

Sydney
WATER

Annual Report
2020-2021



Acknowledgement of Country

Sydney Water acknowledges the Traditional Custodians of the lands and waters in Sydney, the Illawarra and the Blue Mountains – the places where we work, live and learn: the Dharawal, Gundungurra, Darkinjung and Dharug nations. Their lore, traditions and customs nurtured and continue to nurture the waters, saltwater and sweetwater, within Sydney Water's operating area, creating wellbeing for all. We pay our respect to Elders, past and present, and acknowledge their continuing connection to land, water and community and the importance of their waterway management, shared through storytelling over the millennia.

Letter to Shareholder Ministers

Dear Shareholder Ministers,

Report on performance for the year ended 30 June 2021.

We are pleased to submit the Annual Report of Sydney Water Corporation (Sydney Water) for the year ended 30 June 2021 (*Annual Report 2020–21*) for presentation to Parliament.

Our *Annual Report 2020–21* has been prepared according to the requirements of section 24A of the *State Owned Corporations Act 1989* (NSW) and the *Annual Reports (Statutory Bodies) Act 1984* (NSW). The financial statements, which form part of this Annual Report, have been certified by the Auditor-General of New South Wales.

Yours sincerely,



Bruce Morgan
Chair



Roch Cheroux
Managing Director

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About Sydney Water

A better life through innovation, diversity and achieving together



Today more than ever, Sydney Water has its eyes trained on the future, with the shape of water services poised to evolve in line with our growing city, a changing climate and the shifting environmental needs of our communities.

We are proud custodians of a 130-year legacy of providing safe, high-quality water to people in and around Sydney for drinking, bathing, recreation and sustenance. However, the days are long gone when covering basic requirements defines us as an organisation and meets the expectations of our growing community.

Increasingly, our role is to envision a thriving, liveable and sustainable future and provide the infrastructure, services and education required to deliver it. Today, we deliver drinking water to more than five million people every day. In 10 years, that number will rise to six million or more. To better serve our growing city, we are working with our valued partners to explore best practice water supply options that rely less on rainfall and more on innovation and the principles of a circular economy.

We embrace the Caring for Country approach practised by the Traditional Owners of surrounding lands and waterways, and we embrace efforts to restore our relationship with the land, the water and each other.

In our role as custodians of wastewater, recycled water and some stormwater services, we are building on our reputation for continuously improving the health of rivers and beaches in and around Greater Sydney. We are developing water treatment solutions that contribute to the circular economy, restoring and reinvigorating the natural environment for communities both now and into the future.

New investments with valued partners are essential to helping us meet our sustainability and resource-recovery goals. Through these partnerships and our shared vision, we are making significant progress against our customers' and our own expectations for smarter, healthier, cooler and greener communities.

Our vision embraces thriving, liveable cities with safe, clean drinking water, tree-lined streets, parks and green spaces, as well as access to safe, local waterways and beaches where we can swim, play and connect.

Sydney Water is a statutory corporation, wholly owned by the NSW Government. Our Operating Licence is regulated by the Independent Pricing and Regulatory Tribunal (IPART), which sets out the standards and requirements we must meet. We also invest significantly in customer and community engagement to help us shape our strategic planning and deliver on our shared vision for **a better life through world-class services.**

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

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

As we draw upon the creative power of innovation, the synergies of diversity in our organisation and our communities, and our achievements with our valued partners, we look forward to many more years of serving Greater Sydney, the Blue Mountains and the Illawarra region and its vital relationship with water.



HIGHLIGHTS OF

2020-21

Building on our strengths, committed to doing more

Amid the challenges of the past year, Sydney Water continued to demonstrate leadership in the water industry, delivering innovative solutions, new technologies and award-winning products and services. We are proud of our achievements and will continue to provide thought leadership and drive the principles of a circular economy and sustainable development within our sector.



SIGNIFICANT HIGHLIGHTS OF 2020-21 INCLUDE:



Global Water Awards 2021 Wastewater Management Project of the Year: Refresh Woolloomooloo environmental improvement program



NSW Australian Water Awards 2021 Research and Development Excellence Award: Sydney Water's role in COVID-19 detection in wastewater [Development of Wastewater Epidemiology for NSW: New laboratory for SARS-CoV-2 detection in wastewater under the Water Research Australia (WRA) ColoSSoS (Collaboration on Sewage Surveillance of SARS-CoV-2) Project]



Western Sydney Leadership Dialogue 2020 Project of the Year: Sustainability category – St Marys Water Recycling Plant upgrade



Shortlisted for the 2021 Australian Financial Review Most Innovative Companies Award: Sydney Water's COVID-19 detection in wastewater



Australian Water Awards 2020, Research Innovation Award: Innovative sensor suites and intelligent robotics for condition assessment of concrete sewers in collaboration with the University of Technology Sydney



2021 NSW Water Infrastructure Project Innovation Award: Geospatial Planning Tool which Sydney Water developed with its valued partners



Top Graduate Employers 2021: Sydney Water named the nation's No. 1 graduate program, according to a survey of 2,900 graduates



The Institute of Analytics Professionals of Australia: Sydney Water's Andrew Woods named a top 10 Analytics Leader nationwide



Our gender pay gap has fallen below one per cent, from 2.25 per cent a year earlier and 1.73 per cent the year before that. We continue to work towards a zero gender pay gap



The **Parramatta River Reference Group (PRRG)** was re-established in December 2020 to provide strategic direction and advocacy for the Parramatta River Catchment Group's Masterplan to help make the Parramatta River swimmable. The PRRG includes the NSW Member for Parramatta and senior representatives from the NSW Department of Planning, Industry and Environment, the NSW Environment Protection Authority, NSW Health, Transport for NSW, Aboriginal Affairs and the Greater Sydney Commission



The launch of our report, *Urban Typologies and Stormwater Management*, helped achieve a cool, green, liveable Western Sydney Parkland, which received a Commendation from the Planning Institute of Australia (NSW) in the Australian Urban Design Awards 2020



Our customer sentiment scores, as measured by Customer Satisfaction, Trust and Reputation, led the industry, beating other service providers as well as water utilities in Melbourne



Greater Sydney Commission 2021, Greater Sydney Planning Awards: The Johnstons Creek Naturalisation project in collaboration with our engineering partner, won this award for its focus on place and its engagement with local community and councils

SECTION 01

**Achieving together to
create a better life
for our customers and
communities**



A message from our Chair



Having had the privilege of being both a director and the Chair of Sydney Water since joining in 2012, I have witnessed incredible transformation, innovation and commitment from our people. We have made solid progress in the first year of our 10-year strategy, executing on our bold plan to deliver more for our customers as we rise to the challenges of increased competition, growing cities and climate change.

We have achieved this progress despite natural disasters and a full year of adjusting to doing business and supporting our customers and communities through the COVID-19 pandemic.

Challenges such as COVID highlight the importance of our values in guiding our decisions when delivering our products and services in unprecedented times. Our values, including *We have the customer at the heart*, saw us extend financial assistance or provide payment arrangements to more than 80,000 households experiencing hardship during the past year.

We own our decisions and make every dollar count – and the corporate governance and rigour that implies – helped us to secure a record capital investment program that more than doubled previous pricing submission outcomes for our customers and to extend assistance to those in our communities who need it most.

We care for one another, the environment and the community – this value was at the heart of our recently launched *Innovate Reconciliation Action Plan (RAP)*. As Australia's largest water utility, we have a unique role to play in caring for and protecting the freshwater and saltwater, as well as surrounding lands, that have been cared for by Australia's First Nations people for more than 60,000 years. It is our privilege to play an important part in the ongoing custodianship and care of our environment in all we do.

Our new, modern RAP sets out our strategy for doing so, and I invite you to read it in full on the Sydney Water website.

Executing on our strategy is a road we travel in collaboration with our stakeholders.

Sydney Water is working towards the NSW Government's vision for creating thriving, liveable and sustainable communities. We look forward to advancing this vision with NSW Government agencies, the Greater Sydney Commission, local councils and other key stakeholders.

In addition, we are working on innovative ways of improving liveability and servicing across Western Sydney. We continue to provide thought leadership and influence policy on urban cooling initiatives, recycled water for community green spaces, and improving the health of local waterways.

Innovation and collaboration are hallmarks of our approach. They come together in our partnership with property developer Celestino, in which we will supply 1.2 million litres of recycled water per day to Sydney Science Park in the Western Sydney Aerotropolis. It will provide a unique opportunity to advance smart technologies and will serve as a leading example of public-private partnerships driving innovative solutions to meet our future needs.

As I retire from the Board of Sydney Water after nearly 10 years, including eight as Chair, I wish my successor, Grant King, all the very best at this great corporation.

It has been my privilege to serve our customers and our communities over the past decade. I wish to acknowledge the Board; our Executive team led by Managing Director Roch Cheroux; and our passionate and committed people for all that we have achieved together. I also wish to thank them for taking this journey with me to position Sydney Water for an even brighter future serving the customers and communities of Greater Sydney, the Blue Mountains and the Illawarra region.

Bruce Morgan
Chair

A message from our Managing Director



The 2020–21 financial year presented many challenges to our customers and to Sydney Water with floods and the ongoing COVID-19 pandemic. We responded the only way we know how – with resilience and commitment to deliver our vision: creating a better life with world-class water services for our customers and communities.

As always, our people have played a central role in ensuring these challenges have not impacted our ability to service our more than five million customers. They have worked tirelessly behind the scenes to deliver safe and healthy drinking water 24/7 to customers' homes and businesses, ensuring used water was rechannelled and cleaned before reuse or release back to the environment.

Our Customer Service teams fielded 630,000 calls and provided nearly \$900,000 in financial support. Caring for our customers is an important part of our values framework and we continue to assist wherever we can.

Despite challenging conditions, we have continued to work to reduce the impact of our activity on the environment. One of Sydney Water's efforts in this area won international recognition when the UK-based Global Water Awards 2021 named our Refresh Woolloomooloo the Wastewater Management Project of the Year. This outstanding achievement, transforming a wastewater system from the 1800s into modern, sustainable infrastructure for the future, improved the liveability of this Eastern Sydney suburb. It also significantly enhanced water quality in Sydney Harbour and improved environmental outcomes for marine life.

We invested in several areas to reduce water use across Greater Sydney. For example, our \$4.6 million investment in our WaterFix[®]™ and PlumbAssist[®] water-efficiency programs saved 560 million litres of water over the year,

about 15 per cent above our projections of 486 million litres.

We invested a further \$3.5 million in community awareness and education programs to help our customers continue to conserve water. The 'Turn it off Bob' campaign, with water conservation advocate Shane Jacobson, has delivered a strong foundation for our continued water conservation initiatives. These initiatives have collectively reduced water usage across Greater Sydney to 524 billion litres in 2020–21 from 533 billion a year earlier.

We've also become more agile and innovative in response to the dynamic environment stemming from the pandemic, including greater use of technology. Enhancements in our digital capabilities and continued deployment of Internet of Things technology have assisted greatly with productivity challenges, helping us to keep our customers' bills affordable.

Sydney Water's continued advances in its world-class laboratory services received multiple awards throughout the year, including for innovations in wastewater testing to detect molecular remnants of COVID-19. These advances continue to provide NSW Health with invaluable data and insights in its ongoing fight against COVID-19.

This past year we have invested more than \$920 million in capital programs, including over \$700 million on our water and wastewater infrastructure. The Board has approved total capital investment of \$1.59 billion for the 2021–22 financial year. This includes with \$680 million allocated for investment in new growth-related water and wastewater infrastructure projects, \$741 million committed to infrastructure renewals across Greater Sydney and \$167 million for digital and property investments.

We have stepped up our community and stakeholder engagement activities to support our record capital investment program, and we have expanded our engagement with culturally and linguistically diverse communities. This is part of our commitment to having a customer-advocated price review for 2024, which has already involved more than 2,000 customers participating in focus groups to inform our plans for climate-resilient water supply, ongoing conservation initiatives, improving the health of our waterways and other key aspects for securing a resilient and reliable future for water in Greater Sydney.

We have continued to work with our people to find new ways of working in the COVID-19 environment, enhance safety and wellbeing at work, and develop a fair, equal and inclusive environment for everyone.

These commitments have been undertaken with the support of our Chair, Bruce Morgan, whose term on the Sydney Water board ends after nearly 10 years. Bruce's strong support for myself and our Executive team has enabled a robust and unified execution on our strategic initiatives. For this, and his consistently strong leadership and commitment, we are all very grateful.

There are many achievements during Bruce's tenure, and I would like to share those that have helped define us as a respected and highly effective business.

- **Customer focus:** Sydney Water's focus is on keeping the customer at the heart of all we do and navigating the business to improve customer outcomes – including having the most affordable water bills of any Australian capital city.
- **Our people:** Leadership from the top has been instrumental in driving a strong connection with our people, improving connection to our strategy and driving a high-performance culture.

- **Safety:** Sydney Water's Total Recordable Injury Frequency Rate is at an all-time low, with the health, safety and wellbeing of our people our number one priority.
- **First Nations:** Recognition of the Traditional Custodians of our lands and waterways is core to our values. Sydney Water's *Innovate Reconciliation Action Plan*, is helping to foster closer and more respectful relationships with First Nations people and employees.
- **Innovation:** Sydney Water's award-winning COVID in wastewater testing program is one of our many award-winning research programs developed to create a better life for our customers and communities.
- **Future success:** Improved capital governance, greater engagement with our customers and stakeholders, and our commitment to improving our environmental performance mean we are well placed to achieve the goals in our 10-year strategy.

We have met the challenges of 2020–21 and look forward to further advances in the current financial year. I look forward to working with our Chair, Grant King, and reporting on our achievements and commitment to creating a better life through world-class water services for our customers and communities.

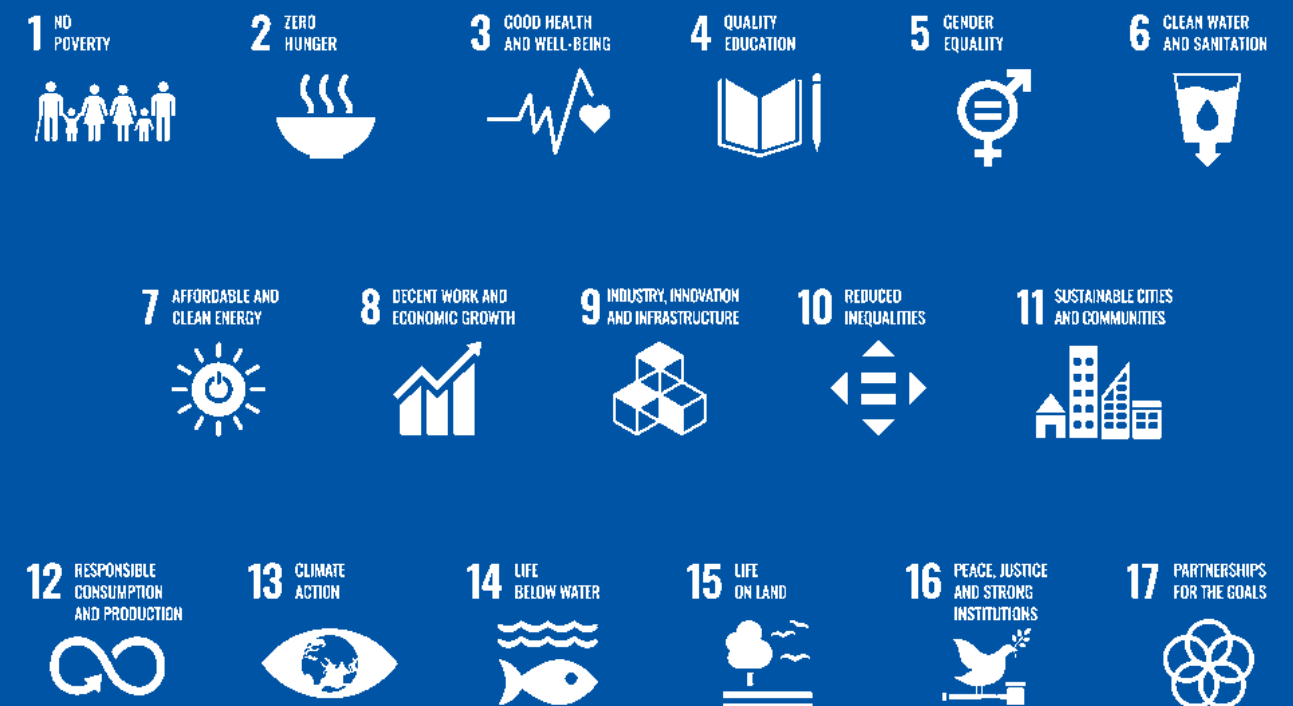



Roch Cheroux
Managing Director

Contributing to global sustainability

Sydney Water has committed to the United Nations Global Compact to fight poverty, inequality and climate change through the adoption of 17 Sustainable Development Goals (SDGs).

Each of the 17 SDGs is represented by an icon. Throughout our annual report, we use these icons to indicate how our projects and activities contribute to this important promise, which involves sustainably managing our resources and improving our communities for this generation and those that follow.

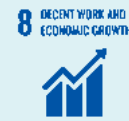




Sydney's vast waterways are the lifeblood of our flora, fauna, marine life and people – connecting our history and celebrating land, sea and community.

CASE STUDY

Advancing reconciliation



The launch of our *Innovate Reconciliation Action Plan (RAP)* is an important step in our reconciliation journey. The RAP, endorsed by Reconciliation Australia, is a two-year plan that provides a roadmap of the actions we will take to advance reconciliation.

To illustrate the role of water in linking First Nations people to surrounding lands and each other, Sydney Water has commissioned an artwork that expresses that connection. This artwork graces the cover of our RAP.

As Australia's largest water utility, we understand our unique role in learning from and continuing the work of First Nations people to protect water resources and improve the health of the landscape across our operating areas.

The evolution of our RAP involved workshops with First Nations employees and our Board of Directors, Executive team, Reconciliation Committee members and partners.

"The support and commitment of all employees across Sydney Water has been incredible. This RAP will not only impact on the lives of First Nations people through increased employment and economic opportunities, it will also provide an opportunity for all employees to build their cultural capability," said Veronica Murphy, a Reconciliation Committee member and Sydney Water's First Nations Inclusion Specialist.

"Delivering on our RAP commitments will help to strengthen our relationships with First Nations people, organisations and communities within our operating area."

At its core, the RAP sets out our ambition to develop strong relationships with First Nations communities to bring about meaningful change. We are taking action in areas where we can make a difference, such as creating and improving economic and social outcomes for First Nations people.

Here are some activities we have undertaken to support reconciliation:

- employing a First Nations Inclusion Specialist who works with our Reconciliation Committee to support our reconciliation plans and commitments
- the appointment of an Aboriginal Co-Chair to our Reconciliation Committee. Natalie Wilcock is the senior manager of Aboriginal Education and Engagement with TAFE Digital and joined the Committee in November 2020 to provide advice and guidance on our reconciliation actions
- becoming a corporate member of Supply Nation, which promotes business between corporate Australia, government agencies and First Nations-owned businesses. Through our membership we aim to increase the number and annual spend with First Nations-owned businesses in our supply chain
- marking Reconciliation Week and NAIDOC Week with activities including panel discussions, videos and Aboriginal art workshops, to raise awareness and engagement with First Nations cultures and histories.

“

Our Reconciliation Action Plan is the first of many steps towards levelling the playing field for all of our Aboriginal and Torres Strait Islander employees, future employees, and the people, businesses and organisations with whom we partner.

Kate Challenger
First Nations employee

Our RAP helps us build on the actions we have taken over the past several years, and it provides a framework for collaboration with First Nations communities so we can learn about the best ways to care for Country. This will help us protect our water resources and ensure a healthy and sustainable future. The Reconciliation Committee will monitor and regularly report on actions, achievements and challenges, as well as reporting annually on our performance to Reconciliation Australia.

“Our Reconciliation Action Plan is the first of many steps towards levelling the playing field for all of Aboriginal and Torres Strait Islander employees, future employees, and the people, businesses and organisations with whom we partner,” Reconciliation Committee member and First Nations employee Kate Challenger said.

“

The support and commitment of all employees across Sydney Water has been incredible. This RAP will not only impact on the lives of First Nations people through increased employment and economic opportunities, it will also provide an opportunity for all employees to build their cultural capability.

Veronica Murphy
First Nations Inclusion Specialist



“

I did this to understand water’s link between the ocean to the rivers – leading into the Parramatta River – also to other coasts and water systems, such as the Cooks River and the Georges River in Botany Bay.

Dennis Golding
Artist

Adding another dynamic to this commitment, Sydney Water commissioned a work from artist, curator and graphic designer Dennis Golding to illustrate our RAP and for display in our Parramatta headquarters building.

Dennis, a descendant of the Kamilaroi/ Gamilaraay people from the north-west of New South Wales, resides in the south-east of Sydney on Bidjigal land.

He said he created the artwork to instil a sense of culture, identity and community.

“I started the creative process for this artwork by looking at Sydney Water from a top-down view,” Dennis said.

“I did this to understand water’s link between the ocean to the rivers – leading into the Parramatta River – also to other coasts and water systems, such as the Cooks River and the Georges River in Botany Bay.

“Sydney’s water is all linked together through marine life, native plants and people that connect the history between land, water and sea.”

The artwork was inspired by Sydney’s topographic patterns, connecting stories of both saltwater and freshwater people, land sustainability and culture.

The circular patterns represent the many watering holes and meeting places of Traditional Owners that were used to share knowledge and stories between generations.

The inclusion of the whale and eels represents the native marine life that live in the freshwater and saltwater regions of Sydney, as well as the bonds between people who inhabit both regions.

The Sydney land formations that are illustrated through the curved patterns also feature references to local native plants such as wattles and warrigal greens. These plants are found in places around Sydney Harbour, as well as other coastal regions and inland rivers throughout Sydney.



SECTION 02

Improvement for our customers, our people and our communities

Sydney Water has improved across a range of measures, such as safety and diversity, and implemented programs that mark our commitment to creating a better life through world-class water services.






Our People

We are proud of our progress in making Sydney Water an even better place to work, with strong metrics around overall culture, safety and wellbeing.

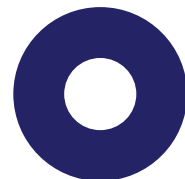



The percentage of women in leadership increased to 42 per cent

Our Diversity Index, which measures our performance against targets at various levels of the organisation, reached 71.5 per cent, and we are working towards further improvements in 2021–22.

Importantly, we have almost closed the gender pay gap, bringing it below one per cent and well below the Australian workplace benchmark of 14.2 per cent. We will continue to work towards zero. In addition, the percentage of women in leadership increased to 42 per cent, bringing us closer to our target.

Our graduate program was named the best in the nation, according to the Top Graduate Employers 2021 survey of 2,900 graduates. We see our graduate program as a win-win proposition in which we can recruit the best university candidates across a range of fields, including digital and analytics, engineering, science, finance and communications. In return, we provide on-the-job experience to talented young people straight out of university, including a two-week induction period that helps smooth the transition from university life to full-time employment.



Improved safety, enhanced wellbeing

An important highlight over the past financial year is our improved safety record. A key safety metric at Sydney Water – the Total Recordable Injury Frequency Rate (TRIFR) – fell to 5.7 in 2020–21, from 6.4 a year earlier. Just four years ago, this measure stood at 23.

We have reduced the number of workers compensation claims by 20 per cent and cut related insurance premiums by \$400,000.

We still have a significant journey ahead of us, but we are pleased with our progress and remain committed to improving the health, safety and wellbeing of our people, partners and community.

Injury analysis points to musculoskeletal injuries as the most significant contributor

(38 per cent) to recordable injuries in 2020–21, so our focus in 2021–22 is on broadly deploying a Manual Handling initiative that we piloted in 2020–21.

The initiative involves the use of wearable sensor technology, providing individuals with tailored feedback and training about how they interact with their task and how they might correct their body movements towards the desired range of movement. Also, considering the age profile of many of the contributing musculoskeletal injuries, those over 50 years of age will also undergo a more rigorous fit-for-work assessment, where tailored action plans will be developed to support individuals to maintain their fitness for work.





Research and Innovation Plan

As we advance our Research and Innovation capabilities, we are working collaboratively with a range of stakeholders nationally and internationally, including universities, industry partners, government agencies and developers. This is just a snapshot of our current activities.

- We are trialling the use of an exciting new super material called graphene, which could revolutionise water and wastewater treatment. Advances in nanotechnology combined with the unique properties of a graphene membrane are delivering exciting results in current studies.
- Our award-winning Geospatial Planning Tool is a game-changer for the water industry. It formulates greenfield planning strategies for drinking water, recycled water, stormwater and wastewater. The spatial analysis and in-built planning logic automatically provide a holistic picture of future demand in a given area, including baseline integrated water servicing concepts, growth forecasts, system generation, asset sizing and cost estimates. It has improved strategic level planning timeframes by 65 per cent.
- Our wastewater sniffer dogs are a world first. Eco-warriors Winnie and Ziggy help detect wastewater leaks so they can be repaired before they turn into breaks. This saves time and money, and prevents adverse environmental and community impacts.

- In June 2021, Sydney Water installed the 3000th level sensor in our wastewater network. These sensors use Internet of Things (IoT) technology to monitor and detect blockages in the wastewater network in real time, enabling efficient and effective maintenance to clear blockages, prevent leaks and protect the health of local waterways. We are working to expand this network of sensors by 2024 to monitor 4,600 kilometres of sewer mains that have historically caused 70 per cent of wastewater overflows to waterways. We expect to deploy more than 10,000 IoT devices in 2021–22.
- Our advanced monitoring robots can travel up to 500 metres through sewers to assess pipe condition during planned or emergency maintenance.
- We are actively trialling new and innovative water-efficiency initiatives including digital smart meters and IoT devices in residential homes, commercial buildings and the water network. These smart devices can help customers save water and money, and we're doing even more on this front in the current financial year.

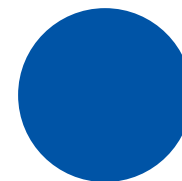
Environmental Performance Improvement Program

As part of our commitment to improving our environmental performance we have an Environmental Performance Improvement Program. The program seeks to deliver an improved response to environmental incidents and accelerate preventative maintenance programs to reduce the frequency of wastewater overflows.

The program progress to date includes:

- a reduction in the average clean-up time for dry weather overflows, from 32 days to fewer than seven days
- more than 500 employees and contractors trained on environmental incident response and new clean-up processes
- the introduction of a maintenance hole inspection program that saw more than 55,000 maintenance holes inspected by June 2021 in environmentally sensitive areas – with more than 1,100 potential dry weather overflows avoided so far as a result

- deployment of over 3,000 Sewer Level Detection Devices across our network that leverage IoT technology to provide critical monitoring of wastewater levels and, to date, have avoided more than 160 potential wastewater overflow incidents
- progressively introducing a rapid incident response capability with digitally automated processes to improve the health of waterways around Sydney in accordance with the 37 recommendations outlined by GHD in their independent audit.





Taking the lead on water supply augmentation

Sydney Water has taken the lead on water supply augmentation. In October 2020, Cabinet approved amending the Sydney Water and WaterNSW Operating Licences, making Sydney Water responsible for all planning of future supply augmentation across Greater Sydney.

This change was effective from January 2021, and Sydney Water and WaterNSW subsequently entered into a memorandum of understanding that details how we will work together. This change means that the costs and benefits of new supply sources are considered from a portfolio perspective, with new climate-resilient water supply sources such as recycled water and desalination considered holistically, along with water conservation and management of current dam supplies.

The directions made under the WaterNSW and Sydney Water operating licences help clarify roles for government and utilities in system planning. Most importantly, we expect this will translate to better outcomes for customers.



Waterway Health Improvement Program

As part of our Waterway Health Improvement Program, Sydney Water has advanced a series of projects. Construction has commenced on wetlands at Milson Park, Westmead and Parkside Drive, Kogarah.

The Johnstons Creek Naturalisation project is nearing completion. The project, in Sydney's Inner West, involves:

- replacing the old concrete banks with sandstone and native plants
- creating a natural, planted stormwater system (wetland) in Federal Park near Dalgal Way
- expanding the salt marsh around the creek and creating intertidal rock pools
- creating a boardwalk, paths and new seating, and replacing an old footbridge near Dalgal Way.

The work includes planting tens of thousands of local native plants, as well as new trees, to ensure that total canopy cover across the park is maintained.

We've also completed improvement work on the wastewater network in the Upper Parramatta River catchment and are progressing further projects in the Mid Parramatta River and Lane Cove River catchments as part of our vision to make the Parramatta River swimmable again by 2025. The next phase of investment will focus on more work in the Upper Parramatta River and the Lower Middle Harbour Mosman catchment.



Working with IPART on pricing reform

Our new price determination commenced on 1 July 2020 and will be in place until 30 June 2024.

Our 2020 price review led to a transformation in the scale of our capital expenditure program, with our regulator, the Independent Pricing and Regulatory Tribunal (IPART), recommending a significant increase on the prior pricing period.

This recognises our role in supporting population growth as well as our need to invest in our existing assets to continue to provide high-quality services to customers and to protect waterways and the environment.

The price review also introduced a new drought water-usage price which takes effect when dam levels fall below 60 per cent. This pricing helps us recover the additional costs we incur during drought and encourages water-efficient behaviours in times of prolonged dry periods.

Despite our need to increase capital expenditure, customer bills for 2020-24 decreased compared to 2016-20, largely due to the low interest rate environment in which we currently operate.

IPART is currently reviewing the way it regulates water businesses, including Sydney Water. We are actively participating in this review, advocating that the new framework be aligned with the long-term interests of customers and delivering a thriving, liveable and sustainable community.

Partnering for Success

Over the past financial year, Sydney Water has adopted an integrated project delivery model Partnering for Success (P4S).

As a part of P4S, Sydney Water started a 10-year agreement with three Regional Delivery Consortia (RDC) to enable us to work smarter and more effectively with our trusted partners. Sydney Water has also pre-qualified 620 suppliers as part of a Shared Purchasing Framework and awarded 400 contracts.

We will invest at least \$4 billion in infrastructure, supporting around 1,200 jobs through P4S. The model is an exemplar of how Sydney Water is working with the private sector to bring world's best practice in service delivery by building a resilient and future-proofed water system.





How we developed award-winning testing for coronavirus in wastewater



Sydney Water activated its Infectious Diseases Management Team (IDMT) on 27 January 2020 in response to the emergence of COVID-19, a disease that has continued to spread globally.

Sydney Water's scientists worked together to investigate and discover methods for identifying what was then a newly discovered coronavirus, SARS-CoV-2, which had never been seen in humans.

During the early stages of COVID-19, our Laboratory Services technical specialists investigated the possibility of using molecular markers to identify SARS-CoV-2 in wastewater.

An internal research monitoring program was initiated to support the collection and storage of samples from Sydney Water's wastewater treatment plants to be used in epidemiological, or disease-control, studies and method development at a later stage.

Achieving together

Since then, Sydney Water has been involved in the development of a new laboratory method for SARS-CoV-2 detection in wastewater under the Water Research Australia (WRA) ColoSSoS (Collaboration on Sewage Surveillance of SARS-CoV-2) Project.

Sydney Water, in collaboration with ColoSSoS members, have developed an analysis method for detecting SARS-CoV-2 fragments in raw sewage samples. The method is novel with respect to SARS-CoV-2 but builds on our extensive experience with sewage surveillance for other viruses, such as norovirus, adenovirus and poliovirus.

International experience shows that these methods can provide a sensitive means of detecting the presence of SARS-CoV-2 being shed into the sewer to help identify COVID-19 virus infections before clinical cases being reported, or in the absence of clinical cases – an early-warning system for public health officials.



This project won the NSW Australian Water Association Awards 2021 R&D Excellence Award. In addition, Sydney Water was shortlisted as one of the Australian Financial Review's Most Innovative Companies.

The work also complements clinical testing in a manner that is highly cost-effective. Just a single sewage test can potentially detect the presence of a single virus shedder in a population of many thousands, including pre-symptomatic and asymptomatic shedders that can be missed from other forms of testing.

We continue our research in method efficiencies and quality improvements, and also continue to investigate sequencing techniques to identify the various strains of the virus.

Sydney Water has built a strong, collaborative relationship with NSW Health as we continue to analyse raw sewage samples collected from the Sydney catchment and regional NSW.

Combined with clinical testing, sewage testing provides a useful additional tool to inform NSW Health of the absence of, and/or identifying the re-emergence and prevalence of, the COVID-19 virus. Importantly, the testing supports COVID-19 pandemic control strategies in NSW. The work has since scaled up and is now supported by a team of more than 20 scientists from the Customer Delivery Laboratory Services field and laboratory teams.

SECTION 03

Strategy

Innovation is key to understanding what we can do better as an organisation and how we can collaborate with our research and innovation partners to develop and deliver new solutions.

This Pipe Condition Assessment Robot was developed in collaboration with UTS Robotics Institute
Courtesy of iPipes lab: photo by Anna Zhu



Diving into a new beginning

We are now into the second year of our 2020–2030 Sydney Water Strategy. Launched in 2020–21, our new vision and strategy is based on customer insights, extensive analytics, and macro and micro trends.

Our customers have told us that the future they envisage is one in which their communities are thriving, liveable and sustainable. As an essential services provider, we play a critical role in creating that future. This information has been important in helping us understand where we're going, how we'll get there and the priorities we'll address along the way.

Through this 10-year strategy, we will deliver solid progress against our four strategic objectives.



Our Vision

Creating a better life with world-class water services

- **First choice of customers and partners** – In the past, we have operated as a traditional monopoly, but with competition emerging in our business environment, we need to deliver a world-class customer experience and collaborate with our current and future customers, communities, stakeholders and partners to deliver the outcomes they expect in an affordable and sustainable way.
- **Thriving, liveable and sustainable cities** – Our core business objective is to protect public health and the environment. We are taking this one step further by placing a greater focus on resilience and partnering with other public and private sector organisations to deliver innovative solutions to greening, cooling and improving environmental health.
- **High-performance culture** – We are committed to supporting our people to be the best they can be – supporting, developing and caring for each other to deliver for our customers. We make a positive impact and deliver world-class services by achieving together.
- **Successful and innovative business** – We are only as successful as our people and our ability to deliver affordable, and socially and environmentally sustainable products and services for our customers, and to deliver a positive return for our shareholders and the community.

Our strategy, supported by our values, is summarised in Figure 1.

