016: the debt portfolio was comprised of 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. (See below under Regulatory risk).

The following table 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 and that are not designated in cash flow hedges:

	Note	Weighted average interest rate 2017 %	2016 %	Carrying amount 2017 $'000	2016 $'000
Financial assets					
At amortised cost:					
Cash	6	1.20	1.55	3,401	5,319
				3,401	**5,319**
Financial liabilities					
At amortised cost:					
Borrowings					
NSW Treasury Corporation loans	10	4.03	4.38	7,235,812	6,778,884
Other advances	10	7.80	9.67	37	221
Obligation under Blue Mountains Sewage Transfer Scheme	10	6.25	6.25	51,543	53,846
Finance lease liabilities	10	10.19	10.19	371,264	381,882
				7,658,656	**7,214,833**

Sensitivity analysis
The following table shows the effect on profit and equity after tax 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 1.615% (2016: 1.845%), a 100 basis points increase would increase the rate to 2.615% (2016: 2.845%) and a 100 basis points decrease would reduce the rate to 0.615% (2016: 0.845%). 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 (RBA). Historically, the RBA official cash rate has fluctuated between 1.50% and 3.50% over the past five years.

	Interest Revenue Higher (lower)		Post Tax Profit Higher (lower)		Equity Higher (lower)	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Judgement of reasonably possible events						
Interest rates 100 basis points higher	34	53	24	37	24	37
Interest rates 100 basis points lower	(34)	(53)	(24)	(37)	(24)	(37)

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.

Foreign currency

Recognition and measurement
Transactions in foreign currencies are translated to Australian Dollars at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian Dollars at the foreign exchange rate ruling on that date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian Dollars at foreign exchange rates ruling at the dates the fair value was determined.

Net foreign exchange gains are classified as other income and net foreign exchange losses are classified as expenses.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The objective in managing foreign currency risk is to minimise the impact that changes in foreign exchange rates will have on the Corporation's financial outcomes.

During the current reporting period, the Corporation's exposure to foreign currency risk was low. This normally arises from contractual arrangements for the purchase or supply of goods and services where payment is either required to be made in foreign currency or is pegged to foreign currency rates.

The policies for management of foreign currency risks for these arrangements are contained in the Corporation's Treasury Management Policy manual. These policies include hedging of all foreign currency exposures in excess of Australian Dollars (AUD) 1,000,000 and foreign currency exposures above AUD 500,000 that exceed 90 days.

The Corporation generally manages foreign exchange exposures by entering into derivative financial instruments in the form of forward foreign exchange contracts to hedge the relevant purchase and sale commitments. It is the Corporation's policy not to enter into forward foreign exchange contracts until a firm commitment is in place and to negotiate the terms of these cash flow hedging derivatives to match the terms of the hedged item in order to maximise hedge effectiveness.

Under forward foreign exchange contracts, the Corporation agrees to exchange specified amounts of various currencies at an agreed future date at a specified exchange rate. Forward foreign exchange contracts can vary in duration from less than one month to several years and they are settled in net terms.

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 the regulatory 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 centrally by the Corporation's Treasury Management Team in its Finance Services divisional Group, 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 *Public Authorities (Financial Arrangements) Act 1987* in NSW. 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 quarterly basis. Treasury management strategies and performance are also reported on and reviewed on a monthly basis by a Treasury Committee of senior finance managers. In addition, the NSW Treasury conducts regular reviews of the Corporation's treasury management activities as to its compliance with the *Public Authorities (Financial Arrangements) Act 1987*.

(d) Use of derivative financial instruments and hedge accounting

The Corporation enters into a small number of derivative financial instruments from time to time, mainly to manage its exposure to certain risks, such as foreign currency risk noted above. Derivative financial instruments are only used for hedging purposes and they are not entered into or traded for speculative purposes. Strict internal guidelines and treasury management policies approved by the Board exist to control the use of derivative financial instruments. There were no derivative financial instruments at either the current or previous reporting date.

