

Sydney  
**WATER**

# Annual Report

2022-2023



# Letter to Shareholder Ministers

Dear Shareholder Ministers,

Report on performance for the year ended 30 June 2023.

We are pleased to submit the Annual Report of Sydney Water Corporation (Sydney Water) for the year ended 30 June 2023 (Annual Report 2022–23) for presentation to Parliament.

Our Annual Report 2022–23 has been prepared according to the requirements of section 24A of the *State Owned Corporations Act 1989* (NSW) and the reporting requirements from the *Government Sector Finance Act 2018* (NSW), its associated regulations and Treasurer's Direction. The financial statements, which form part of this Annual Report, have been certified by the Auditor-General of New South Wales.

Yours sincerely,



Roch Cheroux  
Managing Director



Grant King  
Chair

# Acknowledgement of Country

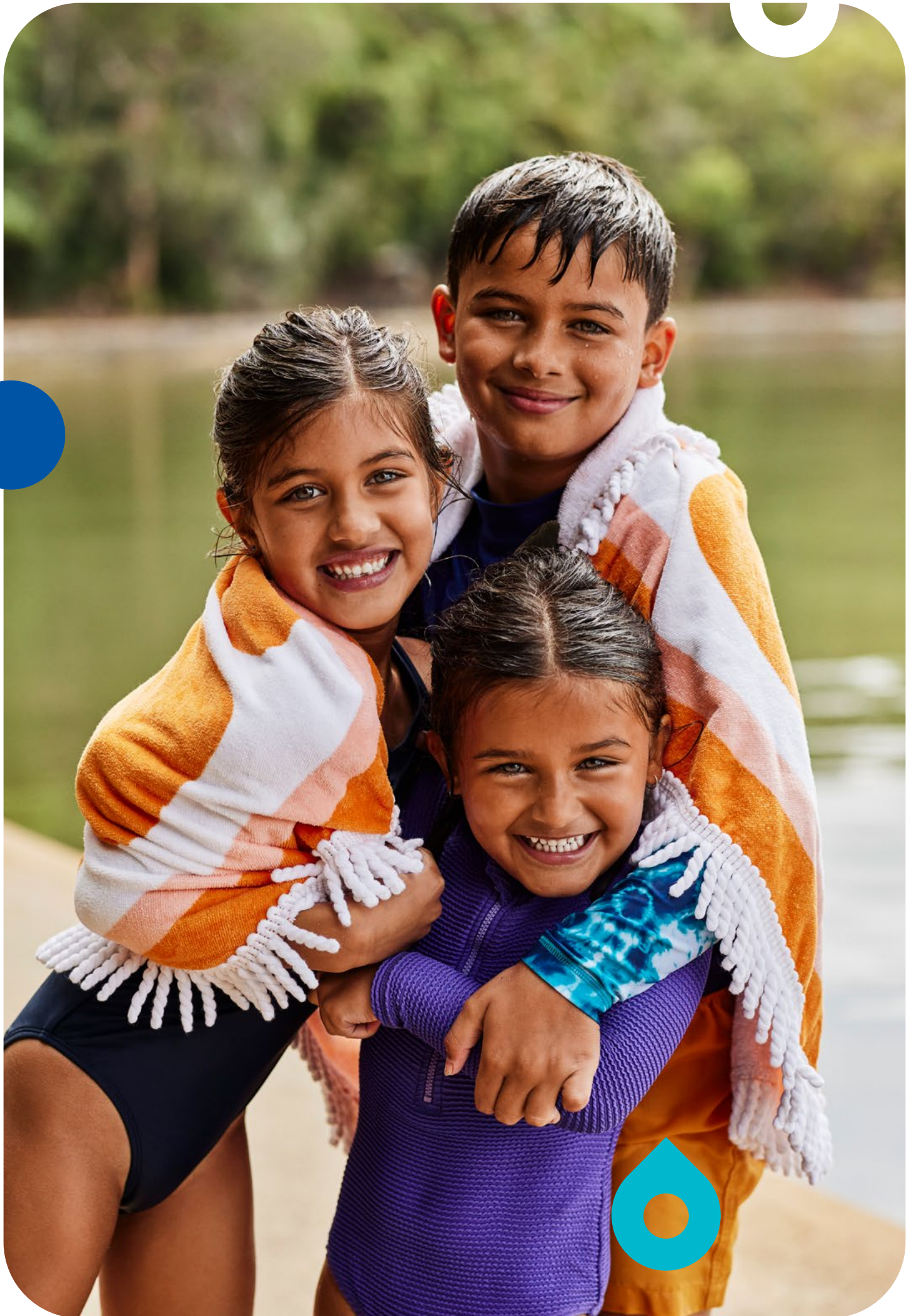


Sydney Water respectfully acknowledges First Nations people as the traditional custodians of Sydney, Illawarra and the Blue Mountains where we work, live and learn. Their lore, traditions and customs nurtured and continue to nurture the waters (bulingang or saltwater and muulii ngadyuung or sweetwater) in our operating area, creating wellbeing for all.

We pay our deepest respect to Elders, past and present. We acknowledge their deep connections to land and waters. In the spirit of reconciliation, we remain committed to working in partnership with local Traditional Owners to ensure their ongoing contribution to the future of the water management landscape, learning from traditional and contemporary approaches, while maintaining and respecting their cultural and spiritual connections.

Our families, friends and future generations depend on us to protect their health and our environment. In doing so, we respect the traditional Caring for Country restorative approaches practiced over tens of thousands of years by First Nations people and play our part to improve the health of the landscape by recognising and nurturing the value of water in our environment and communities.





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# Our Stories



## Delivering the Greater Sydney Water Strategy

Good planning helps us prepare for future challenges. We are working collaboratively with government agencies and partners to progress the delivery of all five of the Greater Sydney Water Strategy's priorities.



## Our Water, Our Voice

Our customers' attitudes to water are changing. We have identified their top priorities through the biggest customer engagement program in Sydney Water's history.



## Learnings from Lane Cove

A complex break significantly impacted about 5000 properties over four days. We have listened, learned and are implementing improvements across our business to deliver better outcomes in the future.



## United by water

In 2023, Sydney Water was the principal sponsor of Ozwater'23, the largest water conference in the southern hemisphere. The theme "United by Water – Naragaying Badu" celebrated water's vital role in connecting us all.



## Water is precious #saveitwithme

Eight-time world champion slalom canoeist and Olympic gold medallist Jess Fox launched her first campaign as a Sydney Water Ambassador on the importance of water conservation.



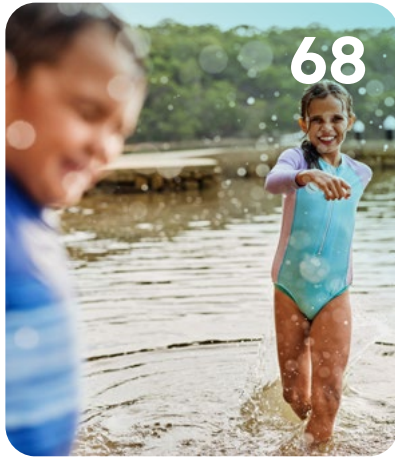
## Exploring the wonders of water

Our Community Education team helped almost 50,000 children and adults learn how to value and care for water through our busy schools program and at community events.



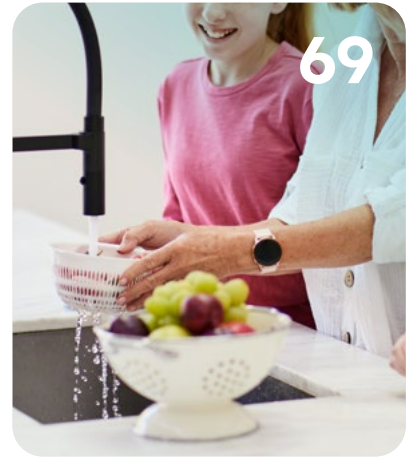
### Building a resilient and reliable water supply

We must think differently about the way we manage water in our city, so that we have ample water to meet all our needs. To respond to this challenge, we are planning for a mix of water supply options.



### Net zero carbon

By embracing circular economy practices, we are creating the most value from water, materials and energy in a way that is cost-effective for our customers and reduces our impact on the environment and the climate.



### Water quality

Extreme weather events impacted our raw water sources, significantly changing raw water quality and challenging our water filtration plants, but we continued to meet Australian Drinking Water Guidelines and supply clean, safe, drinking water to our customers.



### Making the most of every drop

Our customers are using what we have better; our water conservation program delivered 1485 ML of water savings through established and pilot projects.



### Pride in water

Sydney Water was the Official Water Partner for WorldPride, with a progress pride flag mural adorning the Woollahra Reservoir and our rainbow-branded drinking water stations providing hydration at events across Sydney.



### Safety is everyone's responsibility

Our people and partners submitted brilliant ideas to help target key safety risks in the 2023 Safety Month Improvement Competition.



Here, there, everywhere – belonging

We developed First Nations-designed personal protective equipment (PPE) for our people to demonstrate our commitment to reconciliation. The story of the art is “Here, there, everywhere – belonging” which represents our desire to connect our people to Country.



Innovation

Our use of innovative technologies can detect emerging issues, predict service faults and improve environmental outcomes for our customers.



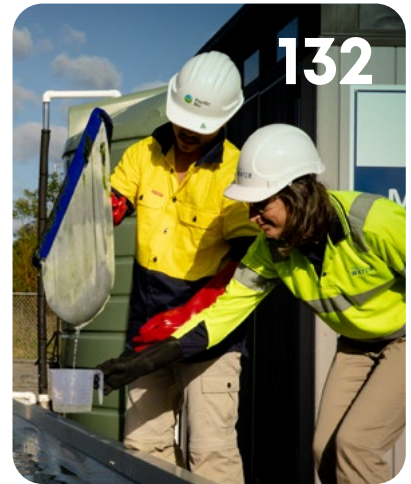
Meeting the needs of our growing city

The inaugural Sydney Water Supply Chain and Recruitment Expo highlighted the importance of collaboration and transformation to boost productivity and innovation – and help support deliverability of critical works in the coming years.



Building circular principles into the design and planning of water utilities

With direct access to the new Western Sydney International (Nancy-Bird Walton) Airport, we are utilising the opportunity to maximise resource recovery from food waste by building an Advanced Water Recycling Centre at Kemps Creek.



Setting a new standard in global wastewater management

Our trial of an innovative macroalgae wastewater management system delivered a cost effective, carbon neutral and chemical free wastewater management process that is better for the environment and improves waterway health.







SECTION 1

# Overview



# About Sydney Water

Sydney Water is building on a 136-year legacy of providing safe, reliable drinking water as we support the evolving priorities of our valued customers and set out on a visionary plan for the Greater Sydney of the future.

We provide safe, high-quality drinking water to 5.3 million customers every day across Greater Sydney, and we are committed to healthy, world-class waterways that support thriving, liveable and sustainable cities.

Our network has been meeting the demands of the growing cities across Greater Sydney but is currently near capacity. As we plan for Greater Sydney's growth, we will invest in infrastructure that is resilient to climate variability and its extremes, such as flood and drought, and responds to our customers' priorities, which include an affordable, sustainably delivered water supply and clean, healthy waterways.

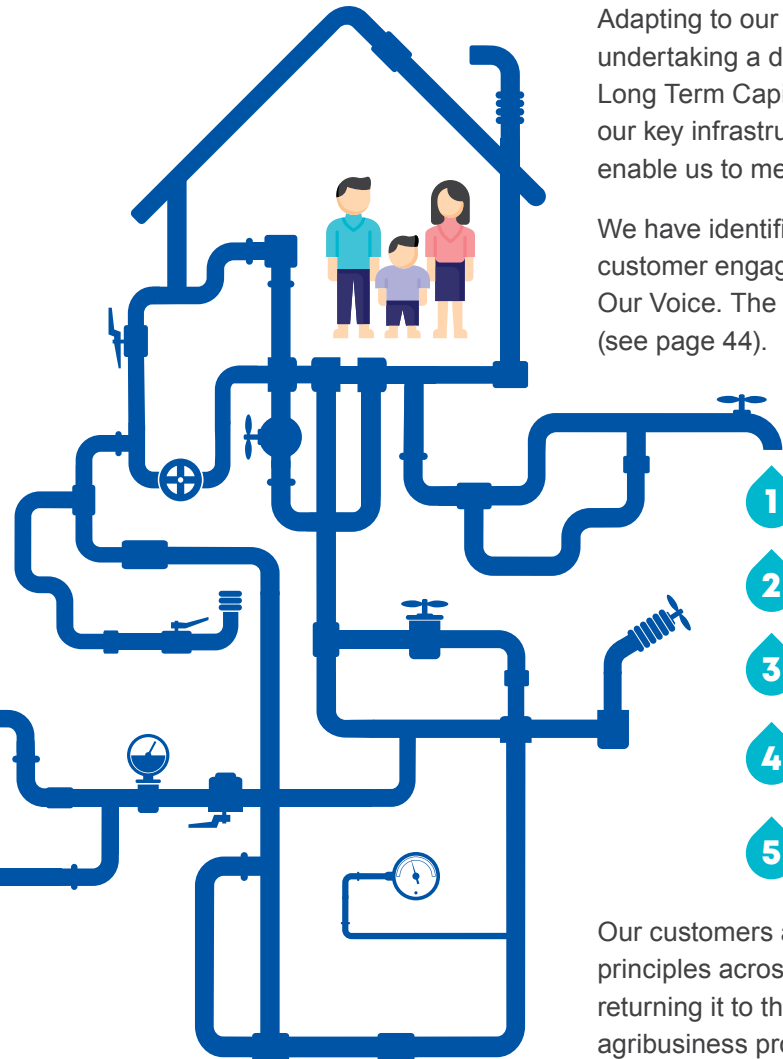
Adapting to our customers' needs is an ongoing process, and we are undertaking a decades-long pathway to meet these needs through our Long Term Capital and Operational Plan. This adaptive plan captures our key infrastructure and operational decisions to 2050 and will enable us to meet the priorities of our valued customers.