Figure 1: Our strategy to deliver our vision





SECTION 04

Measuring our success

In July 2020, we released our new 10-year strategy to achieve our vision: Creating a better life with world-class water services. We have four strategic outcomes to guide us as we deliver the strategy and make investment decisions.

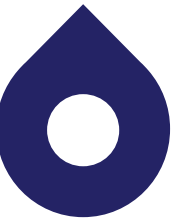




First choice of customers and partners

We deliver a world-class customer experience and collaborate with our communities, stakeholders and partners to deliver better outcomes

Our strategic objectives



- Our customers interact with us easily and seamlessly through the channel of their choice and have adequate information to make informed choices
- We provide products and services for each customer segment, through a range of delivery models that exceed traditional offerings
- Proactive and meaningful customer and stakeholder engagement is embedded in our business-as-usual practices
- Customer, partner and stakeholder insights inform our decision making
- We are the preferred partner of the public and private sector for new water and wastewater infrastructure
- We are actively educating our customers, partners and stakeholders on the benefits of a circular economy and water recycling.

Customer sentiment towards Sydney Water has risen over the year, with water quality, reliability and quality customer service driving the positive result. We have continually benchmarked well against other utilities and various other organisations across the following key metrics:

- value for money
- trust
- community reputation
- overall satisfaction, including an IPART benchmark that ranked Sydney Water highly – a significant positive result given the challenging COVID-19 environment which has led customers to focus largely on health and bill affordability.

Community engagement is an area our customers would like us to further consider. We are listening and are actively engaging with our customer base through various forums, obtaining feedback on customer sentiment around topics such as water in the future.

Sydney Water continues to put our customers at the heart of everything we do. Following are some program achievements throughout 2020–21:

- Our customer services and field teams provided excellent service to our customers, with a customer advocacy result of 43 per cent.
- Customer complaints fell more than 6 per cent to 5,382 (including EWON matters) over 2020–21. The reduction in billing and account complaints stemmed from changes to our revenue collections process and assistance options for customers in response to the COVID-19 pandemic. We've set up a Complaint Handling Working Group to identify further improvement opportunities.
- During this challenging year we supported customers across Sydney through a COVID-19 financial support program that provided almost \$900,000 in Payment Assistance Scheme (PAS) support (funded by NSW Treasury) to around 2,500 households. More than 20,000 customers were given extra time to pay their bills and 58,000 customers were put on special arrangements (P2P and Payment Schemes).
- We initiated a project to deliver a Digital Customer Platform, planned to go live in late 2021. This new, modern and improved platform is designed to enable customers to interact smoothly and easily with Sydney Water.

Achieving with our partners

The development of circular economy initiatives associated with water re-use is a vital part of the vision for a more productive, liveable and sustainable Greater Sydney. Together with our valued partners, we are working hard to bring that vision to life.

Here are some examples:

- The City of Sydney and Sydney Water share a vision in support of circular economy outcomes and have signed a memorandum of understanding (MOU) to help bring about those outcomes. We are collaborating on water re-use, biogas and other circular economy opportunities in Sydney's Eastern Harbour City.
- We are working with other utility providers to expand our services from traditional water and wastewater services. Last year, we executed an MOU with Jemena and Endeavour Energy to explore new products and services that support a circular economy and deliver a thriving, liveable and sustainable city.
- Sydney Water is a lead member of the Western Sydney Utilities Collaboration Group, which is focused on a program to deliver utilities services on time to meet growth and major infrastructure milestones. This year, the Group has prioritised assets along Elizabeth Drive, Luddenham Road and Badgerys Creek Road in the emerging Aerotropolis growth precinct.
- We are exploring synergies in delivering water and gas infrastructure along these Western Sydney corridors to reduce impacts and minimise costs for our customers, and avoid asset relocation.

CASE STUDY

Meeting the needs of Western Sydney International Airport



Sydney Water has been working in partnership with the Western Sydney International Airport since 2018 to understand its immediate and long-term water servicing needs. This relationship has enabled us to successfully implement agreements for delivering essential water infrastructure for the construction and ongoing operation of the Western Sydney International Airport.

We are currently working on a proposal for further services including recycled water for airport operations, on-site reservoir operation and maintenance, and an innovative cooling trial involving irrigation.

We are also exploring the opportunity to turn waste aggregates from airlines and adjacent commercial operations into energy.

These important essential services for the Western Sydney International Airport are part of our broader Western Sydney Masterplan to provide certainty of water, wastewater and recycled water services to the Aerotropolis growth precinct and Greater Western Sydney.



Creating a water-smart urban environment



Sydney Water has partnered with developer Celestino to provide sustainable water services to Sydney Science Park and create a blueprint for smart, water-sensitive development throughout Western Sydney.

Sydney Science Park is a \$5 billion mixed-use hub located at Luddenham in the Aerotropolis growth precinct. The park is a key development in Sydney's future Western Parkland City.



Through this partnership, Sydney Water and Celestino are working together to bring our shared vision to life: to create a vibrant economic, education and research hub in the Western Parkland City.

We are working closely with Celestino to provide sustainable and resilient water services to the Sydney Science Park, providing water to homes as well as public spaces, a first for greenfield development.

This is the first large-scale commercial site in the region to demonstrate the value of integrated water-cycle systems. Water recycling is traditionally done at large centralised plants. However, the Sydney Science Park will be located in the community it will serve. A membrane bioreactor system makes for a smaller footprint and helps to suppress noise.

In addition, the innovative onsite treatment hub will also provide Sydney Water with multiple opportunities to advance new smart treatment technologies for future use.

This is the first large-scale commercial site in the region to demonstrate the value of integrated water-cycle systems.

Water Savings Partnership benefits iconic building



Our Water Savings Partnership, which includes our collaboration with the City of Sydney, is reaping benefits for our customers and the environment.

Following an assessment of the toilets in the Queen Victoria Building (QVB), the City of Sydney Council replaced malfunctioning flush valves, which were wasting up to 32 litres of water every minute.

The new valves save an estimated 46,000 litres of water every day, saving the QVB \$55,000 per year in water and wastewater usage charges.

Our Water Savings Partnership program includes Blacktown, Campbelltown, Northern Beaches and City of Parramatta councils, as well as the City of Sydney council.

Our goal is to help our customers save water and improve their triple bottom line – profit, people and planet – while helping Greater Sydney build a more water-resilient network for our customers now and in the future.

Our performance

Customer satisfaction

Overall rating

During 2020–21, we asked almost 12,000 customers to rate their overall satisfaction with our service. Overall, 51 per cent of customers were highly satisfied with our service (rated 8–10 out of 10). Passive responses (customers rating 5–7 out of 10 or who answered ‘don’t know’) stood at 45 per cent, while negative responses (those who rated 0–4 out of 10) remained low, at 4 per cent.

The first quarter saw positive customer satisfaction at 48 per cent. Satisfaction significantly increased in the second quarter, with 53 per cent of customers rating the metric highly. It was stable into the third quarter and fourth quarter at 52 per cent. These high satisfaction scores reflect our ongoing commitment to engaging with customers and maintaining the quality services they demand.

Tap water rating

On average, 69 per cent of customers are strongly satisfied with the quality of Sydney Water tap water (rating 8–10 out of 10). The performance of our operational teams in delivering a top-quality product is supported by our customer and community engagement activities. These include being the Hydration Partner for Cricket NSW and our permanent and portable water station programs.

Complaint handling

Sydney Water’s Operating Licence defines a complaint as ‘an expression of dissatisfaction made to or about Sydney Water related to its actions, products, services, staff or the complaints-handling process, where a response or resolution is explicitly or implicitly expected or legally required’.

During 2020–21, we resolved 4,924 complaints that were our responsibility. Complaints made up less than 0.6 per cent of the more than 855,000 customer contacts we received via phone, email, fax, mail and online, excluding self-service contacts.

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

During 2020–21, EWON received 458 enquiries or complaints about us.¹ This equates to 2.2 matters per 10,000 customers, aligning with other water utilities EWON oversees.

We continually monitor and assess our complaint data to identify process improvements.

Table 1: Customer satisfaction indicators, 2016–17 to 2020–21

	2016–17	2017–18	2018–19	2019–20	2020–21
Average customer rating of overall service quality ²	7.9 ³	8.0	7.9	7.8	n/a
Average customer satisfaction rating (positives 8–10) ⁴	n/a	n/a	n/a	n/a	51%
Average customer rating of overall quality of drinking water ²	7.6	7.7	7.8	7.9	n/a
Average customer satisfaction with tap water quality (strong satisfaction 8–10) ⁵	69%	71%	75%	70%	69%
Total number of complaints (including to EWON)	5,090	5,308	5,952	5,733	5,382

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.

Social programs

Financial support scheme

We support customers experiencing payment difficulties by offering specialised programs to ensure equal access to essential water and wastewater services. We assess each case individually, if a customer is not eligible for financial relief, we refer them to external support options that can help. We also run our Community Outreach program to ensure customers are aware of our hardship programs and to help overcome barriers to customers accepting assistance.

¹ EWON’s report to Sydney Water for 2020–21.

² Results between 2016–17 and 2019–20 are from the Customer Experience Monitor, which was decommissioned on 1 July 2020.

³ These results are the average from the first six months of 2017.

⁴ From 1 July 2020, the Customer Satisfaction metric is now measured in the Brand Tracker (previously, overall service quality was measured in the Customer Experience Monitor). The question wording has changed to align with the new CX Measurement framework, meaning that historical comparisons are not available for periods before 1 July 2020.

⁵ From 1 July 2020, the previously reported drinking water rating has been replaced with the tap water quality rating from the Community Sentiment Monitor, as the Customer Experience Monitor has been decommissioned. The question wording differs between studies meaning that comparisons between the two metrics are not possible.

This became even more important with an increased number of calls from people seeking financial assistance with their water bills during the COVID-19 pandemic. Additionally, Sydney Water undertook a pro-active outbound campaign to promote support available from August 2020 through to March 2021, which demonstrated our massive effort in response to COVID-19. We reached out to customers whose debt was increasing, to talk to them about the various support options available at Sydney Water.

In 2020–21, we assisted customers via the Payment Assistance Scheme (PAS) at a total cost of about \$1.2 million. We also assisted customers via:

- **Payment arrangements**

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

- **BillAssist®**

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

PAS helps customers who are having difficulty paying their water bill. After completing a hardship assessment, community welfare agencies or Customer Care Case Coordinators can approve PAS credits directly to the customer's Sydney Water account.

This service is available to customers who own and occupy their home, and to private tenants who are responsible for paying for their water use. Customers must agree to a

payment plan if they have already received PAS credits in the previous 12 months.

- **PlumbAssist®**

This program is a subsidised service that provides emergency and essential plumbing repairs and maintenance to eligible customers experiencing financial hardship. The program aims to ensure that customers have access to basic services such as water, hot water and drainage, and have efficient and sustainable consumption achieved through the installation of efficient devices and minor and concealed leak repairs.

By providing this service, Sydney Water aims to prevent further financial hardship by reducing a customer's water use and related costs, while ensuring they have access to essential services. Customers who participate in this service also receive support and case management from the Customer Care team that they are referred from.

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

Community outreach

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

In 2020–21, Sydney Water trained various community welfare agencies on our PAS. We had almost 400 referrals from agencies that resulted in payment assistance to customers.

Pensioner concessions

The NSW Government funds concessions to eligible recipients to help ensure all customers have adequate access to water, wastewater and stormwater services.

Concessions were provided 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. In 2020–21, the concessions were:

- 100 per cent of the water service charge
- 86 per cent of the wastewater service charge
- 50 per cent of the stormwater service charge.

Exempt Properties Scheme

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

We granted service charge exemptions totalling \$13.7 million this year.

Blue Mountains Septic Pump-out Scheme

At the direction of the NSW Government, we continued the Blue Mountains Septic Pump-out Scheme subsidy at a cost of \$79,415 in 2020–21.

Table 2: Social program expenditure, 2016–17 to 2020–21

Social programs	2016–17 (\$m)	2017–18 (\$m)	2018–19 (\$m)	2019–20 (\$m)	2020–21 (\$m)
Pensioner concession*	125.5	125.0	124.2	129.8	112.2
Exempt Properties Scheme*	17.3	17.7	17.2	19.0	13.7
Payment Assistance Scheme	1.0	1.1	1.2	1.2	1.2
Blue Mountains Septic Pump-out Scheme	0.3	0.1	0.1	0.1	0.1
Total	144.1	143.9	142.7	150.1	127.2

* The reduction in applicable service charges in the 2020 price determination has led to a decrease in expenditure required for pensioner concession programs and exempt properties.

Multicultural policies and services program



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

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

We seek to address this through our Community Outreach program and other community activities, as well as translating our information into different languages.

Our culturally diverse workplace not only promotes a constructive and inclusive culture, but also offers insights into culturally diverse communities to support greater customer and community outcomes. We have an internal translation network that enables employees to support customer contact employees by acting as interpreters.

Details of our engagement with CALD communities can be seen in Table 3.



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

Table 3: CALD initiatives, 2020–21

Focus	Activities
Service Delivery	
Deliver mainstream services for everyone	<p>We consider multilingual communications in all engagement and communication activities, particularly in areas with large culturally diverse populations. We work with specialist organisations to understand how best to engage and communicate with CALD communities.</p> <p>All customers can access our free phone-based interpreter service, which offers translation services for more than 150 different languages. Customer contact employees can also call on our internal translation network.</p> <p>During restoration and upgrade projects in culturally diverse areas, we use translated information and/or interpreters to notify residents of the work and ensure they understand how it may affect them.</p> <p>We distribute multilingual brochures at events and through partnerships, providing information on bill payment, financial support, drinking water, wastewater, leak checking and saving water. These brochures then refer customers back to our dedicated language pages on the website to continue to provide important information in a timely manner.</p> <p>The Sydney Water website provides billing, financial support, product and campaign information in Arabic, Traditional Chinese, Simplified Chinese, Vietnamese, Greek and Korean. Each of these languages has its own dedicated webpage and is easily accessed via a link.</p> <p>We also publish links to multicultural support on water bills and in our quarterly Waterwrap newsletter.</p>
Target programs that fill gaps	<p>We regularly translate our marketing communications into Arabic, Simplified Chinese, Traditional Chinese, Vietnamese and Korean, and pitch them to multicultural radio, print, online and social media channels.</p> <p>Our COVID-19 response was promoted to CALD communities via a translated paid social media campaign on Facebook. It focused on our financial support and also included the importance of only flushing the '3 Ps' at home to avoid wastewater pipe blockages.</p> <p>We also ran a targeted program for CALD communities commencing late in 2020–21 to raise awareness of the safety of our drinking water. We also translated our water wise campaign into our target languages to remind our culturally diverse communities to also think about how they use water and to use it wisely.</p>

Focus	Activities
Develop awareness among people from culturally diverse backgrounds of services, programs and functions funded by the NSW Government	<p>Our Outreach program partners with 130 community organisations to assist customers who are having difficulty paying their water bill. These agencies can provide financial assistance direct to our customers through a simple and easy process that benefits people from CALD backgrounds, who might be reluctant to ask for help or may not know who to ask.</p> <p>For the past 12 months, Sydney Water has participated in many virtual information sessions to build on community networks and relationships with services and their communities. We have targeted various CALD communities in partnership with EWON and other community agencies to raise awareness of Sydney Water's Payment Assistance Program, education on water efficiency and payment options.</p> <p>In June 2021, we attended the Bring your Bill Day with the Multicultural Network, EWON, Service NSW and Centrelink.</p> <p>As part of this Outreach program, we offered PAS training and held information sessions for:</p> <ul style="list-style-type: none"> • North Sydney Migrant Resource Centre • Navitas English and Department of Communities and Justice • Burwood Library • Blacktown City Council • Canterbury and Bankstown Council • Fairfield City Council • City of Parramatta Council • Parramatta Library • Service NSW • Muslim Care • Red Kite • Sutherland Shire Council • Community Care Blue Mountains • Aged and Disability Services Blue Mountains • Ku-ring-gai Council.

Planning

Plan for strong service delivery	<p>We continually update our understanding of CALD communities within our service area. We use census data and consult CALD agencies to inform our strategies and plans for communication and engagement activities.</p> <p>Sydney Water has a Community Advisory Committee with representatives from the Ethnic Communities' Council of NSW, Multicultural NSW and the Illawarra Local Aboriginal Land Council, all of which represent CALD communities. We regularly engage with Community Advisory Committee members to gain their feedback on how our planning and operations affect the interests of our diverse customers.</p> <p>Sydney Water is also a member of the Thriving Communities Partnership, which hosts webinars on 'Navigating COVID Together' and 'Embedding the Good' in addition to other issues that affect the CALD community.</p>
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Focus	Activities
Use evidence-driven planning	<p>We always ensure we have proportionate representation of both CALD and First Nations peoples in our customer research and engagement activities. In the past financial year, these included:</p> <ul style="list-style-type: none"> • using customer research in our customer engagement programs delivered throughout 2020–21 • tracking and reporting campaign performance • using customer research in our many ongoing trackers, such as the Brand Tracker, Community Sentiment Monitor, Stakeholder Perceptions Survey and Service Faults Tracker as well as many ad hoc research projects such as Optimising Water Restrictions and Financial Vulnerability. <p>For larger customer engagement projects, we hold multilingual focus groups in our key languages.</p> <p>As part of our new Partnering for Success (P4S) model, we updated our social impact assessment, using available data to identify which CALD communities are most represented, by geographical area, so we can make better use of this information when planning our work.</p> <p>We also completed a social impact assessment for major projects including the proposed Upper South Creek Advanced Water Recycling Centre and planned a comprehensive CALD engagement program based on this in partnership with the Ethnic Communities' Council of NSW. The program includes in-language sessions with key influencers in the Vietnamese, Arabic and Mandarin speaking communities, which will be implemented in future periods.</p>

Leadership

Demonstrate leadership in culturally inclusive practices	<p>We celebrate and continue to build diversity and inclusion within our workforce. We continue to focus on increasing the participation of women, including in STEM areas, operations and leadership. We have also implemented strategies to reduce our gender pay gap and we seek a gender balance in our early career programs.</p> <p>Our employees celebrate diversity through internal events such as International Women's Day, NAIDOC Week, Sorry Day, National Reconciliation Week, Wear it Purple Day and other culturally significant diversity days and events.</p>
Increase recognition of the value of cultural diversity	<p>Our Local Community Support Grants offer a helping hand to organisations that support local activities and services. We promote these grants to everyone, including organisations that support CALD communities, including new migrants and refugees.</p>

Focus	Activities
Engagement	
Collaborate with diverse communities	<p>Under our Outreach program, we attend culturally diverse events, including the Bill Assist Support Day in conjunction with the Multicultural Network targeting CALD communities in the Bankstown area.</p> <p>In September 2020, we partnered with EWON and the MRC (Migrant resource Centre) presenting a session to the Afghan/Iranian Community in North Sydney. We also participated in the Fairfield Multicultural Interagency Meeting and a session with Muslim Care.</p> <p>We have also partnered with Burwood and Parramatta Libraries holding information sessions for Korean and Mandarin speaking customers. We have also displayed Sydney Water information flyers translated into other languages in community libraries in these areas.</p> <p>These meetings provide opportunities for services in the area to discuss local challenges and share successful methods of engagement. They also give us an opportunity to better understand our community and increase awareness of our services and support options. These events have largely been placed on hold due to COVID-19, and we have attended them remotely wherever possible.</p> <p>We participated in the St George Migrant Information virtual Day. Our Customer Care video was shared to promote services to newly arrived migrants over a period of a few weeks in November 2020. Videos have been kept online for one year to allow as many customers as possible to find the information and engage. Translated material available in Arabic, Thai, Bengali, Nepali, Traditional and Simplified Chinese was also shared, summarising key contacts details for Sydney Water. Since the event went live in November it had 268 views by mid-December.</p>
Understand the needs of people from diverse backgrounds	<p>The permanent water refill stations we have installed through partnerships with councils feature bilingual messaging in highly culturally diverse areas. Even in a COVID year, 1.23 million litres of water were enjoyed as a trusted and safe source of water while people were out and about.</p> <p>As the main Hydration Partner for Cricket NSW, we also engage with CALD communities through their love of cricket.</p> <p>We translate our major marketing campaigns and use radio, print and digital channels that are popular and trusted among CALD audiences. In June 2021, we ran a drinking water campaign focused on CALD communities, which aimed to generate an understanding that tap water in Greater Sydney is world class, safe to drink straight from the tap and a more sustainable choice than bottled water. It was important for us to acknowledge that people have different ways and temperatures they prefer when drinking water and that often their concerns are derived from having come to Australia from countries where water is not safe to drink. We also do not assume that the practice of boiling water to drink is due to mistrust, but recognised that it can be often derived from cultural and health-related practices. The campaign creative was translated into Traditional and Simplified Chinese, Arabic, Korean and Vietnamese as well as targeting Hindi, Tagalog and Punjabi audiences. Our research showed that the campaign had excellent traction, with concerns around safety decreasing and the practice of boiling water also decreasing significantly.</p> <p>Tailor community engagement to CALD communities in the Greater Sydney LGAs</p> <p>Effective community engagement with CALD communities is underpinned by understanding the needs of customers from linguistically and culturally diverse backgrounds.</p>

Focus	Activities
	<p>As part of the P4S community engagement approach, the regional engagement teams collected key demographic information from local councils' Community Strategic Plans and the latest available census data. Guided by this information, we partner with CALD organisations and used in-language community engagement specialists to carry out engagement activities.</p> <p>We also proactively engage Local Aboriginal Land Councils to celebrate our First Nations Peoples' knowledge, culture and tradition in our planning and capital work delivery, such as the Port Kembla Sea Wall project, the Johnston Creek Naturalisation project and the opening of our P4S regional delivery consortia offices across Sydney.</p>

Privacy principles

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

Sydney Water will:

- only collect relevant personal information for lawful purposes, directly related to our activities
- protect personal information from misuse and unauthorised access
- only use personal information in certain circumstances, and:
 - take reasonable steps to check the accuracy of personal information before using it
 - not give personal information to other organisations for marketing purposes
 - only use personal information for the purposes it was collected
- ensure employees who deal with personal information are aware of their obligations to protect privacy
- never disclose information that we expect customers, or their representatives, to know
- only disclose personal information to third parties if:
 - authorised or required to by law
 - we have verbal or written authority

- we can reasonably assume, in the circumstances, that the person would consent
- there is a danger of injury or loss of life
- our contractors need the information for essential activities
- allow people to access their personal information and amend it if incorrect.

In 2020–21, we:

- processed 212 privacy matters, of which:
 - 173 were general privacy enquiries, eight of which were raised by external parties
 - 15 were investigated using NSW Privacy Commissioner protocols
 - 24 were reviewed for privacy impacts
 - 175 were closed (along with 52 from previous years)
- completed a review of our internal processes and published those to our intranet
- provided feedback on the NSW Government's proposed changes to the NSW privacy laws
- promoted Privacy Awareness Week and hosted an event for NSW Government agencies
- presented to work groups to promote better understanding of privacy
- participated in and hosted NSW Right to Information and Privacy Practitioners Network events.

Figure 2: Operations map

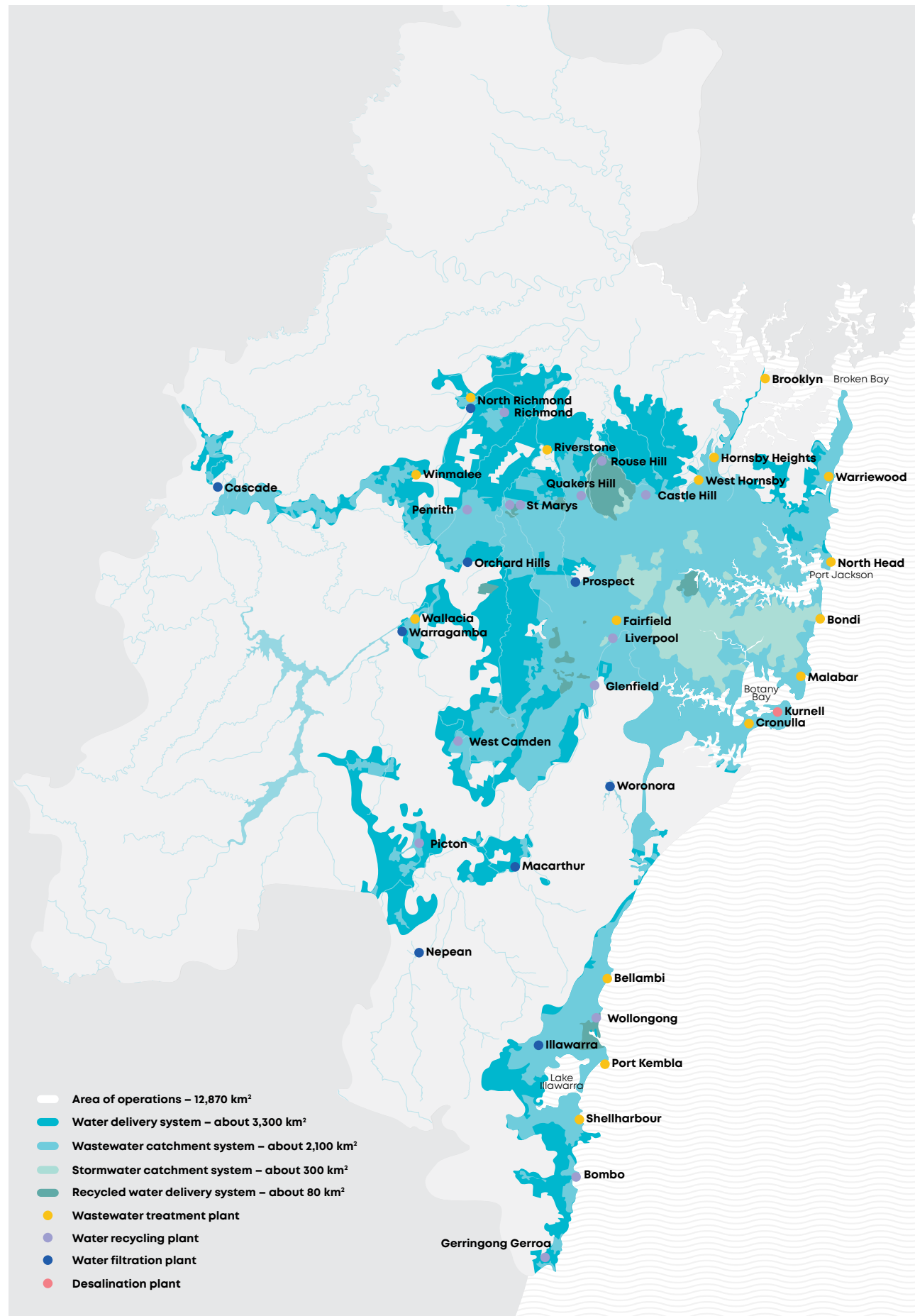


Table 4: Principal statistics, 2020–21

Approximate area of operations	12,870 km ²
Estimated population serviced by drinking water ⁶	5,271,000 people
Quantity of drinking water we produced ⁷	524,082 ML
Length of drinking water mains we own and operate	22,600 km
Quantity of drinking water produced from desalination	19,609 ML
Number of water treatment plants in service	9 water treatment plants
Number of desalination plants in service	1 desalination plant
Number of drinking water reservoirs in service	247 drinking water reservoirs
Number of drinking water pumping stations in service	152 drinking water pumping stations
Properties with drinking water service available	2,081,216 properties
Estimated population receiving wastewater services ⁸	5,168,000 people
Wastewater we collected (includes discharge, bypass, overflows and other)	570,853 ML
Length of wastewater mains we own and operate	26,493 km
Number of wastewater treatment plants in service ⁹	16 wastewater treatment plants
Number of wastewater pumping stations in service	693 wastewater pumping stations
Properties with wastewater service available	2,031,313 properties
Estimated population serviced by recycled water ¹⁰	100,000 people
Quantity of recycled water we supplied	37,669 ML
Length of recycled water mains we own and operate	776 km
Number of water recycling plants in service ¹¹	14 water recycling plants
Number of recycled water reservoirs in service	9 recycled water reservoirs
Number of recycled water pumping stations in service	11 recycled water pumping stations
Length of stormwater channels we control	457 km
Properties with stormwater drainage available	634,530 properties

⁶ Estimated population serviced by drinking water excludes dwellings serviced under the *Water Industry Competition Act 2006* (NSW), and includes shops on mixed development properties. Estimated population is a projection based on ABS Estimated Resident Population June 2020 preliminary, published March 2021, and projections by the Centre for Population Covid-19 scenario.

⁷ Includes the quantity of drinking water produced from desalination.

⁸ Estimated population serviced by wastewater excludes dwellings serviced under the *Water Industry Competition Act 2006* (NSW), and includes shops on mixed development properties. Estimated population is a projection based on ABS Estimated Resident Population June 2020 preliminary, published March 2021, and projections by the Centre for Population Covid-19 scenario.

⁹ The number of wastewater treatment plants is based on Sydney Water's classification.

¹⁰ Estimated population serviced by recycled water refers to Rouse Hill only and is an estimate as at 30 June 2021. Estimated population is a projection based on ABS Estimated Resident Population June 2020 preliminary, published March 2021, and our interpretation of projections by the Centre for Population Covid-19 scenario.

¹¹ The number of water recycling plants is based on Sydney Water's classification.



High-performance culture

We make a positive impact: Achieving together, we are customer-centric, innovative and ethical



Our strategic objectives

- Our people enjoy a positive, ethical, inclusive and contemporary experience; process is minimised and automated where possible and people are empowered to innovate, learn and deliver
- We have a workforce plan to deliver the right people with the right qualities and capabilities at the right time
- Strong health, safety and wellbeing performance underpins our strong business performance
- We have future-proofed digital foundations that connect our business, enabling efficient operations and continuous improvement
- Our technology is secure, meets our business needs and enables workforce mobility
- We will use trusted data and insights to define and shape our enterprise value and service offerings. These insights will be used to support decision-making and improve our services.

Safety, diversity and a high-performance culture are in focus at Sydney Water as we recognise that our people enjoy being a part of a positive, ethical, inclusive and contemporary experience.

Our safety team, along with wellbeing and safety representatives across the organisation, have been working hard this year to support the wellbeing of our employees. This has been especially important given the uncertainty of the external environment due to COVID-19. An Infectious Diseases Management Team continually monitors COVID-19 issues across our area of operations, ensuring the safety of our employees.

Despite these challenges, our continued focus on our people's safety, health and wellbeing, has enabled Sydney Water to achieve the following:

- Keeping our people and contractors safe is our top priority, and we note an improvement in our Total Recordable Injury Frequency Rate (TRIFR) over the year to 5.7, down from 6.4 in 2019–20 and well below 23.0 just four years ago.
- We have reduced the number of worker's compensation claims by 20 per cent and cut related insurance premiums by \$400,000.
- We have improved employee engagement to 84 per cent through our safety, health and wellbeing initiatives.
- Participation in our Flu Vaccination Program rose 33 per cent, with 685 of our people receiving the flu vaccine at a Sydney Water location.

We continue to work hard towards our TRIFR target of 5.0 in 2021–22. Our Better Safer Together Plan prioritises activities that continue to improve safety performance. In line with these efforts, we report the:

- successful pilot of wearable sensor technology, providing real-time feedback to reduce the risk of musculoskeletal injuries, with up to 88 per cent improvement observed in preferred-movement profiles
- broadening our manual handling pilot across frontline operations to reduce musculoskeletal injuries
- working closely with our contracting partners to share best practice and align objectives and targets
- undertaking deeper analysis of high-risk and high-injury business areas to develop targeted solutions for specific injury mechanisms and demographics.

Culture is a vital part of our Sydney Water journey. In 2021, we released our new Culture Blueprint, outlining the conditions required to deliver our strategy. The elements of the culture blueprint are measured in the annual Your Experience survey, from which the Behaviour Index is derived. This is based on the philosophy that employee experiences are an output of and shaped by the organisation's culture.

Importantly, we continue to focus on the diversity of our organisation and understanding its connection to success. We are dedicated to building a workplace culture that is safe and inclusive for everyone, where people feel they belong and can be their true selves, and that reflects the diversity of the customers we serve every day. It's the diversity of our employees that contributes to the innovation and creative thinking that we need to be a successful organisation.

To reinforce the importance of a safe and respectful workplace, our Managing Director, Roch Cheroux, signed Diversity Council Australia's #StandForRespect pledge and publicly committed to taking a stand against gender harassment and violence in all its forms and addressing sex-based harassment. Following the pledge, people leaders led discussions with their teams about respect in the workplace and our expectations of behaviour in line with our values.

Our diversity and inclusion focus covers women in our workforce, leadership and STEM roles; cultural diversity; people with disability; LGBTIQ+ inclusion; and supporting our people at different stages of their life and career. We are committed to partnering with First Nations groups to improve economic opportunities and employment outcomes.

Throughout the year we celebrated significant days on the diversity and inclusion calendar to raise awareness and engage directly with employees during International Women's Day, Reconciliation Week, NAIDOC Week, Wear it Purple Day for LGBTIQ+ inclusion and other important days.

Specific program achievements throughout 2020–21 include:

- successfully welcoming 418 new starters in a COVID-19 environment
- being named Australia's top graduate employer in 2021, according to the Australian Association of Graduate Employers
- releasing a new Reconciliation Action Plan during NAIDOC Week
- boosting the percentage of women in leadership to 42 per cent, bringing us closer to our target of 45 per cent
- reducing our gender pay gap to just less than 1 per cent for women on individual contracts of employment
- significantly improving our collaboration technology in response to COVID-19, to enable distance work at scale, with more than 70 per cent of our workforce successfully transitioning to working from home during lockdown periods
- launching Flexible Work Our Way, which provides greater clarity on how our people can adopt a more flexible approach to delivering their work. This has involved enhanced digital platforms to help teams operate effectively when working from home, as well as expert advice to help promote better ergonomic working conditions
- launching a new approach to talent and succession planning to understand our strengths, key talent risks and potential, so we can increase our people's connection to Sydney Water
- building a view of our business drivers for change and the capabilities we will require in the future.



CASE STUDY

Our response to COVID-19



Our focus on our customers, our people and our business drives everything we do. COVID-19 has continued to disrupt the lives of our customers and employees. It has challenged us in our work as an essential service provider, as well as opened opportunities to adapt and develop. Performing to high industry standards, ensuring consistency in operations and ensuring the safety of all involved have been front of mind in every decision we've taken.