(e) 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 includes:

- the level of gearing for the Corporation (see below), and
- its debt to equity ratio.

In determining appropriate prices for the Corporation to charge its customers, IPART, the Corporation's pricing regulator, 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 the NSW Treasury's Commercial Policy Framework.

	Note	2017 $'000	2016 $'000
Interest-bearing debt*	10	7,235,849	6,779,105
Other interest-bearing liabilities**	10	422,807	435,728
Total interest-bearing liabilities		**7,658,656**	**7,214,833**
Total equity		7,313,306	6,998,266
Total capital employed		**14,971,962**	**14,213,099**
		%	**%**
Gearing ratio (Interest-bearing debt / Interest-bearing debt + Total equity)		49.73	49.20
Debt to equity ratio (Total interest-bearing liabilities / Total equity)		104.72	103.09

*Interest-bearing debt consists of borrowings from NSW Treasury Corporation and borrowings from other advances.
** Other interest-bearing liabilities consists of the obligation under the Blue Mountain Sewage Transfer Scheme and the finance lease liabilities.

(f) 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
2017								
Financial assets								
At amortised cost:								
Cash	6	3,401	-	-	-	-	-	3,401
Trade and other receivables *	7	259,095	-	-	-	-	-	259,095
		262,496	**-**	**-**	**-**	**-**	**-**	**262,496**
Financial liabilities								
At amortised cost:								
Trade and other payables *		525,576	-	-	-	-	-	525,576
Borrowings								
Other advances	10	25	12	-	-	-	-	37
NSW Treasury Corporation Loans	10	351,392	627,346	1,537,325	975,347	512,539	3,231,863	7,235,812
Obligation under Blue Mountains Sewage Transfer Scheme	10	-	-	-	-	-	51,543	51,543
Financial lease liabilities	10	-	-	-	-	-	371,264	371,264
		876,993	**627,358**	**1,537,325**	**975,347**	**512,539**	**3,654,670**	**8,184,232**
2016								
Financial assets								
At amortised cost:								
Cash	6	5,319	-	-	-	-	-	5,319
Trade and other receivables *	7	269,109	-	-	-	-	-	269,109
		274,428	**-**	**-**	**-**	**-**	**-**	**274,428**
Financial liabilities								
At amortised cost:								
Trade and other payables *		514,202	-	-	-	-	-	514,202
Borrowings								
Other advances	10	184	25	12	-	-	-	221
NSW Treasury Corporation Loans	10	1,043,802	275,027	599,730	719,069	784,742	3,356,514	6,778,884
Obligation under Blue Mountains Sewage Transfer Scheme	10	-	-	-	-	-	53,846	53,846
Financial lease liabilities	10	-	-	-	-	-	381,882	381,882
		1,558,188	**275,052**	**599,742**	**719,069**	**784,742**	**3,792,242**	**7,729,035**

* 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.

(g) 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
2017							
At amortised cost:							
Trade and other payables *	525,576	-	-	-	-	-	525,576
Borrowings							
Other advances	27	13	-	-	-	-	40
NSW Treasury Corporation Loans	533,997	855,658	1,793,249	1,452,329	643,053	4,012,576	9,290,862
Obligation under Blue Mountains Sewage Transfer Scheme	13,503	14,056	14,631	15,230	15,853	169,533	242,806
Financial lease liabilities	47,559	47,775	48,105	48,250	44,182	515,671	751,542
	1,120,662	**917,502**	**1,855,985**	**1,515,809**	**703,088**	**4,697,780**	**10,810,826**
2016							
At amortised cost:							
Trade and other payables *	514,202	-	-	-	-	-	514,202
Borrowings							
Other advances	197	27	13	-	-	-	237
NSW Treasury Corporation Loans	270,243	294,299	650,529	1,787,115	1,435,973	4,181,577	8,619,736
Obligation under Blue Mountains Sewage Transfer Scheme	13,212	13,766	14,342	14,942	15,567	190,441	262,270
Financial lease liabilities	47,360	47,559	47,774	48,105	48,250	559,853	798,901
	845,214	**355,651**	**712,658**	**1,850,162**	**1,499,790**	**4,931,871**	**10,195,346**

* 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.