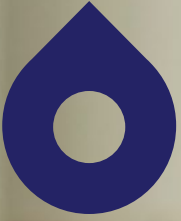
We have identified these priorities by undertaking the biggest customer engagement program in Sydney Water's history – Our Water, Our Voice. The program began in July 2022 and includes five phases (see page 44).

In Phase 1, our customers told us their top priorities are:

- 1 Maintaining clean and safe drinking water
- 2 Ensuring bills remain affordable
- 3 Maintaining clean, safe waterways
- 4 Building infrastructure for water recycling and/or desalination for drought resilience
- 5 Minimising leaks and breaks in the network to reduce water loss.

Our customers also want us to incorporate circular economy principles across our operations, extracting value from waste and returning it to the economy in the form of biofuel, fertiliser and other agribusiness products.





Innovation is a key part of Sydney Water’s culture, reflected in the growth of our circular-economy activities, which are detailed throughout this report.

Our customers have also conveyed an increased interest in the use of rainfall-independent water supply. Their interests align with a growing public appetite for sustainability, including recycled water for gardening and other household functions.

We run an efficient business to keep bills affordable for our customers, even as we plan to replace our ageing infrastructure and expand our networks to service Greater Sydney’s growth.

Sydney Water is a socially responsible business. To ensure our work in this area is best practice, we continue to expand our diversity and inclusion focus to include equity and belonging. We are committed to reconciliation, and we acknowledge the history spanning more than 60,000 years of First Nations peoples and their role as the Traditional Custodians of the lands and waters. Our vision for reconciliation is to engage in deep listening to learn from and collaborate with First Nations peoples to blend traditional knowledge with modern waterway management and better protect the environment.

We are proud of our people at Sydney Water. Their commitment to safety in challenging conditions helps maintain a clean, reliable service across Greater Sydney.

Their commitment to innovation helps keep bills affordable by finding new ways to detect leaks at the earliest stages and repurpose waste to its highest value.

Sydney Water is a statutory corporation, wholly owned by the NSW Government. On 1 June 2023, the NSW Government passed a constitutional amendment that requires Sydney Water and Hunter Water, and their main undertakings, to remain in public ownership by ensuring that those entities may not be sold or disposed of.

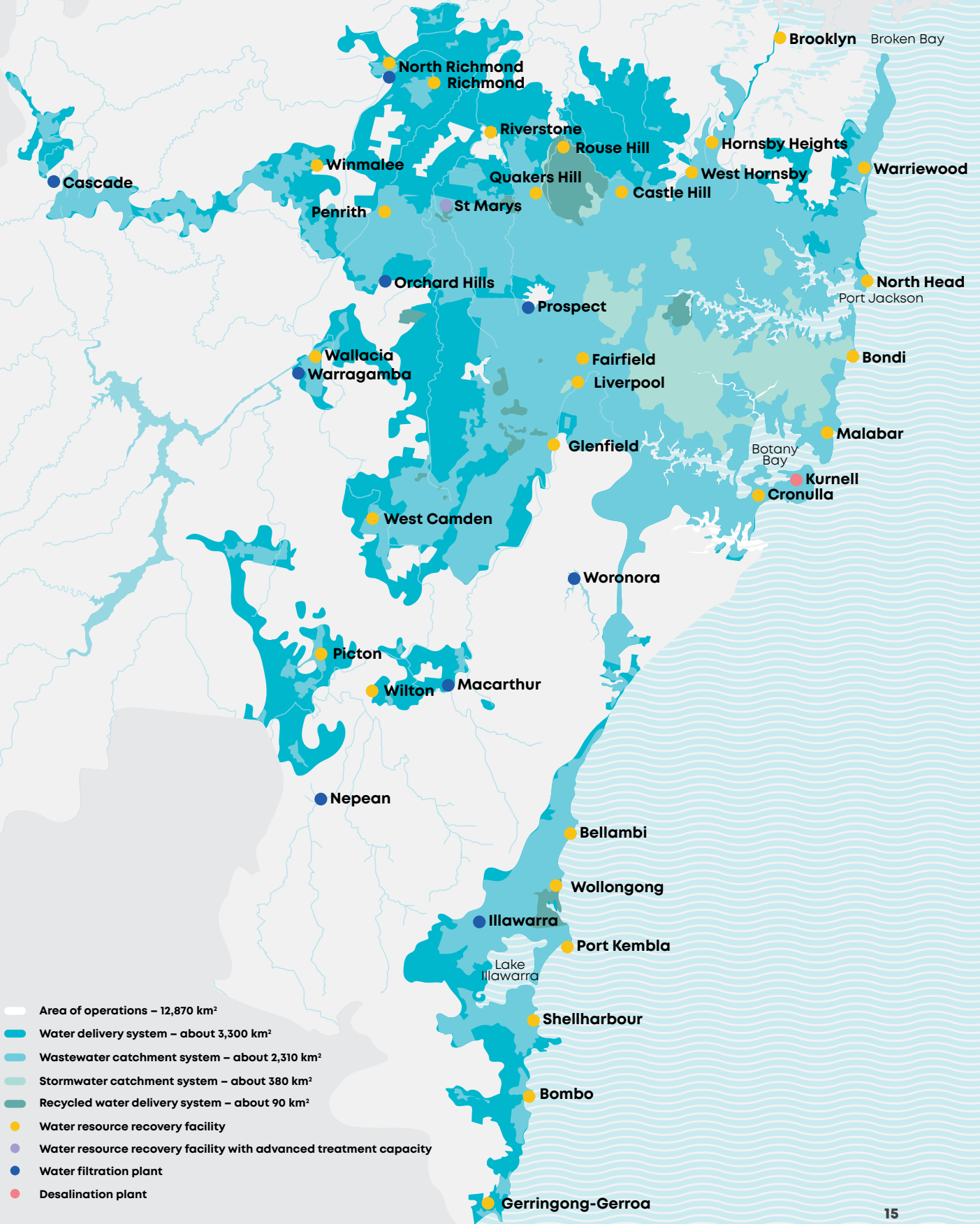
Our Operating Licence is regulated by the Independent Pricing and Regulatory Tribunal (IPART), which sets out the standards and requirements we must meet. We also invest significantly in customer and community engagement to help us shape our strategic planning and deliver on our shared vision of creating a better life through world-class water 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.



# Area of Operations



# Performance at a glance



**527,529 ML**

drinking water supplied to 5,298,000 customers







**2644**

households assisted through the Payment Assistance Scheme



**6317**

residential customers participated in the Our Water, Our Voice customer engagement program



**75%**

of customers are satisfied with the quality of our tap water



**19%**

reduction in the number of overflow incidents over the year



**116,097**

followers on social media



**38,408**

conversations with customers by our Community Education team at events



**4.7**

water literacy questions out of 10 that respondents were able to answer correctly (on average)



**85%**

of our water supply that is climate dependent in 2023



**40%**

of our people did voluntary First Nations cultural awareness training



**\$1.582 billion**

invested in capital works



**11,912 ML**

drinking water saved through the use of recycled water



**3.3**

Total Recordable Injury Frequency Rate (excluding contractors)

# Message from the Chair and Managing Director

The 2022–23 financial year has been challenging with the continued impact of wet weather, and we are proud of the way our people have responded to these challenges. Sydney Water crews rotated round-the-clock shifts when needed, including during the July 2022 heavy rains, enabling a steady supply of safe drinking water in difficult conditions.

In the second half of 2022–23, we logged the highest number of requests for bill assistance since COVID strained household budgets two years earlier, signalling an increased need for our programs due to cost of living pressure.

To bolster partnerships and innovation, which are essential for overcoming challenges and serving our customers, we held two major events last year, welcoming more than 1000 delegates to the inaugural Sydney Water Supply Chain and Recruitment Expo and more than 800 people from 22 countries to our second Innovation Festival.

Despite the challenges, the past financial year was a major milestone: the year Sydney Water delivered and began implementing its Long Term Capital and Operational Plan. This long-term investment plan is the implementation phase of the Greater Sydney Water Strategy published in 2022. It will deliver on Greater Sydney's rising demand for water security, sustainability, healthy waterways and cool, green communities amid the challenges of population growth, climate change and evolving technology.

As we deliver these services, supporting the lifestyles of Greater Sydney, the Blue Mountains and the Illawarra, as a state-owned corporation, we ensure we deliver value for both our shareholders and our customers.

## Customers at the heart

We continued our journey with customers and throughout 2022–2023 have invested in our most comprehensive engagement program to date, [Our Water, Our Voice](#).

The program is designed to engage effectively with our customers and clearly understand their priorities. It has so far shown our customers expect more from us than safe drinking water at an affordable price, they also value water security, healthy waterways and sustainable communities.

Customers are at the heart of everything we do at Sydney Water, and we are deeply sensitive to the rising cost of living. Sydney Water distributed more than \$1 million to more than 2600 vulnerable households through our Payment Assistance Scheme, and we are building awareness of the scheme in response to increased requests.

To continuously improve our customer service capabilities, we implemented an enhanced Digital Customer Platform in March 2023. Through the My Account platform, customers can manage their account when it suits them. They can go paperless with eBill, make payments, set up direct debit, update payment and address details, arrange payment extensions, check their balance, access outage maps and see billing and payment history.

## Projects underway

To service growing demand, we have progressed a number of key projects over the past financial year, including our \$1.3 billion Advanced Water Recycling Centre at Upper South Creek. Our largest investment in water resilience in a decade will service the Western Sydney Aerotropolis Growth Area and generate an estimated \$10 billion in social and economic benefits in Western Sydney through jobs and investment.

We have also built our new Purified Recycled Water Discovery Centre at Quakers Hill to educate and engage visitors on purified recycled water. The centre will provide a closer look at a process that has the potential to augment Greater Sydney's drinking water supply.

Our capital expenditure program significantly increased last year to ensure we deliver on our regulatory obligations, deliver new infrastructure for a growing city and prepare for the future.

## Sustainability

Sydney Water has an ambition of achieving net zero carbon emissions across our organisation by 2030 and across our supply chain by 2040. To reduce our carbon emissions, we continue to implement renewable energy such as biogas to electricity at our water resource recovery facilities, solar and best practice energy performance in our operations and investment programs.

Our approach to net zero emissions, uses circular economy principles, such as reusing resources to their highest value. At our Malabar Water Resource Recovery Facility, a plant has been built with our partner Jemena, in collaboration with the Australian Renewable Energy Agency (ARENA), where biogas recovered from wastewater is expected to supply renewable gas to 6,300 homes in 2023–24. By 2030, that figure will double, with the potential for manufacturing and other business uses.

In addition, we are building on our commitment to global sustainability. Sydney Water continues to adopt the United Nations Global Compact and Sustainable Development Goals, that will help us measure our impact on the environment, human rights and other aspects of corporate social responsibility.

## First Nations

For First Nations peoples, water is a sacred source of life, and Sydney Water embraces a Caring for Country approach to waterway health. We will continue to work together to align with First Nations practices to restore our connections with water, land and each other.

Sydney Water's Aboriginal Procurement Participation Plan (APPP) sets out how we can increase skills, provide employment opportunities and economic participation within Aboriginal and Torres Strait Islander communities. For more information on the plan, please see page 83.

We are proud of our achievements under the Innovate Reconciliation Action Program, such as the Caring for Country project, a partnership with Gundungurra Traditional Owners and the Gundungurra Aboriginal Heritage Association (GAHA). The project is based on deep listening and respect, and aims to restore health to Country including plants, animals, waterways and people, as well as restoring the connection between them.

## Our Board

In 2022–23, Sydney Water welcomed two new directors to the board – Dr Alex Fisher and Professor Mary O'Kane. Long-serving directors Trevor Bourne and Marlene Kanga retired during the year. Our retiring directors have been integral to the ongoing success of Sydney Water and we wish them well.

## Our people

Nothing happens without our people, a highly skilled, diverse and engaged workforce.

We would like to thank them for the remarkable work they do every day to help achieve our vision for our valued customers – creating a better life with world-class water services.



Roch Cheroux  
Managing Director



Grant King  
Chair

# Our structure

This is the organisational structure for Sydney Water. Further information about our Executive Team can be found in the People, Management and Accountability and Sustainability sections.