Based on the recent past and an understanding that the pandemic is a long-term strategic consideration, Sydney Water has continued to invest in enhancing how we work, as well as improving our resilience. These investments in adapting and evolving have allowed us to pivot our workforce operations quickly and meet or exceed government health requirements

Support for our customers, with nearly \$900,000 in financial support, as well as employees facing emotional, physical or financial hardship has remained key to ensuring that we remain resilient and engaged with our employees and communities.

Employee support has been intrinsic to our success and has involved a program of virtual and physical engagement. This has included continuous advice from specialist teams and leaders, as well as virtual support through access to specialists in physical and mental health.

Working with our employees, we have implemented a new approach to flexible working, enabling our people to thrive while in a range of environments.

By implementing innovative approaches to our critical operational areas, we have reduced the potential impact of any risk posed by COVID-19 exposure at Sydney Water sites. These approaches have helped us meet and, in many cases, exceed government COVID-19 guidelines.

Sydney Water continues to contribute to wider Australian government and international efforts to monitor and tackle COVID-19 through regular testing and monitoring of wastewater networks in the Greater Sydney region. Our Infectious Diseases Management Team has remained vigilant throughout the year, monitoring and responding quickly to help protect our people and the community

Our efforts in relation to COVID-19 monitoring through wastewater have received NSW Research and Development Excellence Award in the Australian Water Association Awards.

Through this challenging and fast-changing COVID-19 landscape, we have continued to invest in our people and create the best conditions for success. The challenges of 2020–21 have presented an opportunity for our organisation to develop even greater resilience and build strength in new areas. For example, the lessons learned from our pandemic response have been applied to other natural disasters, such as our response to the NSW floods of February 2021.

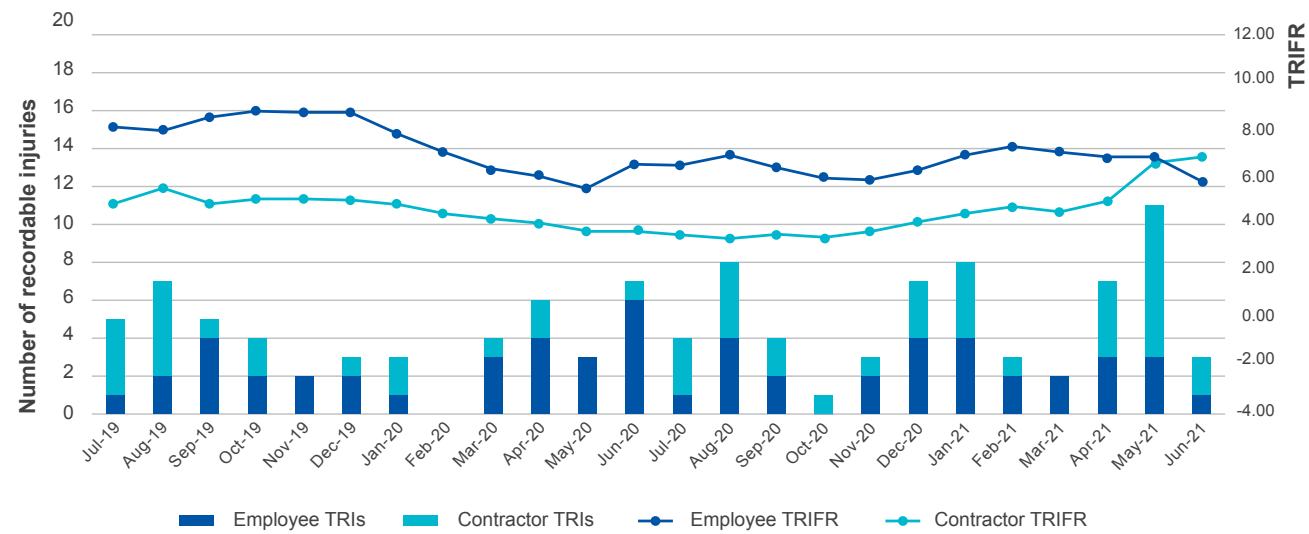
As we move through 2021–22, we will continuously improve our response to COVID-19 and its variants in support of our customers, our people and our communities.

Our performance

Safety and wellbeing

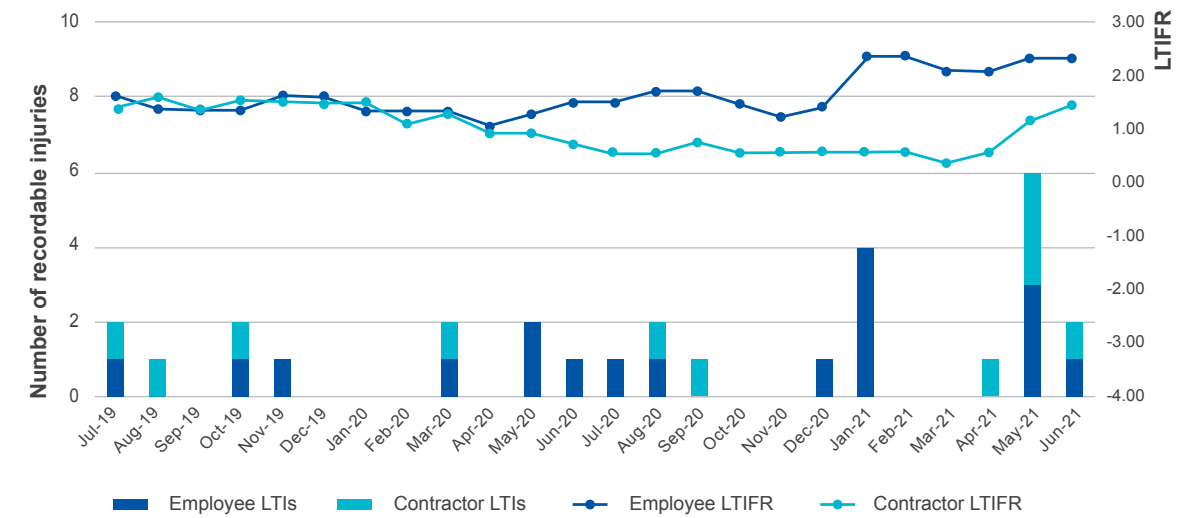
The employee TRIFR fell from 6.4 in 2019–20 to 5.7 in 2020–21. The number of recordable injuries to Sydney Water employees decreased by 10 per cent.

Figure 3: TRIFR for employees and contractors, 1 July 2019 to 30 June 2021



The employee Lost Time Injury Frequency Rate (LTIFR) increased from 1.5 in 2019–20 to 2.2 in 2020–21. There were seven lost time injuries (LTIs) to Sydney Water employees in 2019–20 and 11 in 2020–21.

Figure 4: LTIFR for employees and contractors, 1 July 2019 to 30 June 2021



Notes:

- The TRIFR is the number of recordable injuries for each million hours worked. The total recordable injuries (TRIs) include lost time injuries (LTIs) and medical treatment injuries (MTIs)
- The LTIFR is the number of LTIs per million hours worked. An injury is an LTI if the person was away from work for one or more days or shifts
- The results reflect the most recent data at the time of reporting. Historical data has been updated to include any LTIs or MTIs notified since the previous reporting periods
- The results refer to hours performed by employees and contractors. We use the contractor hours reported to Sydney Water.



Diversity and inclusion

We track our progress for each of our diversity focus areas through a quarterly Diversity Index. The index measures multiple diversity dimensions including gender, pay gap, First Nations status, CALD background, people with disability, and age. This allows us to take a more wholistic view of our workforce.

Women

The representation of women in leadership roles increased to 42 per cent against our target of 45 per cent. Participation of women across the organisation remained steady year to year at 35 per cent against a target of 40 per cent, and women in STEM areas saw a slight increase to 23 per cent against a target of 25 per cent.

We invested in the Leading at the Frontline training program for managers, supervisors and emerging leaders, with women making up 49 per cent of the program participants. We also invested in coaching and support for individual women and piloted a new mentoring program in early 2021 where women made up 75 per cent of the mentees on the program.

As part of our commitment to diversity, inclusion and equality in our people practices, a gender pay-equity review was conducted using a relativity benchmarking approach, considering internal peers in like-for-like roles and testing against market data to identify pay gaps attributed to gender. The gender pay gap for women on individual contracts of employment reduced to 0.9 per cent.¹² As a comparison, research from the Workplace Gender Equality Agency has found the pay gap to be 14.2 per cent across Australia.

¹² The gender pay gap is defined as the difference between the average earnings of women and men in the workforce (Workplace Gender Equality Agency).

Disability

The participation of people with disability (1.1 per cent against a target of 3 per cent) and people from CALD backgrounds (13 per cent against a target of 15 per cent) remained steady year to year. To support our mature-age employees, we piloted the Envisage and Navigate Workshops to help employees and their managers plan for a positive and productive late career.

LGBTIQ+

Our Pride@SydneyWater group for LGBTIQ+ employees organised an installation of rainbow decals on stairs at our Parramatta office to mark Mardi Gras in February 2021 as a symbol of support for the community. We also continued our membership of Pride in Water to encourage a more inclusive water sector across Australia. Our Pride Group Champion, Paul Mulley, was appointed to the LGBTIQ+ Advisory Committee of the NSW Secretaries Board to advise leaders in the NSW Government on actions to make workplaces more inclusive for everyone.

Flexible work

In response to Covid-19 and survey feedback, we committed to embedding flexible and remote working as part of our normal way of working for employees. Our approach to flexibility called *Flexible Working our Way*, considers the needs of our employees, our customers and our business. Through the development of flex team codes, teams decide how they will support flexible ways of working and when they will come together as a team to connect and collaborate in person.

First Nations' representation

Following ideation workshops with our Reconciliation Committee members, Board, Executive team, First Nations employees and key stakeholders, we renewed our commitment to reconciliation and driving positive social change with a new Innovate Reconciliation Action Plan. The two-year plan has been endorsed by Reconciliation Australia and provides a framework of *relationships, respect and opportunities* to guide our actions and deliver on our reconciliation vision:

We acknowledge Aboriginal Australia's 60,000+ year history and their role as the Traditional Custodians of the lands and waters on which we work, live and learn.

Our vision for reconciliation is to engage in deep listening and to learn from Aboriginal and Torres Strait Islander peoples as the first engineers of water and natural resources in this country and to blend their traditional knowledge with modern science to manage our waterways and protect the environment.

We are committed to addressing the inequality that Aboriginal and Torres Strait Islander peoples often experience. We will do this by partnering with Aboriginal and Torres Strait Islander businesses to increase economic opportunities and to improve employment outcomes within our organisation and through our partner relationships.

First Nations representation in the workplace remained at 0.9 per cent against our 2 per cent target. To increase workforce participation, retention and career opportunities of First Nations employees, we have developed an employment plan that includes creating pathways for First Nations people through our early career programs and partnerships with First Nations recruitment agencies.

We also signed up to CareerTrackers, an external organisation that supports First Nations university students and links them with employers to participate in paid internships. Three First Nations students have so far interned with teams in our Customer Delivery area.

Sydney Water uses the term First Nations in reference to Aboriginal and Torres Strait Islander people across Australia. This may vary depending on the preferred terminology used in reporting to external agencies.

Table 5: Trends in the representation of workplace diversity groups¹³

Workforce diversity group	Benchmark ¹⁴ (%)	2016–17		2017–18		2018–19		2019–20		2020–21	
		No.	(%)	No.	(%)	No.	(%)	No.	(%)	No.	(%)
Women	50	836	32.6	847	33.2	943	35.3	978	35.0	1,044	35.1
Aboriginal and Torres Strait Islander peoples	3.3	26	1.0	22	0.9	25	0.9	24	0.9	26	0.9
People whose first language is not English	23.2	398	15.5	379	14.8	360	13.5	363	13.0	387	13.0
People with disability	5.6	40	1.6	35	1.4	32	1.2	28	1.0	34	1.1
People with disability requiring a work-related adjustment	N/A	12	0.5	8	0.3	5	0.2	4	0.1	5	0.2
Total employees		2,564		2,550		2,669		2,794		2,975	

Table 6: Trends in the distribution of workforce diversity groups¹⁵ – distribution index¹⁶

Workforce diversity group	Benchmark/target	2017	2018	2019	2020	2021
Women	100	99	99	97	98	99
Aboriginal and Torres Strait Islander peoples	100	85	86	92	92	92
People whose first language is not English	100	105	109	111	110	111
People with disability	100	93	98	100	101	110
People with disability requiring a work-related adjustment	100	N/A	N/A	N/A	N/A	N/A

¹³ Employee numbers at 30 June 2021.

¹⁴ NSW Public Service Commission benchmark.

¹⁵ The information was provided by the NSW Public Service Commission.

¹⁶ A distribution index of 100 indicates that the distribution of members of the workforce diversity group across salary bands is equivalent to that of the rest of the workforce. A score of less than 100 means that members of the workforce diversity group tend to be more concentrated at lower salary bands than is the case for other employees. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the workplace diversity group tend to be more concentrated at higher salary bands than is the case for other employees. The distribution index is not calculated when the number of employees in the workforce diversity group is less than 20 or when the number of other employees is less than 20.

Table 7: Workforce numbers, 2016–17 to 2020–21

Human resources*	2016–17	2017–18	2018–19	2019–20	2020–21
Full-time equivalent – permanent	2,203	2,172	2,217	2,400	2,571
Full-time equivalent – temporary	164	200	260	246	268
Full-time equivalent – part-time	94	94	95	113	100
Total	2,461	2,466	2,572	2,759	2,939
Other					
Agency employees	357	280	269	234	238
Redundancies	96	46	79	57	23
Appointments	263	288	427	405	388
Average turnover (%)	6.6	8.2	6.1	4.7	4.3
Unplanned absences (%)	7.5	7.7	7.5	6.3	5.6

***Calculations:**

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

Average turnover represents employee-initiated terminations per rolling 12 months, divided by the average employee head count for the same period. Unplanned absences is the total number of days of unplanned absences per rolling 12 months, divided by the total number of employees.

Workplace relations

We're working hard to ensure that our people continue to contribute to our transformation and are involved in reshaping Sydney Water for the future. As part of this effort, we're using an engagement model that focuses on building strong and trusting relationships with all employees.

In addition, we have enhanced our technology to support flexible and remote working arrangements, enabled by agile thinking and policy development.

A new Sydney Water Agreement was endorsed by employees early in 2021–22 and later approved by the Fair Work Commission.



Thriving, liveable and sustainable cities

We deliver world-class products and services to our city and are champions for the environment, public health and resilience



Our strategic objectives

- We deliver on our obligations and consistently provide safe, affordable, reliable and high-quality products and services
- We build strong linkages between service and asset performance, risk and financial performance
- We have optimised the trade-off between proactive and reactive maintenance
- We have committed to the United Nations Global Compact and have aligned our strategy to the Global Sustainable Development Goals
- We have set a target of net zero carbon emissions for Sydney Water by 2030 and, for our suppliers, by 2040 through our Carbon Zero plan
- We have adopted circular economy practices in planning and delivering products and services
- We are contributing to the NSW Government's Priorities by supporting 'greening our city' and enabling 'greener public spaces'
- We are influencing urban planning through our work on Urban Typologies and are promoting integrated servicing approaches, such as Mamre Road
- We are actively investigating opportunities for better use of our property for community purposes
- We are testing intelligent, innovative and smart technologies to connect and engage with our customers and partners, and contribute to liveability.

Our customers tell us that service reliability is a key reason for positivity in their feedback. We have maintained a high level of service to our customers throughout the year for both water and wastewater, by providing reliable services.

We rely on our customers to help guide our long-term planning and inform us of the outcomes they are seeking in terms of affordability, resilience, climate change, water conservation and efficiency, greening, cooling, circular economies and much more. Our ongoing research and engagement throughout 2020–21 confirmed customers' support for water conservation initiatives as an important element of securing Greater Sydney's future water supply.

In addition, they overwhelmingly support Sydney Water considering 'all options' to increase rainfall-independent water supply to improve resilience, including increasing the use of recycled water. Importantly, customers want a secure water supply – independent of rainfall – delivered in a manner that minimises environmental impact.

Our performance in the environment remains a challenge, and we continue to work to improve our practices and outcomes in this area. We have invested in an environmental improvement program and committed to continue to reduce the impacts of our activity on the environment.

Specific program highlights throughout 2020–21 include:

- continuing to focus on improving our environmental performance, driven through our Environmental Improvement Program
- injecting more than \$700 million into our capital investment program in 2020–21 to serve our network and growing population and ensure resilience. One significant project is Upper South Creek, which is building an Advanced Water Recycling Plant in Western Sydney to support Sydney's growth
- embracing a circular economy as part of our strategy, including partnering with Jemena to generate renewable biomethane for the gas grid market
- using Internet of Things technologies – for such tasks as digital water monitoring and detecting leaks and blockages – to improve services for our customers.

Our industry-wide involvement

Engagement and advocacy play key roles across all aspects of Sydney Water, from community, industry, government and stakeholder engagement, to helping facilitate planning, construction and operational activities that create a thriving, liveable city.

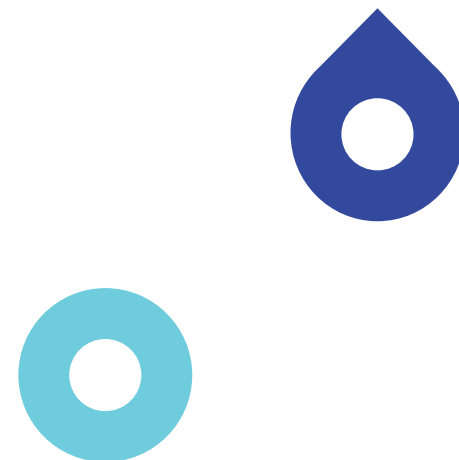
Sydney Water invests in key corporate partnerships which provide access to forums and opportunities to lead and influence policy and regulatory reform, demonstrate the innovative and agile nature of our business and provide professional development opportunities for our people. These partnerships also provide our people with access to research, collaboration, publications, thought leadership, training and education.

Examples of these partnerships in 2020–21 include our industry membership with the Water Services Association of Australia (WSAA), which is chaired by our Managing Director Roch Cheroux.

Sydney Water is also an active member of the Australian Water Association, which provides numerous national platforms for sharing information and identifying innovations in the water industry.

As a key contributor to the economic prosperity of Greater Sydney and NSW, Sydney Water has strong working relationships with Infrastructure Partnerships Australia, the Committee for Economic Development of Australia (CEDA), Committee for Sydney, Business Sydney and the Western Sydney Leadership Dialogue. Key policy discussions include implementing the recommendations of the NSW Productivity Commission, the value of multi-utility collaboration in delivering services in Western Sydney and building resilience in water supply for Greater Sydney.

Our memberships with the Property Council of Australia and Urban Development Institute of Australia continue to provide opportunities to promote the importance of precinct planning as well as blue and green infrastructure. We are also working with these industry bodies to improve the way we work with their members to deliver greater value for money for customers.



CASE STUDY

Tackling climate change



From hot summers to severe and extended dry periods and droughts, through to heavy downpours, variations in climate have a direct impact on our customers, our network and our services.

Sydney Water is responding to climate change through our 10-year strategy, adopting adaptation and abatement initiatives to help us sustain a reliable and resilient water supply and ensure our waterways are healthy for the future while delivering thriving, liveable and sustainable cities.

Adaptation

It is anticipated that climate change will increase the frequency and severity of natural hazards, including bushfires, storms, floods, heatwaves, king tides and rising sea levels across our region – and we recognise we need to adapt. We are investing now to improve our preparedness for future conditions, in line with our customer values

We use industry-leading climate models to project future climate changes and use this information to inform decision making on infrastructure and organisational readiness for climate change.

Abatement

Sydney Water is committed to demonstrating a socially responsible approach to delivering our products and services through our climate-change abatement approach: the Carbon Zero plan.

The plan supports our ambition to reduce our impacts on the environment, while collaborating with our current and future customers to deliver the outcomes they expect of us.

The Carbon Zero plan identifies four key aspirations for Sydney Water:

- net zero carbon emissions for Sydney Water by 2030 and for our supply chain by 2040
- implement best-practice energy performance and achieve net-zero carbon emissions in our operations and investment programs
- actively participate in the energy market to reduce costs and increase the value of our energy generation
- use our services to help our customers and the community reduce their emissions.

Upper South Creek to support Western Sydney's growth



The Upper South Creek Advanced Water Recycling Centre represents another step forward in our journey towards a circular economy.

This development will be Sydney Water's largest investment in water resilience in a decade. In line with our focus on innovative and sustainable development, the centre will supply recycled water while maximising resource recovery, including power generation and biosolid waste management.

The centre will be a showcase for:

- treating wastewater and producing water suitable for a range of uses, including

recycled water for growing tree canopy, healthy rivers and high-nutrient content for agribusinesses

- producing biosolids, which are dense in nutrients including phosphorus and nitrogen, and can be used in agriculture, composting and land rehabilitation
- providing wastewater services to the fast-growing Western Sydney region, with the first stage to be delivered to support the commissioning of the Western Sydney International Airport
- ensuring water security during times of drought as part of our response to the impacts of climate variability – particularly in Western Sydney, which experiences hotter and drier conditions than most of our catchment.



Planning for a cool, green Western Parkland City



Sydney Water is committed to delivering innovative services to support a greener, cooler, more liveable Western Parkland City.

As part of that commitment, Sydney Water released a report in 2020–21 on a plan to achieve a cool, green, liveable Western Parkland City – including new designs to reduce temperatures there by up to 4.6 degrees.

Sydney Water released *Urban Typologies and Stormwater Management – achieving a cool, green, liveable Western Parkland City*, a thought-leadership report on the benefits of integrating water management into the planned development of Western Sydney.

The plan was created in partnership with leading architecture and engineering professionals and was endorsed by the Hon. Melinda Pavey MP, NSW Minister for Water, Property and Housing.

It was commissioned to help influence the design of buildings, open spaces, streetscapes and green corridors to deliver a true Parkland City in what is currently one of the hottest and driest parts of Greater Sydney.

The work showed significant urban greening and cooling benefits would be achieved by harvesting and using stormwater within the City's developments to irrigate city vegetation – resulting in twice as many days free of heat stress by 2050.

Throughout the remainder of the financial year, the Western Sydney Development team has been partnering with planning authorities to integrate these approaches within the largest, urban-release area in Australia: the Aerotropolis precincts being planned around the new Western Sydney International Airport.

These water-centric outcomes were clearly reflected in the precinct-planning documents released by the NSW Government for the Aerotropolis in 2021 and position Sydney Water well for continuing its leading role in improving liveability in Western Sydney.

Leading the way in resource recovery



Sydney Water is leading the way in resource recovery and circular economy practices. We are implementing an Australian first – a biomethane-to-grid project that will provide renewable natural gas to Sydney houses and businesses.

Partnering with Jemena, and with support from the Australian Renewable Energy Agency (ARENA), the project will generate net zero carbon emissions and high-quality biomethane gas from the wastewater treatment process and inject it into the gas grid for heating, cooking and hot water.

Sydney Water expects to start biomethane production in the first half of 2022 to enhance NSW's energy resilience and contribute to establishing a sustainable green gas market in Australia.

We see the project as the start of a thriving biomethane sector in Australia. Through collaborative and innovative solutions, the potential to expand to more Sydney Water sites and other biogas facilities is vast.

What is biomethane?

Biomethane is a purified version of biogas. Biogases are derived from organic matter that is broken down in our wastewater treatment plants, producing methane that can be captured and refined into a sustainable and green bioenergy source.

Malabar Biomethane Injection Project

Through the Malabar Biomethane Injection Project, Jemena is constructing a facility to be installed at Sydney Water's Malabar Wastewater Treatment Plant. The new system will be able to recover up to 99.5 per cent of methane, which will be refined to Australian standards before ending up in the gas grid as a green gas alternative. Complementing the existing biogas electricity generators, this project will enhance the Malabar Wastewater Treatment Facility's performance as a clean and renewable bioenergy producer, creating more energy than is needed to run the entire facility.

How it fits into our strategy

Sydney Water's role extends beyond providing world class water services. Sydney Water is committed to managing the environment, improving waterways, and contributing to a circular economy. Aligned to our strategic objectives, the Malabar Biomethane Project will help to create a thriving, liveable and sustainable city. By engaging and co-creating with partners, Sydney Water can redefine the role of the circular economy in the water sector and implement lasting outcomes to achieve our strategy.

From 2022, approximately 95,000 gigajoules of biomethane will be generated each year through the Malabar project, enough to meet the gas demand of 6,300 homes, and contribute to achieving net zero carbon emissions by 2030.

In fact, the plant is already producing energy and met 68 per cent of its own energy needs in 2020–21.

Our performance

Education

To increase water literacy in our community across Greater Sydney, Sydney Water leverages the formal education sector, with a targeted focus on high schools and tertiary institutions.

Sydney Water offers syllabus-linked education programs and resources on the urban water cycle and managing water into the future. These include digital learning tools, school incursions, guest lectures, tours and excursions to our operational sites, and learning partnerships with universities.

Due to COVID-19 restrictions, our face-to-face engagement, including our longstanding [Tours and Excursion](#) program, was limited during 2020–21. Our program still reached over 1,670 visitors face to face. An additional 800 people participated in an educational conference, a professional development workshop for teachers, and a guest presentation, or participated in one of our tertiary learning partnership programs.

To continue to engage with teachers and students during the pandemic, Sydney Water adapted many learning activities to online resources. Our web pages and digital resources are embedded by teachers in learning platforms such as Google Classrooms, which had 2,000 views and reached an estimated 60,000 students. Our [Education webpages](#) also received over 120,000 views. We created supporting resources for our HSC programs. This digital content is hosted on the Sydney Water and Sydney Water Talk websites.

Sydney Water's education videos continue to engage our audience, reaching 415,940 views. We also launched 11 new educational videos launched online, achieving over 115,600 views. These included two videos on *Water in your home*, six videos on *Water cycle experiments* and several

short animations for *Water on Earth* which can be found on the [high school](#) and [primary school](#) pages of the Sydney Water website.

Feedback from teachers indicates the value of these tools but also the desire to return to face-to-face engagement to learn about real world applications of water management.

Sponsorships and grants

Cricket NSW

As official Hydration Partner for Cricket NSW since 2015, we have positioned drinking water as the sustainable, affordable and high-quality drink of choice, disrupting the belief that bottled water or sports drinks are 'cooler' or 'trendier'. We have been encouraging cricket enthusiasts from grassroots to elite to ditch the plastic and choose tap water.

The partnership has once again proven to be a cost-effective way to promote drinking water through community and match activations and digital channels. In 2020–21, a new digital gamification approach received 45,000 entries, with an increase of 260 per cent in campaign participation compared to the previous season. Engagement with the digital gamification was consistent and engaging, as 87 per cent of users played three times or more. This increased brand advocacy, with Sydney Water being ranked by fans as the top partner activation at all venues. Also, 96 per cent of respondents surveyed recalled Sydney Water as the brand that ran the campaign.

Access to the Sixers and Thunders team channels helped us reach an additional audience of over 100,000. Following our awards in 2019, our *Bring It to Win It* campaign was a finalist in the 2020 Australian Marketing Institute Awards for Marketing Excellence, in the Sponsorship Effectiveness category.

Orange Sky Australia

Orange Sky is the world's first free mobile laundry services for people experiencing homelessness. Currently, more than 1,000 volunteers wash 7,200 kilograms of laundry and provide over 150 showers to homeless people in 160 locations across Australia every week.

In 2018, Sydney Water funded the purchase and fit-out of a bespoke hybrid shower and laundry van to help Western Sydney communities. Sydney Water then contributed to the running costs for this van over the next three years. The van played an essential role in providing access to basic hygiene to restore dignity to people experiencing homelessness or those without access to these facilities.

This partnership aligned with Sydney Water's existing Customer Care and Workplace Giving programs. Since its launch in April 2018, the van has:

- provided 876 showers
- completed 2,272 loads of laundry
- encouraged 3,240 hours – the equivalent of 4.5 months 24/7 – of connection and conversation between volunteers (including Sydney Water employees) and friends.

Water stations

At Sydney Water, we continue to do our bit to help protect our waterways and the environment from plastic bottle waste. We removed one million plastic bottles from our waterways through our gross pollutant traps. Every refill at one of our water stations is one less plastic bottle purchased and reduces the risk of bottles ending up in our waterways and on our beaches.

Between late 2017 and 2019, we worked with 24 councils across Greater Sydney, and the Blue Mountains and Illawarra regions to supply 160 water stations with messaging that encouraged people to drink tap water when out and about. We translated the messaging into 11 languages for councils with diverse residents, including Chinese, Korean, Arabic, Vietnamese, Dhari, Hindi, Khmer, Assyrian, Nepali, Japanese and Filipino.

In 2020–21, water usage readings for these water stations recorded consumption of more than 1.4 million litres. With more than 4.6 million litres of drinking water supplied over the past three years, these community-based water stations have already helped our customers save the equivalent of about \$16 million dollars on single-use plastics and avoided more than 100,000 kilograms of plastic waste potentially ending up in landfill or waterways. It's a true win-win for our customers and the environment.

We also have a fleet of 50 portable water stations we loan out to councils and for community events throughout the year. We have supported more than 450 events to date. Unfortunately, in 2020–21, many community gatherings and events were cancelled due to the COVID-19 pandemic. In response, we converted our stations to touchless technology to ensure the safety of our community.

Community grants

In 2020–21, Sydney Water provided more than \$145,000 in grants to community organisations across Sydney Water's area of operations. These grants supported local activities or services provided in one of the categories of arts and heritage, health and wellbeing, education and safety.

Six grants of \$10,000 each were offered, to build water literacy in our community. These activities will be implemented during 2021–22.

Giving programs

One of our key values is caring for one another, the community and the environment. Our giving initiative brings this value to life by supporting our people to give their time, money or expertise to causes they are passionate about. Our initiatives include dollar-matching payroll donations, charity fundraising and volunteering. Our payroll giving program was a finalist for the Workplace Giving Excellence Awards in the Best Public Sector Program category.

Fundraising and donations

During difficult times including COVID-19, our people have continued to show their generous spirit by increasing their charitable giving, and we have supported them. Our donations program is linked to our payroll giving program, which enabled us to support 154 registered Australian charities in 2020–21.

By dollar-matching employee donations, we contributed a combined \$269,393.

During November and December, we conduct our Season of Giving Appeal, in which our people vote for a charity or cause important to them. In 2020–21, they chose to support Parramatta Women's Shelter, raising more than \$18,799 to help people fleeing domestic and family violence.

Table 8: Funds granted by Sydney Water, 2020–21

Program	Organisation	Project	Amount (\$)
Community sponsorships	Cricket NSW	Official hydration sponsor	275,000 ¹⁷
	Illawarra Surf Life Saving Club	Naming rights partner	
	Orange Sky Australia	Western Sydney van sponsor	
	Sculpture by the Sea	Supporting partner	
	WaterAid Australia	Silver sponsor	
Community grants	1st Kurrajong Girl Guides NSW, ACT	Support for local activities or services provided in one of four categories: arts and heritage, health and wellbeing, education, and safety.	145,674 ¹⁸
	Accessible Diversity Services Initiative Limited		
	Achieve Australia Limited		
	Australia Street Infants School Community Organisation		
	Australian Seniors Computer Clubs Association		
	Autism Advisory and Support Service		
	Autism Mates Incorporated		
	Baabayn Aboriginal Corporation		
	Belmore North Public School		
	Blacktown City Community Radio SWR-FM Association Incorporated		
	Bobby Goldsmith Foundation		
	Campsie Public School		
	Catholic Parish of St Michael Belfield		
	Cattai Hills Environment Network		
	Charity Bounce Limited		
Chifley College Shalvey Campus			
Clean 4 Shore NSW Inc			

¹⁷ Sponsorship contracts contain commercial information. We follow standard business practice to keep details commercial-in-confidence

¹⁸ Amount includes cash and in-kind contribution.

Program	Organisation	Project	Amount (\$)
Community grants (cont)	Concord Occasional Childcare Services		
	Crossroads Community Care Centre		
	Diamond Pregnancy Support Inc.		
	Disabled Surfers Association of Australia		
	Douglas Park Little Athletics		
	Drummoyne Preschool Kindergarten Incorporated		
	Dulwich Hill Public School P&C Association		
	Elonera Ltd		
	Friends of Lane Cove National Park		
	Georges River Life Care Incorporated		
	Glenorie Pre School Kindergarten Association Inc.		
	Healthy Cities Illawarra Inc.		
	Holroyd Parramatta Mobile Minders Inc.		
	Host of the Peace Environment Incorporated		
	Illawarra Flame Tree Project Incorporated		
	Katoomba High School P & C Association		
	La Perouse Coastcare		
	Learning Links		
	Leichhardt Rowing Club Ltd		
	Living Word Church International Inc. as the operator of a PBI		
	Maia Outrigger Canoe Club Incorporated		
	Making Do Inc.		
	Manly Food Co-Operative		
	Marist Dragons Dragonboating Club		
	Men In Action Incorporated		
	Millers Point Community Resident Action Group		
	Mt Warrigal Public School P&C Association		
	Parish of Canterbury with Hurlstone Park		
	Parramatta District Cricket Club		
	Penrith Community Kitchen Incorporated		
	Police Citizens Youth Clubs NSW Ltd		
	Rainbow Club Australia Incorporated		
	Randwick District of The Sydney Branch of SLSA of a Incorporated		
	River Canoe Club of NSW Incorporated		

Program	Organisation	Project	Amount (\$)	
Community grants (cont)	Riverwood Community Centre Ltd			
	Schizophrenia Fellowship of New South Wales Ltd			
	Seaside Scavenge Limited			
	Settlement Services International Limited			
	South West Community Transport Ltd			
	South West Sydney Men's Shed Incorporated			
	Speakersbank Australia Incorporated			
	Splash Without the Trash Incorporated			
	St Francis Social Services			
	St Gabriel's School			
	St Pauls Burwood Parish			
	Stanmore Public School Parents' and Citizens' Association			
	Streetwork Australia Limited			
	Summer Hill Lakers Netball Club Incorporated			
	Sunnyfield			
	Surfrider Foundation Limited			
	Sutherland Shire Carer Support Service Inc.			
	Sydney Westies Incorporated			
	The Australian Heart/Lung Transplant Association Incorporated			
	The Ella Community Centre			
	The Girls & Boys Brigade			
	The Greek Orthodox Community of New South Wales Ltd			
	The Hills Community Aid & Information Service Inc.			
	The Scout Association of Australia NSW Branch			
	The Trustee for Sydney Catholic Schools Trust			
	The Trustee for Top Blokes Foundation			
	Total Environment Centre Inc			
	UCA – Gateway Family Services			
	UOW Surfrider Foundation			
	Victoria Avenue Public School P & C Association			
	Wollongong Emergency Family Housing Inc			
	Donations	Payroll donations	Dollar-matching employees' donations (154 charities supported)	124,709

Volunteering

We love connecting with customers through our partnerships and community events. It's a fun and engaging way for our people to engage with the community and demonstrate our values. In 2020–21, our volunteer efforts were impacted by COVID-19, which led to the cancellation of our activations at major events such as the Royal Easter Show and WaterAid.