(h) Fair values of financial assets and financial liabilities

Fair values of financial assets and financial liabilities are determined on the following bases:

Item	Basis of fair value
Cash	Carrying amount
Cash equivalents	Discounted cash flows using valuation rates supplied by independent market sources
Investments in marketable securities	Discounted cash flows using valuation rates supplied by independent market sources
Trade and other receivables	Carrying amount
Derivative financial instruments	Valuation rates and valuations supplied by independent market sources
Trade and other payables	Carrying amount
Bank overdraft balances	Carrying amount
NSW Treasury Corporation loans	Discounted cash flows using valuation rates supplied by independent market sources
All other loans	Discounted cash flows using equivalent interest rate swap rates supplied by independent market sources
Obligation under Blue Mountains Sewage Transfer Scheme	Discounted cash flows using equivalent interest rate swap rates supplied by independent market sources
Finance lease liabilities	Discounted cash flows using the independently determined yield at the inception of the lease

The following table details the carrying amounts and fair values at the reporting date for all financial instruments:

		Carrying amount		Fair Value	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial assets					
Cash	6	3,401	5,319	3,401	5,319
Trade and other receivables *		259,095	269,109	259,095	269,109
		262,496	**274,428**	**262,496**	**274,428**
Financial liabilities					
Trade and other payables *		525,576	514,202	525,576	514,202
Borrowings:					
Other advances	10	37	221	39	235
NSW Treasury Corporation Loans	10	7,235,812	6,778,884	7,744,195	7,570,078
Obligation under Blue Mountains Sewage Transfer Scheme	10	51,543	53,846	176,741	181,468
Financial lease liabilities	10	371,264	381,882	371,264	381,882
		8,184,232	**7,729,035**	**8,817,815**	**8,647,865**

* 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.

The face value of NSW Treasury Corporation loans at the reporting date is $7,530.731 million (2016: $7,133.307 million). The carrying amount shown above for Other advances is equal to their face value.

Fair value hierarchy

There were no financial instruments at either the current or 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).

Note 19. 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 the Ministers their compensation and this is not reimbursable from the Corporation.

	2017 $'000	**2016 $'000**
Short-term employee benefits	4,079	3,802
Post-employment benefits	457	518
Other long-term benefits	431	6
Termination benefits	-	281
	4,967	**4,607**
This comprises compensation relating to:		
Directors:		
Executive	757	735
Non-executive	645	665
	1,402	1,400
Senior executives	3,565	3,207
	4,967	**4,607**

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 or domestic 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.

Related party transactions during either the current or previous reporting periods with other entities related to the Voting Shareholder Ministers and the Portfolio Minister are disclosed separately throughout the relevant notes in these Financial Statements.

(c) Other related party transactions

The Corporation is both a lessor and a lessee to a number of peppercorn leases at nominal amounts 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.

Note 20. Consultants

The total amount paid or payable to consultants engaged by the Corporation during the reporting period was $0.594 million (2016: $3.254 million).

Note 21. Auditors' remuneration

The audit fee for the audit of the financial statements by the Audit Office of NSW is $0.470 million (2016: $0.460 million).