**Grant King**  
Chair

**Roch Cheroux**  
Managing Director

**Greg Couttas, Kate Dryden,  
Dr Alex Fisher, Prof Mary O’Kane AC,  
Assoc Prof Susan Petterson,  
Cameron Robertson, Craig Roy**  
Non-executive Directors

**Denisha Anbu**  
BA, LLB (Hons 1), LLM, GAICD, FGIA  
General Manager and Corporate Secretary  
Governance and Assurance

- ..... Legal, Compliance and Secretariat
- ..... Risk and Assurance
- ..... Water and Public Health
- ..... Wastewater and Environment
- ..... Sustainability and Climate Change Adaptation
- ..... Protective Security

**Chris Gould**  
LLB/BCom  
General Manager  
Business Development

- ..... Innovation and Product Development
- ..... Business Partnership Development
- ..... City Growth and Development
- ..... Western Sydney Development

**Dominic Hatfield**  
BSc Computer Science  
General Manager  
Digital

- ..... Data and Analytics
- ..... Digital Portfolio Management
- ..... Digital Risk and Strategic Assurance
- ..... Digital Infrastructure Programs
- ..... Operational Technology Programs
- ..... Digital Services
- ..... Digital Business Programs

**Jamie Hollamby**  
BAcc, CA, GAICD  
General Manager  
Finance and Business Performance

- ..... Business Connect
- ..... Procurement
- ..... Finance
- ..... Supply Chain
- ..... Business Performance
- ..... Investment Governance
- ..... Strategy and Enterprise Planning
- ..... Economics and Regulation

### **Kathy Hourigan**

FCSIA  
General Manager  
Customer Services

Billing and Revenue  
Customer Contact  
Customer Metering and Accounts  
Business Customers  
Customer Operations Centre,  
Water and Wastewater  
Customer Programs

### **Gemma Martin**

BComm, CAHRI, SPHR  
General Manager  
People and Culture

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

### **Paul Plowman**

BEng (civil), MBA  
General Manager  
Asset Lifecycle

Engineering and Technical Support  
Major Project Delivery  
Property Services  
Infrastructure Investment and Asset Performance  
Program Delivery  
Systems and Asset Planning

### **Bernie Sheridan**

BE (Mech), MBA, MIEAust  
General Manager  
Customer Delivery

Laboratory Services  
Network Regional Operations and Maintenance  
Network Operations  
Water Resource Recovery  
Water Supply and Production  
Specialised Services  
Work Programming and Optimisation

### **Stuart Wallace**

BA (Politics)  
General Manager  
Customer and Stakeholder Engagement

Strategic Communications and Corporate  
Social Responsibility  
Government, Stakeholder and Community  
Brand, Media and Marketing  
Customer and Strategic Insights



SECTION 2

# Strategy



# Our strategy

We are delivering on our vision to create a better life with world-class water services.

Our vision and strategy respond to a complex and changing operating environment and delivers on NSW Government outcomes. Our strategy guides how we shape our business and make decisions, identifying where we need to collaborate and partner to improve, aligned to what customers value. The strategy is defined by four strategic outcomes:







The 527.5 billion litres of clean drinking water we produce every year could fill Sydney Harbour. We safely deliver this high-quality water to 5.3 million people every day across Greater Sydney, including the Blue Mountains and the Illawarra.

Our Strategy is our blueprint for continuing this vital service, as well as delivering even more for our customers and their communities in response to a changing world.

Importantly, Sydney Water is taking a lead on implementing the NSW Government's Greater Sydney Water Strategy and its plan to deliver a secure, resilient water supply for the next 20 years or more.

Our capital investment program has grown dramatically over 2022–23, funding projects that will deliver more water to more homes across our growing cities, projects such as the Advanced Water Recycling Centre at Upper South Creek which will produce high-quality treated water for non-drinking use in homes and businesses.

Our investment program is set to grow further. To capture our infrastructure and operational plans to 2050 and beyond, we have developed a long-term plan in collaboration with WaterNSW and the NSW Department of Planning and Environment.

The Long Term Capital and Operational Plan is a major achievement in Sydney Water's 135-year history. This significant plan, combined with our in-depth customer engagement, ensures our services to our customers adapt to a changing world.

Sydney Water's customer engagement program, Our Water Our Voice, allows us to clearly identify our customers' priorities. Through this unique approach, our customers have told us they want healthy waterways, as well as our traditional delivery of safe water at an affordable price.

In 2022–2023 we've continued to deliver great customer outcomes as part of our Enterprise Plan, with key achievements aligned to our strategy including:

- delivery of key water quality projects, including Water Filtration Plant upgrades, providing better resilience to raw water conditions caused by floods and extensive rainfall events
- delivery of our Purified Recycled Water Discovery Centre, providing an opportunity to talk to our stakeholders, customers and community about additional potential water supply options
- another phase of our Digital Customer Program completed with customers actively using self service through 'My Account' and interactive outage maps on the Sydney Water website
- our updated approach to Ethics and Integrity, including the launch of 'The very human story of Sydney Water' to align with our celebration of 135 years of operation
- renovation of our Parramatta Hub and other spoke sites supporting hybrid working and bringing our people together in unique ways to collaborate
- our Environment Performance Improvement Program which continues to assist us in improving our wastewater and environmental performance across the business
- implementation of our Innovation and Research Deployment plan, including an Internet of Things (IoT) extended trial. The trial was successfully completed with implementation of wastewater blockage detection devices, as well as delivery of a well-attended Innovation Festival in 2022.

# Our outcomes

Measuring our performance against goals and targets ensures we are on track to deliver our strategic outcomes and that we continually aspire to create a better life with world-class water services.

To achieve this vision, we regularly review our overarching goals and plans to ensure they remain aligned with achieving our four strategic outcomes. For 2022–23, the following measures provide a snapshot of how we are performing against our key areas of focus.

Strategic outcomes	Goals	Measures	Target 22-23	Actual 2023	Status	Trend
<b>First choice of customers and partners</b>	Engage with customers and stakeholders to inform Sydney Water decisions and make it easier to do business with us	Enterprise advocacy	46%	42%	⊖	Relatively stable
		Customer satisfaction	55%	50%	⊖	Stable
	Strengthen Sydney Water's leadership position in the NSW water sector for the benefit of customers	Customer conversion – proportion of contestable projects successfully won	100%	100%	✓	Stable
<b>Thriving, liveable and sustainable cities</b>	Deliver safe, affordable, reliable and high-quality water and wastewater services and manage our assets effectively and efficiently	Water Quality – Compliance with Australian guidelines for drinking water and recycled water products standards	All Systems compliant	All Systems compliant	✓	Stable
		Water Conservation – System Water Leakage	108 (+/-16) ML/d	129 ML/d	⊖	Improving
		Water Service – Number of properties affected by unplanned service interruptions (>5hrs)	<42,567 (Upper limit for Operating Licence)	39,935	✓	Stable
		Wastewater Collection – Number of properties experiencing an uncontrolled sewage overflow in dry weather	<14,924 (Upper limit for Operating Licence)	2,915	✓	Stable
		Wastewater Transport – Material Harm Pollution Incidents in wastewater system (overflows or incidents)	<460 in year	617	⊖	Improving

Strategic outcomes	Goals	Measures	Target 22-23	Actual 2023	Status	Trend
<b>Thriving, liveable and sustainable cities</b>	Creating value for our customers and communities by embracing circular economy practices in our core business	Biosolids beneficially reused	100%	100%	✓	Stable
		Volume of recycled water supplied	42 GL	41.2 GL	⊖	Improving
		Net Zero Carbon (Total net greenhouse gas emissions Scope 1 and Scope 2 emissions)	≤350,000+/- 5% variation	353,400 (2021–22)	TBC	Trend TBC – 2022–23 results not yet validated through the National Greenhouse and Energy Reporting audit
<b>High performance culture</b>	Transform our culture to enable our Strategy	Total recordable injury frequency rate (TRIFR) including employees and contractors	≤5	5	✓	Improving
		Behaviour index	74%	77%	✓	Improving
		Diversity index (% workforce represents the community served)	74%	80%	✓	Improving
	Enhance the user experience, capability and security of digital ecosystem for the benefit of our people, assets, customers and the city	Measures being developed for 2023–24				N/A
<b>Successful and innovative business</b>	Ensure Sydney Water is a successful and commercially focused business	EBITDA	\$1,444m	\$1,389m (-3.8%)	⊖	Improving
		Return on Invested Capital (core)	4.9%	4.9%	✓	Stable
	Contribute to the State's economic recovery through the investment in and delivery of our capital infrastructure program and embed innovative ways of working	Innovation Effectiveness Index	6.4	6.4	✓	Improving

# Delivering on the NSW Government agenda

Good planning helps us prepare for future challenges and create a better life for our customers with world-class water services.

Sydney Water is a statutory corporation, wholly owned by the NSW Government. We operate under the *Sydney Water Act 1994* in accordance with our Operating Licence and other regulatory requirements. We have three equal principal objectives:



**Protect public health**



**Protect the environment**



**Be a successful business**

Our vision of creating a better life with world-class water services, directly aligns to the NSW Government's State Outcomes, the Statement of Expectations and the Greater Sydney Water Strategy.

The government supplies Sydney Water with a 'Statement of Expectations'. Delivery to the statement in 2022–2023 is summarised in the following table.



**Align with government's strategic planning**

- Complete the Long Term Capital and Operational Plan and plan for water supply augmentation
- Continue core business activities to deliver safe, affordable, reliable and high-quality water and wastewater services
- Deliver capital investment projects for water and wastewater infrastructure and servicing growth including Prospect to Macarthur Link, Upper South Creek Advanced Water Recycling Centre and Western Sydney Airport Growth Projects.

**Strive for excellence in customer service and experience**

- Undertake Our Water, Our Voice customer engagement framework and Customer and Community Reference Group
- Deliver education and marketing including Purified Recycled Water Visitor Centre and Mobile experience
- Improve customer interactions through the Digital Customer Platform self-service portal.

**Build trust with the community and stakeholders**

- Continue to share data sets and information to enhance customer experience
- Modernise our capabilities for business-to-business value transfer to meet customer needs and expectations
- Develop enhanced Water Conservation Program
- Continue to enhance our physical, cyber, supply chain and personnel security protection.

**Focus on environmental outcomes**

- Continue to maintain and invest into existing assets to address environmental performance including Environmental Performance Improvement Program
- Implement Western Sydney Stormwater Integrated Water Cycle Management
- Implement projects to deliver net zero carbon program and explore opportunities to unlock the circular economy
- Partner to activate new swimming sites as part of Urban Plunge
- Improve sustainability measures and reporting.

**Minimise cost of living pressures**

- Enhance Enterprise Planning approach and develop our Price Proposal for 2025–2030 to manage bill impacts on customers from investment in water infrastructure
- Deliver Community Service Obligation Programs and support vulnerable customers through tailored financial support programs.

**Ensure the government's investment of its capital is used efficiently**

- Transition, embed and optimise our Business Experience Platform (BxP) ways of working
- Facilitate the reintroduction of water infrastructure charges
- Optimise the Property Portfolio.

**Deliver services safely**

- Implement Better Safer Together program
- Ensure our people are receiving the safety and compliance training required.

**Build an innovative culture**

- Continue initiatives to empower a culture of innovation
- Implement Innovation and Research Deployment Plan
- Increase the use of data and digital technology to improve business efficiency and customer experience.

**Maintain high standards of public accountability and corporate governance**

- Implement leadership programs
- Implement refreshed ethical framework
- Implement a strong governance framework.

**Ensure robust procurement and employment practices that support the economic and social outcomes of the state**

- Implement Reconciliation Action Plan and Aboriginal Procurement Participation Plan
- Implement Diversity and Inclusion Plan
- Mature the efficiency and effectiveness of regional delivery model to deliver current needs
- Undertake workforce planning.

# Planning for the future





1

## Delivering on the Greater Sydney Urban Water Framework

As our city continues to grow, we must ensure we have a resilient and reliable water supply that is less reliant on rainfall. The Greater Sydney Urban Water Framework is a strategic and long-term approach for managing Sydney's water supply and enhancing the region's liveability. Supporting delivery of the Greater Sydney Urban Water Framework is the Greater Sydney Water Strategy, the Greater Sydney Drought Response Plan and the Long Term Capital and Operational Plan.

2

## Greater Sydney Drought Response Plan

The Greater Sydney Drought Response Plan (GSDRP) is an adaptive plan that has been informed by and aligns with the Greater Sydney Water Strategy (GSWS). The Greater Sydney Drought Response Plan introduces the idea of a staged drought response to enhance preparedness. The plan defines actions and decisions that are required pre drought, as drought conditions develop and intensify, and during recovery. This approach allows Sydney Water, WaterNSW and the NSW Government to take the necessary steps at each stage, to plan and develop response measures that can be enabled quickly and delivered in time to mitigate the supply risks.

3

## Long Term Capital and Operational Plan

The Long Term Capital and Operational Plan (LTCOP) captures our key infrastructure and operational decisions to 2050 and ensures services to our customers adapt to a changing world. The plan, developed with WaterNSW and the Department of Planning and Environment and aligned with the Greater Sydney Water Strategy and our customer values, sets out our optimal investment pathway and provides the long-term context for future pricing submissions to IPART. We balance cost and risk in an adaptive plan to ensure it always reflects what our customers expect of us and will support the growth and resilience of Greater Sydney for the next 30 years.

### LTCOP OBJECTIVES

Investing now, and in a new way, ensures we serve our valued customers and the communities in which they live in the most meaningful way by:

- ensuring we have resilient and reliable services
- integrated servicing of infrastructure to deliver long term value for customers
- maximising community value through healthy waterways and parks
- embedding circular economy principles across our planning, delivery and operations.

4

## Greater Sydney Water Strategy

The Greater Sydney Water Strategy charts a direction for delivering sustainable and resilient water services for the next 20 to 40 years, servicing a growing Greater Sydney, including the Illawarra and Blue Mountains, and safeguarding our city even in times of prolonged drought and extreme weather events.