Customer communications and promotions

In 2020–21, we produced around 290 reports, newsletters, brochures, fact sheets and other communications collateral to help inform and educate our customers, community and stakeholders. Most of these publications were delivered digitally.

Topics included the quality of our drinking water, recycled water initiatives, wastewater and stormwater services, and water-saving initiatives. They included publications tailored for our CALD communities across our catchment.

Digital experience

With more than 6.2 million page views in 2020–21, sydneywater.com.au continued to be a key source of information and a key location for digital transactional experiences for our customers. Customers spent about two minutes per page view on the website. Desktop access to our site (53 per cent) surpassed mobile (43 per cent) and tablet (3 per cent). This may be explained by a greater amount of time spent at home during the past year due to COVID-19.

We continue to look at ways to harness existing and emerging technologies to drive behavioural change, educate the public, and engage and empower people. We are upgrading our digital engagement platforms. In 2021–22 we will launch an updated integrated website offering more customer self-service options, better customer communications preference management, multi-channel campaign capability and enhanced engagement features.

Social media

Our social media presence across Facebook, LinkedIn, Instagram and Twitter increased in 2020–21. We also added a new social media channel – TikTok – a social media platform for creating, sharing and discovering short videos. TikTok enables us to engage a younger audience on the importance of water conservation and related activities.

In 2020–21, our channels achieved 58,752,879 impressions and 7,058,704 engagements, with an engagement rate of 7.24 per cent (average industry engagement rate is about 2 per cent). We added 6,801 new followers across all channels, increasing our total follower count for 2020–21 to 91,566.

Facebook	Instagram	Twitter	LinkedIn
37,635	6,382	8,348	39,201

Conserving and protecting our past

Sydney Water respects and celebrates First Nations peoples' cultural heritage. We strive to protect significant cultural landscapes in our operating area, including more than 16,000 registered Aboriginal sites and 24 Aboriginal Places. Caring for Country outcomes are being increasingly realised through deep listening and learning from traditional practices and knowledge of First Nations people.

We also own more than 200 non-Aboriginal heritage-listed assets that we actively protect for future generations.

We maintain a *Heritage and Conservation Register (S170 Register)* that lists our assets that have state or local heritage significance. For each state heritage-listed asset, we have a conservation management plan, which includes historic photographs, drawings and general research, to help us maintain their heritage value.

Heritage delegation actions

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

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

Table 9: Decisions made under the Heritage Council of NSW delegation, 2020–21

Site	Work completed
Decision approved under section 63	
Prospect Reservoir site	Placing soil in former quarry
Prospect Reservoir site	Upgrades to water pumping WP184A, including two new surge vessels
Sewage Pumping Station No. 38	Electrical works to connect new odour control unit
Decision approved under section 57(2) standard exemptions	
Tank Stream SWC	Installing electrical conduits above the channel
Sewage Pumping Station No. 38	Bore holing to determine ground conditions
Ryde Pumping Station WP0005	Bore holing to locate services
Glebe Island Railway Viaduct	Works within Johnstons Creek stormwater channel
Prospect Reservoir site	Temporary film set



Successful and innovative business

We are socially responsible and sustain a positive return for our shareholders and the community



Our strategic objectives

Following drought in the previous two years, in 2020–21 we experienced higher rainfall, and water use was 43 gigalitres below forecast. This resulted in an associated reduction in revenue collected.

We continue to look for ways to embed innovation and creativity into our ways of working. This year, we implemented a market-leading approach to selecting and working with our delivery partners on our capital programs and our mechanical and electrical operations. We have also successfully implemented a new enterprise resource planning (ERP) application, which will enable new ways of working across the organisation.

Water conservation is also a priority for the organisation and the wider community. We continue to look at ways to become increasingly wise in how we use and save water.

To help bring this about, we have implemented a series of programs across the organisation, including specially trained sniffer dogs that detect leaks in our environment – a world first. We are also working with the University of Technology Sydney on robotics technology to assist in the early detection of network issues.

In addition, we've launched an integrated advertising campaign to draw public attention to water-wise messages. So far, the campaign has reached over 3 million people through television, radio, and online and outdoor advertising channels.

Following are some program highlights from throughout 2020–21

- 2020–21 marked the start of a new four-year pricing period approved by the Independent Pricing and Regulatory Tribunal, to deliver our business plan.
- We implemented a market-leading *Partnering for Success* model to deliver our capital and maintenance programs more efficiently for our customers.
- The implementation of our new ERP system – the Business Experience Platform (BxP) – marked a significant investment in our future.
- Our innovation, research and deployment program continues to deliver cost savings and new ways to deliver our products and services.
- Our industry briefing days (*Partnering for Success*, major projects and shared purchasing), provided transparency on upcoming work schedules and opportunities for hundreds of current and potential suppliers. So far, our Shared Purchasing model includes more than 600 pre-qualified and contracted suppliers, and 80 per cent are small to medium-sized businesses.
- Collaboration across the water sector to support the development of the Greater Sydney Water Strategy, NSW Water Strategy, Drought Strategy and many other key planning documents that will inform the future of water.



Achieving together through BxP



In 2020–21, we successfully implemented our Business Experience Platform (BxP), which enables our various business units to work better together, work smarter and work more easily.

The BxP has transformed business operations at Sydney Water, uplifting finance, supply chain, procurement and enterprise cost management processes. Several improvements have laid the groundwork for this transformation, including:

- implementing the SAP product suite
- introducing leading best practice
- embracing automation.

The result is a business solution that acts on its data, improving efficiencies and achieves digital best practice

BxP delivers a more cohesive, transparent experience for our people, a more consistent experience for suppliers, and faster response times for our customers.

It provides real-time information across departments, helping us buy the right parts at the right time and at the best available price – making every dollar count.

BxP saves time and money, setting Sydney Water up for success in so many ways. It allows us to build on:

- the ability of **our people** to innovate and make meaningful decisions
- our existing purchasing and supply-chain efficiencies as **an organisation**
- our commitment to keep our services reliable and affordable for **our customers**.

The BxP is a 2021 finalist for SAP’s Best Run award for Intelligent ERP across Australia and New Zealand.



A better life through partnership



We are transforming our supply chain with our P4S delivery model for all water and wastewater infrastructure, benefitting more than five million customers across Sydney, the Blue Mountains and the Illawarra region.

Sydney Water began a 10-year partnership with three regional consortia in January 2020. The members – Confluence Water in the north, Delivering 4 Customers in the south, and the West Region Delivery Team – will provide end-to-end design, construction, maintenance and facilities management services.

We will invest at least \$4 billion in infrastructure, supporting around 1,200 jobs through P4S. The model is an exemplar of how Sydney Water is working with the private sector to bring world’s best practice in service delivery by building a resilient and future-proofed water system.

Each region in our network now has a dedicated and fully integrated team, enabling us to build stronger relationships with residents, businesses, councils and local infrastructure providers. This will help us deliver the best results for our customers, communities and the environment.

These long-term arrangements enable regional teams to secure people with the right skills to support sustainable, reliable water supplies for growing cities. The teams will build an integrated workforce through apprenticeship programs and engagement with universities, while ensuring cultural and gender diversity.

They are bringing together the very best innovations and expertise from across the public and private sectors to deliver important and essential services for our communities today and in the future.



Water strategy set to deliver resilience and sustainability



The NSW Government’s vision for water, encapsulated in the Draft NSW Water Strategy and Draft Greater Sydney Water Strategy (GSWS) sets the direction for resilience and sustainability of the region’s water and wastewater systems.

Sydney Water has worked closely with the Department of Planning, Industry and Environment and Water NSW to develop these strategies and will play a critical role in bringing them to life.

Some of the key areas in which Sydney Water has added value to the work program that resulted in the Draft GSWS include insights into water demand; an understanding of the costs and opportunities in water conservation and greening Sydney; exploration of supply augmentation options and other means of achieving increased resilience in our water supply; and providing a customer lens through which to examine options.

Importantly, we have provided government with an understanding of the likely future billing impacts resulting from the maintenance and infrastructure required to service growth, in addition to other major decisions being considered as part of the GSWS.

Sydney Water will lead the planning work to deliver water supply that can service a growing population and provide security through drought and a changing climate. A secure water supply supports jobs and other aspects of the economy. It puts water at the heart of making our city cooler and greener, and maintaining healthy waterways.

We will continue to work closely with stakeholders to help realise the GSWS strategy objectives to improve the liveability and amenity of Greater Sydney for our community and ensure that future land-use planning takes an integrated water-cycle approach.

Both government strategies seek to improve water management outcomes for Aboriginal people, and Sydney Water will be key to their implementation in a way that engages with and involves our customers. The draft strategies are to be finalised by the end of 2021 or early 2022, following a public exhibition period.

Our performance

Capital expenditure

Our capital works program aims to:

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

In 2020–21, Sydney Water invested \$921 million in capital works, which was 40 per cent below the \$1,541 million budget (excluding capitalised borrowing costs).

Table 10: Major capital works projects completed, 2020–21

Projects	Benefits
Wastewater main renewals (outputs achieved in 2020–21)	We renewed 2.8 kilometres 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 15.2 kilometres of reticulation wastewater mains to reduce dry weather and repeat overflows affecting customers.
Water main renewals (outputs achieved in 2020–21)	We renewed 4.2 kilometres of water reticulation mains and an additional 0.6 kilometres of critical water mains to maintain water supply and reduce interruptions.

Necessary public health measures responding to COVID-19 have affected the delivery of capital works, including restricting the movement of people and materials, and reducing productivity levels on projects in construction.

While actions to mitigate these impacts continue to be applied, it is unlikely impacts can be fully mitigated. As the situation continues to evolve, ongoing impacts will be actively monitored and mitigated.

Table 11: Major capital works in progress as at 30 June 2021

Project	Forecast completion date	Budget (\$m)	Cost to date (\$m)	Details of any expected significant cost overruns, amendments or delays
Construction of the Upper South Creek Advanced Water Recycling Centre	June 2025	1,671	23	–
Prospect Macarthur Project: delivery of investments in the Prospect South Water Delivery System (WDS) and Macarthur WDS to secure supply and support growth in the area	November 2022	405	151	–

Project	Forecast completion date	Budget (\$m)	Cost to date (\$m)	Details of any expected significant cost overruns, amendments or delays
Lower South Creek (Quakers Hill/St Marys Water Recycling Plant (WRP) Process and Reliability Renewal): to maintain reliability and increase the plant's capacity to service growth	February 2022	380	343	Program delayed due to severe weather (an insurable event in 2020), impacting use of recycled water scheme and increased risk of environmental non-compliances
West Camden WRP Growth Amplification	September 2023	220	7	–
Austral-Leppington Package 2 (stages 3 and 4): servicing the eastern front of the South West Growth Area (Austral-Leppington) and parts of the Aerotropolis	August 2022	194	5	–
Northern Suburbs Ocean Outfall System (NSOOS) Desilting and Rehabilitation Package A: the first stage of a program to rehabilitate the NSOOS tunnel sections 1 to 3, which will improve operational and hydraulic capacity and significantly reduce risk to the asset	June 2022	58	54	Delays encountered during delivery. Measures are being progressed to resolve issues and complete the project
Northern Suburbs Ocean Outfall System (NSOOS) Desilting and Rehabilitation Package B: the second stage of a program to rehabilitate the NSOOS tunnel sections 4 to 6, which will improve operational and hydraulic capacity and significantly reduce risk to the asset	November 2022	85	48	Project completion is being impacted by latent conditions and changes in the delivery strategy. Completion of Package B (milestone 6) is planned by November 2021.
Vaucluse and Diamond Bay: to stop the continuous flow of untreated wastewater into the ocean and treat the wastewater before discharge through the Bondi deep ocean outfall	February 2024	77	4	–

Project	Forecast completion date	Budget (\$m)	Cost to date (\$m)	Details of any expected significant cost overruns, amendments or delays
North Head Wastewater Treatment Plant (WWTP) Biosolids Upgrade: upgrade the sludge processing and treatment capacity at the North Head WWTP, to improve the quality of biosolids, and meet customer expectations and forecast growth in demand	April 2024	94	10	Changes in procurement strategy and refinements in scope have resulted in a revision to the forecast completion date
Cascade Water Delivery System: investment to improve the reliability of water supply	May 2022	51	12	–
Winmalee PRP800 Stage 1 (Wastewater Treatment Plant Upgrade): under a pollution reduction program to ensure environmental compliance of the plant	April 2022	52	28	This project experienced delays in planning and procurement, compounded by COVID-19
Wastewater treatment plant renewals: continuing to replace equipment near the end of its service life	Ongoing	78/year ¹⁹	Ongoing	–
Water treatment plant renewals: continuing to replace equipment near the end of its service life	Ongoing	6/year ¹⁹	Ongoing	–
Information technology projects: continuing minor projects to reduce operating expenditure, renew IT systems and equipment, and deliver new systems and capabilities	Ongoing	98/year ¹⁹	Ongoing	–
Wastewater reticulation and wastewater trunk main renewals: continuing to replace and rehabilitate wastewater mains near the end of their service lives, to reduce the impact of failures on the community and the environment	Ongoing	163/year ¹⁹	Ongoing	–

¹⁹ Denotes the five-year average in the Statement of Corporate Intent 2021/22–2025/26 in nominal dollars.

Project	Forecast completion date	Budget (\$m)	Cost to date (\$m)	Details of any expected significant cost overruns, amendments or delays
Water reticulation and water trunk main renewals: continuing to replace water mains near the end of their service life to reduce interruptions to supply	Ongoing	64/year ²⁰	Ongoing	–
Reservoir Renewal and Reliability Program: continuing to ensure reservoirs and associated equipment operate at the lowest costs while complying with regulatory requirements	Ongoing	34/year ²⁰	Ongoing	–
Wastewater pumping station renewals: continuing to replace equipment near the end of its service life	Ongoing	38/year ²⁰	Ongoing	–
Water pumping stations: continuing to improve reliability and safety, and minimise the life cycle costs of water pumping stations	Ongoing	15/year ²⁰	Ongoing	–
Upgrades to supervisory control and data acquisition (SCADA) and integrated instrumentation, controls, automation and telemetry system (IICATS) systems, and related electrical upgrades for plants and network	Ongoing	31/year ²⁰	Ongoing	–
Meter replacement program: improving measurement and monitoring of water volume and service reliability	Ongoing	13/year ²⁰	Ongoing	–

²⁰ Denotes the five-year average in the Statement of Corporate Intent 2021/22–2025/26 in nominal dollars.

Drivers of planned capital expenditure for 2021–22

Our nominal capital works budget for 2021–22 is \$1,588 million (excluding capitalised borrowing costs) and reflects our ongoing commitment to improving the performance of our network and building now, to meet the future demands of growth and climate variability.

Key investments include:

- \$680 million for developing new water, wastewater, recycled water and stormwater infrastructure to meet the needs of urban growth in both infill (existing) and greenfield (new) areas, including the North West and South West growth sectors
- \$741 million for renewing and rehabilitating assets to meet system performance regulations and customer service levels
- \$167 million for business efficiency measures, such as information technology and energy-saving projects that reduce operating expenditure, and to meet new regulatory standards, such as those relating to wastewater system performance under environmental protection licences.

Over the next four years, Sydney Water will deliver a capital works program of about \$6.75 billion (excluding capitalised borrowing costs).

Research and Innovation

Sydney Water's award-winning research and innovation (R&I) programs help improve efficiency, effectiveness and the quality of decision making. They also provide robust risk mitigation and strategic planning across the business.

The key drivers of our R&I program are:

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

Our new Innovation, Research & Deployment Plan will be available in 2021. This plan is closely aligned to Sydney Water's Strategy and outlines our key research priorities across the next 10 years and beyond. It has a strong focus on our work in Western Sydney, as well as how we can successfully deploy our technology and innovations on the ground.

Sydney Water was awarded the **Australian Water Association's NSW R&D Excellence Award** in 2020–21 for our work on the development of the national SARS-CoV-2 wastewater monitoring program, in collaboration with Water Research Australia and NSW Health. Our laboratories developed an Australian-first methodology for accurately detecting traces of the SARS-CoV-2 (COVID-19) virus in wastewater. The laboratories currently provide wastewater analysis services across all of NSW and the ACT for NSW Health as part of their public health response.

We have implemented a research prioritisation process and continue to report on current and completed R&I activities. In 2020–21, we invested \$2.45 million across a range of R&I projects in collaboration with local and international universities, industry partners, utilities and government departments.

We've also been allocated funding towards improving water conservation. In 2020–21, we invested \$1.04 million into a diversified portfolio of projects aimed at reducing water consumption in households, businesses and councils, and across our networks.

The significant investment in digital technology and enablement is continuing at pace to provide customers with enhanced services and reliable operations. This investment will also empower and protect our workforce and create predictability in asset performance to enable proactive, real-time situational intelligence in our operations.

As a result, Sydney Water will be:

- connected and engaged with customers through a personalised and valued set of relationships and effective digital channels
- connected with employees and partners who will be equipped with actionable intelligence to deliver customer service excellence within a safe and secure work environment
- connected across a smart asset base that will work more intelligently than ever before to stay ahead of incidents.

Table 12: R&I investments in 2020–21

Project name	Collaborator/s	Investment ²¹ 2020–21 (\$)
Trial of a new nitrification management approach for chloraminated systems	Western Sydney University	142,652
Design and development of new and improved water treatment techniques	The University of New South Wales, University of Technology Sydney	184,716
Research on co-digestion	University of Wollongong	34,289
Pressurised mains robotics sensing	University of Technology Sydney	605,185
Development of a wet weather overflow abatement strategy	The University of New South Wales, The University of Melbourne, La Trobe University	860,347
CRC-P smart lining for pipes infrastructure (new material innovation)	WSAA and others	496,047
Developing new methods for sewage monitoring to track and monitor COVID-19	WaterRA, NSW Health	129,431
Total		2,452,667

²¹ The information included is based on cost estimates at 30 June 2021 and may be subject to change.

Table 13: Significant amendments to projects reported for the previous financial year

Project name	Collaborator/s	Previously reported investment for 2019–20 (\$)	Revised investment for 2019–20 (\$)
Critical pipeline failure prediction	University of Technology Sydney, The University of Newcastle, Monash University, CSIRO	436,654	123,680
Development of a wet weather overflow abatement strategy	The University of New South Wales, The University of Melbourne, La Trobe University	1,150,326	603,165
Management of concrete corrosion in sewers ²²	University of Sydney, Macquarie University	N/A	33,243
Nutrient offset and toxicity assessment ²²	Griffith University	N/A	59,374
Generic external registration ²¹	N/A	N/A	50,000



²² Project not reported in last year's annual report due to not having financial information at the time to determine the R&I expenditure for the project.

SECTION 05

Corporate governance

Retiring Chair, Bruce Morgan

Farewell and thank you for your dedication to Sydney Water and its governance.

Chair 2013–2021



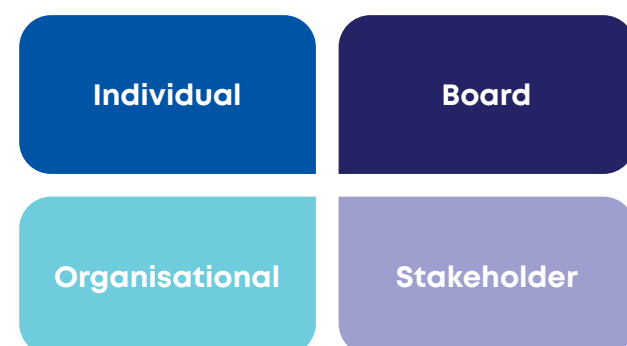
Corporate Governance

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

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

The Board has adopted 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 5: AICD Corporate Governance Framework



The framework aligns with the *ASX Corporate Governance Principles and Recommendations* (4th Edition) and the Audit Office of NSW Governance Lighthouse model. It serves as the basis for measuring the activities of the Board and management against corporate governance best practice.

Under the Board Charter, the Board assesses its performance each year. In 2020, the Board conducted a self-assessment evaluation of its performance.

The Board also complies with the NSW Treasury's TPP17-10 *Guidelines for Governing Boards of Government Businesses*.

Board of Directors

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

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

The Board's role and responsibilities

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

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

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

Director independence

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

Indemnity and insurance

In line with the *State-Owned Corporations Act 1989* (NSW) and the Constitution of Sydney Water, all Directors have been granted indemnity, with the approval of our shareholders, in accordance with the NSW Treasury TPP18-04 *Directors and Officers Indemnity Policy for State Owned Corporations*.

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

Board of Directors skills matrix

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

The skills matrix enables the Board Nominations Committee to identify and consider any gaps in the Board's collective skills.

Table 14: Board of Directors' skills matrix at 30 June 2021

Skills and experience	Explanation	Target number of Directors at the desired specialist level of competency	Status
Digital transformation	Expertise in developing, selecting and implementing leading business transformation technology, including responding to digital disruption	1	▲
Regulatory and law	Expertise in regulatory environments and experience in interpreting and applying relevant legislative frameworks within a complex business	1	▲
Capital management and infrastructure finance	Technical expertise in capital transactions, debt capital markets, funding strategies and investments	1	▲

Skills and experience	Explanation	Target number of Directors at the desired specialist level of competency	Status
Environment	Technical and professional expertise in water resource management and environmental protection practices	1	▲
Health	Technical and professional expertise in protecting public health as it relates to water	1	▲
Engineering, construction or safety	Technical and professional expertise in an engineering, construction or safety context, including overseeing work health and safety systems	2	▲
Stakeholder engagement	Experience managing reputational risk, including stakeholder management, influence and positioning	2	▲
Innovation	Experience in facilitating successful innovation within a large organisation to deliver new products, services and outcomes	1	▲
CEO experience	Prior Chief Executive Officer experience in a large organisation comparable to Sydney Water	2	▲
Corporate board experience	Prior experience on corporate or commercial boards of comparable size and complexity	1	▲
Financial literacy ²³	Experience with financial statements and drivers of financial performance, including finance controls in a large organisation	All	▲
Risk management ²³	Experience in applying and overseeing risk management frameworks, including settling the Board's risk appetite	All	▲
Commercial or business acumen, especially relating to transformation ²³	Experience at a senior executive level within a large and complex corporate or commercial enterprise, with proven ability to make informed decisions and think strategically	All	▲
Strategy development ²³	Experience in developing, setting and implementing clear strategic direction, including performance monitoring	All	▲
Culture and people ²³	Ability to understand, assess and drive the desired organisational culture in a corporate context	All	▲

Performance indicator key

▲ Target met or exceeded

²³ Indicates the key qualifying skills required to join the Board.

Sydney Water Board Directors

Bruce Morgan

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



Chairman

Chairman: 1 October 2013 to 30 September 2021

Director: 1 January 2012 to 30 September 2013

Chairman of the Nominations, and People, Culture and Remuneration committees

Skills and experience

Bruce has extensive business experience as a non-executive director, including in water, energy and transport assets, and through his executive career in the professional services industry.

He was Chairman of the PwC Australia Board for six years until 2012, when he retired as a partner. He was also a member of the PwC International Board for four years and Managing Partner of its Sydney and Brisbane offices.

External appointments

Bruce is a Non-executive Director of Origin Energy Limited, Chair of Transport Asset Holding Entity of New South Wales, Deputy Chair of the European Australian Business Council, and a director of The University of New South Wales Foundation and of Redkite Pty Ltd. He was formerly a Non-executive Director of Caltex Australia Limited.

Roch Cheroux



Chief Executive Officer and Managing Director

Managing Director: 2 September 2019 to present

Member of the Safety and Wellbeing, Planning and Infrastructure, and People, Culture and Remuneration committees

Skills and experience

Roch is a key influencer in the water industry, with experience shaping and leading public and private corporations across the Asia-Pacific region and Europe.

In his previous role as Chief Executive of South Australian Water Corporation (SA Water), he led the transformation of South Australia's largest water utility, embedding changes to technology, culture and systems to improve the experience of its 1.6 million customers. Before joining SA Water, Roch was Chief Executive Officer of SUEZ for South East Asia and SUEZ-Degrémont Australia and New Zealand, Managing Director of United Utilities Asia and Pacific (TRILITY), and Chief Executive and Chairman of Tallinn Water in Estonia.

Roch holds formal qualifications in engineering and business management, and seeks to champion innovation, diversity and reconciliation in the workplace.

External appointments

Roch is active across the water industry and is currently Chairman of the Water Services Association of Australia, and a member of the Australian Water Partnership Advisory Committee and the French-Australian Chamber of Commerce Advisory Council.

Trevor Bourne

BSc (Mech Eng), MBA, FAICD



Non-executive Director

Director: 10 February 2014 to present

Chairman of the Safety and Wellbeing Committee

Member of the Planning and Infrastructure, Remuneration and Nominations committees

Skills and experience

Trevor brings management experience, including as a chief executive officer, in manufacturing, logistics, engineering and large-scale projects. He is an experienced non-executive director, having served on public and private company boards for more than 20 years. He is a leader and advocate for work health and safety improvements.

External appointments

Trevor is Chairman of Senex Energy Limited and a Non-executive Director of Transport Asset Holding Entity of New South Wales (TAHE). Formerly, he was a Non-executive Director of Virgin Australia Holdings Limited, Caltex Australia Limited and Origin Energy Limited, and Managing Director of Brambles Australasia.

Dr Marlene Kanga AM

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



Non-executive Director

Director: 10 February 2014 to present

Chair of the Planning and Infrastructure Committee

Member of the Nominations, Safety and Wellbeing, and People, Culture and Remuneration committees

Skills and experience

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

External appointments

Marlene is a Non-executive Director of Airservices Australia, Business Events Sydney, Standards Australia, NSW Smart Sensing Network and iOmniscient Pty Ltd. She sits on several other boards, focusing on innovation and the commercialisation of new technologies. Marlene is also a former President of the World Federation of Engineering Organisations, representing 100 nations and more than 30 million engineers.

Dr Abby Bloom

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



Non-executive Director

Director: 1 January 2013 to present

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

Skills and experience

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

External appointments

Abby is a Non-executive Director of the State Insurance Regulatory Authority (SIRA), the Sydney Children's Local Hospitals Network, Cadenza Innovation Inc. and Ballet Without Borders. She also serves on the advisory board of ID Exchange.

An accredited independent risk and audit specialist, Abby chairs SIRA's Audit and Risk Committee and also serves on the audit and risk committees of Southern NSW Local Health District, Luminesce Alliance and the NSW Department of Communities and Justice.

Greg Couttas

BComm, FCA, MAICD



Non-executive Director

Director: 17 November 2016 to present

Chairman of the Audit and Risk Committee

Member of the Safety and Wellbeing, Nominations, and People, Culture and Remuneration committees

Skills and experience

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

External appointments

Greg is Chairman of Hireup Holdings Pty Ltd and a Non-executive Director of Virtus Health Limited, Victoria Power Networks and SA Power Networks Pty Ltd. He is also a member of the governance board of The Salvation Army Australia Territory.

Cameron Robertson

MEc, FIAA, GAICD



Non-executive Director

Director: 21 December 2017 to present

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

Skills and experience

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

External appointments

Cameron is a Non-executive Director of Roads Retained Interests Pty Ltd and its subsidiaries (WestConnex entities), and WRC Carpenter No 1 Pty Ltd (owner of the Worsley Co-Generation Facility). He is a Nominee Director for SAS Trustee Corporation and serves on the board of Southern Way Pty Ltd (owner of the Peninsula Link Road). Cameron is also a member of the Direct Asset Committee of Aware Super (formerly First State Super).

Craig Roy

MSc, MBA, FAICD



Non-executive Director

Director: 1 January 2019 to current

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

Skills and experience

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

External appointments

Craig is Chairman of Australian Research Data Commons, Silex Systems Limited and Global Laser Enrichment LLC. He was formerly the Chairman of Data61, a Non-executive Director of the Australian National Commission for UNESCO, and member of the Vice-Chancellor's Industry Board at the University of Technology Sydney.

Grant King

BE (Civil), MMtg, FAICD,
Professor University of New
South Wales



Non-executive Director

Director: 9 June 2021 to present

Member of the Audit and Risk, Planning and Infrastructure, Safety and Wellbeing, Nominations, and People, Culture and Remuneration committees

Skills and experience

Grant is an experienced director of public and listed companies and has more than 30 years of executive management experience in the Australian energy industry. He was a long-serving Managing Director and Chief Executive Officer of Origin Energy until his retirement in 2016.

He brings to the Board expertise in energy markets, climate change and technology. Grant is recognised in the business community for his strategic thinking and leadership on environmental, social and governance issues. He is also involved in community and philanthropic activities.

External appointments

Grant is the Chairman of the Climate Change Authority, HSBC Bank Australia, CWP Renewables, GreenCollar, Arventa and Melanoma Institute Australia; a Non-executive Director of the Origin Foundation, Great Barrier Reef Foundation and O'Connell Street Associates; and a member of the University of New South Wales Foundation.

He is also Professor of Energy Economics and Chairman of the Energy Institute at the University of New South Wales. Grant is a former President of the Business Council of Australia.

Richard Fisher AM

MEc, LLB, MAICD



Non-executive Director

Director: 1 January 2012 to 30 June 2021

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

Skills and experience

Richard brings to the Board extensive general and commercial law expertise. He is General Counsel of The University of Sydney and is an Adjunct Professor in the university's Faculty of Law. Formerly, Richard was a Partner and Chairman of Partners at Blake Dawson (now Ashurst). Richard was a part-time Commissioner of the Australian Law Reform Commission and an international consultant for the Asian Development Bank.

External appointments

Richard was formerly the Chairman of InvoCare.

Board committees

The following permanent committees have been convened.

Audit and Risk

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

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

Safety and Wellbeing

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

Members: T Bourne (Chair), M Kanga, G Couttas, C Roy, G King and R Cheroux

Planning and Infrastructure

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

Members: M Kanga (Chair), R Fisher, A Bloom, T Bourne, C Robertson, C Roy, G King and R Cheroux

Nominations

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

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

People, Culture and Remuneration

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

Members: B Morgan (Chair), A Bloom, T Bourne, G Couttas, R Fisher, M Kanga, C Robertson, C Roy, G King and R Cheroux

Board meetings and attendance

The Board meets monthly, except in January and June (unless required). Meetings are held in line with Sydney Water's Constitution, following an annual schedule of set meeting dates and with additional meetings called when Directors see fit. Eleven meetings were held in 2020–21.

Table 15: Directors' meetings, 2020–21

	Meeting Number held	Board of Directors	Audit and Risk Committee	Planning and Infrastructure Committee	Safety and Wellbeing Committee	Nominations Committee	People, Culture and Remuneration Committee
Directors		11	5	4	4	2	2
B Morgan		(C) 11	5 ²⁴	4 ²⁴	4 ²⁴	(C) 2	(C) 2
A Bloom		11	5	4	1 ²⁴	2	2
T Bourne		11	5 ²⁴	4	(C) 4	2	2
G Couttas		11	(C) 5	4 ²⁴	4	2	2
R Fisher		9	4	3	0	0	2
M Kanga		11	5 ²⁴	(C) 4	4	2	2
C Robertson		11	5	4	0	2	2
C Roy		11	5 ²⁴	3	3	2	2
R Cheroux		11	5 ²⁴	4	4	2 ²⁴	2
G King ²⁵							

Notes: The above table reflects meetings attended by all Directors as members or observers. The Board held a strategy session with the Executive on 24 March 2021 and a Special Business Experience Platform (BxP) Board Sub-committee meeting was held on 21 June 2021. These sessions are not counted as Directors' meetings. (C) denotes committee chairperson.

²⁴ Not a member of the Committee and attended as an observer.

²⁵ Grant King's term commenced on 9 June 2021, and there were no Directors' meetings through to 30 June 2021.

Executive team and organisation structure

Table 16: Organisation structure 2020–21

Chairman: Bruce Morgan	
Managing Director: Roch Cheroux	
Non-executive Directors: Dr Abby Bloom, Trevor Bourne, Greg Couttas, Richard Fisher AM, Dr Marlene Kanga AM, Grant King, Cameron Robertson and Craig Roy	
Customer, Strategy and Engagement General Manager: Maryanne Graham BComms (Journalism and Public Affairs), MAICD	<ul style="list-style-type: none"> • Strategy and corporate social responsibility • Competition and regulation • Stakeholder engagement • Government and media relations • Customer and community engagement • Brand and communication • Customer direction and experience
Asset Lifecycle General Manager: Paul Plowman BE (Civil), MBA	<ul style="list-style-type: none"> • Engineering and technical support • Major projects delivery • Property services • Infrastructure investment and asset performance • Program delivery • Systems and asset planning
Customer Service General Manager: Kathy Hourigan	<ul style="list-style-type: none"> • Billing and Revenue • Contact Centre • Customer Metering and Accounts • Business Customers • Customer Hub • Customer Programs
Customer Delivery General Manager: Bernie Sheridan BE (Mech), MBA, MIEAust	<ul style="list-style-type: none"> • Laboratory Services • Network Regional Operations and Maintenance • Networks Field Operations • Water Resource Recovery • Water Supply and Production • Specialised Services • Work Programming and Optimisation
People and Culture General Manager: Shelley Tate BComm, MBA, GAICD, CAHRI	<ul style="list-style-type: none"> • Change and Business Improvement • Learning and Development • Workforce Planning and Insights • People, Partnering and Services • Safety, Health and Wellbeing • Diversity and Inclusion • Culture and Performance

Governance and Assurance General Manager and Corporate Secretary: Denisha Anbu BA, LLB (Hons 1), LLM, GAICD, FGIA	<ul style="list-style-type: none"> • Internal Audit • Management Systems • Risk and Compliance • Water Quality • Wastewater and Environment • Legal, Claims and Secretariat • Resilience and Climate Change Adaption • Protective Security
Finance and Business Performance General Manager: Jamie Hollamby CA, GAICD	<ul style="list-style-type: none"> • Business Connect • Procurement • Business Planning • Finance • Supply Chain • Business Performance
Business Development General Manager: Chris Gould LLB/BComm	<ul style="list-style-type: none"> • Innovation and Product Development • Business Partnership Development • City, Growth and Development • Western Sydney Development
Digital Business General Manager: Dominic Hatfield BSc Computer Science Acting General Manager: Sridhar Pydipati (September to November 2020) Former General Manager: George Hunt (July to September 2020)	<ul style="list-style-type: none"> • Data and Analytics • Digital Portfolio and Project Management • Digital Risk and Strategic Assurance • Operational Experience and Support • Digital Infrastructure Programs • Digital Experience and Support • Operational Technology Programs • Digital Service Management • Digital Business Programs

Risk management

The Enterprise Risk Management Framework helps us minimise the potential adverse impacts of uncertainty and maximise opportunities to safeguard the interests of our customers and shareholders as we deliver on our obligations and aspirations.