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

At the reporting date, a number of Australian Accounting Standards and Australian Interpretations have been issued by the AASB that are not yet effective and which have not been early adopted by the Corporation. These are listed below:

Standard/interpretation	Issued date	Applicable to periods beginning on or after	Applicable reporting period
AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15'	October 2015	1 January 2017	2017-18
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	February 2016	1 January 2017	2017-18
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	March 2016	1 January 2017	2017-18
AASB 2016-4 'Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities'	June 2016	1 January 2017	2017-18
AASB 2016-7 'Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities'	December 2016	1 January 2017	2017-18
AASB 2016-8 'Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities'	December 2016	1 January 2017	2017-18
AASB 2017-2 'Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle [AASB 12]'	Feb 2017	1 January 2017	2017-18
AASB 2014-1 'Amendments to Australian Accounting Standards' Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles, as applicable to AASB 9 'Financial Instruments'	June 2014	1 January 2018	2018-19
AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	December 2014	1 January 2018 *	2018-19
AASB 2014-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)'	December 2014	1 January 2018	2018-19
AASB 15 'Revenue from Contracts with Customers'	December 2014	1 January 2018 *	2018-19
AASB 9 'Financial Instruments'	December 2014	1 January 2018	2018-19
AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	May 2016	1 January 2018	2018-19
AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions' [AASB 2]	July 2016	1 January 2018	2018-19
AASB 2016-6 'Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	October 2016	1 January 2018	2018-19
AASB 2017-1 'Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments [AASB 1, AASB 128 & AASB 140]'	Feb 2017	1 January 2018	2018-19
AASB 16 'Leases'	February 2016	1 January 2019	2019-20
AASB 1058 'Income of Not-for-Profit Entities'	December 2016	1 January 2019	2019-20
AASB 1058 'Income of Not-for-Profit Entities' (Appendix D)	December 2016	1 January 2019	2019-20

* The original effective date of reporting periods beginning on or after 1 January 2017 for these standards has been amended to reporting periods beginning on or after 1 January 2018 (ie 2018-19) by AASB 2015-8 issued in October 2015 in the above table.

The above Accounting Standards are not expected to have a material impact on the financial results of the Corporation in the reporting period when they become operative, with the exception of AASB 16 'Leases'. (See below).

Australian Accounting Standard AASB 16 'Leases'
When operative, Australian Accounting Standard AASB 16 will require the Corporation to recognise, as a lessee, assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset within those leases is of low value. This will mean that all leases currently classified as operating leases that meet these criteria will result in a right-of-use asset and a corresponding lease liability being recognised in the statement of financial position, similar to the current accounting treatment of finance leases by lessees. Accordingly, these operating leases will no longer be off-balance sheet.

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 available. Lease payments will be dissected into a principal portion and an interest portion, with the principal portion reducing the lease liability over time.

This new accounting treatment for leases means that 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. This impact is not able to be measured at the present time as each individual lease would need to be assessed and it is not possible to determine the impact of future leases that have not yet been entered into. However, based on the operating leases existing at the reporting date, assets and liabilities in the range of approximately $300 million to $500 million would be recognised in the statement of financial position for the first time when the Standard becomes operative.

End of audited financial statements

Chapter 5.

Appendixes

Appendix 1: Government Information (Public Access) Act 2009

We received 66 valid applications under the *Government Information (Public Access) Act 2009* (GIPA Act) in 2016–17. We also decided 10 applications carried over from 2015–16, allowing for the processing period under the Act.

Out of 66 valid applications received, the processing period allowed under the Act for four applications extends into the 2017–18 financial year.

One application was withdrawn by the applicant and one application was transferred to another Government agency.

In 2016–17, 70 applications were decided.

- We granted 48 applications in full.
- We partly granted 10 applications, and refused two applications because there were overriding public interest concerns against disclosing some information (as listed in the table in section 14 of the GIPA Act).
- We refused five applications because the applicants failed to provide the requested advance deposit for the processing charge.
- Five applications were for information not held by Sydney Water.