The strategy sets out priorities and actions for the delivery of water, wastewater, recycled water and stormwater services into the future in a way that is integrated with land use planning. We are working collaboratively with government agencies and partners to progress the delivery of all five of the Greater Sydney Water Strategy's priorities.

GSWS Priorities	Sydney Water focus for 2022–23	Status update	
<b>PRIORITY 1</b> We understand how much water we need and when	Continue community consultation to inform decision making for future water supply management and supply options	✓ Sydney Water is always engaging and listening to customers and during the past year started Our Water, Our Voice, a thorough listening exercise to understand our customer’s expectations of us and their priorities for the future. Through this we have gained insights about attitudes to water supply resilience, water restrictions and minimum water demands and understanding of customer expectations for the level of service Sydney Water provides. We’re continuing customer engagement to establish customer preferences and willingness to pay.	
	<b>PRIORITY 2</b> Our water systems are sustainable for the long term and resilient to extreme events	Continue investment in comprehensive water conservation and efficiency programs	✓ We are continuing to roll out water conservation programs and report annually. During the year, together with the NSW Department of Planning and Environment, we developed a new plan for water conservation to be consistent with the long-term water efficiency goals for Sydney to save 38 GL/year of drinking water by 2030 and 49 GL/year by 2040.
		Increase the use of Sydney Desalination Plant	✓ IPART’s final price determination came into effect on 1 July 2023, which triggered the revised Network Operator’s Licence for Sydney Desalination Plant and the start of the new operating rules to provide flexible operation and optimise its contribution to water supply security and drought management. Sydney Water has issued the first annual production request (APR) to SDP under the Decision Framework for SDP operations, requesting around 44GL of drinking water in 2023–24. The volume of water sourced from Sydney Desalination Plant (SDP) (NWI W3.1) has increased in 2022–23 due to major flood incident in July 2022. The flood has deteriorated the raw water quality from our catchments therefore production from SDP has ramped up to full production to supplement water supply. The increased of supply from SDP has therefore reduced the total volume supplied from other service providers (NWI W5 and NWI W5.3).
		Explore all rainfall independent supply options (purified recycled water and desalination)	✓ This year saw Sydney Water develop the Strategic Options Business Case for rainfall independent supply portfolios and successfully complete the Infrastructure NSW Gateway review.
		Manage drought	✓ The Greater Sydney Drought Response Plan summary has been published and Sydney Water is working with other agencies to implement the necessary governance, monitoring and reporting arrangements as well as undertaking an annual review and update as required.
		Manage location specific or asset-specific risks	✓ Sydney Water provided to the NSW Government our Long Term Capital and Operational Plan detailing 30-year investment needs to meet growth, renewals, service standards, and Greater Sydney Water Strategy outcomes adopting an integrated water cycle management approach. We constructed and commenced commissioning of a purified recycled water demonstration plant.
		<b>PRIORITY 3</b> Our city is green and liveable	Integrate our water and land use planning more effectively
Progress a circular economy approach for water services	✓ During the past year, Sydney Water’s net zero carbon plan was published along with a report in partnership with NSW Circular on unlocking the circular economy in the Western Parkland City. We are continuing to implement our circular economy plans, informed by customer engagement. The biomethane facility at Malabar, a partnership with Jemena, supplied to the gas network in June 2023. Liverpool food waste project is being constructed and expected to be operating by the end of the year. Developing partnerships for potential circular economy hubs in Western Sydney is continuing.		

✓ Completed 2023 deliverable and ongoing

➔ In progress towards later deliverable and/or revised timeframe



GSWS Priorities	Sydney Water focus for 2022–23	Status update
<p><b>PRIORITY 4</b> Our waterways and landscapes are healthy</p>	<p>Make greater use of recycled water</p>	<p>→ Sydney Water has commenced construction of the Upper South Creek Advanced Water Recycling Centre. Sydney Water has engaged further with stakeholders and progressed project design. As a result, Sydney Water has concluded that the project can still contribute to environmental flow objectives in the Nepean River through releases of the highly treated recycled water to the Nepean River. A modification was approved by Department of Planning and Environment in May 2023.</p>
	<p>Invest in wastewater and improve waterway health</p>	<p>→ Sydney Water continues to participate in water quality and river health monitoring improvements and support active Coastal Management Programs (CMPs) in our area of operation.</p> <p>Sydney Water has continued to invest in wastewater overflow improvement activities in line with agreed wet weather overflow and dry weather overflow priorities.</p> <p>We are continuing to reduce impacts of nutrient discharges to the Hawkesbury-Nepean system through implementation of wastewater treatment upgrades and recycled water schemes in line with EPA licence conditions and ongoing research. Sydney Water is currently funding the construction of two pilot offset projects – a raingarden at Glenbrook started construction in December 2022 and detailed design for the bank stabilisation at Camden has been finalised.</p> <p>During the year a revised Sydney Water Aquatic Monitoring (SWAM) program was developed to ensure the impact of Sydney Water’s wastewater discharges on the receiving environment can be assessed properly.</p>
	<p>Partner to improve stormwater management and increase recreational use of waterways including swimming</p>	<p>→ Sydney Water is continuing to work with local government in the Cooks River, Parramatta River and Sydney Harbour areas to improve stormwater management. Our Waterway Health Improvement Program is progressing. We’re developing regional stormwater solutions for the Aerotropolis and Mamre Road Precincts.</p> <p>Sydney Water is continuing to work with a number of partners to identify and activate new swimming sites across Greater Sydney as part of the Urban Plunge program. We’ve launched the Urban Plunge webinar series. RiverWatch monitoring is ongoing for swimming sites in the Parramatta River and public reporting of data for active swim sites is occurring through Sydney Water’s Urban Plunge portal. The City of Canada Bay opened the first site at Bayview Park in November 2022, supported by the RiverWatch program.</p>
<p><b>PRIORITY 5</b> Water management and services meet community needs</p>	<p>Enhance community confidence through engagement and transparency</p>	<p>→ Sydney Water is continuing to share information and engage with the community, with the last year seeing us continuing community education with the Wonders of Water vehicle and develop educational components for the Quakers Hill Purified Recycled Water Discovery Centre.</p>
	<p>Manage price impacts for customers</p>	<p>→ Sydney Water publicly exhibited proposed development servicing plans and proposed infrastructure contributions during the past year. We are working towards the gradual reintroduction of infrastructure contributions for drinking water, wastewater and stormwater services from 1 July 2024 to help recover the cost of providing infrastructure to new developments. This follows recommendations set out by the NSW Productivity Commission’s Infrastructure Contributions Review which were adopted by the NSW Government. Infrastructure contributions ensure our customer bills remain affordable by seeking a fair contribution from developers.</p>

# Price Proposal

Our Price Proposal submission puts customers at the centre.



Every five years, we develop a price proposal for submission to our economic regulator, the Independent Pricing and Regulatory Tribunal (IPART), which decides the efficient cost of providing drinking water and wastewater services across our areas of operation.

Our next proposal is the first we'll submit under IPART's new framework and the first informed by our new, deeper approach to engaging with our valued customers.

The new customer-engagement program, *Our Water, Our Voice*, has clearly identified customer priorities and ensured these priorities are in the price proposal. We've achieved this through a series of forums, enabling our customers to virtually co-design the future with us and ensuring our investment plans reflect their priorities.

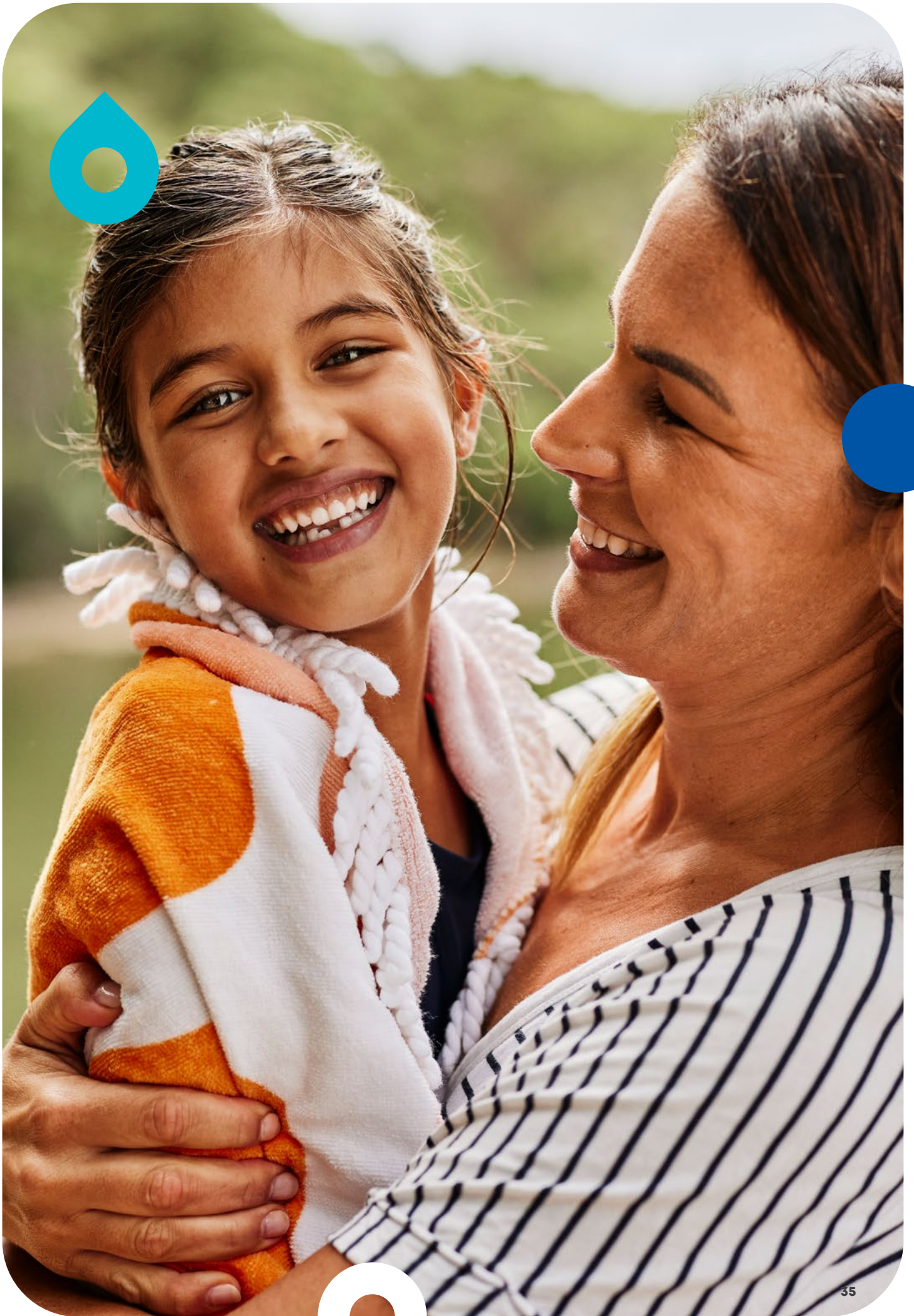
Our customers are at the centre of all we do. To ensure everyone's priorities were fairly assessed in this vital process, we've engaged with the independent Customer and Community Reference Group, an independent advisory body that helps ensure our business decisions are in the best interests of Sydney Water customers and their communities.

## New framework

Over the past few years, IPART has been reviewing the way it regulates water businesses, including Sydney Water, and we have actively participated in that review. The result is IPART's new framework, based on the three Cs: customer value, cost efficiency and credibility. The 3Cs sets out to deliver better value for money to customers while addressing challenges such as climate change and growing cities.

Our customers' bills remain among the lowest in Australia, despite our need to service Greater Sydney's growing population, provide a resilient water supply in response to climate change and replace ageing infrastructure.

In our 2020–24 price review, IPART recommended a significant increase in our capital expenditure program, recognising our role in addressing these challenges as we continue to provide high-quality services to customers while protecting waterways and the environment.





SECTION 3

# Customers, operations and performance



# Our principal statistics

Approximate area of operations	12,870 sq km
Quantity of drinking water we produced <sup>1</sup>	527,529 ML
Estimated population serviced by drinking water <sup>2</sup>	5,298,000 people
Quantity of drinking water produced from desalination	67,996 ML
Length of drinking water mains we own and operate	22,804 km
Number of water treatment plants	9
Number of desalination plants	1
Number of drinking water reservoirs	251
Number of drinking water pumping stations	153
Properties with drinking water service available	2,128,374
Estimated population receiving wastewater services <sup>3</sup>	5,213,000 people
Wastewater we collected (includes discharge, bypass, overflows and other)	601,195 ML
Length of wastewater mains we own and operate	26,759 km
Number of wastewater resource recovery facilities	30
Number of wastewater resource recovery facilities with advanced treatment capacity	1
Number of wastewater pumping stations	695
Properties with wastewater service available	2,079,829
Estimated population serviced by recycled water <sup>4</sup>	102,000 people
Quantity of recycled water we supplied	41,198 ML
Length of recycled water mains we own and operate	808 km
Number of recycled water reservoirs	9
Number of recycled water pumping stations	12
Length of stormwater channels we control	455 km
Properties with stormwater drainage available	644,843

1 Includes the quantity of drinking water produced from desalination.

2 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 from Department of Planning and Environment's 2022 NSW Population, Housing and Implied Dwelling Projections.