Our framework is consistent with the risk management standard AS ISO 31000:2018 – *Risk management – Guidelines*, and its requirements are aligned to the NSW Treasury Policy and Guidelines Paper TPP15-03 *Internal Audit and Risk Management Policy for the NSW Public Sector*.

The Audit and Risk Committee (ARC) assists the Board in overseeing the effectiveness of risk management, and the management of risks and assurance on controls as determined by the Enterprise Risk Management Framework. Other Board subcommittees also oversee risks related to their respective areas.

In a year of uncertainty and opportunities due to COVID-19, the Board and its subcommittees worked closely to oversee evolving risks. They continued to be vigilant in their oversight of enterprise risks (that is, risks to the delivery of our obligations) and strategic risks (risks to the delivery of our aspirations).

Table 17: Summary of enterprise risks 2020–21

Principal objectives	Strategic outcomes				Enterprise risks and desired outcomes
Protect public health by supplying safe drinking water	✓		✓	✓	Public health Proactively manage events that could lead to serious impacts to public health
Protect the environment by conducting operations in compliance with the principles of ecologically sustainable development	✓		✓	✓	Environment Protect, restore and enhance the quality of our environment to the satisfaction of our regulators, customers and stakeholders
Be a successful business by operating efficiently, maximising net worth, and exhibiting a sense of social responsibility	✓			✓	Customer experience Prioritise the delivery of outcomes our customers value
		✓		✓	Safety and wellbeing Prevent or effectively manage serious, multiple or repeated injuries to, or deaths of, workers and members of the public
			✓	✓	Asset safety, reliability and capability Sustain critical operations and manage reasonably foreseeable business interruptions; plan and deliver critical infrastructure and achieve product and service objectives
			✓	✓	Capital program Deliver our capital investment program on time, on budget and in accordance with the Independent Pricing and Regulatory Tribunal's (IPART's) determination



Principal objectives	Strategic outcomes				Enterprise risks and desired outcomes
Be a successful business by operating efficiently, maximising net worth, and exhibiting a sense of social responsibility (cont)	✓	✓	✓	✓	Enterprise security Manage and protect the exploitation of vulnerability in our digital, physical, personnel and supply chain spaces
		✓		✓	Culture and ethics Establish a culture that promotes ethical practices
	✓	✓		✓	Finance Manage our financial performance (including credit, debt, liquidity and third-party exposures)
		✓		✓	Organisational capability Build capabilities (people, systems and processes) required to deliver core business and strategic initiatives
	✓	✓	✓		Supply chain Manage access to supplies and equipment for our products and services to reduce costs, increase customer service and ensure supply chain resilience
	✓			✓	Corporate social responsibility Maintain our social licence to operate



As the world evolves around us, our focus remains on enhancing our risk culture by increasing our risk management capability and integrating risk management in the business. We continue to improve risk governance and risk maturity.

Insurance

Sydney Water's insurance program focuses on mitigating risks. We consider enterprise risks in determining insurance and premiums, to ensure we have adequate financial resources to mitigate and minimise the effects of adverse events.

We regularly review our insurance program to confirm it is relevant and effective in mitigating risks. If appropriate, we transfer insurable risks to either the commercial insurance market or to Insurance and Care NSW.

Protective Security

Sydney Water has a strategic Protective Security Program that focuses on mitigating and managing our personnel, physical, supply chain and cyber security risks. As a critical infrastructure business, we work closely with the government and industry partners to maintain a robust security posture.

Our Cyber Security Management System is audited annually. We have uplifted key practices in governance and assurance, operational security, information security and incident management. The positive outcome is a direct result of Sydney Water's dedication to providing safe water services through ongoing investment in its cyber security, people, processes and technology.

Legal events

Following are the key changes in law and major judicial decisions that affected Sydney Water between 1 July 2020 and 30 June 2021. We comply with all amendments and decisions.

Heavy Vehicle National Law – amendment to Regulations

On 22 February 2021, the Heavy Vehicle (Mass, Dimension and Loading) National Regulation (NSW) and Heavy Vehicle (Vehicle Standards) National Regulation (NSW) were amended

to include new equipment and measurement standards relating to certain devices fitted to heavy vehicles, such as blind spot information systems and indirect vision devices.

Water Management (General) Regulation 2018 (NSW)

As a result of the Water Management (General) Amendment (Emergency Works Exemption) Regulation 2021 that came into effect on 26 February 2021, further exemptions to the requirements to hold various licences/ approvals under the *Water Management Act 2000* (NSW) were introduced to address situations where there is an emergency event (such as a sudden storm) and action is required to reduce a significant risk to public health, the environment or infrastructure, and such action would require certain licences/ approvals, such as a Water Access Licence.

Legislation related to COVID-19

Investigatory interviews by audio and audiovisual link

Regulations were put in place under each of the Protection of the *Environment Operations Act 1997* (NSW), *Environmental Planning and Assessment Act 1979* (NSW), *Biodiversity Conservation Act 2016* (NSW) and *Water Management Act 2000* (NSW) to allow authorised officers to conduct interviews by audio link or audiovisual link. These are temporary measures currently set to end on 31 March 2022.

C2021-14 Employment Arrangements during COVID-19

The NSW Department of Premier and Cabinet issued a circular outlining flexible work and leave arrangements for employees and support for employee vaccinations, for the effective and efficient management of the NSW government sector during the COVID-19 response. Sydney Water is required to comply with this circular.

Environmental Planning and Assessment (COVID-19 Development – Infrastructure Construction Work Days No. 2) Order 2020

A new Ministerial Order was made under the *Environmental Planning and Assessment Act 1979* (NSW) on 24 December 2020 to continue to permit work on infrastructure projects on Saturdays, Sundays or public holidays. The purpose is to facilitate social distancing during the COVID-19 pandemic by spreading infrastructure construction work over more days in a week. The Order is in place until 31 March 2022.

Major judicial decisions impacting Sydney Water

JK Williams Staff Pty Ltd v Sydney Water – Land and Environment Court

JK Williams Staff Pty Ltd (JK Williams) owns property at Jack Williams Drive, Penrith. JK Williams claimed that erosion to its property was caused by the undermining of Boundary Creek due to increased discharge of treated effluent from Sydney Water's Penrith Water Recycling Plant (Penrith WRP). The discharge into Boundary Creek is consistent with the applicable environment licence and the conditions of consent. The Court preferred the expert evidence of JK Williams that stormwater and other major flooding events contributed to the erosion, but constant flows caused by the Penrith WRP were the dominant cause of the erosion to the property. On 18 March 2021, the Court found that Sydney Water:

- breached the *Environmental Planning and Assessment Act 1979* (NSW) by failing to comply with the Ministerial Consent in respect of 'Commitment 11' of the consent, which required discharge from the Penrith WRP would not erode the banks and bed of Boundary Creek
- breached section 177 of the *Conveyancing Act 1919* (NSW) by causing the 'supporting land' to be undermined and thereby damaging the 'supported land'

- could not rely on section 43A of the *Civil Liability Act 2002* (NSW) as that defence does not apply to the WRP discharges.

On 8 July 2021, the Court ordered that by January 2022 Sydney Water must carry out temporary works, and by January 2024 must provide a permanent structure to prevent further erosion along the embankment of Boundary Creek which preserves a 20-metre riparian buffer zone from the buildings constructed on the property.

Prosecutions by the Environment Protection Authority (EPA)

North Epping – In July 2018, as a result of a blockage caused by tree roots, a sewer overflow occurred from a maintenance hole, causing wastewater to flow into bushland and ultimately into Lane Cove River. The EPA commenced proceedings against Sydney Water for contravening a condition of our environment protection licence (failing to take all reasonable and feasible actions to minimise impact of overflow) and pollution of waters. We pleaded guilty to both offences. In November 2020, we were convicted of both offences and received a total penalty of \$145,000.

Bangor – In September 2018, a blockage caused by tree roots resulted in a sewer overflow from a maintenance hole, with wastewater flowing into bushland and a creek in Bangor. Due to Sydney Water's slow clean-up of this overflow, the EPA commenced proceedings against Sydney Water for contravening a condition of our environment protection licence (failing to take all reasonable and feasible actions to minimise impact of overflow) and failure to comply with a clean-up notice. We pleaded guilty to both offences. In January 2021, we were convicted of both offences and received a total penalty of \$185,000.

Northmead – In October 2018, the inner wall of the Northmead Pumping Station collapsed, resulting in wastewater overflowing into Toongabbie Creek and the Parramatta River. In October 2019, the EPA commenced proceedings against Sydney Water for water pollution. We pleaded guilty. In March 2021, we were convicted and received a total penalty of \$175,500.



SECTION 06

Financial statements

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.



Financial Performance

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

Each year, Sydney Water Board agrees on a Statement of Corporate Intent (SCI) with 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 2020–21, our net profit after tax (NPAT) was \$404 million, which was \$16 million below the SCI target of \$420 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year was \$1,320 million, which was \$52 million under the SCI target of \$1,372 million.

We recognised a dividend of \$687 million, which was \$32 million higher than the SCI target of \$655 million.

The profit was lower than expected due to a \$33 million reduction in revenue. This decrease in revenue was driven by lower water consumption than was anticipated in the SCI. There was a \$19 million increase in operating expenditure, including the additional costs of running the Sydney Desalination Plant. This increase in operating expenditure was offset by an \$11 million decrease in borrowing costs as a result of lower interest rates, a \$16 million decrease in depreciation, amortisation, impairments and loss on asset sales, and a \$9 million decrease in income tax expenses.

Table 18: Profit and loss statement, 2017–18 to 2020–21

Financial performance target	2017–18 result	2018–19 result	2019–20 result*	2020–21 result	2020–21 SCI budget	2020–21 variance to SCI budget
Total income (\$m)	2,898	2,927	2,967	2,748	2,781	(33)
Operating expenses (\$m)	1,336	1,471	1,501	1,428	1,409	(19)
Earnings before interest, tax, depreciation and amortisation (\$m)	1,563	1,456	1,466	1,320	1,372	(52)
Depreciation, amortisation, impairments and loss on asset sales (\$m)	303	317	389	384	400	16
Borrowing expenses (\$m)	446	457	448	361	372	11
Net profit before tax (\$m)	814	682	629	575	600	(25)
Income tax expense (\$m)	242	203	188	171	180	9
Net profit after tax (\$m)	572	479	441	404	420	(16)
Dividend (\$m)	546	915	963	687	655	(32)
Return on assets (%)	6.8	5.8	5.1	4.2	4.4	(0.2)
Funds flow from operations	880	672	632	606	718	(112)
Funds flow interest cover (times)	3.0	2.5	2.4	2.7	2.9	(0.2)
Capital investment program ²⁶ (\$m)	790	833	843	885	1,519	634
Gearing ratio (%)	50	55	58	59	62	3

* Comparative data has been updated to reflect the impact of adopting AASB 1059 Service Concession Arrangements: Grantors, with effect from 1 July 2019

²⁶ The capital investment program numbers exclude unregulated capex and capitalised borrowing costs.

Income

- Total income for the year was \$2,748 million, which was \$33 million below the SCI target of \$2,781 million.
- Regulated income was \$2,492 million, which was \$43 million lower than the SCI target of \$2,535 million. This was due to lower water sales than the SCI target.
- Non-regulated income was \$256 million, which was \$10 million above the SCI target of \$246 million.

Property sales

During 2020–21, we sold five surplus properties at a total gross sale price of \$6.1 million. We completed all sales in line with accepted NSW Government disposal standards and guidelines. Members of the public can request access to documents regarding property disposal under the *Government Information (Public Access) Act 2009* (NSW).

Operating expenditure

Total expenses for the year were \$1,428 million, which was \$19 million above the SCI target of \$1,409 million. This was mainly due to the additional costs of running the Sydney Desalination Plant.

Time for payment of accounts

Sydney Water did not incur any penalty interest charges during 2020–21 for late payments to creditors.

Funds flow from operations

Cash (funds flow) from our operations in 2020–21 was \$606 million. This was \$112 million lower than our target of \$718 million, and was caused by lower water sales, higher operating costs and other working capital movements.

Funds flow from operations interest cover

The funds flow from operations interest cover ratio was 2.7, which was slightly lower than the 2.9 target.

Investment management

We benchmark our investment portfolio's performance against the NSW Treasury Corporation's cash investment facility. This year's results meet NSW Treasury guidelines. We also increased our investment returns while maintaining risk controls. In 2020–21, we had no financial investments, as we used surplus cash to minimise debt.

Debt management

At 30 June 2021, we had a \$6.3 million cash balance and our total debt was \$10.8 billion. Our debt portfolio was sourced through the NSW Treasury Corporation, and we actively manage it to limit the cost of funds. Additionally, 79.5% of our total debt was fixed-rate debt maturing out to 2041, with the remaining 20.5% inflation-indexed debt maturing out to 2035.

Table 19: Debt management, 2020–21

	Sydney Water	Benchmark
Market valuation at 30 June 2021²⁷ (\$m)	11,592	11,303
Generalised cost of funds 2020–21 (%)	1.49	0.93
Weighted average cost 2020–21 (%)	3.65	4.55

Cash flow

- Cash receipts from our operations in 2020–21 were \$2,542 million, which was \$148 million less than in 2019–20.
- Total cash inflows were \$4.5 billion, which was \$923 million more than in 2019–20, due to equity raising of \$750 million and higher borrowings to support a growing capital program.
- We used \$1,650 million in cash for operational purposes, which was \$53 million lower than in 2019–20.
- Total interest paid was \$348 million, which was \$7 million higher than in 2019–20. Total interest paid includes interest and the government guarantee fee paid on our borrowings.

Return on assets and equity

Our return on assets for 2020–21 was 4.2%, against a target of 4.4%. The return on equity was 5.6%, which was under the target of 5.9% due to lower profits.

Budget

Table 20: Budget 2021–22

Measure	Budget 2021–22 (\$m)
Total income	2,821
Total operating expenses	1,433
Depreciation, amortisation, impairments and loss on asset sales	430
Borrowing costs	396
Profit before tax	562
Income tax expense	168
Profit after tax	394

²⁷ The market value of debt represents the value if all debt had to be retired. This is different to the capital value, which is the value in the financial statements.

NSW Government's Sustainability Bond Programme

Sydney Water is playing its part to protect and enhance our environment while shaping a low carbon, circular and sustainable water utility for future generations. We have been a major participant in the multi-award winning NSW Sustainability Bond Programme (SBP) since its launch by TCorp in 2018. The first of its kind in Australia, the Programme is underpinned by global standards and provides a mechanism for capital to flow more directly to projects which deliver positive environmental and social outcomes, contributing to meeting the UN Sustainable Development Goals (SDGs). It also supports the transition towards a low carbon and environmentally sustainable economy. Proceeds help finance or refinance projects that support the achievement of key environmental or social outcomes. Sydney Water has provided water infrastructure to support the issuance of three bonds under the Programme. The assets have been earmarked to bonds issued with maturities which range from 2025 to 2030. The allocated proceeds to June 2021 are summarised in Table 21.

The inaugural \$1.8 billion record breaking green bond in 2018 was used to finance key clean transportation and sustainable water and wastewater management projects, such as Sydney Water's Quakers Hill and St Marys Recycling Plants Process and Reliability Renewal Project.

In 2019, the inaugural Sustainability Bond issued had proceeds earmarked to a variety of clean transportation, social programs and sustainable water and wastewater management projects including a suite of Sydney Water stormwater naturalisation and improvement projects. Reimagining stormwater asset renewal through a naturalisation lens provided the opportunity to rethink the role water infrastructure can play through innovative, integrated design solutions. These contemporary stormwater management approaches increase the lifespan of built infrastructure, improve resiliency to climate change and produce co-benefits like reduced carbon emissions, recreational opportunities and habitat protection.

To meet the growing investor demand for green assets that showcase low carbon and more circular economy approaches, Sydney Water will continue to work alongside the NSW Government to provide additional water projects for future green or sustainability bond issuance, which will further increase our portfolio of green assets under the Programme.

Table 21: Use of NSW Sustainability Bond Programme proceeds for Sydney Water assets to 30 June 2021*

Project name	Delivery partner	SBP category	Estimated project cost (\$m)	Share of project financed by TCorp debt (%)	TCorp debt expended on projects as at 30 June 2021 (\$m)	Cumulative green bond proceeds allocation (\$m)	Cumulative sustainability bond proceeds allocation (\$m)	Total proceeds allocated (\$m)
Quakers Hill and St Marys Water Recycling Plants upgrade	Sydney Water	Sustainable water and wastewater management	380	100	294	244	50	294
Green Square Trunk Stormwater improvement	Sydney Water	Sustainable water and wastewater management	73	86	63	n/a	63	63
Waterway naturalisation and stormwater improvement	Sydney Water	Sustainable water and wastewater management	73	100	73	n/a	73	73

*Numbers provided by TCorp 2021.

Executive officers

Table 22: Executive remuneration, 2020–21

PSSE band equivalent ²⁸	2019–20		2020–21		Average remuneration (\$)	
	Female	Male	Female	Male	2019–20 (\$)	2020–21 (\$)
Above Band 4 equivalent	0	1	0	1	750,000	752,250
Band 4 equivalent	0	0	0	0	–	–
Band 3 equivalent	2	4	2	4	415,548	413,344
Band 2 equivalent	5	13	11	15	301,584	297,690
Band 1 equivalent	42	104	51	90	221,822	226,383
Subtotals	49	122	64	110		
Totals	171		174			

²⁸ Sydney Water does not use Public Sector Senior Executive (PSSE) remuneration package ranges. For 2020–21, we reported in line with the regulatory definition, to include People Manager remuneration equivalent to the total remuneration package of the PSSE bands. At 30 June 2021, around 10% of our employee-related expenditure was for employees remunerated at an equivalent level to the PSSE bands, which is unchanged from the end of 2019–20.

Consultant engagements

Table 23: Payments to consultants for engagements valued at over \$50,000 in 2020–21²⁹

Vendor name	Contract description	Category	Amount (\$)
Kelleher Nightingale Consulting Pty Ltd	Upper South Creek – Aboriginal Cultural Heritage Impact Assessment	Management Services	558,345.00
Frontier Economics	Economic and cost analysis report prepared for Upper South Creek and Greater Parramatta to Olympic Peninsula	Management Services	318,105.49
KPMG	Commercial strategy support – Upper South Creek	Management Services	247,554.63
Bowery Consulting Pty Ltd	Risk-based cost estimate Upper South Creek and Aerotropolis Advanced Water Treatment Plant	Management Services	167,950.00
Total			1,291,955.12

In 2020–21, we engaged 26 consultants for \$50,000 or less, with total costs of \$356,454.89.

Overseas travel

No Sydney Water employee travelled overseas in 2020–21, due to COVID-19 travel restrictions.

Exemptions from the reporting provisions

Table 24: Annual reporting exemptions

Statutory requirements	Statutory references	Comments
Paying accounts <ul style="list-style-type: none"> Performance in paying accounts, including action to improve payment performance 	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2015	The Public Finance and Audit Regulation 2015 was repealed on 1 July 2021. Schedule 1 of the Annual Reports (Statutory Bodies) Regulation 2015 is still valid, in force and has not been repealed. The Treasury exemption applies to this Schedule 1.
Time for paying <ul style="list-style-type: none"> Reasons for late payment Interest paid due to late payment 	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2015	As above.

²⁹ Consultants are defined as companies that provide opinions or advice on a task. The consultant is independent of any ensuing process or work, and Sydney Water decides whether to act on the consultant's findings. It is the advisory nature of the work that differentiates it from other tasks commonly provided by service contractors.

Pricing

How we set our prices

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

We must set prices according to the IPART-determined maximum price, or 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 2020, IPART published its 2020 Price Determination for Sydney Water, which sets the prices we can charge for water, wastewater, stormwater drainage and other services from 1 July 2020 to 30 June 2024.

New (or upgraded) connection charges

During 2018–19, IPART released a determination on the maximum prices for connecting, or upgrading a connection, to a water supply, wastewater or drainage system. In the 12 months to June 2021, Sydney Water did not provide any new services to existing properties to which this determination applied.

This determination also allows grandfathering of all existing cases. That is, the prices for existing cases can be calculated in accordance with IPART's previous determination of those charges. For an existing case in Terrey Hills, we quoted a connection charge calculated in accordance with the previous determination. The relevant properties had not connected by 30 June 2021, and therefore no charges were payable in the current reporting year.

Recycled water developer charges

Sydney Water has complied with IPART's Determination No. 8, 2006, which sets a methodology for fixing the maximum price that a water agency may charge for recycled water infrastructure contributions. We will apply IPART's 2019 recycled water pricing determination when the contribution for each area is due for its five-yearly review.

Table 25: Compliance with IPART's Determination No. 8, 2006 – infrastructure contribution per equivalent tenement (ET), 2020–21

Recycled water scheme	Status of Development Servicing Plan (DSP)	Infrastructure contribution** (\$ per ET)	Compliance status against the determination
Rouse Hill	Registered	4,484	Compliant
Hoxton Park*	Registered	7,960	Compliant*
Oran Park/Turner Road*	Registered	7,721	Compliant*
Colebee*	Registered	8,285	Compliant*

* The NSW Treasurer gave approval to cap the prices at the Hoxton Park scheme in 2016 and at the Oran Park/Turner Road and Colebee schemes in 2017. The prices above reflect the capped prices, which are adjusted each year for inflation.

** Infrastructure contributions were termed 'developer charges' in this determination.

Sydney Water prices

Table 26: IPART pricing table, 2020–21

2020–21	IPART-determined price (\$)	Sydney Water daily rate (\$) ^a
Service charges (\$)		
Residential premises		
Water		
Metered ^c	39.90	0.10932
Unmetered ^d	462.90	1.26822
Wastewater ^{b,d}	544.52	1.49184
Stormwater (drainage) ^b		
Stand-alone premises	77.55	0.21247
Multi-premises	24.79	0.06792
Low impact	24.79	0.06792
Non-residential properties		
Water		
Water service charges by meter size (mm) ^e		
20	39.90	0.10932
25	62.34	0.17079
32	102.14	0.27984
40	159.59	0.43723
50	249.36	0.68318
80	638.36	1.74893
100	997.43	2.73268

2020–21	IPART-determined price (\$)	Sydney Water daily rate (\$) ^a
Service charges (\$)		
150	2,244.38	6.14899
200	3,990.00	10.93151
250	6,234.38	17.08049
300	8,977.50	24.59589
500	24,937.50	68.32192
600	35,910.00	98.38356
Unmetered	462.90	1.26822
Wastewater ^{b,d}		
Wastewater service charges by meter size (mm) ^{f,g}		
20	486.03	1.33159
25	759.42	2.08060
32	1,244.24	3.40888
40	1,944.13	5.32638
50	3,037.70	8.32247
80	7,776.51	21.30551
100	12,150.79	33.28984
150	27,339.19	74.90189
200	48,603.00	133.15890
250	75,942.19	208.06079
300	109,356.75	299.60753
500	303,768.75	832.24315
600	437,427.00	1,198.43014
Unmetered	544.52	1.49184
Stormwater (drainage) ^b		
Stand-alone premises		
Small (200 m ² or less)	24.79	0.06792
Medium (201–1,000 m ²) or low impact	77.55	0.21247
Large (1,001 –10,000 m ²)	447.82	1.22690
Very large (10,000 –45,000 m ²)	1,987.42	5.44499
Largest (45,001 m ² or greater)	4,967.28	13.60899
Multi-premises	24.79	0.06792
Low impact assessed non-residential property (irrespective of property area)	77.55	0.21247

2020–21	IPART-determined price (\$)	Sydney Water usage charge (\$)
Usage charges (\$/kL)		
Residential premises		
Filtered water	2.35	2.35
Uplift on Drought Response Days ^h	0.83	0.83
Non-residential properties		
Filtered water	2.35	2.35
Uplift on Drought Response Days ^h	0.83	0.83
Wastewater	1.20	1.20
Mandated recycled water supply services (\$/kL)		
Recycled water usage charge ⁱ	2.12	2.12

- a. Sydney Water's charges applied from 1 July 2020. Illustrated service charges are charged to customers at a daily rate based on 365 days in the year.
- b. The illustrated wastewater and stormwater service charges for both residential and non-residential premises/properties contain discretionary service charges set by IPART for Sydney Water to recover the costs of wastewater and stormwater customer-supported programs, which are the Refresh Vaucluse Diamond Bay project and the Waterway Health Improvement Program. The wastewater discretionary charge for residential premises is \$1.04 per year (2020–21) and the stormwater discretionary charge for residential premises that do attract a stormwater drainage charge is \$0.85 per year (2020–21). The wastewater discretionary charge applicable to non-residential properties is subject to the meter size of the property, and the stormwater discretionary charge for non-residential properties that attract a stormwater drainage charge is \$0.85 per year (2020–21).
- c. 'Metered residential property' means a residential property that is serviced by one or more meters and includes a residential property within multi-premises that is serviced by one or more common meters.
- d. Wastewater service charge includes a deemed sewerage usage charge of \$180 per year based on a discharge allowance of 150 kL per year.
- e. IPART's maximum determined water service charge for meter sizes not specified in its determination is calculated using the following formula: $(\text{meter size})^2 \times 20 \text{ mm charge} / 400$.
- f. The service charge assumes a Discharge Factor (df%) of 100%. The relevant df% may vary from one non-residential property to another, as determined by Sydney Water. A pro rata adjustment shall be made where the df% is less than 100%.
- g. IPART's maximum determined wastewater meter connection charge for meter sizes not specified in its determination is calculated using the following formula: $(\text{meter size})^2 \times 20 \text{ mm charge} / 400 \times \text{df}\%$.
- h. Drought Response Days are defined in Schedule 8 of the 2020 Price Determination for Sydney Water.

- i. Water service charge for unmetered customers of \$462.90 per year includes a deemed water usage charge of \$423 per year based on a usage allowance of 180 kL per year as defined in Schedule 1 of the 2020 Price Determination for Sydney Water.
- j. IPART has deferred setting prices for Sydney Water's mandatory recycled water schemes in the 2020 determination but has accepted Sydney Water's recycled water price of 90% of the filtered water usage price (non-drought). Sydney Water's mandated recycled water schemes are located at Rouse Hill, Hoxton Park, Colebee, Ropes Crossing, and Oran Park and Turner Road.

Notes:

- Other charging arrangements – including for Rouse Hill and Kellyville Village stormwater drainage, boarding houses, metered standpipes, trade waste and ancillary charges – in accordance with IPART's determined maximum price. Visit sydneywater.com.au/ourprices for more information.
- Sydney Water charges one non-residential property in the Rouse Hill stormwater catchment area 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 receives the benefit of a land size cap or non-residential low-impact charge (which would be applicable if the property was in a declared stormwater catchment area).
- In the 2020 determination, IPART deferred setting maximum recycled water usage charges for our mandatory schemes at Rouse Hill, Hoxton Park, Colebee, Ropes Crossing, and Oran Park and Turner Road. It required that Sydney Water set the prices of these schemes in accordance with its recycled water pricing principles. In line with these principles, Sydney Water adopted a recycled water charge for all mandated schemes at 90% of the non-drought 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 2021, the Auditor-General provided Sydney Water with a statutory audit report as required under the *Government Sector Audit Act 1983* (NSW).

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

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

Sydney Water Corporation

Financial Statements for the year ended 30 June 2021

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Statement of profit or loss and other comprehensive income

for the year ended 30 June 2021

	Note	2021 \$'000	2020* \$'000
Revenue	1(a)	2,731,797	2,963,916
Other income	1(b)	16,013	2,641
Finance costs	2(a)	(361,323)	(447,671)
Other expenses	2(b)	(1,811,533)	(1,889,386)
Profit before income tax		574,954	629,500
Income tax expense	3(a)	(170,919)	(188,002)
Profit for the year		404,035	441,498
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain/(loss) on revaluation of property, plant and equipment	4	208,429	81,966
Income tax effect	3(a)	(62,529)	(24,590)
		145,900	57,376
Remeasurement of defined benefit superannuation net liability	13(c)	107,449	87,280
Income tax effect	3(a)	(32,235)	(26,184)
		75,214	61,096
Other comprehensive income for the year net of income tax		221,114	118,472
Total comprehensive income for the year		625,149	559,970

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

*Comparative data has been updated to reflect the impact of AASB 1059 following adoption with effect from 1 July 2019 (note 6).

Statement of financial position

as at 30 June 2021

	Note	30 June 2021 \$'000	30 June 2020* \$'000	1 July 2019* \$'000
Current assets				
Cash and cash equivalents	8	6,300	42,755	34,608
Trade and other receivables	9	446,010	413,053	401,132
Other current assets	10	55,044	26,080	16,081
Current tax asset		-	56,313	5,245
		507,354	538,201	457,066
Non-current assets classified as held for sale		9,907	7,713	4,631
Total current assets		517,261	545,914	461,697
Non-current assets				
Property, plant and equipment	4	21,509,744	20,465,114	19,582,746
Right-of-use assets	5	358,999	391,985	-
Intangible assets	7	310,929	300,470	297,199
Total non-current assets		22,179,672	21,157,569	19,879,945
Total assets		22,696,933	21,703,483	20,341,642
Current liabilities				
Trade and other payables	11	575,713	612,666	670,211
Borrowings and other financial liabilities	12	111,393	139,165	120,031
Lease liability	5	33,267	33,862	-
Current tax liability		11,437	-	-
Dividends payable	15	274,400	963,000	320,553
Provisions	13	173,606	169,738	186,459
Deferred Government grants	14	-	206	-
Total current liabilities		1,179,816	1,918,637	1,297,254
Non-current liabilities				
Borrowings and other financial liabilities	12	11,333,803	10,301,039	9,573,871
Lease liability	5	343,909	369,345	-
Deferred tax liabilities	3(b)	1,513,840	1,381,349	1,256,078
Provisions	13	710,988	806,685	884,981
Total non-current liabilities		13,902,540	12,858,418	11,714,930
Total liabilities		15,082,356	14,777,055	13,012,184
Net assets		7,614,577	6,926,428	7,329,458
Equity				
Share capital	16	3,911,854	3,161,854	3,161,854
Asset revaluation reserve		2,717,948	2,573,520	2,515,607
Retained earnings		984,775	1,191,054	1,651,997
Total equity		7,614,577	6,926,428	7,329,458

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

*Comparative data has been updated to reflect the impact of AASB 1059 following adoption with effect from 1 July 2019 (note 6).

Statement of changes in equity

for the year ended 30 June 2021

	Note	Share capital \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2020		3,161,854	2,573,520	1,191,054	6,926,428
Profit for the year		-	-	404,035	404,035
Other comprehensive income		-	145,900	75,214	221,114
Total comprehensive income for the year		-	145,900	479,249	625,149
Transfers between equity items on disposal of assets		-	(1,472)	1,472	-
Total transfers between equity items		-	(1,472)	1,472	-
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	15	-	-	(687,000)	(687,000)
Proceeds from equity raising	16	750,000	-	-	750,000
Total transactions with owners in their capacity as owners		750,000	-	(687,000)	63,000
Balance at 30 June 2021		3,911,854	2,717,948	984,775	7,614,577
Balance at 30 June 2019		3,161,854	2,515,607	1,846,006	7,523,467
Changes in accounting policy – initial application of AASB 1059	6	-	-	(194,009)	(194,009)
Restated balance at 1 July 2019		3,161,854	2,515,607	1,651,997	7,329,458
Profit for the year		-	-	441,498	441,498
Other comprehensive income		-	57,376	61,096	118,472
Total comprehensive income for the year		-	57,376	502,594	559,970
Transfers between equity items on disposal of assets		-	537	(537)	-
Total transfers between equity items		-	537	(537)	-
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	15	-	-	(963,000)	(963,000)
Total transactions with owners in their capacity as owners		-	-	(963,000)	(963,000)
Balance at 30 June 2020		3,161,854	2,573,520	1,191,054	6,926,428

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

*Comparative data has been updated to reflect the impact of AASB 1059 following adoption with effect from 1 July 2019 (note 6).

Statement of cash flows

for the year ended 30 June 2021

	Note	2021 \$'000	2020* \$'000
Cash flows from operating activities			
Cash receipts		2,541,747	2,690,114
Cash payments		(1,650,743)	(1,703,640)
Cash generated from operations		891,004	986,474
Social programs grants received from NSW Government		127,467	145,960
Other grants received from NSW Government		1,353	6,029
Grants received from Commonwealth Government		142	122
Contributions paid to Climate Change Fund		-	(740)
Interest received		5	28
Income tax refunds received		53,185	1,123
Interest paid		(181,001)	(188,797)
Government guarantee fee paid		(167,082)	(152,124)
Income tax paid		(118,622)	(165,750)
Net cash flows from operating activities	8(b)	606,451	632,325
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		282	2,552
Other cash contributions received		6,761	21,978
Security and other deposits received		34,969	22,062
Payments for property, plant and equipment		(893,277)	(918,397)
Payments for intangible assets		(57,064)	(43,986)
Security and other deposits released		(26,110)	(16,735)
Net cash flows from investing activities		(934,439)	(932,526)
Cash flows from financing activities			
Proceeds from borrowings		993,606	696,886
Proceeds from equity raising		750,000	-
Payment of principal for lease liabilities related to right-of-use assets		(34,933)	(29,454)
Payment of principal for service concession liabilities		(41,540)	(38,531)
Dividends paid	15	(1,375,600)	(320,553)
Net cash flows from financing activities		291,533	308,348
Net increase in cash and cash equivalents		(36,455)	8,147
Cash and cash equivalents at beginning of the year		42,755	34,608
Cash and cash equivalents at end of the year	8(a)	6,300	42,755

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

*Comparative data has been updated to reflect the impact of AASB 1059 following adoption with effect from 1 July 2019 (note 6).