We aim to proactively make information publicly available on our website, in line with the GIPA Act. We do this by identifying:

- the categories of information often asked about
- initiatives, developments or projects that we want the public to know about
- important information we've produced since the last review
- 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[46]

Applicant	Access granted in full	Access granted n part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/ deny whether information is held	Application withdrawn
Media	1	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	10	2	1	1	0	1	0	0
Not for profit organisations or community groups	2	0	0	0	0	0	0	0
Members of the public (application by legal representative)	20	4	0	4	0	3	0	0
Members of the public (other)	15	4	1	0	0	1	0	0

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

Applicant	Access granted in full	Access granted n part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm or deny whether information is held	Application withdrawn
Personal information applications[47]	3	0	0	0	0	0	0	0
Access applications (other than personal information applications)	44	10	2	5	0	5	0	0
Access applications that are partly personal information applications and partly other	1	0	0	0	0	0	0	0

46 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.

47 A **personal information application** is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	1
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	1
Invalid applications that subsequently became valid applications	0

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

	Number of times consideration used[48]
Overriding secrecy laws	0
Cabinet information	1
Executive Council information	0
Contempt	0
Legal professional privilege	1
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

48 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 E: Other public interest considerations against disclosure – matters listed in table in GIPA Act, section 14

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

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	69
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	1[49]
Total	**70**

49 We subsequently made a decision on this application and released information in part.

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	2	2
Review by the Information Commissioner[50]	1	0	1
Internal review following a recommendation under section 93 of Act	1	0	1
Review by the NSW Civil and Administrative Tribunal (NCAT)	0	0	0
Total	**2**	**2**	**4**

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	4
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Table I: Applications transferred to other agencies

	Number of applications transferred
Agency-initiated transfer	1
Applicant-initiated transfer	0

50 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.

Appendix 2: Public interest disclosures

Table 47: Public interest disclosures, 1 July 2016 to 30 June 2017

Public interest disclosures	Number of disclosures[51]
Number of public officials who made public interest disclosures to Sydney Water	19
Number of public interest disclosures Sydney Water received	18
Number of the public interest disclosures received, that were primarily about:	
• corrupt conduct	16
• maladministration	1
• serious and substantial waste	0
• government information contravention	1
• local government pecuniary interest contravention	0
Number of public interest disclosures finalised in this reporting period	9

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

We raise staff awareness through:

- an annual e-learning program
- a quarterly integrity update on current issues
- awareness articles in the weekly staff newsletter, eNews
- face to face training for teams including new staff members during induction.

51 Reporting change made to align to the NSW Ombudsman definition. This includes contractors, sub-contractors and instances where anonymous disclosures could reasonably be believed to have been made by employees, contractors or sub-contractors.

Appendix 3: Annual Report external production costs

We have outsourced some elements of this year's Annual Report production due to limitations with in-house capabilities and resources.

The total estimated cost of producing the Annual Report 2016–17 is $17,000 (excluding GST) .

Appendix 4: Statutory information index

Annual Reports (Statutory Bodies) Act 1984

s7(1) (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 Public Finance and Audit Act 1983 as being a significant issue.	Page 88
s9(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 index
s9A	Letter of submission	Page 1

Annual Reports (Statutory Bodies) Regulation 2015

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Appendix 6: Glossary

A

Acacia pubescens

A vulnerable species of shrub, with bright yellow flowers, also known as Downy Wattle.

Australian Water Association (AWA)

Australia's membership association for water professionals and organisations.

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

Carbon footprint

Sydney Water's carbon footprint is the greenhouse gas emissions produced by our operations and in the supply of the materials, energy and services that we need to operate.

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)

Customers with English as a second language.

D

Desalination

Process that removes salt from sea water to make it suitable for treating to drinking water standards.

Drinking water

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

E

E. coli

A type of bacteria, nearly always present in the gut of humans and other warm-blooded animals. E. coli indicates faecal contamination, so is an important indicator for public health.

Ecological footprint

Measures the amount of productive land required for Sydney Water uses.

Energy & Water Ombudsman NSW (EWON)

The NSW Government-approved dispute resolution scheme for New South Wales electricity, gas customers 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.

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 (the GIPA Act)

An Act to facilitate public access to government information.

Greenhouse gas emissions

Gases, such as carbon dioxide, methane and nitrous oxide that contribute to the greenhouse effect.