3 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 the Department of Planning and Environment's 2022 NSW Population, Housing and Implied Dwelling Projections.

4 Estimated population serviced by recycled water refers to Rouse Hill only. Estimated population is a projection based the Department of Planning and Environment's 2022 NSW Population, Housing and Implied Dwelling Projections.



# Our operations

As Greater Sydney grows in population and area – and extreme weather events increase in frequency – we are working hard to keep our networks operating smoothly.

We supply water from 11 major dams through 13 water delivery systems that run through 22,804 km of pipes. About 80 per cent of the drinking water we supply every day comes from Warragamba Dam. The rest comes from a mix of other dams, the Hawkesbury-Nepean River and Sydney Desalination Plant at Kurnell.

Over the past year, our crews tended 65,645 callouts, rotating through round-the-clock shifts when necessary. Sydney Water is working to improve our response time and repair methods by:

- deploying smaller area-based teams to locations where higher levels of leaks occur, minimising water loss and improving response time to visible leaks
- optimising our resource scheduling so leaks with higher water loss are prioritised
- deploying innovative tools to allow repair of water mains and installation of new valves under pressure, which can avoid the need for network shutdowns and reduce the volume of water lost in draining pipework for repair.

Maintaining and upgrading Greater Sydney's wastewater and stormwater systems is an important part of how we help protect public health and the environment across Sydney, the Blue Mountains and the Illawarra. The number of overflow incidents over the year fell 19 per cent, aided in part by our innovative Internet of Things leak-detection devices and the CCTV we use to inspect wastewater pipes before and after we work on them.

Fewer wet and dry weather overflows and fewer bypass events at treatment plants have resulted in a significant improvement in our environmental performance due to a reduction in pollution from our wastewater systems, and the Environment Protection Authority has endorsed Sydney Water's Choke Management Plan to be delivered from 2025 to 2030.

We have a number of other upgrades in place:

- relining our wastewater pipes
- rehabilitating junctions in the wastewater pipe network
- inspecting and repairing maintenance holes
- cleaning wastewater and stormwater pipes.

Wastewater used in homes and businesses can be recycled for gardening and other residential uses, as well as irrigating parks, playing fields and crops. Managed properly, our treated stormwater is set to become an irrigation source, reducing demand for drinking water by replacing it with recycled water. By engaging with our customers on the challenges and opportunities faced by our growing cities, we can better plan for a future which reflects our customers' values. This includes looking at climate-independent water supplies, such as purified recycled water and desalination, as well as how we can make our systems more resilient.



# First choice of customers and partners



# First choice of customers and partners

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

Goals	Measure	Target 22-23	Actual 2023	Status	Comment	Achievements and opportunities
<b>Engage with customers and stakeholders to inform Sydney Water decisions and make it easier to do business with us</b>	Enterprise advocacy (willingness for our customers and partners to speak favourably about Sydney Water)	46%	42%	⊖	Sydney Water ranks 4th on Enterprise Advocacy (as benchmarked against similar service providers), behind the day-to-day bank category, Australia Post and the mobile phone service provider category.	<ul style="list-style-type: none"> <li>Delivered core customer services and customer and stakeholder engagement</li> <li>Undertook Our Water, Our Voice customer engagement framework and Customer and Community Reference Group</li> <li>Delivered Purified Recycled Water Visitor Centre and Mobile experience</li> </ul>
	Customer satisfaction (how customers who have interacted directly with Sydney Water rate the overall quality of service)	55%	50%	⊖	Sydney Water maintained our ranking as joint 2nd on Customer satisfaction (as benchmarked against similar service providers), behind the day-to-day bank category and equal with Australia Post.	<ul style="list-style-type: none"> <li>Improved customer interactions through the Digital Customer Platform – MyAccount Self Service successfully went live</li> <li>Planning for servicing new development – Western Sydney International Airport, Sydney Science Park</li> <li>Partner to identify and activate new swimming sites across Greater Sydney as part of the Urban Plunge Program</li> </ul>
<b>Strengthen Sydney Water’s leadership position in the NSW water sector for the benefit of customers</b>	Customer conversion – proportion of contestable projects successfully won	100%	100%	✓	Successfully won contestable projects. The metric is undergoing revision for FY24.	<ul style="list-style-type: none"> <li>Delivered Community Service Obligation Programs and supported vulnerable customers through tailored financial support programs</li> <li>Apply our customer and stakeholder research and engagement programs to shape our strategic planning for the future.</li> </ul>

# We keep our customers at the heart

Sydney Water has provided its 5.3 million customers with 527.5 billion litres of clean, safe drinking water over the year, enough to fill Sydney Harbour to overflowing.

Our customers are the reason we exist. Over the past year, we have focused on improving our customer service, stepping up our digital offering through the launch of the My Account portal for 24/7 online access and, importantly, working and innovating to keep water bills as low as possible to help allay the rising cost of living.

Payment assistance requests at Sydney Water rose \$30,000 per month over the last half of 2022–23 as the increased cost of living affected our customers. Dramatically higher mortgage rates have strained finances in many households following 12 interest-rate rises in the 15 months to June 2023.

In May 2023 alone, our Payment Assistance Scheme distributed \$145,097, the highest monthly total since July 2021 when COVID-related financial uncertainty was at a peak.

Sydney Water distributed \$1.1 million in 2022–23 through the Payment Assistance Scheme to 2644 households. Although the assistance is in line with the previous year, the sharp rise in the second half of the year has led Sydney Water to use more channels to expand awareness of its payment assistance and other options.

We take part in community outreach events. In addition, we publish our payment options on our website and in the *WaterWrap* customer newsletter. We also spread the word through roadshows and other events held by Sydney Water's own Community & Engagement and Government Relations teams.

We are also focused on keeping bills as affordable as possible well into the future.

Sydney Water also uses sound financial management to rein in costs. We've changed banks to Westpac, the same bank used by NSW Treasury. Using the same bank as our major shareholders enables us to leverage their activities and has significantly reduced our banking fees.

Our new digital meters allow us to notify customers of potential leaks in their service. If the meter detects constant low flow, we can send a 'leak alert'. This capability can identify leaks before they become breaks, saving money and the environment.

## Improved customer service

A few years ago, Sydney Water introduced 21 new complaint-handling initiatives to ensure we use customer feedback to continuously improve our services.

In 2022–23, we took our commitment a step further and sought an international certification that assesses organisations for customer-service excellence. Through the Customer Service Institute of Australia, we applied for International Customer Service Standard (ICSS) certification.

ICSS helps organisations understand how well their strategy, structure, systems, people and processes are contributing to customer success and overall organisational performance. The current Standard comprises 24 elements grouped under four key areas:

- learning and growth
- operations
- service
- financial.

Sydney Water received a score of 6.2, which puts us in the “implementation” stage of certification. At this stage, our customer service is well beyond planning, or “intention”. Sydney Water has supplied hard evidence of our commitment to serving our customers, and we have implemented success measures.

The ICSS process identified our strengths to be:

### **Cybersecurity for Data Privacy**

Sydney Water’s data privacy infrastructure, as well as its testing regime, is at or above organisations with far greater financial and fiduciary responsibilities.

### **Human Resource Support**

Sydney Water’s approach is a standout. The organisation provides a healthy, supportive workplace through a holistic approach to its people, and will soon reach best practice in this area.

### **Risk Management**

Sydney Water’s approach to Risk Management is nearly best practice. The Standard said our inclusion of Customer Risk on all enterprise risks, as well as a standalone Customer Experience Risk category, is unique.

The assessment also determined areas and opportunities for improvement across the organisation. Our customer service working group

will prioritise these growth areas to ensure the ICSS is balanced across all decision-making areas of our business. We are committed to advancing to the ICSS “integration” level of certification where our data demonstrates beyond doubt that we have integrated customer service into our culture.

## **Business customers**

We have significantly transformed our operating model to engage more strategically with our high-value business customers and enhance the quality of our relationships with them.

Importantly, complex customers have consistently given positive feedback on our relationship-management model through our Voice of the Customer engagement sessions.

We have successfully rolled out a proactive onboarding and sustainability program for our retail food businesses. This program involved partnering with the Restaurant and Catering Industry Association of Australia to deliver a free sustainable-hospitality training program.

Our fats, oils and grease (FOG) team has successfully engaged with Inner West Council to partner in ensuring customers discharging FOG without consent are identified, inspected and required to obtain permits.

## **Customer Contract**

Our *Customer Contract* explains how we manage customers’ access to water, wastewater, recycled water 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.

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### **MORE INFORMATION IS AVAILABLE ON OUR WEBSITE AT**

<https://www.sydneywater.com.au/about-us/our-organisation/what-we-do/operating-licence.html>



# Our Water, Our Voice

Our new engagement program is a partnership with our customers.

*Our Water, Our Voice* is the biggest customer engagement program we have employed in Sydney Water’s history. It began in July 2022 and by the time it concludes in December 2023, it will have employed five phases of customer engagement:

<p><b>1</b> <b>Capturing customer priorities</b></p> <p>July 2022 to January 2023</p>	<p><b>2</b> <b>Capturing customer service insights</b></p> <p>November 2022 to January 2023</p>	<p><b>3</b> <b>Customer insights for better business planning</b></p> <p>November 2022 to August 2023</p>	<p><b>4</b> <b>Customer recommended contract and price proposal</b></p> <p>May 2023 to October 2023</p>	<p><b>5</b> <b>Customer outcomes and measures</b></p> <p>August 2023 to December 2023</p>
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In June 2023, the Phase 3 online customer survey opened and Phase 4 deliberative forums were in progress. We had already held seven additional deliberative forums, 68 in-depth interviews, 12 focus groups with small to medium-sized businesses, and additional online surveys.

*Our Water, Our Voice* is part of our broader, ongoing customer engagement program and will also help us prepare for the end of our current pricing period and Operating Licence ending in 2025. In 2024, we will lodge submissions for a new price proposal and Operating Licence to our regulator, the Independent Pricing and Regulatory Tribunal (IPART), to review. Findings from *Our Water, Our Voice* will guide what we tell IPART about the service levels we will provide and what our customers are willing to pay for those services in the 2025-30 period.

Who participated in Phase 1 and 2 of the Our Water, Our Voice program?



**6317**

residential customers



**983**

culturally and linguistically diverse customers



**135**

First Nations customers



**20**

customers living with a disability



**48**

customers from small- and medium-sized businesses



**24**

stakeholders including large businesses, developers and government



## Our customer priorities

Our customers' attitudes to water are changing. We're listening and acting on your feedback.

During Phase 1 of the *Our Water, Our Voice* customer engagement program, customers told us their top 15 priorities. This feedback formed the basis for discussion throughout Phases 2 to 5. Compared with results from just a few years ago, we know the customers today are more future-focussed and community-minded. Attitudes to water are changing. Previous customer feedback focused on how drinking water is used and how it tastes and smells. Now there is a greater focus on drought resilience and water conservation, processing of wastewater, and pollution reduction.

### Top 15 customer priorities

1. Maintain clean and safe drinking water
2. Ensure bills remain affordable via cost management, payment plans and avoiding future cost spikes
3. Maintain clean, safe waterways and water recreation areas by reducing pollution
4. Build infrastructure for water recycling and/or desalination for drought resilience
5. Minimise leaks and breaks in the network to reduce water loss
6. Community-based water saving programs for increasing water savings, reducing water usage
7. Improve natural waterways and habitats to protect the environment
8. Improve stormwater management, storage and capture to reduce water loss to the ocean
9. Reduce the chances of your drinking water occasionally smelling or tasting different
10. Minimise the impact of outages both planned and unplanned
11. Contribute to a cooler environment and more pleasant green public spaces through trees and vegetation
12. Maintain a standard of customer service that meets or exceeds your expectations
13. Reduce carbon emissions to net zero by 2050 or sooner via energy-efficient operations and renewable energy
14. Reduce the frequency and duration of severe water restrictions
15. Ensure better informed customers through improved/ modern communications to assist and manage water use.

Additional information, including a report on each completed phase of *Our Water, Our Voice*, can be found on the Sydney Water website. Once the program concludes, customers can still have their say through our ongoing customer engagement program.

# Customer satisfaction

We continuously engage with our customers to understand and respond to their experiences and track satisfaction with our products and services.

We asked nearly 13,000 customers in 2022–23 to rate their overall satisfaction with our service. Half of them were highly satisfied (rated 8–10 out of 10), down from 53 per cent in 2021–22. Passive responses (customers rating 5–7 out of 10 or who answered ‘don’t know’) stood at 46 per cent (up from 43 per cent in 2020–2021), while negative responses (those who rated 0–4 out of 10) remained low despite a slight increase to 4 per cent (up from 3 per cent in 2021–22).

Customer satisfaction dipped to 49 per cent in the October to December 2022 quarter, before recovering to 50 per cent in the last two quarters. The drop was driven by a service incident at Lane Cove, which generated substantial news coverage. Concerns over pricing and affordability also contributed to the decline (see Learnings from Lane Cove on page 48). When compared to other service providers, Sydney Water continues to rank second behind ‘day-to-day’ banks for customer satisfaction.



## Tap water rating

On average, 63 per cent of customers are strongly satisfied with the quality of Sydney Water tap water (rating 8–10 out of 10) in 2022–23. 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 as well as our permanent and portable water stations.

## 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’.

In 2022–23, we resolved 4,607 complaints that were our responsibility.