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 2021 were authorised for issue in accordance with a resolution of the board of directors on 13 August 2021.

Basis of preparation

These general purpose financial statements have been prepared in accordance with applicable Australian Accounting Standards (including Australian Interpretations), the Government Sector Finance Act 2018 (GSF Act), mandates issued by NSW Treasury including NSW Treasury Directions issued under the GSF Act, NSW Treasury Circulars, NSW Treasury Policy and Guidelines Papers adopted in the Corporation's Statement of Corporate Intent.

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

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

Performance for the reporting period

The financial statements cover the financial performance and cash flows of the Corporation for the reporting period 1 July 2020 to 30 June 2021, and its financial position as at 30 June 2021.

Presentation currency

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

Comparative information

Except when Australian Accounting Standards permit or require otherwise, comparative information is presented in respect of all amounts reported in the financial statements. Comparative data has been updated to reflect the impact of the adoption of Australian Accounting Standard AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) from 1 July 2020 (note 6). Pursuant to the transition provisions of AASB 1059 the date of initial application of the standard is the beginning of the earliest reporting period for which comparative information is presented in the financial statements. Hence AASB 1059 has been applied with effect from 1 July 2019.

In accordance with AASB 1059.C4 this has also required the presentation of three years of Statements of Financial Position with the inclusion of the opening restated statement of financial position at 1 July 2019.

Critical judgements and estimates

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

- Note 3 Taxation;
- Note 4 Property, plant and equipment;
- Note 7 Intangible assets;
- Note 9 Trade and other receivables; and
- Note 13 Provisions.

Accounting policies

The accounting policies described in these financial statements are based on the requirements applicable to for-profit entities and have been consistently applied to all reporting periods presented. Significant accounting policies that summarise the basis of recognition and measurement of material items presented in these financial statements are provided in each applicable note about those items.

The Corporation changed its accounting policies following the adoption of AASB 1059 *Service Concession Arrangements* (AASB 1059) on 1 July 2020 and has made retrospective adjustments as mandated by NSW Treasury (refer to note 6).

Notes to the Financial Statements

Performance for the reporting period

Note 1. Income

(a) Revenue

	Note	Regulated		Non- Regulated		Total	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Revenue from contracts with customers							
Service availability charges (redress rebates)		1,121,244	1,371,463	(4,417)	(5,602)	1,116,827	1,365,861
Usage charges		1,219,799	1,151,102	725	375	1,220,524	1,151,477
Ancillary services		14,996	9,264	4,166	3,504	19,162	12,768
Developer contributions	8(b)	331	72	213,738	257,702	214,069	257,774
Sundry revenue		-	-	15,165	9,557	15,165	9,557
Total revenue from contracts with customers		2,356,370	2,531,901	229,377	265,536	2,585,747	2,797,437
Timing of revenue recognition							
Over time		2,341,043	2,522,565	(3,692)	(5,227)	2,337,351	2,517,338
At a point in time		15,327	9,336	233,069	270,763	248,396	280,099
		2,356,370	2,531,901	229,377	265,536	2,585,747	2,797,437
Other revenues							
NSW Government grants for social programs		129,821	149,283	-	-	129,821	149,283
Other grants from NSW Government		-	-	1,645	5,822	1,645	5,822
Grants from Commonwealth Government		-	-	142	122	142	122
Interest revenue		-	-	1,014	633	1,014	633
Rent revenue from operating leases		5,648	5,310	5,647	5,309	11,295	10,619
Sundry revenue		-	-	2,133	-	2,133	-
Total other revenues		135,469	154,593	10,581	11,886	146,050	166,479
Total revenue		2,491,839	2,686,494	239,958	277,422	2,731,797	2,963,916

Recognition and measurement

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

Revenue from contracts with customers

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

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

Service availability charges

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

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

Usage charges

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

The Corporation recognises revenue based on a right to invoice as this corresponds with the value customers have received to date from their consumption of the services. Consumption is measured through the reading of the Corporation's installed meters. The Corporation recognises an estimate for the accrued revenue earned from unbilled consumption where meters have not been read as at the reporting date (refer to note 9).

Ancillary services

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

Developer contributions

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

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

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

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

Other revenues

NSW Government grants for social programs

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

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

(b) Other income

	Note	2021 \$'000	2020 \$'000
Gain on disposal of property, plant and equipment	8(b)	41	125
Income from sale of greenhouse trading certificates		2,451	2,516
Unrealised gain on biodiversity credits		13,521	-
Total other income recognised in profit or loss		16,013	2,641

Note 2. Expenses

(a) Finance costs

	Note	2021 \$'000	2020* \$'000
Interest expense for borrowings at amortised cost		193,024	226,707
Interest expense for lease liabilities related to right-of-use assets		14,367	15,144
Interest expense for service concession arrangements		23,535	23,696
Amortisation of deferred discounts on loans	8(b)	25,418	47,518
Total interest expense		256,344	313,065
Government guarantee fee expense – NSW Treasury		144,346	167,081
Indexation of CPI bonds	8(b)	9,012	40,429
Other		1	2
		409,703	520,577
Less amount capitalised as borrowing costs		(48,380)	(72,906)
Total finance costs recognised in profit or loss		361,323	447,671

*Comparative data has been updated to reflect the impact of AASB 1059 following adoption with effect from 1 July 2019 (note 6).

Recognition and measurement

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

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

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

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

Payments by Sydney Water to the operators under the Service Concession Arrangements are, in accordance with their substance, allocated between repayments of the service concession liability and charges for services provided by the operator. Charges for services provided by the operator in respect of the service concession are expensed as the services are delivered.

(b) Other expenses

	Note	2021 \$'000	2020 \$'000
Employee-related expenses:			
Total employee-related expenses before amounts capitalised		501,556	480,306
Less amounts capitalised		(141,477)	(93,178)
Total employee-related expenses		360,079	387,128
Non-employee related expenses:			
Availability charges and purchases of bulk water – Water NSW		196,434	219,997
Availability charges and operational costs - Sydney Desalination Plant Pty Ltd		208,032	241,358
Tariff expenses from water filtration plant agreements		97,032	84,970
Maintenance services	2(d)	283,400	262,586
Operational services		122,053	138,549
Materials, plant and equipment		65,638	60,934
Leases of low value assets		13	67
Short-term lease expense		7,999	5,723
Electricity and other energy		49,513	56,466
Contributions paid to Climate Change Fund		-	740
Transport		3,932	3,148
Property including land tax		28,220	23,788
Data management		29,367	29,104
Other expenses from ordinary activities		44,942	43,841
Total non-employee related expenses before amounts capitalised		1,136,575	1,171,271
Less amounts capitalised		(68,721)	(57,926)
Total non-employee related expenses		1,067,854	1,113,345
Depreciation and amortisation expenses:			
Depreciation of property, plant and equipment – assets owned	4	266,824	255,632
Depreciation of property, plant and equipment – right-of-use assets	5	41,819	40,676
Depreciation of property, plant and equipment - service concession assets	6	27,638	26,828
Amortisation of intangible assets	7	44,793	41,099
		381,074	364,235
Losses from disposal of:			
Property, plant and equipment	8(b)	7,827	13,513
		7,827	13,513
Impairment losses expensed (reversed) through profit or loss:			
Receivables	9(c)	219	(91)
Property, plant and equipment	4, 8(b)	(105)	5,438
Intangible assets	7, 8(b)	377	26
Inventory		(5,792)	5,792
		(5,301)	11,165
Total other expenses recognised in profit or loss		1,811,533	1,889,386

(c) Additional information on superannuation expense

	Note	2021 \$'000	2020 \$'000
Superannuation expense recognised in profit or loss			
Defined benefit schemes			
Current service cost	13(c)	6,449	8,382
Net interest on the net defined benefit liability (asset)	13(c)	22,185	24,030
Defined benefit superannuation expense as advised by the Administrator		28,634	32,412
Other movements		(1,565)	(1,719)
Defined benefit superannuation expense before amounts capitalised		27,069	30,693
Less amount capitalised		(7,374)	(4,971)
Defined benefit superannuation expense		19,695	25,722
Defined contribution schemes			
Total defined contribution superannuation expense before amounts capitalised		16,144	15,529
Less amount capitalised		(2,965)	(1,838)
Defined contribution superannuation expense		13,179	13,691
Total superannuation expense recognised in profit or loss		32,874	39,413

(d) Additional information on maintenance expense

	Note	2021 \$'000	2020 \$'000
Maintenance expenses			
Maintenance related expense included in employee related expenses	2(b)	83,422	80,216
Maintenance services expenses included in non-employee related expenses	2(b)	283,400	262,586
Total maintenance expenses		366,822	342,802

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 remeasurement of some items at the reporting date.

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

The Corporation applied the short-term lease recognition exemption under AASB 16 as mandated by NSW Treasury to its short-term leases (where the lease term at commencement is 12 months or less and do not contain a purchase option). The Corporation also applied the lease of low-value assets recognition exemption under AASB 16 as mandated by NSW Treasury to its leases considered to be low value (less than \$10,000). Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Note 3. Taxation

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

	2021 \$'000	2020 \$'000
Current tax expense		
Current tax on profits for the year	132,440	111,767
Adjustments for current tax of prior years	752	1,738
	133,192	113,505
Deferred tax expense		
Origination and reversal of temporary differences	37,745	74,585
Adjustments for prior years	(18)	(88)
	37,727	74,497
Total income tax expense in profit or loss	170,919	188,002
Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	574,954	629,500
Tax at the Australian tax rate of 30% (2020: 30%)	172,413	188,848
Tax effect of amounts which are not (taxable) deductible in calculating taxable income		
Research and development concession	(462)	(462)
Sundry items	(1,766)	(2,034)
	170,185	186,352
Under/(Over) provided in prior year – current tax	752	1,738
Under/(Over) provided in prior year – deferred tax	(18)	(88)
Income tax expense	170,919	188,002
Income tax on other comprehensive income		
Deferred tax relating to:		
Revaluation of property, plant and equipment	62,529	30,867
Remeasurement of defined benefit superannuation liability	32,235	26,184
Total income tax on other comprehensive income	94,764	57,051

Recognition and Measurement

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

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

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

The Corporation has considered the impact of AASB Interpretation 23 *Uncertainty over Income Tax Treatments* and found the standard was not applicable.

Sydney Water considered the decision in the Victoria Power Networks case and the subsequent Decision Impact Statement (DIS) issued by the ATO. Given that the DIS advises that the Commissioner is currently assessing the impact on the water industry, Sydney Water has decided not to amend the current treatment of gifted assets until the Commissioner advises the outcome of their assessment.

(b) Deferred tax assets and liabilities

Movements

	Balance 1 July 2020 \$'000	Recognised in profit or loss \$'000	Recognised in other comprehensive income \$'000	Balance 30 June 2021 \$'000
Property, plant and equipment and intangibles	1,694,151	113,873	62,529	1,870,553
Other assets	11,252	(7,824)	-	3,428
Right-of-use assets	(2,887)	(2,566)	-	(5,453)
Employee benefits	(270,190)	(8,804)	32,235	(246,759)
Provisions not currently deductible	(17,375)	3,741	-	(13,634)
Anticipated receipts and accrued expenses	(3,574)	(3,945)	-	(7,519)
Other financial instruments	(30,040)	(52,798)	-	(82,838)
Greenhouse trading certificates	12	(3,950)	-	(3,938)
Net tax (assets) / liabilities	1,381,349	37,727	94,764	1,513,840

	Balance 1 July 2019 \$'000	Recognised in profit or loss \$'000	Recognised in other comprehensive income \$'000	Balance 30 June 2020 \$'000
Property, plant and equipment and intangibles	1,599,633	69,928	24,590	1,694,151
Other assets	4,735	6,517	-	11,252
Right-of-use assets	-	(2,887)	-	(2,887)
Employee benefits	(290,129)	(6,245)	26,184	(270,190)
Provisions not currently deductible	(25,645)	8,270	-	(17,375)
Anticipated receipts and accrued expenses	(2,530)	(1,044)	-	(3,574)
Other financial instruments	(29,896)	(144)	-	(30,040)
Greenhouse trading certificates	(90)	102	-	12
Net tax (assets) / liabilities	1,256,078	74,497	50,774	1,381,349

Carrying amounts

	Assets		Liabilities		Net	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Property, plant and equipment and intangibles	-	-	1,870,553	1,694,151	1,870,553	1,694,151
Other assets	-	-	3,428	11,252	3,428	11,252
Right-of-use assets	(5,453)	(2,887)	-	-	(5,453)	(2,887)
Employee benefits	(246,759)	(270,190)	-	-	(246,759)	(270,190)
Provisions not currently deductible	(13,634)	(17,375)	-	-	(13,634)	(17,375)
Anticipated receipts and accrued expenses	(7,519)	(3,574)	-	-	(7,519)	(3,574)
Other financial instruments	(82,838)	(30,040)	-	-	(82,838)	(30,040)
Greenhouse trading certificates	(3,938)	12	-	-	(3,938)	12
Tax (assets) liabilities	(360,141)	(324,054)	1,873,981	1,705,403	1,513,840	1,381,349
Set-off of tax	360,141	324,054	(360,141)	(324,054)	-	-
Net tax (assets) / liabilities	-	-	1,513,840	1,381,349	1,513,840	1,381,349

(c) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised excluding any amount of GST, except where the amount of GST incurred by the Corporation as a purchaser is not recoverable from the ATO. In such cases, the GST incurred is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included in other debtors in the statement of financial position (refer to note 9(a)).

Cash flows for GST are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as cash flows from operating activities.

Assets and fair values

Note 4. Property, plant and equipment

Movements and carrying amounts

	Market land and buildings	Leasehold property	System assets- infrastructure including system land	System assets- infrastructure (finance lease)	Plant and equipment	Computer equipment	Work in progress	Service Concession Arrangements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
*At 1 July 2019 – net carrying amount	144,893	24,562	17,807,376	377,186	45,251	20,297	1,163,181	-	19,582,746
Net adjustment on initial application of AASB1059	-	-	(949,155)	(377,186)	-	-	-	1,326,341	-
Adjusted net carrying amount at beginning of year	144,893	24,562	16,858,221	-	45,251	20,297	1,163,181	1,326,341	19,582,746
Additions to work in progress	-	-	-	-	-	-	871,493	-	871,493
Additions transferred from work in progress	(349)	-	740,783	-	3,449	22,749	(766,632)	-	-
Additions – other and adjustments	-	-	235,794	-	-	-	-	-	235,794
Disposals	(1,024)	-	(13,500)	-	(3)	(72)	-	-	(14,599)
Reclassified as assets held for sale	(4,388)	-	-	-	-	-	-	-	(4,388)
Other reclassifications	(5,163)	-	5,163	-	-	-	-	-	-
Revaluation increments/(decrements) recognised in the asset revaluation reserve	9,776	3,069	61,396	-	-	-	-	7,725	81,966
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	(59)	-	-	-	-	-	(5,379)	-	(5,438)
Depreciation charge	(182)	(2,458)	(226,394)	-	(9,996)	(16,602)	-	(26,828)	(282,460)
At 30 June 2020 – net carrying amount	143,504	25,173	17,661,463	-	38,701	26,372	1,262,663	1,307,238	20,465,114
Additions to work in progress	-	-	-	-	-	-	914,453	-	914,453
Additions transferred from work in progress	(2,231)	-	628,182	-	10,163	14,137	(651,995)	1,744	-
Additions – other and adjustments	-	-	207,308	-	-	-	-	-	207,308
Additions – service concession arrangements	-	-	(7,681)	-	(1)	(9)	-	18,496	18,496
Disposals	-	-	-	-	-	-	-	-	(7,691)
Reclassified as assets held for sale	(2,008)	-	-	-	(2,047)	-	-	-	(2,008)
Other reclassifications	(11,023)	-	13,070	-	-	-	-	-	-
Revaluation increments/(decrements) recognised in the asset revaluation reserve	(1,141)	2,933	185,840	-	-	-	-	20,797	208,429
Impairment (losses) or revaluation (decrements) recognised in profit or loss	492	-	-	-	-	-	(387)	-	105
Depreciation charge	(134)	(2,703)	(239,841)	-	(10,583)	(13,563)	-	(27,638)	(294,462)
At 30 June 2021 – net carrying amount	127,459	25,403	18,448,341	-	36,233	26,937	1,524,734	1,320,637	21,509,744

	Market land and buildings	Leasehold property	System assets including infrastructure system land	System assets - Infrastructure (finance lease)	Plant and equipment	Computer equipment	Work in progress	Service Concession Arrangements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
*At 30 June 2020									
Fair value – Level 3									
Cost	-	-	-	-	182,383	103,641	1,262,663	-	1,548,687
Fair value – market approach	147,601	26,600	-	-	-	-	-	-	174,201
Fair value – income approach	-	-	17,661,463	-	-	-	-	-	17,661,463
Fair value – replacement cost	-	-	-	-	-	-	-	1,337,447	1,337,447
	147,601	26,600	17,661,463	-	182,383	103,641	1,262,663	1,337,447	20,721,798
Accumulated depreciation	(77)	(1,222)	-	-	(143,682)	(77,269)	-	(30,209)	(252,459)
Accumulated impairment	(4,020)	(205)	-	-	-	-	-	-	(4,225)
	(4,097)	(1,427)	-	-	(143,682)	(77,269)	-	(30,209)	(256,684)
At 30 June 2020 – net carrying amount	143,504	25,173	17,661,463	-	38,701	26,372	1,262,663	1,307,238	20,465,114
At 30 June 2021									
Fair value – Level 3									
Cost	-	-	-	-	185,553	117,581	1,524,734	-	1,827,868
Fair value – market approach	130,899	26,600	-	-	-	-	-	-	157,499
Fair value – income approach	-	-	18,448,341	-	-	-	-	-	18,448,341
Fair value – replacement cost	-	-	-	-	-	-	-	1,387,804	1,387,804
	130,899	26,600	18,448,341	-	185,553	117,581	1,524,734	1,387,804	21,821,512
Accumulated depreciation	(63)	(992)	-	-	(149,320)	(90,644)	-	(67,167)	(308,186)
Accumulated impairment	(3,377)	(205)	-	-	-	-	-	-	(3,582)
	(3,440)	(1,197)	-	-	(149,320)	(90,644)	-	(67,167)	(311,768)
At 30 June 2021 – net carrying amount	127,459	25,403	18,448,341	-	36,233	26,937	1,524,734	1,320,637	21,509,744

Revalued assets based on cost model

Cost	38,302	26,745	21,637,956	-	-	-	-	-	843,688
Accumulated depreciation	(4,817)	(15,353)	(5,421,165)	-	-	-	-	-	(375,005)
Accumulated impairment	(9,516)	-	-	-	-	-	-	-	-
	(14,333)	(15,353)	(5,421,165)	-	-	-	-	-	(375,005)
At 30 June 2021 – net carrying amount	23,969	11,392	16,216,791	-	-	-	-	-	468,683

*Comparative data has been updated to reflect the impact of AASB 1059 following adoption with effect from 1 July 2019 (note 6).

Sydney Water Corporation Financial Statements for the year ended 30 June 2021

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	Market land and buildings	Leasehold property	System assets including infrastructure system land	System assets - Infrastructure (finance lease)	Plant and equipment	Computer equipment	Work in progress	Service Concession Arrangements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2019									
Fair value – Level 3									
Cost	-	-	-	-	179,176	81,212	1,163,181	-	1,423,569
Fair value – market approach	149,136	25,629	-	-	-	-	-	-	174,765
Fair value – income approach	-	-	17,807,376	377,186	-	-	-	-	18,184,562
	149,136	25,629	17,807,376	377,186	179,176	81,212	1,163,181	-	19,782,896
Accumulated depreciation	(79)	(867)	-	-	(133,925)	(60,915)	-	-	(195,786)
Accumulated impairment	(4,164)	(200)	-	-	-	-	-	-	(4,364)
	(4,243)	(1,067)	-	-	(133,925)	(60,915)	-	-	(200,150)
At 30 June 2019 – net carrying amount	144,893	24,562	17,807,376	377,186	45,251	20,297	1,163,181	-	19,582,746
Recognition of service concession assets on initial application of AASB1059	-	-	(949,155)	(377,186)	-	-	-	1,326,341	-
Adjusted fair value as at 1 July 2019	144,893	24,562	16,858,221	-	45,251	20,297	1,163,181	1,326,341	19,582,746
At 30 June 2020									
Fair Value – Level 3									
Cost	-	-	-	-	182,383	103,641	1,262,663	-	1,548,687
Fair value – market approach	147,601	26,600	-	-	-	-	-	-	174,201
Fair value – income approach	-	-	17,661,463	-	-	-	-	-	17,661,463
Fair value – replacement cost	-	-	-	-	-	-	-	1,337,447	1,337,447
	147,601	26,600	17,661,463	-	182,383	103,641	1,262,663	1,337,447	20,721,798
Accumulated depreciation	(77)	(1,222)	-	-	(143,682)	(77,269)	-	(30,209)	(252,459)
Accumulated impairment	(4,020)	(205)	-	-	-	-	-	-	(4,225)
	(4,097)	(1,427)	-	-	(143,682)	(77,269)	-	(30,209)	(256,684)
At 30 June 2020 – net carrying amount	143,504	25,173	17,661,463	-	38,701	26,372	1,262,663	1,307,238	20,465,114

Revalued assets based on cost model

Cost	39,730	26,745	20,583,951	-	-	-	-	-	823,448
Accumulated depreciation	(4,496)	(14,484)	(5,149,429)	-	-	-	-	-	(349,939)
Accumulated impairment	(10,325)	-	-	-	-	-	-	-	-
	(14,821)	(14,484)	(5,149,429)	-	-	-	-	-	(349,939)
At 30 June 2020 – net carrying amount	24,909	12,261	15,434,522	-	-	-	-	-	473,509

Sydney Water Corporation Financial Statements for the year ended 30 June 2021

(a) Asset classes

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

System assets

These are infrastructure assets that deliver water, wastewater and stormwater services to customers through an integrated network of various asset categories. This class also includes system land and water meters. System land is land upon which the various system asset categories are located and which has no other alternative use.

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.

Service Concession arrangements

Service concession arrangements (SCAs) are contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public-sector grantor for a specified period of time and manages at least some of those services (refer to note 6).

(b) Acquisitions and capitalisation

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

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

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

Inspection costs are capitalised when incurred and are depreciated over the period until the next inspection. Restoration costs are also capitalised when a decision to decommission the asset has been made. This also gives rise to the recognition of a corresponding liability as a provision (refer to note 13(d)).

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

(c) Asset revaluations

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

For system assets, market land and buildings, leasehold properties and service concession arrangements, remeasurement 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 (including right-of-use assets similarly classified), the 'individual asset' is considered to be the entire system asset network at the whole of entity level. This is because all 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 (including right-of-use assets similarly classified), 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, leasehold property and service concession arrangements to fair value, any accumulated depreciation or amortisation is netted against the gross carrying amount and the resulting balance is then increased or decreased by the revaluation adjustment. Upon disposal of assets that have been revalued, any asset revaluation reserve balance relating to the disposed assets is transferred to retained earnings.

(d) Fair value approaches and hierarchy levels

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

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

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

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

Due to the unique nature of the Corporation's property, plant and equipment assets, while level 2 observable inputs are considered, the inputs used to determine fair value include unobservable inputs, and so are considered level 3 valuations. This also applies to intangible assets (refer to note 7).

(e) Fair value measurement of asset classes

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

System assets – income approach

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

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

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

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

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

Market land and buildings, and leasehold property – market approach

Fair value is measured based on valuations of the open market value of the property by independent valuers, after (where applicable) considering community expectations, government directives and heritage aspects concerning the future use of the property being valued.

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

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

Plant and equipment, computer equipment and work in progress – cost approach

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

Service concession arrangements

Service concession assets are measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets and AASB 136 Impairment of Assets. Further detail regarding the valuation approach can be found in note 6.

(f) Fair value model

A discounted cash flow model is used to determine the total fair value of all the Corporation's asset classes, including market land and buildings, leasehold property, system assets, plant and equipment, computer equipment, service concession arrangements and intangible assets (refer to note 7). 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 2020 to 30 June 2024 – the current 'Price Path'), the revenue requirement determined by IPART was used. This is for the 4 years following the 30 June 2020 balance date. Adjustments were made (where required) for changes in water demand/usage and customer growth.
- For future years (after 30 June 2024), the methodology applied by IPART was used. This involves determining a regulatory asset base (RAB) for the purpose of calculating an 'annual revenue requirement', and therefore the future cash flows, that will be generated by the Corporation's assets. The 'annual revenue requirement' is the revenue needed to pay for the Corporation's investment in its assets ('return of' capital), obtain an investment return ('return on' capital) and pay for operating expenses. It also covers an allowance for a theoretical income tax amount and working capital.

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

Assumptions	Approach used to determine fair value and impact on fair value measurement
Discount rate	Post-tax WACC 'nominal' discount rate of 5.02% (2020: 5.05%). The rate was determined after a market assessment of rate parameters. The asset value would increase with a reduction in the discount rate.
CPI rate for future years after the current 'Price Path'	The adjusted RAB above is then escalated using a CPI rate of 2.5% (2020: 2.5%) for determining the annual revenue requirement beyond the current 'Price Path', for future years in the forecast after 30 June 2024. The asset value would increase/decrease with CPI.
Period of discounting	The discounting incorporates cash flows over a ten-year period and an estimate of 'terminal value' using the Gordon's Growth Model. Asset values would be slightly lower if the period of discounting was reduced as future earnings would be based on a reduced and more recent time period and would not include future earnings that may be derived from additional capital investment in the outer years.
Service and usage revenue cash inflows	<p>Estimates of future revenue earnings were drawn from the Corporation's Statement of Corporate Intent and were based on:</p> <ul style="list-style-type: none"> IPART's June 2020 Pricing Determination and expected earnings rates over succeeding pricing periods, the RAB determined by IPART from the June 2020 Pricing Determination and rolled forward thereafter, and capital spending over the future forecast / discount period. <p>The asset value would be higher if future revenues were considered higher.</p>
Other non-regulated revenue cash inflows	Cash flows from non-regulated recycled water assets are added to future regulated income streams. Investment and interest income are excluded. The asset value would be higher if non-regulated revenue (including developer charges on non-regulated recycled water assets) was higher.
Operating expenditure cash outflows	Operating expenditures were drawn from the Corporation's Statement of Corporate Intent, excluding non-cash items such as depreciation and impairment expenses. The asset value would be higher if operating expenditure was lower than that incorporated into prices over the current 'Price Path' and no effect thereafter as it is assumed that operating expenditure would be fully funded ('passed through') in future IPART Pricing Determinations.
Capital expenditure cash outflows	Capital expenditure over the 10-year forecast period. The asset value would be higher if capital expenditure was higher.
Cash flows from franking credits	Benefits accruing from franking credits that could accompany future dividends paid by the Corporation to a hypothetical investor (in the private sector) were included in future cash flows.

Sensitivity analysis

Discount rate	Rate Applied %	If higher +0.2%	If lower -0.2%
Nominal post-tax rate	5.02%	5.22%	4.82%
Calculated fair value of property, plant and equipment (\$000)	21,868,743	20,239,081	23,755,988
Resulting change (\$'000)		(1,629,662)	1,887,245

Estimated future service and usage revenue	Rate Applied %	If higher +1.0%	If lower -1.0%
Statement of Corporate Intent 2020-21	100%	101%	99%
Calculated fair value of property, plant and equipment (\$000)	21,868,743	22,756,150	20,981,335
Resulting change (\$'000)		887,407	(887,408)

Terminal value growth rate (CPI)	Rate Applied %	If higher +0.25%	If lower -0.25%
Terminal value growth rate	2.25%	2.50%	2.00%
Calculated fair value of property, plant and equipment (\$000)	21,868,743	23,840,568	20,221,363
Resulting change (\$'000)		1,971,825	(1,647,380)

(g) Depreciation and amortisation

Items of property, plant and equipment (excluding freehold land) that are owned 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, considering assessments of asset condition, commercial and technical obsolescence and expected normal wear and tear. Work in progress is not depreciated until the assets are brought into service and are available for use. The normal life expectancies of major asset classes and categories of property, plant and equipment when initially installed are as follows for 2021 and 2020:

	Number of Years
System asset network categories:	
Dams (non-catchment) and stormwater wetlands infrastructure	200
Canals, tunnels and weirs	100
Major pipelines (above ground)	140
Water mains, wastewater mains / aqueducts	55 to 150
Stormwater drains and basins	80 to 150
System buildings	20 to 50
Water, sewage and stormwater pumping stations	15 to 100
Reservoirs	15 to 150
Integrated control systems	3 to 15
Water meters	8 to 20
Right-of-use assets	Lease term
Other classes:	
Market buildings	20 to 40
Leasehold property	99
Plant and equipment	5 to 12
Computer equipment	3 to 12
Right-of-use assets	Lease term
Service concession assets	7 to 100

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

(h) Classification as assets held for sale

Assets classified as held for sale are assets that are expected to be recovered primarily through sale rather than use. These are shown under current assets in the statement of financial position. Immediately before classification as held for sale, the measurement of the asset is updated consistent with the revaluation policies for property, plant and equipment.

On initial classification as held for sale, the asset is measured at the lower of its carrying amount and its fair value less costs to sell. Any subsequent impairment losses of assets held for sale are recognised as an expense in profit or loss.

Any reversals of impairment are also recognised in profit or loss, but not exceeding the amount of impairment losses previously recognised as an expense before the asset was classified as held for sale. Once a depreciable asset is classified as held for sale, depreciation ceases for that asset.

(i) Impairment testing

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

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

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

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

Note 5. Leases

AASB 16 requires the Corporation to recognise, as a lessee, right-of-use assets and lease liabilities for most operating leases at the inception of the lease. The lease payments are discounted using the interest rate implicit in the lease. If that rate could not be readily determined, which is generally the case for most of the Corporation's leases, the incremental borrowing rate of the Corporation (as lessee) is used, being the rate that the Corporation would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment, with similar terms and conditions. The weighted average weighted incremental borrowing rate applied to the lease liabilities on 1 July 2020 was 3.69% (2019: 3.69%). The Corporation's incremental borrowing rate also includes the government guarantee fee charged by NSW Treasury.

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

Property leases

The Corporation leases properties to conduct its operations. Leases for property generally have terms of one to ten years' duration with option periods following, ranging up to 15 years. Where no option periods exist under these leases, it is necessary to negotiate a new lease with the owner, who has the right to require vacant possession. Where there are option periods, the option to continue occupation rests with the Corporation alone. The leasing of the head office building at 1 Smith Street, Parramatta is by way of a lease of 15 years (ending in May 2024) with two 5-year option periods. The following factors are relevant when considering the option to extend the property lease term:

- If any leasehold improvements are expected to have a significant remaining value, the Corporation is typically reasonably certain to extend; and
- The Corporation considers the historical lease durations, the costs and business disruption required to replace the leased properties.

Most extension options in the property leases have been included in the lease liability because the Corporation could not replace the asset without significant cost or business disruption.

Recycled water infrastructure lease

The Corporation has a lease agreement to obtain recycled water from a plant that is owned and operated by an external party in the Rosehill/Camellia area. A lease arises for the Corporation in relation to the payments made to obtain the recycled water which is subsequently sold to a small number of foundation customers for industrial and irrigation purposes. The lease agreement is for a term of 20 years, extending to 2031-32. There is no option to extend.

Computer equipment leases

The Corporation holds two leases to rent server capacity at two NSW Government Data Centre facilities. Each lease is for a three-year term with no option for extension.

Plant and other equipment

The Corporation leases motor vehicles and other plant and equipment. These leases are predominantly for terms between two and five years. There is an option to extend the lease liability however these have not been included because the Corporation can replace the asset without significant cost i.e. commence a new lease liability.

(i) Amounts recognised in the statement of cash flows for the current reporting period

The statement of cash flows for 30 June 2021 includes cash outflows for lease payments of \$34.9 million (2020: \$29.4 million) within 'cash flows from financing activities' and lease interest of \$14.4 million (2020: \$15.1 million) within 'cash flows from operating activities.' The Corporation had total cash outflows for leases of \$49.3 million (2020: \$44.5 million) for the current financial year.

(a) Right-of-use assets

Recognition and measurement of right-of-use assets

The Corporation assesses at contract inception whether a contract is, or contains, a lease. A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and low-value lease assets.

The Corporation recognises right-of-use assets at the commencement date of the lease. This is the date the underlying lease assets are available for use. Right-of-use assets are initially measured at the amount of the initial measurement of the lease liability adjusted by any lease payments made at or before the commencement date, any lease incentives, initial direct costs incurred and the estimated costs of dismantling and removing the asset.

The right-of-use assets are depreciated on a straight-line basis over their lease term as this is considered to be shorter than the right-of-use assets' estimated useful lives. The normal life expectancy of these assets when initially installed can be seen in note 4(g). After the commencement date, the right-of-use asset should be measured using a cost model.

	Market land and buildings	System assets - Infrastructure including system land	Plant and equipment	Computer equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	191,436	171,942	23,921	4,686	391,985
Additions	42	1,477	7,877	-	9,396
Disposals	(484)	-	(79)	-	(563)
Depreciation charge	(15,099)	(15,121)	(9,256)	(2,343)	(41,819)
At 30 June 2021 – net carrying amount	175,895	158,298	22,463	2,343	358,999

	Market land and buildings	System assets - Infrastructure including system land	Plant and equipment	Computer equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	206,574	184,705	16,109	7,029	414,417
Additions	-	2,320	15,962	-	18,282
Disposals	-	-	(38)	-	(38)
Depreciation charge	(15,138)	(15,083)	(8,112)	(2,343)	(40,676)
At 30 June 2020 – net carrying amount	191,436	171,942	23,921	4,686	391,985

(b) Lease liabilities related to right-of-use assets

Recognition and measurement of lease liabilities

At the commencement date of the lease, the Corporation recognises lease liabilities related to right-of-use assets measured at the present value of lease payments to be made over the lease term. Lease payments include:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be paid under residual value guarantees;
- Exercise price of any purchase options reasonably certain to be exercised by the Corporation; and
- Payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising the option to terminate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate could not be readily determined, which is generally the case for most of the Corporation's leases, the incremental borrowing rate of the Corporation (as lessee) is used, being the rate that the Corporation would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment, with similar terms and conditions. The Corporation's incremental borrowing rate also includes the government guarantee fee charged by NSW Treasury.