Grevillea caleyi

An endangered species of shrub.

I

Independent Pricing and Regulatory Tribunal (IPART)

The independent pricing regulator for water, public transport, local government, electricity and gas industries, as well as the licence administrator of water, electricity and gas.

K

Kilolitre (kL)

One thousand litres of water or one tonne of water.

Kilowatt hours (kWh)

A unit of energy equivalent to that transferred or expended in one hour by one kilowatt of power.

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.

Mitigation

The act of lessening or moderating the severity of anything distressing, eg carbon mitigation.

Monitoring

An ongoing testing program to assess potential changes in circumstances.

N

NAIDOC

National Aboriginal and Islander Day Observance Committee

National Greenhouse Accounts (NGA) Factors

A document prepared by the Australian Department of the Environment and Energy, and used by companies and individuals to measure greenhouse gas emissions.

Naturalise

Adding natural features, such as trees and rocks, to improve environmental and social values.

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.

NSW Greenhouse Abatement Certificates (NGACs)

NGACs are a particular kind of carbon credit issued by the New South Wales state Government. NGACs are generated, traded and regulated under NSW law. Each NGAC abates a single tonne of carbon for 100 years.

Nutrients

Compounds needed for growth by plants and other organisms. Major plant nutrients are phosphorus and nitrogen.

O

Office of Environment and Heritage (OEH)

Regulates industry, protects and conserves the NSW environment, manages over 850 national parks and reserves and protects the natural, cultural and built heritage in NSW.

Operating Licence

A licence issued under the *Sydney Water Act 1994* that sets many of our performance standards. IPART administers our Operating Licence.

P

Pathogens

Disease-causing organisms, such as bacteria, viruses and single-celled parasitic organisms.

PlumbAssist®

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

R

Recycled water

Highly treated wastewater used in industrial processes, irrigation in agriculture, 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.

Revegetate

To grow again as plants/to provide with vegetation again.

Riparian land

Land that is next to or surrounds a body of water, and includes natural wetlands and areas around stormwater assets.

Risk assessment

Process of gathering data and making assessments 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

Sewage

See Wastewater.

Sewage overflow

See Wastewater overflow.

Sludge

Solid matter removed during wastewater or water treatment, which can be processed into a material that can be beneficially used (biosolids).

Staff engagement

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

Stormwater

Rainwater that runs off the land, frequently carrying various forms of pollution such as litter and debris, animal droppings and dissolved chemicals. This 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 water quality monitoring program formerly run by Sydney Water and the Sydney Catchment Authority and now transferred to the Australian Museum.

T

Tadgell's Bluebell (*Wahlenbergia multicaulis Benth*)

An endangered species of herb.

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.

Trade waste agreements

Agreements between Sydney Water and industrial and commercial customers to restrict the amount of toxic and other potentially harmful substances discharged to the wastewater system.

Treatment (water)

The filtration and disinfection process.

Toxicity

How poisonous or harmful something is.

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-use 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 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 s seasonal and highly influenced by the weather.

Water filtration plant

A treatment plant that improves water quality by removing impurities through filtration.

Water Industry Competition Act 2006 (WICA)

The Act aims to foster competition in the urban water sector.

Water pumping stations

Stations house mechanical pumping equipment used to transport water from lower ground to higher ground through pipes.

Water quality

Physical, chemical and biological measures of water.

Water re-use

The use of water more than once, after wastewater has been treated to an appropriate standard and delivered to the point of use.

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 over 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.

Wetland

A low-lying area 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.

About this report

This is Sydney Water's full Annual Report for 1 July 2016 to 30 June 2017. It covers our financial, social and environmental performance, statutory information, financial statements and other regulatory information.

Visit **sydneywater.com.au/annualreport** to read the *Annual Report 2016–17* 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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Corruption hotline: Freecall 1800 500 965 (24 hours every day)
Interpreter service: 13 14 50
Hearing and speech difficulties: 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).

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