Complaints made up less than 0.6 per cent of the more than 870,000 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](http://ewon.com.au) and ask for an independent review.

In 2022–23, EWON received 528 Sydney Water enquiries or complaints<sup>5</sup>. This equates to 2.5 matters per 10,000 customers, aligning with other water utilities overseen by EWON.

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

### Customer satisfaction indicators, 2018–19 to 2022–23

	2018–19	2019–20	2020–21	2021–22	2022–23
<b>Average customer rating of overall service quality<sup>6</sup></b>	7.9	7.8	n/a	n/a	n/a
<b>Average customer satisfaction rating (Positives 8-10)<sup>7</sup></b>	n/a	n/a	51%	53%	50%
<b>Average customer rating of overall quality of drinking water<sup>6</sup></b>	7.8	7.9	n/a	8.0 <sup>8</sup>	7.6 <sup>8</sup>
<b>Average customer satisfaction with tap water quality (strong satisfaction 8-10)<sup>9</sup></b>	75%	70%	69%	68%	63%
<b>Total number of complaints (including EWON)</b>	5,952	5,733	5,382	6,298	5,135

<sup>5</sup> EWON’s report to Sydney Water for 2022–23.

<sup>6</sup> Results between 2018–19 to 2019–20 are from the Customer Experience Monitor which was decommissioned on 1 July 2020.

<sup>7</sup> From 1 July 2020, the Customer Satisfaction metric is 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 prior to 1 July 2020.

<sup>8</sup> The average customer rating of overall quality of drinking water is from the Community Sentiment Monitor.

<sup>9</sup> 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.



# Learnings from Lane Cove

Last year, a complex break left up to 5000 residents and businesses without water. We have listened, learned and are implementing improvements across our business to deliver better outcomes in the future.

On 10 September 2022, Sydney Water had an evolving water main break incident. The event significantly impacted about 5000 properties over four days and was declared a 'crisis' due to the length of time some of our customers were without water.

We are committed to delivering a world-class customer experience and collaborating with our current and future customers, communities, stakeholders and partners to deliver better outcomes in the future.

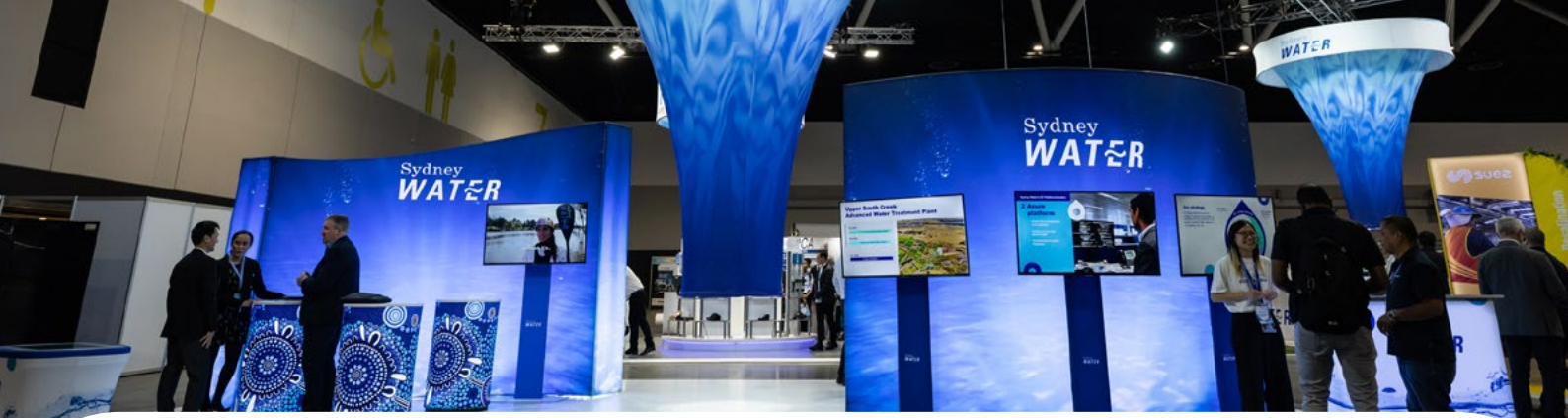
In December 2022, Sydney Water made the following commitments to the government and the public:

- We will engage additional Duty Managers and Customer Advocates to ensure customer impacts are more closely monitored and actioned.
- We will facilitate better coordination between the Customer Contact Centre and the Emergency Control Centre.
- We will introduce a customer portal to allow people to register their contact details so they can be notified of outages (particularly focused on rental properties where notifications may be sent to billpayers not residents).
- We will build better relationships with community-based social media groups to share service-impact information.
- We will review Sydney Water's process, capability, and systems to finalise an improvement plan by March 2023.

The improvement plan was delivered in March and additional improvement opportunities were identified. Actions are being reviewed and/or implemented across the business, specifically in asset maintenance, communications and customer service, including:

- a trial of smart pressure gauges which, when deployed, can communicate real time pressure information to field crews
- the media and customer service teams working together to respond to customers on Sydney Water's social media channels in a timely manner
- the trial of a 'pop-up' Emergency Control Centre in Parramatta adjacent to the Customer Hub to enable better collaboration between teams.





# Ozwater'23

The theme “United by Water – Naragaying Badu” celebrated water’s vital role in connecting us all.

In 2023, Sydney Water was the principal sponsor of Ozwater, the largest water conference in the southern hemisphere.

Across three days, we had the opportunity to showcase our programs, services and technologies. Our people presented more than 20 technical papers, facilitated workshops, and connected with potential customers and partners.

For the first time at Ozwater, delegates took part in yarning circles as part of a dedicated focus on First Nations engagement and connection. Sydney Water was proud to have five First Nations representatives lead circles, share knowledge, and speak and listen from the heart in a way that has been practised by First Nations peoples for thousands of years.

The Sydney Water exhibition stand and water bar were a hive of activity thanks to 76 dedicated volunteers. The stand demonstrated our commitment to sustainability – and was awarded Best Large Custom Stand Design. The 100 per cent reusable modular design will be utilised for future activations and events, and zero waste was generated during installation and pack down. We also chose to forgo printed collateral and go paperless – a first for Sydney Water and the only paperless stand at the conference.

By the close of the conference, we had given away 2000 reusable water bottles – with ‘Tiffany’ blue the most sought-after colour – increasing the use of tap water and reducing demand for bottled water.



**1212**

litres of tap water consumed during the event



**3030**

litres of water saved from activities related to manufacturing plastic bottles



**2020**

bottles of water saved from being purchased (600 ml)



**19.4**

kilograms of plastic waste saved from landfill

# Social media and marketing channels

A multi-faceted marketing approach achieved impressive results, inspiring water-saving actions in our customers.



In 2022–23, we gained a better understanding of our customers’ needs and priorities through online platforms and in-person activations.

Our website – [sydneywater.com.au](http://sydneywater.com.au) – continued to be a key source of information for educational and digital transactional experiences for our customers with 2.6 million website users. The introduction of My Account in March 2023 – our online platform where customers can manage their Sydney Water account anywhere, anytime – saw a 25 per cent increase in the time customers spent on our website. Organic search was our primary source of website traffic, and the site bounce rate decreased by 3.6 per cent to 44 per cent, demonstrating that our customers found our website content useful and engaging.

Our social media presence across Facebook, LinkedIn, Instagram, Twitter and TikTok maintained strong growth in 2022–23 with high levels of engagement across all platforms.

## FUTURE PLANS

Sydney Water is developing an online portal that will allow the public and suppliers to explore infrastructure projects as they progress including project staging timelines.

In 2022–23, our social media messages created 24,741,615 impressions, with an engagement rate of 5.67 per cent (the average industry engagement rate is about 2 per cent). We added 11,359 new followers across all channels, increasing our total follower count for 2022–23 to 116,097, who engaged with a wide range of content including news, videos and educational material.





In 2022–23, we produced around 340 reports, newsletters, brochures, infographics and presentations – most delivered digitally – to help inform and educate our customers and stakeholders. Topics included the importance of water conservation, recycled water initiatives, wastewater and stormwater services and the improvement of our waterways. They included publications tailored for our culturally and linguistically diverse communities across our catchment.

We also produced signage and event activations promoting Sydney Water. Our team met more than 240,000 customers in-person at activations including the Sydney Royal Easter Show and WorldPride.

We were the official water sponsor of Lakemba's hugely popular Ramadan Nights. The Sydney Water team was on hand during the spectacular month-long event to distribute 5700 water bottles to visitors at the end of each day's fast.

More than 5000 Warragamba Slammer water bottles were also handed out to thirsty cricket fans across the summer, and 16,800 people interacted with our 360-video display at the 2023 Royal Easter Show including a special visit from the Honourable Rose Jackson MLC, the Minister for Water, Housing and Homelessness, and Olympic champion Jess Fox, our Sydney Water ambassador.

# Water is precious #saveitwithme



Eight-time world champion slalom canoeist and Olympic gold medallist Jess Fox launched her first campaign as a Sydney Water Ambassador on the importance of water conservation.

From November to December 2022, Jess featured in an all-new campaign #saveitwithme where she talked about why water is so precious and shared her passion for protecting our waterways. The advertisements, delivered across television and social media platforms, were seen 22,697,209 times by our customers and more than 50 media stories resulted from the campaign.

Jess was part of the Sydney Water People Leaders Forum where she spoke to an audience of around 400 employees. Having spent countless hours paddling on the Nepean River, Jess revealed that Sydney's waterways ranked considerably higher compared to other parts of the world when it comes to quality and appearance.

The #saveitwithme campaign also stressed the importance of starting conversations with friends and family around the significance of water conservation. "It can be as simple as having a yarn at a barbeque, and raising awareness in the process," said Jess. "We have all seen the impact of flood and we know that water isn't endless ... everyone has a role to play. Never underestimate the positive impact you can have in your community!"

Jess Fox will launch her second Sydney Water campaign – focusing on water literacy – at the end of 2023.

**WATCH ALL THE  
BEHIND-THE-SCENES  
ACTION FROM JESS  
FOX'S #SAVEITWITHME  
CAMPAIGN.**





# Community education

We're helping our customers learn how to value and care for water.

This year, our Community Education team directly engaged just under 50,000 children and adults through our busy schools program and at community events such as festivals and markets. Our customers had the opportunity to explore the Wonders of Water Van at the Easter Show or their local Bunnings or Westfield and learn more about the water cycle and the circular economy, including how water is captured, treated and distributed.



**46,196**

interactions with children and adults



**7788**

educational interactions from preschoolers to TAFE and university students



**38,408**

interactions with people at community events



## Aqua Allies

In August 2022, we introduced a new education program to activate the next generation of water ambassadors. Designed by qualified teachers, Aqua Allies is a free, in-school learning experience has been tailored to meet NSW syllabus outcomes for Years 1 to 6.

Students are invited to join Jila, the platypus, on an exploration of all things water.

- How do I interact with water?
- How does water get to my tap?
- Where does the wastewater go when it leaves my house?
- How can I care for water and use water more sustainably?

Throughout the learning experience, students have the opportunity to build their very own urban water cycle, learn about Sydney Water's filtration and treatment process and reveal which household products are best to bin!

At the completion of the learning experience, students become certified Aqua Allies!

**AREA OF OPERATIONS**



**Community Education Programs**

- Schools and Tours
- WoW Van



# Thriving, liveable and sustainable cities



# 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.

Goals	Measures	Target 22-23	Actual 2023	Status	Comment
<b>Deliver safe, affordable, reliable and high-quality water and wastewater services and manage our assets effectively and efficiently</b>	Water Continuity: Number of properties affected by unplanned service interruptions (>5hrs)	<42,567 (Upper limit)	39,935	✓	Complied with Operating Licence Condition
	Water Quality – Compliance with Australian guidelines for drinking water and recycled water products standards	All Systems compliant	All Systems compliant	✓	Full compliance with Australian Drinking Water Guidelines achieved despite the weather conditions and raw water challenges
	Water Conservation – System Water Leakage	108 (+/-16) ML/d	129 ML/d	⊖	Our rolling 12-month performance is outside the economic level of leakage band and further analysis is underway to understand the causes
	Wastewater Collection – Number of properties experiencing an uncontrolled sewage overflow in dry weather	<14,924 (Upper limit)	2,915	✓	Complied with Operating Licence Condition
	Wastewater Transport – Material Harm Pollution Incidents in wastewater system (overflows or incidents)	<460 in year	617	⊖	Improved performance from past year (617 in FY23 compared to 761 in FY22). This is also attributed to early detection mechanism (IOT devices and inspections). This remains our ongoing focus to reduce environmental harm
<b>Creating value for our customers and communities by embracing circular economy practices in our core business</b>	Biosolids beneficially reuse	100%	100%	✓	Consistently achieving beneficial use of biosolids.
	Volume of recycled water supplied	42 GL	41.2 GL	⊖	Improved performance although target was not achieved
	Net Zero Carbon (Total net greenhouse gas emissions Scope 1 and Scope 2 emissions)	≤350,000+/- 5% variation	353,400 (2021–22)	TBC	Our gross greenhouse gas emissions were consistent with recent historical reporting periods

### Achievements and opportunities

- Continue core business activities to deliver safe, affordable, reliable and high-quality water and wastewater services, managing assets effectively and efficiently
- Delivered capital investment and maintenance projects for water, wastewater and stormwater infrastructure e.g. Potts Hill Inner reservoir complete and in operation, Prospect to Macarthur Link reservoirs constructed, Stormwater channel naturalisations, Western Sydney Airport Growth Projects, system renewals
- Implemented our deliverables in the Greater Sydney Water Strategy (GSWS) and Greater Sydney Drought Response Plan including completing the plan for water supply augmentation (Strategic Business Case), delivered an enhanced Water Conservation Program Plan to achieve the GSWS water savings targets
- Ongoing maintenance and improvement of existing assets to address environmental performance, including delivery of Environmental Performance Improvement and Compliance Program and Wastewater Treatment Plant Renewal Projects
- Planning for Western Sydney Stormwater Integrated Water Cycle Management to promote greater use of stormwater harvesting and recycled water for irrigation
- Published our Net Zero Carbon Plan and implemented projects including Malabar biomethane project
- Planning to create value by unlocking the circular economy and recover biosolids and other resources – through a hub for water, energy, bioresources at the AWRC
- Optimised the Property Portfolio to maximise value from the portfolio.