After the commencement date, the amount of lease liabilities is increased to reflect the accumulation of interest expense and reduced for the lease payments made. The carrying amount of the lease liabilities is also remeasured if there is a modification, a change in the lease term, a change in the lease payments due to a change in the CPI index or another index/rate used to determine such lease payments or a change in the assessment of an option to purchase the underlying asset.

Where the Corporation is exposed to potential future increases in variable lease payments based on the CPI index or another index/rate, these are not included within the lease liability until they take effect. When the adjustments take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions including option extensions. The lease agreements do not impose any covenants. The leased assets are not used as security for borrowing purposes. The Corporation does not provide residual value guarantees in relation to leases.

Extension and termination options are included in most of the property leases. These terms are used to maximise operational flexibility in terms of managing contracts. All extension and termination options held are exercisable only by the Corporation and not by the respective lessor. In determining the lease term, management considered all facts and circumstances that create an economic incentive to exercise an extension option, or to not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Corporation as lessee.

Lease liabilities related to right-of-use assets

	Note	2021 \$'000	2020 \$'000
Current:			
Lease liabilities related to right-of-use assets		33,267	33,862
Total current liabilities related to right-of-use assets		33,267	33,862
Non-current			
Lease liabilities related to right-of-use assets		343,909	369,345
Total non-current liabilities related to right-of-use assets		343,909	369,345

(ii) Amounts recognised in the statement of comprehensive income for the current reporting period

	Note	2021 \$'000	2020 \$'000
Depreciation charge – right-of-use assets	2(b)	41,819	40,676
Leases of low value assets expense	2(b)	13	67
Short-term lease expense	2(b)	7,999	5,723

(c) Lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. The Corporation as lessor will continue to classify leases as either operating or finance leases using the similar principles set out in AASB 117. The Corporation did not need to make any adjustments to the accounting for operating leases held as lessor as a result of the adoption of AASB 16. The Corporation does not hold any finance leases as lessor.

Note 6. Service concession arrangements

Impact of adoption on 1 July 2020

Service Concession Arrangements (SCAs) are contracts between an operator and a grantor, where the operator provides public services related to a service concession asset on behalf of the grantor for a specified period of time and manages at least some of those services.

Sydney Water has adopted Australian Accounting Standard AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) from 1 July 2020, and in accordance with AASB 1059:

- Comparative financial information for the year ended 30 June 2020 has been restated retrospectively to reflect the impact of AASB 1059.
- NSW Treasury Accounting Policy "Accounting for Privately Financed Projects" (TPP 06-8) was withdrawn effective from 1 July 2020.
- Sydney Water has adopted the modified retrospective approach permitted under AASB 1059 by recognising and measuring service concession assets and related liabilities at the date of initial application (1 July 2019), with any net adjustments to the amounts of assets and liabilities reflected as an adjustment to retained earnings at 1 July 2019. Where AASB 1059 applies, the grantor recognises the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time, the grantor recognises a corresponding financial liability or unearned revenue liability or combination of both.

Description	Blue Mountains Sewage Transfer Scheme agreement	Water filtration plant agreements	Gerringong Gerroa Sewage treatment plant agreement	St Mary's advanced water treatment plant agreement
Name & description of the SCA or group of SCAs	The Corporation has a service agreement with both the Corporation owned portion and the operator owned portion of a sewage tunnel in the Blue Mountains for the transfer of sewage to a sewage treatment plant owned by the Corporation.	The Corporation has contractual arrangements with the owners of water filtration plants at Prospect, Macarthur, Illawarra, and Woronora for the filtration of bulk water.	The Corporation has a service agreement with the legal owner of the sewage treatment plant for the collection of sewage via pumping stations and its transport via pipe networks to the sewage treatment works and its subsequent transport for re-use on a dairy farm.	The Corporation has a service agreement with the legal owner of the advanced water treatment plant to produce highly treated recycled water for discharge to the Hawkesbury-Nepean River.
Terms of the arrangement	The term of the agreement is for 35 years and commenced in April 1996, with the Corporation having an option to extend to 50 years.	The term of the Water filtration plant agreements are as follows; Macarthur: 1 March 2011 – 8 September 2030 Illawarra: 1 October 2015 – 30 November 2036 Woronora: 1 October 2015 – 30 November 2036 Prospect: 1 July 2016 – 30 November 2035	The term of the agreement is for 20-years, effective August 2002.	The term of the agreement is for 10-years effective August 2010, with the Corporation having an option to extend for a period between 2 to 10 years.
Rights and obligations	A tariff is payable to the legal owner, separated into principal and interest, and the legal title of the asset will transfer to the Corporation at the end of the agreement.			
Frequency of payments	Quarterly	Monthly	Monthly	Monthly
Changes in arrangements that occurred during FY20	No changes.	No changes.	A \$0.057 million addition occurred to the Gerringong arrangement during the year.	A \$5.615 million addition occurred to the St Mary's arrangement during the year.
Changes in arrangements that occurred during FY21	No changes.	A \$18.496 million addition occurred to the Macarthur Filtration plant during the year.	No changes.	No changes.
The carrying amount of service concession assets as at 30 June 2020 (\$'000)	- Owned: \$454,961 - Leased: \$337,885	\$398,261	\$68,135	\$47,996
The carrying amount of service concession assets as at 30 June 2021 (\$'000)	- Owned: \$461,991 - Leased: \$342,927	\$402,127	\$68,014	\$45,578

Based on The Corporation's assessment, these arrangements fall within the scope of AASB 1059.

Recognition and measurement of service concession assets

(i) Initial recognition

For arrangements within the scope of AASB 1059, Sydney Water recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of Sydney Water, the asset is recognised at current replacement cost based on AASB 13 Fair Value Measurement Principles.

Where the asset is an existing asset of Sydney Water, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of the reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

(ii) Subsequent to initial recognition

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost less depreciation and any impairments determined in accordance with the depreciation and impairment requirements of Australian Accounting Standards AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets and AASB 136 Impairment of Assets.

(iii) At the end of the service concession arrangement:

- Sydney Water accounts for the asset in accordance with other Australian Accounting Standards, with Sydney Water reclassifying the asset based on its nature or function;
- Reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13; and
- The asset is only derecognised in accordance with AASB 116 when Sydney Water loses control of the asset.

Recognition and measurement of the related liability

Where the grantor recognises a service concession asset, the grantor shall also recognise a liability. The grantor shall not recognise a liability when an existing asset of the grantor is reclassified as a service concession asset except in circumstances where additional consideration is provided by the operator.

As all service concession assets for Sydney Water are reclassifications of existing assets, a new corresponding liability is not required to be recognised. There are already existing finance lease liabilities that have been recognised in respect of the Blue Mountains Sewage Transfer Scheme and the water filtration plant service concession agreements. Australian Accounting Standard AASB 2019-2 "Amendments to Australian Accounting Standards – Implementation of AASB 1059" does however require that these lease liabilities be revalued to their fair value on initial application of AASB 1059 with effect from 1 July 2019.

The fair value of the service concession liabilities at the date of transition has been determined as the present value of the payments to be made under the service concession arrangements that represent repayments of the service concession liability. In accordance with guidance from NSW Treasury the repayments have been discounted using the incremental borrowing rate of the Corporation being the rate that the Corporation would have to pay to borrow the funds necessary to obtain an asset of similar value to the service concession asset in a similar economic environment, with similar terms and conditions. The Corporation's incremental borrowing rate also includes the government guarantee fee charged by NSW Treasury.

Payments by Sydney Water to the operators under the Service Concession Arrangements are, in accordance with their substance, allocated between repayments of the service concession liability and charges for services provided by the operator. Charges for services provided by the operator in respect of the service concession are expensed as the services are delivered.

After initial recognition, the amount of service concession liabilities is increased to reflect the accumulation of interest expense and reduced for the service concession repayments made.

Impact on the Statement of comprehensive Income (increase/(decrease)) for the year ended 30 June 2020 is as follows:

Note	30 June		
	30 June 2020 with AASB 1059	2020 without adoption of AASB 1059	30 June 2020 net impact of AASB 1059
	\$'000	\$'000	\$'000
Revenue			
Total revenue	-	-	-
Expenses			
Depreciation expense	26,828	26,828	-
Interest expense	23,696	44,443	(20,747)
Total expenses	50,524	71,271	(20,747)
Operating result	(50,524)	(71,271)	20,747
Tax Expense benefit	16,823	23,010	(6,187)
Net Result	(33,701)	(48,261)	14,560

Impact on Statement of Financial Position (increase/(decrease)) as at 1 July 2019 (date of initial application):

	Note	1 July 2019 with AASB 1059 \$'000	1 July 2019 without adoption of AASB 1059 \$'000	1 July 2019 net impact of AASB 1059 \$'000
Assets				
System assets – Infrastructure (finance lease)		-	377,186	(377,186)
System assets – Infrastructure including system land		16,858,221	17,807,376	(949,155)
Service Concession Arrangements		1,326,341	-	1,326,341
Total assets		18,184,562	18,184,562	-
Liabilities				
Current				
Borrowings – Finance lease liabilities		-	17,730	(17,730)
Borrowings – Service concession liabilities		38,531	-	38,531
Non-current				
Financial liabilities				
Borrowings – Finance lease liabilities: Non - current		-	374,764	(374,764)
Borrowings – Service concession liabilities: Non-current		631,113	-	631,113
Non-financial liabilities				
Deferred tax liability (other financial instruments)		(29,896)	53,245	(83,141)
Total liabilities		639,748	445,739	194,009
Total adjustment to equity		17,544,814	17,738,823	(194,009)

Impact on Statement of Financial Position (increase/(decrease)) as at 30 June 2020:

	Note	30 June 2020 with AASB 1059 \$'000	30 June 2020 without adoption of AASB 1059 \$'000	30 June 2020 net impact of AASB 1059 \$'000
Assets				
Cash		(62,175)	(62,175)	-
Tax receivable		14,309	14,309	-
System assets – Infrastructure (finance lease)		-	372,616	(372,616)
System assets – Infrastructure including system land		17,661,463	18,596,085	(934,622)
Service Concession Arrangements		1,307,238	-	1,307,238
Total assets		18,920,835	18,920,835	-
Liabilities				
Current				
Borrowings – Finance lease liabilities		-	19,680	(19,680)
Borrowings – Service concession liabilities		40,665	-	40,665
Non-Current				
Financial liabilities				
Borrowings – Finance lease liabilities		-	355,083	(355,083)
Borrowings – Service concession liabilities		590,448	-	590,448
Non-Financial liabilities				
Deferred tax liabilities (other financial instruments)		(30,040)	46,861	(76,901)
Total liabilities		601,073	421,624	179,449
Net Assets		18,319,762	18,499,211	(179,449)
Total adjustment to equity				
Retained earnings at 1 July 2019		1,651,997	1,846,006	(194,009)
Net result of the year ended 30 June 2020		441,498	426,938	14,560
Total Equity		2,093,495	2,272,944	(179,449)

Note 7. Intangible assets

Movements and carrying amounts

	Computer software \$'000	Easements and other rights of access \$'000	Work in progress \$'000	Total \$'000
At 1 July 2019 – net carrying amount	232,623	15,802	48,774	297,199
Additions to work in progress	-	-	44,396	44,396
Additions transferred from work in progress	35,188	243	(35,431)	-
Additions – other	-	-	-	-
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	-	(26)	-	(26)
Amortisation charge	(41,099)	-	-	(41,099)
At 30 June 2020 – net carrying amount	226,712	16,019	57,739	300,470
Additions to work in progress	-	-	55,629	55,629
Additions transferred from work in progress	52,598	485	(53,083)	-
Additions - other	-	-	-	-
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	-	(377)	-	(377)
Amortisation charge	(44,793)	-	-	(44,793)
At 30 June 2021 – net carrying amount	234,517	16,127	60,285	310,929

	Computer software \$'000	Easements and other rights of access \$'000	Work in progress \$'000	Total \$'000
At 1 July 2020				
Fair value – Level 3				
Cost	679,963	33,153	57,739	770,855
Accumulated amortisation	(453,251)	-	-	(453,251)
Accumulated impairment	-	(17,134)	-	(17,134)
At 1 July 2020 – net carrying amount	226,712	16,019	57,739	300,470
At 30 June 2021				
Fair value – Level 3				
Cost	732,562	16,127	60,285	808,974
Accumulated amortisation	(498,045)	-	-	(498,045)
Accumulated impairment	-	-	-	-
At 30 June 2021 – net carrying amount	234,517	16,127	60,285	310,929

	Computer software \$'000	Easements and other rights of access \$'000	Work in progress \$'000	Total \$'000
At 1 July 2019				
Fair value – Level 3				
Cost	644,776	32,581	48,774	726,131
Accumulated amortisation	(412,153)	-	-	(412,153)
Accumulated impairment	-	(16,779)	-	(16,779)
At 1 July 2019 – net carrying amount	232,623	15,802	48,774	297,199
At 30 June 2020				
Fair value – Level 3				
Cost	679,963	33,153	57,739	770,855
Accumulated amortisation	(453,251)	-	-	(453,251)
Accumulated impairment	-	(17,134)	-	(17,134)
At 30 June 2020 – net carrying amount	226,712	16,019	57,739	300,470

(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.

Easements and other rights of access

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

(b) Acquisition and capitalisation

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

(c) Measurement of asset classes

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

Computer application software – cost approach

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

Easements and other rights of access – income approach

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

(d) Amortisation

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

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

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

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

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

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

Working capital management

Note 8. Cash and cash equivalents

(a) Balances at the reporting date

	2021 \$'000	2020 \$'000
Cash at bank	6,300	42,755

Recognition and measurement

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with a maturity period of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Corporation does not hold any cash equivalents (2020: \$Nil).

Cash balance not recognised

Under the terms of an agreement between City of Parramatta Council (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 \$3.864 million (2020: \$3.864 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 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 Council provides to the Corporation certification of public domain works procured by Council in relation to the Civic Place development. At that time, the Corporation must hand over to the Council 14.3 per cent of the certified value of the public domain work completed. Any funds remaining unexpended in the bank account as at the end of the agreement will return to the Corporation's normal cash management activities and restrictions over the use of this cash will cease.

(b) Notes to the statement of cash flows

	Note	2021 \$'000	2020 \$'000
Reconciliation of profit to net cash flows from operating activities			
Profit for the year		404,035	441,498
Adjustments for:			
Gain on disposal of property, plant and equipment	1(b)	(41)	(125)
Loss on disposal of property, plant and equipment	2(b)	7,827	13,513
Developer contributions	1(a)	(214,069)	(257,774)
Depreciation and amortisation	2(b)	381,074	364,235
Amortisation of deferred discounts on loans	2(a)	25,418	47,518
Indexation of CPI bonds	2(a)	9,012	40,429
Impairment loss recognised for property, plant and equipment	2(b), 4	(105)	5,438
Impairment loss (reversed) recognised for intangible assets	2(b), 7	377	26
Net movement in statement of financial position items applicable to operating activities:			
Other current assets		(28,964)	(13,848)
Trade and other receivables		(26,487)	(58,858)
Trade and other payables		(70,331)	35,668
Provisions		13,427	11,771
Income tax assets and liabilities		105,484	2,627
Deferred Government grants		(206)	207
Net cash flows from operating activities		606,451	632,325

Non-cash financing and investing activities

Acquisition and disposal of right-of-use assets 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 relating to the acquisition of right-of-use assets (refer to note 5) was \$9,396 million (2020: \$18,282 million) and \$0.563 million (2020: \$0.038 million) was disposed from right-of-use assets during the current reporting period. The amount capitalised during the current reporting period in respect of assets handed over at no cost by developers to the Corporation was \$207,308 million (2020: \$235,794 million).

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

	Other advances	Borrowings - NSW Treasury Corporation	Blue Mountains Sewage Scheme finance lease	Lease liabilities related to right-of-use assets	Finance lease liabilities	Dividends payable	Service Concession Arrangements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	-	9,024,258	46,486	414,417	346,008	320,553	-	10,151,722
Recognised on the adoption of AASB1059	-	-	(46,486)	-	(346,008)	-	669,644	277,150
Adjusted balance 1 July 2019	-	9,024,248	-	414,417	-	320,553	669,644	10,428,872
Cash flows	-	696,886	-	(29,454)	-	(320,553)	(38,531)	308,348
Non-cash acquisition – related to financial liabilities	-	-	-	18,282	-	-	-	18,282
Non-cash amortisation of deferred premiums	-	47,518	-	-	-	-	-	47,518
Non-cash indexation of CPI indexed bonds	-	40,429	-	-	-	-	-	40,429
Disposal of liability related to assets	-	-	-	(38)	-	-	-	(38)
Dividends payable	-	-	-	-	-	963,000	-	963,000
Balance at 1 July 2020	-	9,809,091	-	403,207	-	963,000	631,113	11,806,411
Cash flows	-	993,606	-	(34,933)	-	(1,375,600)	(41,540)	(458,467)
Non-cash acquisition – related to financial liabilities	-	-	-	9,396	-	-	18,496	27,892
Non-cash amortisation of deferred premiums	-	25,418	-	-	-	-	-	25,418
Non-cash indexation of CPI indexed bonds	-	9,012	-	-	-	-	-	9,012
Disposal of lease liability related to right-of-use assets	-	-	-	(494)	-	-	-	(494)
Dividends payable	-	-	-	-	-	687,000	-	687,000
Balance at 30 June 2021	-	10,837,127	-	377,176	-	274,400	608,069	12,096,772

Sydney Water Corporation Financial Statements for the year ended 30 June 2021

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Note 9. Trade and other receivables

(a) Balances at the reporting date

	2021 \$'000	2020 \$'000
Current assets		
Trade receivables from contracts with customers		
Outstanding service availability and usage charges	163,679	131,066
Loss allowance	(746)	(867)
	<u>162,933</u>	<u>130,199</u>
Accrued unbilled usage charges on unread meters:		
Water	175,726	153,238
Wastewater	18,479	11,546
Other	1,716	1,716
	<u>195,921</u>	<u>166,500</u>
Other trade debtors	19,195	19,198
Loss allowance	-	-
	<u>19,195</u>	<u>19,198</u>
Total trade receivables from contracts with customers	378,049	315,897
Other receivables		
Other debtors and accrued revenue	44,689	75,188
Prepayments	23,272	21,968
Total other receivables	67,961	97,156
Total current trade receivables from contracts with customers and other receivables	446,010	413,053

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.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price. The Corporation holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

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

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

(b) Ageing analysis of trade receivables from contracts with customers

	Gross Amount	Allowance for Impairment	Net amount	Gross Amount	Allowance for Impairment	Net amount
	2021	2021	2021	2020	2020	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Outstanding service and usage charges						
Not past due	64,292	-	64,292	37,442	-	37,442
Past due 22 - 30 days	10,830	-	10,830	9,658	-	9,658
Past due 31 - 60 days	21,534	-	21,534	16,999	-	16,999
Past due 61 - 90 days	8,497	-	8,497	14,174	-	14,174
Past due 91 - 180 days	17,389	-	17,389	24,342	-	24,342
Past due 181 - 365 days	18,223	(746)	17,477	14,142	(867)	13,275
Past due > 365 days	22,914	-	22,914	14,309	-	14,309
	163,679	(746)	162,933	131,066	(867)	130,199
Other trade debtors						
Not past due	6,220	-	6,220	5,683	-	5,683
Past due 15 - 30 days	1,413	-	1,413	801	-	801
Past due 31 - 60 days	1,452	-	1,452	2,549	-	2,549
Past due 61 - 90 days	2,974	-	2,974	2,215	-	2,215
Past due 91 - 180 days	5,037	-	5,037	2,379	-	2,379
Past due 181 - 365 days	995	-	995	3,617	-	3,617
Past due > 365 days	1,104	-	1,104	1,954	-	1,954
	19,195	-	19,195	19,198	-	19,198

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

(c) Movement in loss allowance

	Outstanding service and usage charges		Other trade debtors		Total	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the year	(867)	(1,181)	-	(98)	(867)	(1,279)
Charge for impairment reversal (loss allowance)	-	-	(219)	91	(219)	91
Amounts written off	121	314	219	7	340	321
Carrying amount at end of the year	(746)	(867)	-	-	(746)	(867)

The Corporation applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables (refer to note 19(b)).

Note 10. Other current assets

	2021	2020
	\$'000	\$'000
Stock, stores and materials - at cost	41,523	26,080
Biodiversity offset credits – at fair value	13,521	-
Total other current assets	55,044	26,080

Recognition and measurement**Stock, stores and materials at cost**

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

Biodiversity offset credits at fair value

Biodiversity credits held at the reporting date by the Corporation are issued under the Biodiversity Offsets Scheme administered by the Office of Environment and Heritage NSW. The biodiversity credits can be publicly traded and are granted in return for the obligation to maintain and protect the biodiversity of the Biodiversity Stewardship sites held by the Corporation. These Biodiversity Stewardship sites relates to land held within the System Assets – Infrastructure property, plant and equipment asset category. The biodiversity credits are held for trading purposes, and when sold will be used in part to fund the obligation to maintain the Biodiversity Stewardship sites in accordance with the Biodiversity Stewardship agreements. Biodiversity credits that are issued to the Corporation which are held for 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.

Note 11. Trade and other payables

	2021	2020
	\$'000	\$'000
Current		
Trade payables	56,242	135,858
Non-trade payables	82,061	48,561
Income in advance	24,468	11,276
Government guarantee fee payable	144,346	167,082
Interest expense payable	51,220	49,775
Accrued expenses	217,376	200,114
Total trade and other payables	575,713	612,666

Recognition and measurement

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

Debt Management

Note 12. Borrowings and other financial liabilities

	Note	2021 \$'000	2020* \$'000
Current			
Borrowings:			
Come and Go borrowings – NSW Treasury Corporation		71,500	98,500
Other financial liabilities			
Service concession financial liabilities	6	39,893	40,665
Total current borrowings and other financial liabilities		111,393	139,165
Non-current			
Borrowings:			
Long-term borrowings – NSW Treasury Corporation		10,765,627	9,710,591
Other financial liabilities			
Service concession financial liabilities	6	568,176	590,448
Total non-current borrowings and other financial liabilities		11,333,803	10,301,039

*Comparative data has been updated to reflect the impact of AASB 1059 following adoption with effect from 1 July 2019 (note 6).

Recognition and measurement

(a) Borrowings

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

Interest-bearing borrowings are classified as current liabilities only if the borrowing is due to be settled within 12 months after the reporting date and there is no discretion on the part of the Corporation to extend or refinance the obligation on a long-term basis with the respective lender. All other interest-bearing borrowings are classified as non-current liabilities, including those in which the Corporation has the discretion to refinance or roll over the borrowings for at least 12 months after the reporting date even if they are due to mature within a shorter period.

(b) Service concession financial liabilities

Service concession financial liabilities comprise liabilities for the Corporation's obligations under the Blue Mountains Sewage Transfer Scheme agreement, the water filtration plant agreements, the Gerringong Gerroa sewage treatment plant agreement, and under the St Mary's advanced water treatment plant agreement. As per note 4 and 6, the Corporation had previously classified these liabilities as finance lease liabilities in accordance with a NSW Treasury mandated option to not apply AASB 16 to finance lease liabilities. Sydney Water adopted Australian Accounting Standard AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) from 1 July 2020 and applied the modified retrospective approach permitted under AASB 1059 by recognising and measuring service concession assets and related liabilities at the date of initial application (1 July 2019), with any net adjustments to the amounts of assets and liabilities reflected as an adjustment to retained earnings at 1 July 2019. Where AASB 1059 applies, the grantor recognises the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time, the grantor recognises a corresponding financial liability or unearned revenue liability or combination of both.

As explained in note 4, in accordance with Australian Accounting Standard AASB 2019-2 "Amendments to Australian Accounting Standards – Implementation of AASB 1059", the lease liabilities that had previously been recognised in respect of the service concession arrangements were required to be revalued to their fair value on initial application of AASB 1059 with effect from 1 July 2019. The fair value of the service concession liabilities at the date of transition has been determined as the present value of the payments to be made under the service concession arrangements that represent repayments of the service concession liability. In accordance with guidance from NSW Treasury the repayments have been discounted using the incremental borrowing rate of the Corporation being the rate that the Corporation would have to pay to borrow the funds necessary to obtain an asset of similar value to the service concession asset in a similar economic environment, with similar terms and conditions. The Corporation's incremental borrowing rate also includes the government guarantee fee charged by NSW Treasury.

Payments by Sydney Water to the operators under the Service Concession Arrangements are, in accordance with their substance, allocated between repayments of the service concession liability and charges for services provided by the operator. Charges for services provided by the operator in respect of the service concession are expensed as the services are delivered.

After initial recognition, the amount of service concession liabilities is increased to reflect the accumulation of interest expense and reduced for the service concession repayments made.

Blue Mountains Sewage Transfer Scheme agreement

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

Water filtration plant agreements

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

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

(c) Borrowing facilities

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

Financing facilities	Utilised	Not Utilised	Total Facility	Utilised	Not Utilised	Total Facility
	2021 \$'000	2021 \$'000	2021 \$'000	2020 \$'000	2020 \$'000	2020 \$'000
Bank overdraft facility	-	15,000	15,000	-	15,000	15,000
Purchase credit card facility	290	710	1,000	150	2,350	2,500
Guarantee facility	16,800	13,200	30,000	18,181	11,819	30,000
Come and Go short-term borrowing facility	71,500	28,500	100,000	98,500	1,500	100,000
Long-term borrowing facility	10,765,628	1,734,372	12,500,000	9,710,591	2,789,409	12,500,000
	10,854,217	1,791,783	12,646,000	9,827,422	2,820,078	12,647,500

Bank overdraft facility

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

Purchase credit card facility

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

Guarantee facility

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

Come and Go short-term borrowing facility

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

Long-term borrowing facilities

The Corporation has the NSW Treasurer's approval to obtain long-term borrowing facilities from NSW Treasury Corporation. The Corporation cannot borrow in its own name from the market without the NSW Treasurer's approval. Accordingly, both new loans and the refinancing of maturing loans are arranged via NSW Treasury Corporation.

NSW Treasury Corporation loans are negotiated with either a floating interest rate, in which case the rate is reset periodically, or at a fixed rate where interest is paid half-yearly in arrears or on maturity.

NSW Treasury Corporation also provides CPI indexed bonds and resettable loans to the Corporation. CPI indexed bonds are either restated by an indexation adjustment based on CPI on a quarterly basis, or they require payment of the CPI indexation semi-annually along with the interest payment. Resettable loans are loans where the interest rate resets in line with the regulatory Pricing Determination period. These loans are usually refinanced at maturity. Fixed rate loans currently have maturities up to 20 years (2020: 21 years) for the Corporation. CPI indexed bonds have a maximum term to maturity of 14 years to 2035 (2020: 15 years to 2035). None of these facilities are secured against the assets of the Corporation.

Other liabilities

Note 13. Provisions

	2021 \$'000	2020 \$'000
Current		
Short-term provisions:		
Annual leave	40,965	33,393
Termination benefits	4,439	1,602
Employee benefits on-costs	2,008	1,848
Road restoration	7,492	8,821
Total short-term provisions	54,904	45,664
Current portion of long-term provisions:		
Long service leave	98,518	95,930
Employee benefits on-costs	4,778	5,228
Superannuation	-	426
Workers' compensation self-insurance	1,483	1,416
General insurance	1,292	1,292
Restoration of leased premises	224	976
Restoration costs from decommissioning and maintaining system asset network components	12,407	18,806
Total current portion of long-term provisions	118,702	124,074
Total current provisions	173,606	169,738
Non-current		
Long-term provisions:		
Employee benefits for long service leave	10,087	7,905
Employee benefits on-costs	489	431
Post-employment benefits from superannuation	661,246	753,866
Workers' compensation self-insurance	15,880	17,329
General insurance	2,080	2,080
Restoration of leased premises	10,699	11,605
Restoration costs from decommissioning and maintaining system asset network components	10,507	13,469
Total non-current provisions	710,988	806,685
Employee benefits and related on-costs		
Employee benefits – current	139,483	129,323
Employee benefits on-costs – current	6,786	7,076
Employee benefits – non-current	10,089	7,905
Employee benefits on-costs – non-current	489	431
Aggregate employee benefits and related on-costs	156,847	144,735

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

The Corporation expects to make payments totalling \$22.931 million (2020: \$27.900 million) for annual leave, and payments totalling \$15.805 million (2020: \$11.610 million) for long-service leave in the next reporting period. All other provisions under current liabilities are expected to be paid in the next reporting period for the amount recognised.

Recognition and measurement

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

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

(a) Employee benefits provisions

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled less than 12 months after the reporting date in which the employees render the related service. They include wages, salaries and annual leave. All short-term employee benefits that are payable at the reporting date are measured on an undiscounted basis at the nominal amount expected to be paid. Liabilities for wages and salaries are included within trade and other payables (refer to note 11).

Termination benefits

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

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

Long service leave liabilities

Long service leave liabilities represent the present value of the future benefits that employees have earned in return for their service in the current and prior reporting periods. The discount rate used is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating to the terms of these obligations.

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

Employee benefit on-costs

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

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

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

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

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

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

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

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

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

Nature of benefits provided by the Pooled Fund

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

The regulatory framework

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

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

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

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

Other entities' responsibilities for the governance of the Pooled Fund

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

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

Risks

There are several risks to which the Pooled Fund exposes the Corporation. The more significant risks relating to the defined benefits are:

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

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

Significant events

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

Net defined benefit liability movement

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

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

The Funding basis is used to determine the level of employer contributions needed to be provided by each employer to meet the defined benefit obligations. The net underfunded shortfall calculated using the Funding Basis at 30 June 2021 is \$59.627 million (refer to note 13(c)(i)).

	SASS		SANCS		SSS		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reconciliation of the net defined benefit liability								
Net defined benefit liability at beginning of the year	109,501	114,168	33,755	41,097	610,613	665,180	753,869	820,445
Current service cost	3,063	4,286	1,105	1,282	2,281	2,814	6,449	8,382
Net interest on the net defined benefit liability (asset)	3,172	3,293	878	1,073	18,135	19,664	22,185	24,030
Actual return on Fund assets less interest income	(14,648)	954	(358)	47	(87,699)	5,799	(102,705)	6,800
Actuarial (gains) losses arising from changes in demographic assumptions	6,374	-	397	-	(8,528)	-	(1,757)	-
Actuarial (gains) losses arising from changes in financial assumptions	(1,476)	(2,633)	(800)	184	33,318	(72,908)	31,042	(75,357)
Actuarial (gains) losses arising from liability experience	2,696	(5,486)	42	(483)	(36,767)	(12,756)	(34,029)	(18,725)
Employer contributions	(5,402)	(5,082)	(8,406)	(9,446)	-	2,819	(13,808)	(11,709)
Net defined benefit liability at end of the year	103,280	109,500	26,613	33,754	531,353	610,612	661,246	753,866
Reconciliation of the fair value of fund assets								
Fair value of fund assets at beginning of the year	152,040	180,342	3,355	1,042	905,530	950,507	1,060,925	1,131,891
Interest income	4,171	4,905	118	53	25,799	26,932	30,088	31,890
Actual return on Fund assets less interest income	14,648	(954)	358	(47)	87,699	(5,799)	102,705	(6,800)
Employer contributions	5,402	5,082	8,406	9,446	-	(2,819)	13,808	11,709
Contributions by participants	1,976	2,337	-	-	1,018	1,215	2,994	3,552
Benefits paid	(19,111)	(37,805)	(3,339)	(6,334)	(76,861)	(66,773)	(99,311)	(110,912)
Taxes, premiums and expenses paid	986	(1,866)	(2,328)	(804)	10,827	2,267	9,485	(403)
Fair value of fund assets at end of the year	160,112	152,041	6,570	3,356	954,012	905,530	1,120,694	1,060,927
Reconciliation of the defined benefit obligation								
Present value of defined benefit obligations at beginning of the year	261,541	294,510	37,110	42,139	1,516,143	1,615,687	1,814,794	1,952,336
Current service cost	3,063	4,286	1,105	1,282	2,281	2,814	6,449	8,382
Interest cost	7,343	8,198	996	1,126	43,934	46,596	52,273	55,920
Contributions by fund participants	1,976	2,337	-	-	1,018	1,215	2,994	3,552
Actuarial (gains) losses arising from changes in demographic assumptions	6,374	-	397	-	(8,528)	-	(1,757)	-
Actuarial (gains) losses arising from changes in financial assumptions	(1,476)	(2,633)	(800)	184	33,318	(72,908)	31,042	(75,357)
Actuarial (gains) losses arising from liability experience	2,696	(5,486)	42	(483)	(36,767)	(12,756)	(34,029)	(18,725)
Benefits paid	(19,111)	(37,805)	(3,339)	(6,334)	(76,861)	(66,773)	(99,311)	(110,912)
Taxes, premiums and expenses paid	986	(1,866)	(2,328)	(804)	10,827	2,267	9,485	(403)
Present value of defined benefit obligations at end of the year	263,392	261,541	33,183	37,110	1,485,365	1,516,142	1,781,940	1,814,793
Adjustment for effect of asset ceiling								
At beginning/end of the year	-	-	-	-	-	-	-	-

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

Fair value of Pooled Fund assets

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

Asset category	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Percentage invested in each asset class
As at 30 June 2021:					
Short term securities	5,108,370	2,398,668	2,709,702	-	12.2
Australian fixed interest	903,816	-	903,816	-	2.2
International fixed interest	1,755,026	45,227	1,709,799	-	4.2
Australian equities	8,310,657	8,308,316	2,341	-	19.9
International equities	13,889,679	13,884,532	5,148	-	33.2
Property	3,287,730	626,961	-	2,660,769	7.9
Alternatives	8,529,710	759	2,709,828	5,819,124	20.4
Total	41,784,988	25,264,462	8,040,633	8,479,893	100.0
As at 30 June 2020:					
Short term securities	4,096,298	1,889,511	2,206,787	-	10.2
Australian fixed interest	1,066,448	-	1,066,448	-	2.7
International fixed interest	1,909,423	30,408	1,879,015	-	4.8
Australian equities	7,294,211	6,901,927	392,284	-	18.1
International equities	11,950,330	11,487,308	463,022	-	29.7
Property	3,352,466	644,805	16,266	2,691,395	8.3
Alternatives	10,522,833	23,408	4,337,075	6,162,350	26.2
Total	40,192,009	20,977,367	10,360,897	8,853,745	100.0

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

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

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

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

The fair value of the Pooled Fund's total assets as at the reporting date include \$41.5 million (2020: \$36.9 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 \$328.0 million (2020: \$340.0 million); and
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$443.0 million (2020: \$343.0 million).