### What's to come:

- Investing in wastewater treatment to improve waterway health and recover resources including to manage nutrients in the Hawkesbury Nepean and reduce wastewater overflows e.g. construction of the Upper South Creek Advanced Water Recycling Centre, North West Hub, Refresh Vaucluse Diamond Bay
- Release of Sydney Water's integrated water plan for Illawarra
- Implement the Service and Asset Performance Excellence roadmap to reduce asset-performance risk and sustain good asset-management practices
- Establish Climate Change Adaptation governance and pilot disclosure reporting.





# Resilient and Reliable Water Supply

Greater Sydney is facing a water supply challenge. And we're doing something about it.

Our climate is changing, our city is growing, our existing rainfall dependent water supply is reaching a tipping point where demand exceeds sustainable supply, and our wastewater network is reaching capacity at critical points.

To respond to the challenges for a growing vibrant city, we are planning for a mix of water supply options, as outlined in the Long Term Capital and Operational Plan (LTCOP). We must think differently about the way we manage water in our city, so that we have ample water to meet all our needs.

Sydney relies on rainfall for 85 per cent of its water supply. By investing in diverse water sources, such as purified recycled water (PRW) and desalination, we can increase the resilience of our water supply and provide a sustainable, reliable, and safe water supply for generations to come. We intend to increase the amount of rainfall-independent supply within our water supply system from 15 per cent to up to 60 per cent over time, through PRW and desalination schemes.

To successfully engage with an informed community about our water future, we all need to understand how water gets to our homes and is managed back into the environment. We are empowering our communities to participate in the choices we need to make to manage water sustainably by educating and engaging to build water literacy.

Our objectives for building water literacy are to:

- build understanding of the urban water cycle and the role of water in creating thriving sustainable communities now and in the future.
- educate customers on all options for water augmentation in the LTCOP including solutions for rainfall independent supply, such as desalination and PRW.
- maintain trust in our ability to provide great quality drinking water through technology.

Sydney Water has built a customised Water Literacy Index which uses 10 customised questions to establish our customers' knowledge about water sources, water management and water-related issues and monitors how it changes over time. A Water Literacy Index score of 4.7 (June 2023), means that out of the 10 questions asked, respondents were able to answer fewer than half correctly (on average). This tells us we have work to do to improve the community's understanding of how current and alternative water supply options work, as well as challenges that the region may face in future with regards to water security.



# Purified Recycled Water Discovery Centre

The Purified Recycled Water Discovery Centre will help secure Greater Sydney's water supply for the future.

All water is recycled in the natural water cycle – there is no new water on Earth – and we are using and reusing water more wisely to create cooler and greener cities, ensure our waterways stay healthy and future proof our water supply sources.

Sydney Water's Purified Recycled Water Discovery Centre at Quakers Hill is the first facility of its kind in New South Wales. The centre demonstrates the performance and reliability of the technology used to treat recycled water to a quality suitable to supplement our drinking water supply.

After first being treated at the Quakers Hill Water Resource Recovery Facility, recycled water is piped to the Discovery Centre where it undergoes three additional treatment processes (ultrafiltration, reverse osmosis and advanced oxidation).

Chlorination then ensures the downstream flows remain disinfected and ready for beneficial reuse. These processes ensure we produce high-quality water that meets the Australian Guidelines for Water Recycling. All our treatment processes have continuous online monitoring to ensure all the performance parameters are being met.

Water produced at the Purified Recycled Water Discovery Centre does not contribute to Sydney's drinking water supply. Water from the centre will be sent back to the Quakers Hill Water Resource Recovery Facility or utilised on site for irrigation. Once regulatory requirements and stakeholder consent are achieved, it will be the water source for the local recycled water scheme.



**0.5**

megalitres of PRW produced per day at the Purified Recycled Water Discovery Centre



**85**

percentage of our water supply that is climate dependent in 2023



**35**

percentage of our water supply that is climate dependent by 2050

## IN THE FUTURE:

- PRW and desalination will be needed to supplement our rainfall-dependent raw water sources.
- PRW could provide up to 25 per cent of Greater Sydney's water needs by 2056.
- The decision to include PRW in our supply will involve community consultation and be subject to government approvals.

**35**

Number of cities in the world – including Perth (Australia), Los Angeles (US) and Changi (Singapore) – that already use PRW as a safe and reliable rainfall independent part of their drinking water supply





# Infrastructure projects

We're delivering critical infrastructure that will enable thriving, liveable, sustainable cities – now and in the future.

Sydney Water is now at a critical juncture where transformative investment in our water, wastewater and stormwater systems is required to meet the city's future needs in a way that is more integrated, resilient and sustainable.

Our systems have served us well for over 135 years, but many have now reached their end of 'design life', or their capacity. Sydney's population has more than tripled since Warragamba Dam was built in 1950, but this dam still provides 80 per cent of our drinking water. We are now at a tipping point with forecast annual drinking water demand exceeding sustainable supply.

Sydney continues to grow and drive the economy of the nation. Water plays a key part in this success, delivering essential services to the population and supporting industrial and commercial activities. Responding to growth comprises the largest proportion of our long-term investment profile at 40 per cent of total investment forecast to 2050.

In addition to growth, a changing climate – with more extreme floods and droughts – is impacting the resilience and reliability of water and wastewater systems. Unpredictable weather patterns require a new kind of planning to safeguard our growing cities, as we build resilience into our water networks and minimise the impact of a changing climate.

To 2050, Sydney Water will invest \$90 billion to service our future city, with \$34 billion of that investment needed in the next 10 years. This investment is comprised of many different projects including:

- a large volume of relatively small investments, which we deliver via Program Delivery and our long-term strategic relationships with our Regional Delivery Consortia. These investments are key to the ongoing renewal, maintenance or relatively small changes/additions to our existing assets.
- much larger, more complex investments, which we deliver via our Major Projects team and bespoke delivery partnerships. These projects are key to delivering the service outcomes outlined in our Long Term Capital and Operational Plan.

Our plan is aligned with the NSW Government's vision for Greater Sydney through the Greater Sydney Urban Water Framework and Greater Sydney Water Strategy. The direction follows an integrated water management approach, with emphasis on ensuring the resilience of our water supply as our city grows, and protection of our natural environment.

## Capital Works

In 2022–23, Sydney Water invested \$1.582 billion in capital works, which was 9 per cent under the \$1.737 billion budget (excluding capitalised borrowing costs).

The Infrastructure Portfolio ended 2022–23 with an overall capital spend of \$1.35 billion, achieving another record year in capital investment for Sydney Water. This was despite the considerable challenges experienced in the year, as external factors (resourcing and supply chain constraints post-Covid, wet weather, contractor insolvencies, and market pressures) heavily impacted delivery performance of works on site and the ability to gain momentum on key projects.

Despite this, performance has been trending positively as many projects move into construction. This includes the Advanced Water Recycling Centre moving into delivery, North West compliance and North Richmond works continuing, and recently approved projects in North West and South West growth areas to deliver drinking water and wastewater services.

The outlook for the year ahead is positive as one of the biggest disrupting factors seen in 2022–23 – wet weather – is forecast to ease. Market pressures in some areas have either stabilised or are not expected to worsen. Market delivery capability remains a concern and is being actively managed.



## Major capital works in progress as at 30 June 2023

Project*	Budget (\$m)	Cost to date (\$m)	Forecast completion date	Description
<b>Upper South Creek Advanced Water Recycling Centre (AWRC) Construction</b>	\$1,296	\$205	January 2026	Construction of AWRC, networks and pipelines
<b>North West Treatment Hub: Growth Program</b>	Under procurement	\$20	July 2026	There is a need to service growth in North West Sydney
<b>North West Treatment Hub: Castle Hill Compliance</b>	\$125	\$31	May 2025	Accelerated program of planned works to meet compliance deadlines
<b>North West Treatment Hub: Rouse Hill Compliance</b>	\$97	\$14	March 2025	Accelerated program of planned works to meet compliance deadlines
<b>Prospect Macarthur Project</b>	\$481	\$355	December 2024	Delivery of investments to secure supply and support growth in the area
<b>Lower South Creek Water Recycling Plant Process and Reliability Renewal</b>	\$584	\$566	May 2024	To maintain reliability and increase the plant's capacity to service growth
<b>West Camden Treatment Amplification</b>	\$220	\$120	January 2025	Augmentation of treatment plant to increase capacity to service a significant increase in customers
<b>Austral-Leppington Package 2</b>	\$194	\$147	April 2024	To service the eastern front of the South West Growth Area and parts of the Aerotropolis
<b>Northern Suburbs Outfall System (NSOOS) Desilting and Rehabilitation Package A</b>	\$100	\$42	July 2025	The first stage of a program to rehabilitate the NSOOS tunnel sections 1 to 3
<b>Northern Suburbs Outfall System (NSOOS) Desilting and Rehabilitation Package B</b>	\$86	\$74	May 2024	The second stage of a program to rehabilitate the NSOOS tunnel sections 4 to 6
<b>Vaucluse Diamond Bay</b>	\$77	\$11	December 2025	To treat wastewater before discharge through the Bondi deep ocean outfall
<b>North Head Wastewater Treatment Plant (WWTP) Biosolids Upgrade</b>	\$94	\$57	May 2025	Upgrade processing and treatment capacity to improve the quality of biosolids

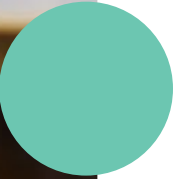
### 3 CUSTOMERS, OPERATIONS AND PERFORMANCE

Project*	Budget (\$m)	Cost to date (\$m)	Forecast completion date	Description
<b>Potts Hill Reservoirs cover and liner replacement</b>	\$63	\$32	April 2024	Expedited repairs to ensure ongoing water quality for the Potts Hill delivery system
<b>Nepean Water Filtration Plant Stage 1</b>	\$80	\$25	January 2025	Increase treatment capacity during poor raw water quality events
<b>North Richmond Water Filtration Plant</b>	\$190	\$7	November 2025	Augmentation to cater for additional network inflows from North Richmond
<b>Winmalee PRP800 Stage 1</b>	\$52	\$40	June 2024	Wastewater treatment plant upgrade to ensure environmental compliance
<b>Wastewater treatment plant renewals</b>	\$259/year**	Ongoing	Ongoing	Continuing to replace equipment near the end of its service life
<b>Water treatment plant renewals</b>	\$164/year**	Ongoing	Ongoing	Continuing to replace equipment near the end of its service life
<b>Information technology projects</b>	\$125/year**	Ongoing	Ongoing	Continuing minor projects to reduce operating expenditure, renew IT systems and equipment, and deliver new systems and capabilities
<b>Wastewater reticulation and wastewater trunk main renewals</b>	\$232/year**	Ongoing	Ongoing	Continuing to replace and rehabilitate wastewater mains near the end of their service lives
<b>Water reticulation and water trunk main renewals</b>	\$92/year**	Ongoing	Ongoing	Continuing to replace water mains near the end of their service life
<b>Reservoir Renewal and Reliability Program</b>	\$50/year**	Ongoing	Ongoing	Continuing to ensure reservoirs operate at the lowest costs and comply with regulatory requirements
<b>Wastewater pumping station renewals</b>	\$54/year**	Ongoing	Ongoing	Continuing to replace equipment near the end of its service life
<b>Water pumping stations</b>	\$25/year**	Ongoing	Ongoing	Continuing to improve reliability and safety and minimise life cycle costs
<b>Meter replacement program</b>	\$18/year**	Ongoing	Ongoing	Improving measurement and monitoring of water volume and service reliability

\* Only projects in construction delivery are represented; projects in planning are not included.

\*\* Denotes the five-year average in the Statement of Corporate Intent 2023/24–2027/28 in nominal dollars.





# Planning for a Greater Sydney

A sustainable, integrated approach to water services will support growth, improve waterway health and create cooler, greener communities.

## Greater Parramatta and Olympic Peninsula

As part of Sydney Water's plan to create a water-resilient future, we are developing an adaptive plan for the Greater Parramatta and Olympic Peninsula.

The heart of this project will be a new wastewater resource recovery facility, one that will help keep water in the landscape. This is a considerable infrastructure investment, and it will be built in stages to match need.

The adaptive plan means we will be able to increase services as the areas grows.

It's important for Sydney Water to be developing plans now as the Central River City's population is forecast to rise by 400,000 people over the next 20 years. More than half of this increase is expected to be in the Greater Parramatta and Olympic Peninsula.