Significant actuarial assumptions at the reporting date

	2021	2020
Discount rate	2.98% pa	2.97% pa
Salary increase rate (excluding promotional increases):		
2020-21 to 2021-22	2.74% pa	3.20% pa
2022-23 to 2023-24	2.74% pa	3.20% pa
2024-25 to 2025-26	2.74% pa	3.20% pa
Thereafter	3.20% pa	3.20% pa
Rate of CPI increase		
2020-21	1.50% pa	0.25% pa
2021-22	1.75% pa	1.50% pa
2022-23	1.75% pa	1.25% pa
2023-24	2.25% pa	2.25% pa
2024-25	2.25% pa	2.25% pa
Thereafter	2.62% pa	2.25% pa

Pensioner mortality: The pensioner mortality assumptions are as per the 2021 Actuarial investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from STC's website. The report shows the pension mortality rates for each age.

Sensitivity analysis

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

	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	2.98%	2.48%	3.48%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Defined benefit obligation (\$'000)	1,781,939	1,896,714	1,677,547
	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	As above	As above	As above
Rate of CPI increase	As above	Above rates plus 0.5% pa	Above rates less 0.5% pa
Salary inflation rate	As above	As above	As above
Defined benefit obligation (\$'000)	1,781,939	1,891,738	1,681,203
	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	Above rates plus 0.5% pa	Above rates less 0.5% pa
Defined benefit obligation (\$'000)	1,781,939	1,788,619	1,775,521
	Base case	Scenario G Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation (\$'000)	1,781,939	1,805,182	1,763,775

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

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

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

Asset – Liability matching strategies

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

Funding arrangements

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

(i) Surplus/deficit

The following is a summary of the 30 June 2021 and 30 June 2020 financial position of the Schemes calculated in accordance with AASB 1056 *Superannuation Entities*.

	SASS		SANCS		SSS		Total	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Accrued benefits *	204,831	202,371	24,853	27,068	950,636	940,221	1,180,320	1,169,660
Net market value of fund assets	(160,112)	(152,041)	(6,570)	(3,356)	(954,012)	(905,530)	(1,120,694)	(1,060,927)
Net (surplus) deficit	44,719	50,330	18,283	23,712	(3,376)	34,691	59,627	108,733

* 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	
	2021 %	2020 %	2021 %	2020 %	2021 %	2020 %
Multiple of member contributions	1.9	1.9	-	-	1.6	1.6
Percentage of member salary	-	-	2.5	2.5	-	-

(iii) Economic assumptions

The economic assumptions adopted for the AASB 1056 *Superannuation Entities* as at 30 June 2021:

Weighted Average Assumptions:

Expected rate of return on Fund assets backing current pension liabilities	6.5% pa
Expected rate of return on Fund assets backing other liabilities	5.7% pa
Expected salary increase rate (excluding promotional salary increases)	2.7% pa
Expected rate of CPI increase	2.0% pa

In light of the current environment due to COVID-19, there is increased volatility in terms of the expected rates of return on Fund assets especially in the short to medium term. The information above on sensitivities provides a guide to how this could affect the defined benefit obligation under AASB 119.

For AASB 1056, the one assumption that differs substantially compared with AASB 119 is the expected rate of return on the Fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on Fund assets in current financial conditions, the sensitivities to this assumption for the AASB 1056 results are shown in the table below.

AASB 1056 Accounting Standard “Superannuation Entities”

Scenarios A and B relate to sensitivity of the Total Accrued Benefits figure shown in the AASB 1056 results.

30 June 2021

	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rates of return on Fund assets backing current pension liabilities (discount rate)	6.5%	6.0%	7.0%
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.7%	5.2%	6.2%
Rate of CPI increase	2.0%	as base case	as base case
Salary inflation rate	2.7%	as base case	as base case
Accrued Benefits (A\$)	1,180,320,222	1,229,372,664	1,134,989,491

30 June 2020

	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rates of return on Fund assets backing current pension liabilities (discount rate)	7.0%	6.5%	7.5%
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.0%	5.5%	6.5%
Rate of CPI increase	2.0%	as base case	as base case
Salary inflation rate	3.2%	as base case	as base case
Accrued Benefits (A\$)	1,169,659,896	1,216,915,411	1,125,870,500

Expected contributions to be paid in the next reporting period

	SASS		SANCS		SSS		Total	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Expected employer contributions	5,402	5,402	8,406	8,406	-	-	13,808	13,808

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12.4 years (2020: 12.5 years).

(d) Other provisions

Movements and carrying amounts

	Road restoration \$'000	Workers' compensation self-insurance \$'000	General insurance \$'000	Restoration of leased premises \$'000	Restoration costs of decommissioning and maintaining system asset network components \$'000
Carrying amounts at beginning of the year					
Current	8,821	1,416	1,292	976	18,806
Non-current	-	17,329	2,080	11,605	13,469
	8,821	18,745	3,372	12,581	32,275
Movement during the year					
Provisions made	22,392	(110)	10,899	(1,724)	(2,216)
Provisions used	(23,721)	(1,272)	(10,755)	-	(7,177)
Unwinding of discount	-	-	(144)	66	32
	(1,329)	(1,382)	-	(1,658)	(9,361)
Carrying amounts at end of the year					
Current	7,492	1,483	1,292	224	12,407
Non-current	-	15,880	2,080	10,699	10,507
	7,492	17,363	3,372	10,923	22,914

Road restoration

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

Workers' compensation self-insurance and general insurance

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

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

Restoration of leased premises

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

Restoration costs of decommissioning and maintaining system asset network components

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

Note 14. Deferred Government grants

	2021 \$'000	2020 \$'000
Current		
NSW Government grant for water efficiency and savings	-	206
Total current deferred Government grants	-	206

Recognition and measurement

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

Note 15. Dividends payable

	2021 \$'000	2020 \$'000
Dividends payable at the beginning of the year	963,000	320,553
Movement during the year		
Dividend recognised on ordinary shares at 17.56 cents per share (2020: 30.46 cents per share)	687,000	963,000
Dividends paid on ordinary shares at 35.16 cents per share (2020: 10.14 cents per share)	(1,375,600)	(320,553)
	(688,600)	642,447
Dividends payable at the end of the year	274,400	963,000

Recognition and measurement

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

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

Equity

Note 16. Share capital

Carrying amounts and movements

	2021 \$'000	2020 \$'000
Issued and fully paid up share capital	3,911,854	3,161,854
Total share capital	3,911,854	3,161,854
Balance of ordinary shares at the beginning of the year	3,161,854	3,161,854
Movement during the year		
Share issuance	750,000	-
	750,000	-
Balance of ordinary shares at the end of the year	3,911,854	3,161,854

The Corporation's two shareholders are:

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

Each shareholder holds 1,955,927,000 (2020: 1,580,927,000) ordinary shares non-beneficially on behalf of the NSW Government. The shares entitle the NSW Government to a dividend from the Corporation. The amount of the dividend is determined as part of the annual process of negotiating and agreeing the Corporation's Statement of Corporate Intent with the shareholder Ministers.

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

On 2 July 2020, Sydney Water received a \$750 million equity injection from the NSW Government. The equity injection was paid to maintain Sydney Water's capital structure consistent with the requirements of NSW Treasury's TPP 16-03 "Capital Structure Policy for Government Businesses."

Unrecognised Items

Note 17. Commitments

(a) Capital expenditure commitments

	2021 \$'000	2020 \$'000
Capital expenditure commitments		
Not later than one year	762,900	735,432
Later than one year and not later than five years	504,912	486,733
Later than five years	86,919	83,790
	1,354,731	1,305,955

Contractual commitments for capital expenditure cover both property, plant and equipment and intangible assets. Amounts disclosed for these commitments include total GST of \$123.157 million (2020: \$118.723 million).

(b) Other lease commitments

The Corporation leases a recycled water infrastructure facility, various properties, motor vehicles and other plant and equipment leases. For details as to the terms and conditions of the leases refer to note 5. From 1 July 2019, the Corporation has recognised right-of-use assets for these leases, except for short-term and low-value leases (refer to note 5).

	2021 \$'000	2020 \$'000
Receivable as lessor		
Future rentals:		
Not later than one year	10,845	11,329
Later than one year and not later than five years	35,077	20,167
Later than five years	131,998	109,833
	177,920	141,329

Leases are non-cancellable and are mainly in respect of residential, commercial and industrial properties, open space and space for telecommunication towers. Leases are for terms ranging from less than one year to 50 years. Lease rentals are generally reviewed annually. Amounts disclosed for these commitments include total GST of \$16.175 million (2020: \$12.848 million)

Note 18. Contingencies

(a) Contingent liabilities

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

Guarantees provided

Under the *Workers' Compensation Act 1987*, as the Corporation was a self-insurer until 1 March 2007 and as a state-owned corporation was deemed to not have government employer status, the Corporation is required to provide a guarantee to Insurance and Care NSW that secures the Corporation's remaining self-insurance workers' compensation liability. The value of the guarantee at the reporting date was \$16.800 million (2020: \$18.181 million) (refer to note 12(c)).

(b) Contingent assets

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

Other Notes

Note 19. Financial risk management

(a) Financial instruments and financial risk factors

The Corporation has the following financial instruments:

- lease liabilities related to right-of-use assets (refer to note 5).
- cash and cash equivalents (refer to note 8);
- trade and other receivables (refer to note 9);
- trade and other payables (refer to note 11);
- borrowings (refer to note 12); and
- service concession financial liabilities (refer to note 12).

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

(b) Financial risk exposures

Liquidity risk

During the current and previous reporting periods, there were no defaults or breaches on any borrowings payable. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed low based on previous reporting periods' data and current reassessment of risk. Liquidity risk is managed by the Corporation through the maintenance of extensive short-term and long-term cash flow forecasting models, and through the availability of borrowing facilities approved by the NSW Treasurer under the *Government Sector Finance Act 2018 (GSF Act)*.

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.

Whilst current liabilities are greater than current assets, the Corporation continues to operate as a going concern. The Corporation derives most of its revenue from the operation of its infrastructure assets, generating positive cash flows and also has access to significant committed borrowing facilities.

Credit risk

Exposures to credit risk for the Corporation are primarily in relation to cash and cash equivalents and trade and other receivables. At the reporting date, the maximum exposure to credit risk for the Corporation is represented by the carrying amount of cash and cash equivalents and trade and other receivables in the statement of financial position (refer to notes 8 and 9).

Cash and cash equivalents

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.

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. The Corporation applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the lifetime expected credit losses, trade and other receivables were grouped based on:

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

The expected loss rates are based on the payment profiles of revenues over the ten-year period prior to the reporting date and the related historical credit losses experienced over the same period. The historical loss rates were then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation identified the NSW gross domestic product rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on the expected change in this factor.

Interest rate risk

The Corporation is exposed to changes in market interest rates, primarily from the Corporation's portfolio of interest-bearing short-term 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, weighted average life management targets and approved trading bands.

Long-term fixed rate and CPI indexed bonds with maturities to 2041 have been issued in order to maintain a high weighted average life of the debt portfolio over time. At the reporting date, the debt portfolio was comprised of 79.5% of fixed rate bond debt and 20.5% CPI indexed debt (2020: 70% of fixed rate bond debt and 30% CPI indexed debt).

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

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

	Note	Weighted average interest rate		Carrying amount	
		2021 %	2020 %	2021 \$'000	2020 \$'000
Financial assets					
At amortised cost:					
Cash	8	0.00	0.15	6,300	42,755
				6,300	42,755
Financial liabilities					
At amortised cost:					
Borrowings:					
Come and Go Facility	12	0.18	0.25	71,500	98,500
NSW Treasury Corporation loans	12	2.42	3.01	10,765,627	9,710,591
Other financial liabilities:					
Lease liabilities related to right-of-use assets	5	3.69	3.69	377,176	403,207
Service concession financial liabilities	12	3.80	3.80	608,069	631,113
				11,822,372	10,843,411

Sensitivity analysis

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

Based on the value of the Australian short-term interest rates (one month Bank Bill Swap Rate – BBSW) at the reporting date of 0.01% (2020: 0.09%), a 100 basis points increase would increase the rate to 1.01% (2020: 1.09%) and a 100 basis points decrease would reduce the rate to -0.99% (2020: -0.91%). This is broadly representative of recent interest rate increases and decreases within a certain range, which is reasonably possible given historical movements in official interest rates by the Reserve Bank of Australia. Historically, the Reserve Bank of Australia official cash rate has fluctuated between 0.10% and 1.75% over the past five years.

	Interest Revenue		Post Tax Profit		Equity	
	Higher (lower) 2021 \$'000	2020 \$'000	Higher (lower) 2021 \$'000	2020 \$'000	Higher (lower) 2021 \$'000	2020 \$'000
Interest rates 100 basis points higher	63	428	44	300	44	300
Interest rates 100 basis points lower	(63)	(428)	(44)	(300)	(44)	(300)

Judgement of reasonably possible events

Interest rates 100 basis points higher	63	428	44	300	44	300
Interest rates 100 basis points lower	(63)	(428)	(44)	(300)	(44)	(300)

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

Regulatory risk

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

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

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

(c) Financial risk management policies, objectives and reporting

The risks outlined above are managed in accordance with treasury management policies approved by the Board. These policies provide a framework of strict controls to manage the impact of these exposures, within the overall framework of the GSF act. The policies cover several 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 bi-annual basis. Treasury management strategies and performance are also reported on and reviewed on a bi-monthly basis by a Treasury Committee of senior finance managers.

(d) Capital management

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

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

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

	Note	2021 \$'000	2020 \$'000
Interest-bearing debt			
Come and Go Facility		71,500	98,500
NSW Treasury Corporation loans		10,765,627	9,710,591
Total interest-bearing debt		10,837,127	9,809,091
Other interest-bearing liabilities			
Lease liabilities related to right-of-use assets	5	377,176	403,207
Service concession financial liabilities	12	608,069	631,113
Total other interest-bearing liabilities		985,245	1,034,320
Total interest-bearing liabilities		11,822,372	10,843,411
Total equity		7,614,330	6,926,428
Total capital employed		19,436,702	17,769,839
		%	%
Gearing ratio (Interest-bearing debt / Interest-bearing debt + Total equity)		58.73	58.61
Debt to equity ratio (Total interest-bearing liabilities / Total equity)		155.26	156.55

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

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

	Note	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
2021								
Financial assets								
Cash	8	6,300	-	-	-	-	-	6,300
Trade and other receivables *		403,699	-	-	-	-	-	403,699
		409,999	-	-	-	-	-	409,999
Financial liabilities								
Trade and other payables *		551,371	-	-	-	-	-	551,371
Borrowings:								
NSW Treasury Corporation Loans and Come and Go Facility	12	1,494,560	1,612,639	1,698,982	1,945,531	904,790	3,180,625	10,837,127
Other financial liabilities:								
Service concession financial liabilities	12	39,893	41,442	43,814	46,055	48,539	388,326	608,069
Lease liabilities related to right-of-use assets	5	33,267	30,362	29,917	29,524	28,773	225,333	377,176
		2,119,091	1,684,443	1,772,713	2,021,110	982,102	3,794,284	12,373,743
2020								
Financial assets								
Cash	8	42,755	-	-	-	-	-	42,755
Trade and other receivables *		357,687	-	-	-	-	-	357,687
		400,442	-	-	-	-	-	400,442
Financial liabilities								
Trade and other payables *		599,508	-	-	-	-	-	599,508
Borrowings:								
NSW Treasury Corporation Loans and Come and Go Facility	12	1,546,214	1,223,838	1,172,670	1,313,517	1,077,577	3,475,275	9,809,091
Other financial liabilities:								
Service concession financial liabilities	12	40,665	38,624	40,049	42,280	44,376	425,119	631,113
Lease liabilities related to right-of-use assets	5	33,862	31,302	28,292	27,844	27,757	254,150	403,207
		2,220,249	1,293,764	1,241,011	1,383,641	1,149,710	4,154,544	11,442,919

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

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

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

	Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	Repricing or maturing in:			Total \$'000
				3 to 4 years \$'000	4 to 5 years \$'000	More than 5 years \$'000	
2021							
At amortised cost:							
Trade and other payables *	551,371	-	-	-	-	-	551,371
Borrowings:							
NSW Treasury Corporation Loans and Come and Go Facility	1,700,883	1,830,471	1,850,168	2,014,255	1,020,293	3,707,093	12,123,163
Other financial liabilities:							
Service concession financial liabilities	66,179	62,677	62,682	63,403	63,916	489,106	807,963
Lease liabilities related to right-of-use assets	46,544	42,478	40,932	39,460	37,647	256,021	463,082
	2,364,977	1,935,626	1,953,782	2,117,118	1,121,856	4,452,220	13,945,579
2020							
At amortised cost:							
Trade and other payables *	599,508	-	-	-	-	-	599,508
Borrowings:							
NSW Treasury Corporation Loans and Come and Go Facility	1,744,224	1,403,242	1,379,945	1,452,259	1,173,937	4,183,940	11,337,547
Other financial liabilities:							
Service concession financial liabilities	62,844	59,347	59,352	60,088	60,610	496,376	798,617
Lease liabilities related to right-of-use assets	40,449	40,289	37,386	37,195	36,729	304,502	496,550
	2,447,025	1,502,878	1,476,683	1,549,542	1,271,276	4,984,818	13,232,222

* 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.

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(g) Fair values of financial assets and financial liabilities

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

	Basis of fair value	Note	Carrying amount		Fair Value	
			2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Financial assets						
Cash	Carrying amount		6,300	42,755	6,300	42,755
Trade and other receivables *	Carrying amount	8	403,699	357,687	403,699	357,687
			409,999	400,442	409,999	400,442
Financial liabilities						
Trade and other payables *	Carrying amount		551,371	599,508	551,371	599,508
Borrowings:						
NSW Treasury Corporation Loans	DCF** using interest rates from independent market source	12	10,765,627	9,710,591	11,520,313	10,527,365
Come and go Facility	DCF using interest rates from independent market source	12	71,500	98,500	71,500	98,500
Other financial liabilities:						
Service concession financial liabilities	DCF using interest rates from independent market source	12	608,069	631,113	654,752	650,109
Lease liabilities related to right-of-use assets	DCF using interest rates from independent market source	5	377,176	403,207	387,734	394,987
			12,373,743	11,442,919	13,185,670	12,270,469

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

** Discounted cash flows

There were no financial instruments at either the current reporting date or the previous reporting date that were carried in the statement of financial position at fair value determined by any of the three valuation methods defined in note 4(e).

Note 20. Related party disclosures

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

(a) Key management personnel compensation

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

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

	2021 \$'000	2020 \$'000
Short-term employee benefits	4,807	4,333
Post-employment benefits	283	295
Other long-term benefits	-	29
Termination benefits	25	1,213
	5,115	5,870
This comprises compensation relating to:		
Directors:		
Executive	815	964
Non-executive	777	737
	1,592	1,701
Senior executives	3,523	4,169
	5,115	5,870

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

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

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

(c) Other related party transactions

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

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

Note 21. Consultants

The total amount paid or payable to consultants engaged by the Corporation during the reporting period was \$1.303 million (2020: \$2.699 million).

Note 22. Auditors' remuneration

The audit fee (exclusive of GST) for the audit of the financial statements by the Audit Office of NSW is \$0.470 million (2020: \$0.480 million).

Note 23. Events subsequent to reporting date

Impacts of COVID-19

The global COVID-19 pandemic and the subsequent restrictions imposed by Australian governments have caused disruption to businesses and economic activity. Sydney Water has managed and continues to actively manage the risks arising from COVID-19 and has implemented a number of initiatives in response to the pandemic. These initiatives include measures to protect the safety and wellbeing of our customers and our employees. Measures have also been put in place to maintain the quality of water and wastewater services.

In relation to our customers, we have recognised the financial hardship associated with the pandemic and have implemented a number of initiatives to support our customers including the extension of contact centre hours to manage higher call volumes, waivers of late payment fees and interest charges on late payments and a reduction in debt recovery activities.

For our employees, our initial priority was to protect vulnerable employees by isolating them from site. Employees who were not considered to be providing location-critical services have been enabled to work from home. Additional measures were implemented to protect the health and safety of those employees whose roles required them to work at company locations. We have also provided wellbeing resources and access to assistance to our staff to help them manage the uncertainty that prevails.

Operationally, measures have been taken in relation to ensuring the ongoing availability of critical supplies, conducting testing on wastewater for COVID-19 markers and adjustments to our capital program to ensure the implementation of COVID-19 safety plans.

Sydney Water has not experienced any material financial impact from COVID-19. There has been some increase in the level of customers not paying their bills by the due date and some minor costs associated with implementation of the measures discussed above. These issues have not had a material impact on these financial statements and are not expected to materially impact the financial position of the Corporation in the coming year. As the ongoing impacts of COVID-19 are difficult to predict, the Corporation will continue to monitor the risks and react accordingly.


End of audited financial statements

Directors' Declaration

In the opinion of the Directors of the 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 2021, its financial performance and its cash flows, 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 the *Government Sector Finance Act 2018* and the associated requirements of the *Government Sector Finance Regulation 2018*.
- (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 7.6(4) of the *Government Sector Finance Act 2018* and in accordance with a resolution of the Directors:


.....
Director


.....
Director

Date: 20 August 2021



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 Directors' Declaration, the Statement of profit or loss and other comprehensive income for the year ended 30 June 2021, the Statement of financial position as at 30 June 2021, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act) and the *Government Sector Finance Regulation 2018* (GSF Regulation)
- present fairly the Corporation's financial position, financial performance and cash flows.

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 (including Independence Standards)' (APES 110).

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

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

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

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2021. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Fair value of system assets	
<p>At 30 June 2021, the Corporation's statement of financial position reported \$18.5 billion in system assets measured at fair value. System assets are highly specialised and account for 86 per cent of the total property, plant and equipment balance.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> the system assets are financially significant to the statement of financial position the discounted cash flow (DCF) model used to value the system assets is complex and involves significant judgements and assumptions changes in assumptions, such as the discount rate, demand growth expectations, price and cost assumptions, can significantly affect the fair value. <p>Further information on the valuation techniques, inputs and sensitivity for system assets is disclosed in Note 4.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> obtained an understanding of the Corporation's approach to estimating the fair value of system assets assessed whether the DCF model incorporated all key assumptions and inputs relevant to valuing system assets of a water entity and met the requirements of Australian Accounting Standards reviewed the reasonableness of key assumptions and sensitivity of the conclusions to changes in the assumptions reviewed the model's mathematical accuracy assessed the adequacy of the financial statement disclosures against the requirements of the Australian Accounting Standards.
Recognition and measurement of service concession assets and liabilities	
<p>The Corporation adopted AASB 1059 'Service Concession Arrangements: Grantors' from 1 July 2020. This resulted in adjustments at the 1 July 2019 as follows:</p> <ul style="list-style-type: none"> increase in total liabilities of \$194 million decrease in retained earnings of \$194 million. <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> the service concession arrangements are financially significant to the Corporation's financial position the accounting standard for service concession arrangements has been applied for the first time the methods used to value the service concession assets and liabilities are complex and involve significant judgements and assumptions the additional disclosure requirements in the financial statements. <p>Further information on the impact and valuation techniques for service concession arrangements is disclosed in Note 4, 6 and 12.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> examined contracts, valuation reports and professional accounting advice obtained by the Corporation, to assess the reasonableness of the accounting treatment against the requirements of the accounting standard assessed the competence, capability and objectivity of management's independent valuation experts assessed the appropriateness of the methodology, key assumptions and judgements adopted assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.

Key Audit Matter

How my audit addressed the matter

Valuing of defined benefit superannuation liabilities

At 30 June 2021, the Corporation's statement of financial position reported defined benefit superannuation liabilities totalling \$661 million. This liability balance is provided to the Corporation by the Administrator of the SAS Trustee, based on an independent actuarial assessment.

I considered this to be a key audit matter because:

- the defined benefit superannuation liability is financially significant to the statement of financial position
- the underlying liability valuation model (the model) is complex due to the significant degree of judgement required to determine key assumptions used to value the liability
- the value of the liability is sensitive to minor changes in valuation inputs.

Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 13.

Key audit procedures included:

- obtained an understanding of the processes and key controls in place supporting the:
 - membership data used in the model
 - defined benefit superannuation liability calculation
- assessed the completeness and accuracy of the membership data used in the model
- with the assistance of actuarial experts, reviewed the methodology and key assumptions for reasonableness
- assessed qualifications, competence and objectivity of actuarial experts
- evaluated the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Directions.

Accrued unbilled water usage charges

At 30 June 2021, the Corporation's statement of financial position reported \$176 million accrued unread revenue accrual for customer water usage. This is an estimate of customer's water usage where meters data is not known at 30 June 2021.

I considered this to be a key audit matter because there is significant judgement and uncertainty involved in calculating this accrual, such as the:

- amount of water loss in transit between the dam and the end customer
- different rates and product offerings for residential and commercial customers
- complexity in estimating water usage across a large number of customers, which can be influenced by many factors including weather and individual circumstances.

Further information on recognition and measurement for accrued unbilled usage charges is disclosed in Note 9.

Key audit procedures included:

- obtained an understanding of the processes and key controls the Corporation has in place to determine the estimated unbilled water usage charges
- evaluated reasonableness of the key assumptions for water loss factors, volume and rates used to determine unbilled water usage charges
- tested the mathematical accuracy of the calculation
- assessed the historical accuracy of the estimate against subsequent billings.

Directors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar6.pdf . The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

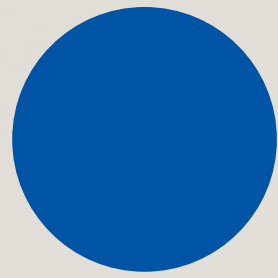
- that the Corporation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from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



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

23 August 2021
SYDNEY



SECTION 07

Appendices

Our customers have told us that their desired future is one that is thriving, liveable and sustainable.



Appendix 1: Government Information (Public Access) Act 2009 (NSW)

In 2020–21, applications to Sydney Water under the Government Information (Public Access) Act 2009 (NSW) (GIPA Act) were managed by the Information Management team. A dedicated page on the Sydney Water website covers all reporting and publication requirements of the GIPA Act. The webpage describes how to formally apply for access to information under the GIPA Act and provides an application form.

Sydney Water reports on applications made under the GIPA Act each year, which is tabled in Parliament as required by Part 7 of the Act. This information is also provided to the Information and Privacy Commission NSW.

For the period 1 July 2020 to 30 June 2021, Sydney Water:

- received 144 valid formal access applications under the GIPA Act
- received 13 informal applications
- decided 135 formal access applications (including seven applications carried over from 2019–20)
- had two access applications withdrawn by applicants
- had 14 access applications carried over to 2021–22 (in accordance with statutory timeframes).

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

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

You can learn more about what information is available and how to access it at sydneywater.com.au/SW/about-us/our-organisation/Howweprovideinformation/index.htm

Table A: Number of applications by type of applicant and outcome³⁰

Applicant	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	1	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	34	0	0	2	0	4 ³¹	0	0
Not-for-profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	31	0	0	2	0	0	0	1
Members of the public (other)	50	5	0	3	0	1 ³¹	0	1

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

Application	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications ³²	4	1	0	0	0	0	0	0
Access applications (other than personal information applications)	93	4	0	5	0	4	0	1
Access applications that are partly personal information applications and partly other	19	0	0	2	0	1	0	1

³⁰ 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.

³¹ Failure to pay advance deposit for processing charges.

³² 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)	5
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	5
Invalid applications that subsequently became valid applications	0

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

	Number of times consideration used ³³
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

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

	Number of occasions when application not successful
Responsible and effective government	4
Law enforcement and security	0
Individual rights, judicial processes and natural justice	5
Business interests of agencies and other persons	4
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

³³ More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	135
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	135

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	1	0	1
Review by Information Commissioner ³⁴	1	0	1
Internal review following recommendation under section 93 of Act	0	1	1
Review by NSW Civil and Administrative Tribunal (NCAT)	0	0	0
Total	2	1	3

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

	Number of applications for review
Applications by access applicants	1
Applications by persons to whom the information 'subject to access' relates (see section 54 of the GIPA Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

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

³⁴ 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 by the Information Commissioner.

Appendix 2: Public interest disclosures

Table 27: Public interest disclosures, 2020–21

Public interest disclosures	Number of disclosures ³⁵
Number of public interest disclosures received by Sydney Water	31
Number of public officials who made public interest disclosures to Sydney Water	31
Number of public interest disclosures received, relating to:	
• corrupt conduct	31
• maladministration	0
• serious and substantial waste	0
• government information contravention	0
• local government pecuniary interest contravention	0
Number of public interest disclosures (completed this period)	30

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

The accounting firm, KPMG manages Sydney Water’s independent corruption hotline. KPMG is advised that employees who have requested to remain anonymous can receive protection under the *Public Interest Disclosures Act 1994* (NSW) should they wish to come forward with their identity. All confidentiality will be maintained.

We raise employee awareness through:

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

Appendix 3: Annual Report external production costs

We have outsourced production of some elements of the *Sydney Water Annual Report 2020–21* due to limitations with internal capabilities and resources. The total estimated cost of producing this year’s report is \$12,400 (excluding GST).³⁶

³⁵ Reporting aligns with the NSW Ombudsman’s definition, which includes contractors, subcontractors and instances where anonymous disclosures could reasonably be believed to have been made by employees, contractors or subcontractors.

³⁶ Estimated figure correct at time of publication.

SECTION 08

Glossary and index

Our maintenance teams work tirelessly every day to ensure we continue to provide world-class water services for our customers

Glossary

A

Audit and Risk Committee (ARC)

Australian Institute of Company Directors (AICD)

Average

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

B

BillAssist®

Sydney Water's Customer Assistance Program to help customers with payment difficulties and/or growing debt.

Biosolids

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

BxP

Business Experience Platform

Bypass

Partially treated wastewater discharged from a wastewater treatment plant.

C

Catchment

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

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

Waste is collected from homes and businesses in wastewater pipes 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 whose first language is not English. More than one-fifth of Australians speak a language other than English at home.

D

Drinking water

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

DSP

Development Servicing Plan.

E

EAP

Employee Assistance Program.

EBITDA

Earnings before interest, tax, depreciation and amortisation.

Energy & Water Ombudsman NSW (EWON)

The NSW Government-approved dispute resolution scheme for NSW electricity, gas and water customers.

Environment Protection Authority (EPA)

An independent body that regulates and responds to activities that can affect the health of the NSW environment and its people.

ET

Equivalent tenement.

F

Filtration (water)

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

G

Government Information (Public Access) Act 2009 (GIPA Act)

An Act to facilitate public access to government information.

I

IICATS

Integrated instrumentation, control, automation and telemetry system

Independent Pricing and Regulatory Tribunal (IPART)

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

Information Commissioner

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

K

Kilolitre (kL)

One thousand litres of water or approximately one tonne of water.

L

Litre (L)

A measure of liquid volume.

Lost time injury (LTI)

A work-related injury or illness that results in an individual being unable to work on a subsequent scheduled workday or shift.

Lost Time Injury Frequency Rate (LTIFR)

The main measure of safety performance in many companies in Australia. It is the number of lost-time injuries multiplied by one million divided by the number of hours worked in the reporting period.

M

Mass

A measure of weight.

Megalitre (ML)

One million litres of water or approximately 1,000 tonnes of water.

Minimum

The lowest recorded reading.

Monitoring

An ongoing testing program to assess potential changes in circumstances.

N

NAIDOC

National Aboriginal and Islanders Day Observance Committee.

NPAT

Net profit after tax.

NSW Civil and Administrative Tribunal (NCAT)

The specialist tribunal service in NSW dealing with a broad and diverse range of matters, including the administrative review of government decisions.

O

Operating Licence

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

P

Partnering for Success (P4S)

P4S is Sydney Water's new infrastructure and delivery model that simplifies our supply chain and delivers best practice capital works.

Payment Assistance Scheme (PAS)

The PAS assists customers experiencing difficulties with paying their Sydney Water bill.

PlumbAssist®

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

PSSE

Public Sector Senior Executive.

R

R&I

Research and innovation.

RAP

Reconciliation Action Plan

Recycled water

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

Recycling

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

Regulators

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

Rehabilitate

To restore to good condition.

Renew

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

Reservoir

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

Risk assessment

The process of gathering data and 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

SCADA

Supervisory control and data acquisition.

SDP

Sydney Desalination Plant.

Sewage

See *Wastewater*.

Sewage overflow

See *Wastewater overflow*.

STEM

Science, technology, engineering and mathematics.

Stormwater

Rainwater that runs off the land, frequently carrying various forms of pollution such as litter, debris, animal droppings and dissolved chemicals. This 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.

T

Total Recordable Injury Frequency Rate (TRIFR)

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

Trade waste

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

Treatment (water)

The filtration and disinfection process.

V

Volume

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

W

Waste

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

Wastewater

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

Wastewater overflow

This occurs when wastewater escapes from the wastewater system due to insufficient capacity or a blockage in a 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

Where wastewater is undergoes filtration and other treatment processes. Once the waste is treated, the water is discharged to the environment or recycled.

Water demand

Total amount of water needed for drinking, agriculture, industry, recreation and gardening. This is seasonal and highly influenced by the weather.

Water filtration plant

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

Water pumping stations

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

Water quality

The physical, chemical and biological measures of water.

Water Services Association of Australia (WSAA)

The peak industry body that brings together and supports the Australian urban water industry. Members provide water and wastewater services to more than 20 million Australians and provide services to many of the country's largest industries and commercial enterprises.

Waterways

All streams, creeks, rivers, estuaries, inlets and harbours.

Wetlands

Low-lying areas often covered by shallow water, such as marshes, mangroves, swamps, bogs or billabongs. Rich in biodiversity, they store and filter water and replenish underground water supplies.

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About this report

This is Sydney Water's full Annual Report for 1 July 2020 to 30 June 2021. It covers our:

- statutory information
- financial statements
- other regulatory information.

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