As we develop this plan we have been engaging with key stakeholders, including the City of Parramatta Council, the Sydney Olympic Park Authority, the NSW Environmental Protection Authority, and the NSW Department of Planning and Environment.

## Prospect

The Prospect Water Filtration Plant supplies 85 per cent of Sydney households with world-class drinking water every day, using raw water from the Warragamba and Upper Nepean Dams, as well as the Prospect Reservoir.

The Prospect Pre-treatment Plant will support the Prospect facility, reducing the threat of extreme weather events on raw water quality.

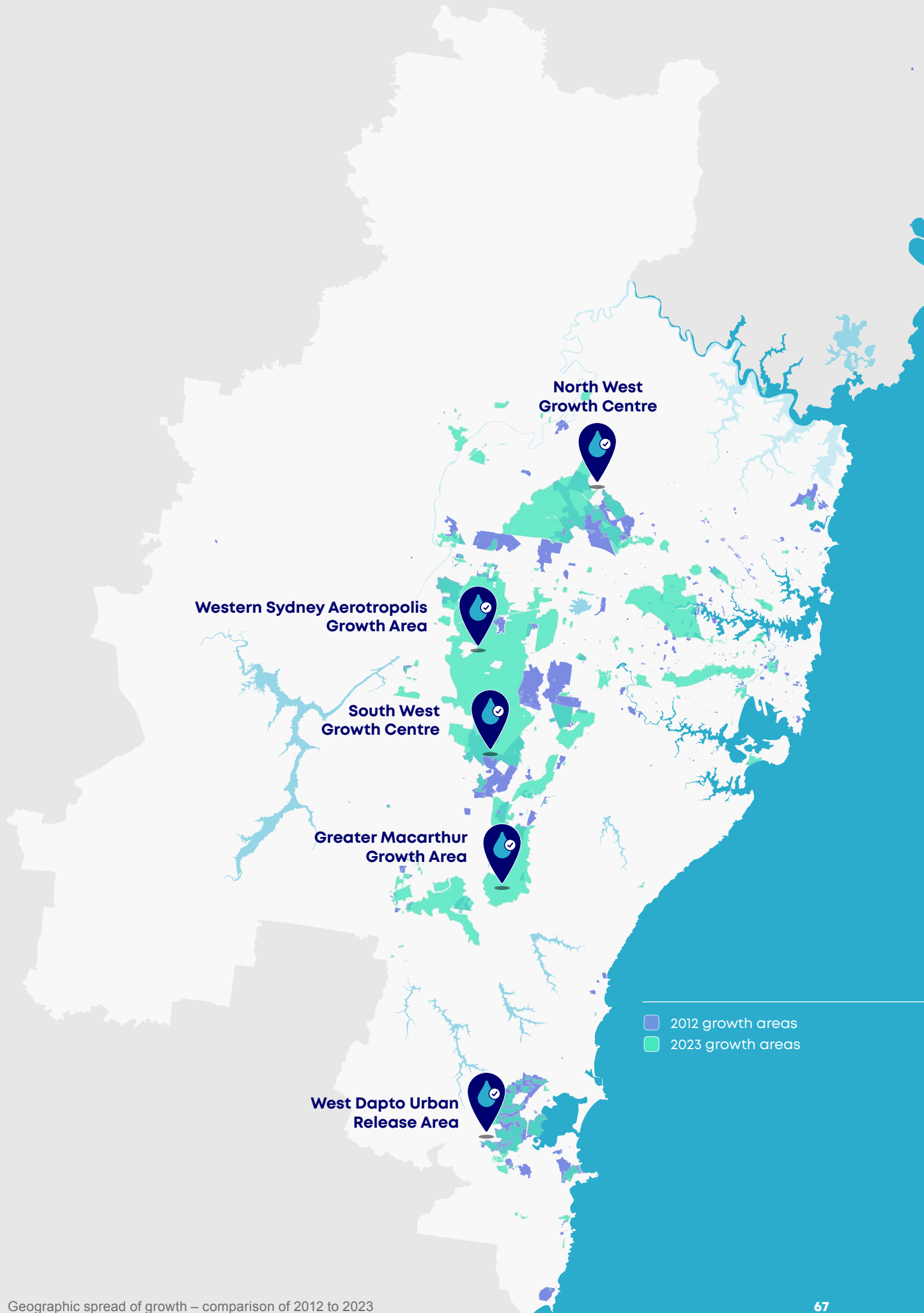
The Pre-treatment Plant will help secure world-class drinking water even during extreme weather events such as storms, drought and fire, enabling Sydney Water to meet the demands of a growing Greater Sydney.

In developing the Pre-treatment Plant, we've engaged with stakeholders including Greater Sydney Parklands, Fairfield and Blacktown Councils, Transport for NSW and local businesses.

## Richmond

The population in North Richmond and Richmond catchments is projected to grow significantly over the next 30 years, with an expected 70 per cent increase to water resource-recovery requirements. Sydney Water is working to upgrade the wastewater infrastructure to meet the servicing needs of a growing population and regulatory requirements. The Richmond System Wastewater Upgrade Project is essential to ensure the community has continued access to safe and reliable wastewater services and to provide circular economy benefits by increasing wastewater recycling opportunities.

A concept design for the works was tendered in 2022 and the market bid on both the treatment and network portions of the work. BMD Constructions was successfully awarded a contract in April 2023 for the works. The project consists of transferring all wastewater flows from an ageing North Richmond wastewater treatment plant to Richmond Wastewater Recycling Plant which will be augmented to receive the increased flows. After the upgrades, the North Richmond wastewater treatment plant will be decommissioned. The benefits of the project will be realised with planned project completion during 2026.





# Net zero carbon

We know that our work has an impact on the environment and the climate. We have an ambition to achieve net zero emissions in our activities by 2030, and net zero emissions in our supply chain by 2040.

Globally, water use, storage and distribution are responsible for around 10 per cent of global greenhouse gas (GHG) emissions. Sydney Water, therefore, has a responsibility to transition to net zero to meet NSW Government aspirations and ensure customer affordability in both the short and long term.

Most electricity in NSW comes from burning coal, so buying electricity from the grid adds to our indirect greenhouse gas emissions and our carbon footprint. As this changes and the NSW grid decarbonises, our carbon footprint will also reduce. But there will be challenges reaching net zero as the population grows and we build infrastructure to service the changing needs of Greater Sydney. We must, therefore, embrace circular economy practices, creating the most value from water, materials and energy in a way that is cost-effective for our customers.

The total carbon footprint for 2021–22 was 783,000t CO<sub>2</sub>-e (Scope 1, 2 and 3). Scope 1 and Scope 2 emissions include purchased electricity, fuel combustion and fugitive emissions, and Scope 3 are emissions in the supply chain. Electricity emissions associated with bulk water supply from WaterNSW decreased by nearly 50,000t CO<sub>2</sub>-e from 2019–20 to 2020–21 and were similar in 2021–22. Capital expenditure increased significantly from 2020–21 to 2021–22, being the main driver of the increase in the capital activity components of the carbon footprint, and indeed the main change responsible for the overall increase in the carbon footprint.

We are working to reduce the carbon emissions per dollar of capital expenditure, such as looking at products with greater recycled content, such as concrete, and working with our suppliers to reduce their emissions.

## Future plans to reduce carbon emissions

- Change our electricity procurement strategy to deliver lower cost and seek zero emission power
- Reduce our internal emissions through energy-efficiency projects and increased renewable energy production (see Malabar Gas to Grid partnership case study)
- We are working with our suppliers to ensure we reach our net zero carbon ambition by 2040. Sydney Water's expectations around carbon emissions, air pollution, and waste generation are detailed in our *Supplier Code of Conduct*
- The Greenhouse Gas Estimation Tool has been rolled out to be used for projects during design and delivery. The carbon emissions can be assessed and opportunities to reduce emission identified. This tool development will continue in the 2024 financial year for use in the planning phase of projects.

For more information, including a breakdown of our emissions, please see the latest *Sydney Water Annual Environmental Performance Report* on the Sydney Water website. Results are not yet validated through the National Greenhouse and Energy Reporting scheme.

# Climate adaptation

We are planning and investing prudently to ensure we can maintain service levels by managing our climate risk.

Climate change is leading to more extreme, frequent, and compounding weather events. Sydney Water's services and potential environmental impacts are interlinked with the prevailing climate. In 2022–23, our services and performance were affected by higher-than-average rainfall and unusual “triple La Niña” climate activity. Sydney Water continues to adopt new methodologies to adapt to climate change, enabling us to be prepared in the face of a variable climate.

In 2022, Sydney Water formally adopted a position statement: That we will plan and invest prudently to ensure we can maintain service levels by managing our climate risk.

We used to use historical data and experiences as the basis of how to operate, plan and maintain our systems and services. But the frequency and severity of natural hazards that our services are exposed to (bushfires, storms, floods, heat waves, droughts, and a rising sea level) is changing directly related to emitted carbon. Sydney Water has committed to plan, design and build for a future climate aligned to current global emission pledges. We will also ensure adaptive pathways for our services if emissions reductions are not realised.

Our new approach is important for more than just individual assets. The climate can impact our products, our systems, our people, and our processes. We have developed a new guidebook to help improve the way we adapt. We have a quick-check tool to help teams assess their exposure to climate change impacts and whether they need to act. Our new framework helps high criticality/exposed projects go into detail facilitating climate data, consequences, and adaptations to be built into existing risk management.

Our approach will inform a roadmap for balancing operating and capital costs. We will protect value for our customers by considering whole of lifecycle costs, ensuring future adaptive capacity without over-capitalising. Climate resilience will be built into key decision points in existing programs and contribute to general system resilience.

Climate resilience is about improving the way we think. We seek to use the right level of detail, and balance inherent uncertainty of climate information with the benefits of being prepared. We use the best available climate data and fit for purpose tools. We continue to use the Cross Dependency Initiative (XDI) geo-spatial climate risk application to provide forecast risk to parts of our asset base. New tools will be embedded into our planning and asset management practices to ensure we are planning for a plausible future climate, not a past climate.

## Water quality

Major floods impacted our raw water sources in July 2022, significantly changing raw water quality and challenging our water filtration plants. We continued to supply clean, safe, drinking water through extreme weather events, meeting the Australian Drinking Water Guidelines and maintaining services to our customers. Importantly, our drinking water systems achieved full compliance with the Australian Drinking Water Guidelines' long-term health and aesthetic parameters in 2022–23.

Wastewater quality results for the 12 months to June 2023 showed more favourable results for most components compared to the same time last year despite continuing challenges associated with the impact of extreme weather events, and increased loads on our treatment systems and networks (due to population growth and more customers working from home) which impact the performance of our treatment plants.

Extreme weather events over the past year have also impacted properties experiencing multiple internal overflows. Our renewed Environmental Performance Improvement Program is gaining momentum and is primarily focused on improving our wastewater product/service performance. Continual improvements around managing our environmental impact on waterways are expected and trending in the right direction.



# Water conservation

We need to make the most of every drop.



**\$17 million**  
spent on leak  
management programs



**134 million**  
litres a day  
(leakage)



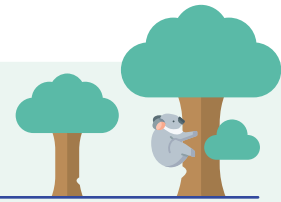
**11,912 million**  
litres of drinking water  
saved through use of  
recycled water

One of the key principles from the Greater Sydney Water Strategy is the need to use what we have better. This makes our drinking water supply go further and can delay the timing of investment in new large-scale drinking water supply sources such as dams and desalination.

In 2022–23, Sydney Water’s water conservation program delivered 1485 ML of water savings through established and pilot projects targeted at residential and non-residential customers. Overall, the program exceeded its annual target and was within the planned budget.

Sydney Water’s estimated water leakage increased compared with 2021-22, due to higher leakage in the period July to December 2022. Leakage improved in the second half of the year, returning to long-term background levels and within the level of leakage considered economic under Sydney Water’s Operating Licence. Sydney Water’s leakage is within the top band of the International Leakage Index and compares well against other developed countries. By world standards, Sydney Water rates in the top 10% of water utilities for managing water losses. However, we know that leakage is important to our customers and there is further work to do.

## All creatures great and small benefit from water conservation



Taronga Zoo's eucalyptus plantation is now cared for with recycled water thanks to our Richmond Water Recycling Plant.

We can supply up to 55 kilolitres of recycled water a day to maintain the newly planted Eucalyptus trees. It takes around a thousand trees to provide enough food for each koala – and the zoo has 19 of them!

Using recycled water provides a rainfall-independent supply of water for irrigation and reduces Taronga Zoo's water bills. The recycled water drawn from the Richmond Water Recycling Plant is also utilised by Richmond Golf Course and the Western Sydney University's Hawkesbury Campus.

### Future plans to conserve water

- Sydney Water's leak management plan for 2023–24 includes:
  - improved targeting of pro-active leak detection work
  - improving the tools used for pro-active leak detection work
  - automation of leakage estimates at local system levels, allowing for more speedy and targeted responses
- Sydney Water's recycled water production target for 2023–24 is 42 gigalitres across our schemes. Sydney Water is committed to managing recycled water quality and ensuring protection of public health through all recycled water schemes.
- Sydney Water has ongoing community awareness and education programs focussing on water literacy and conservation. This includes community engagement teams as well as TV, social, and public relations campaigns with a focus on reaching culturally and linguistically diverse customers.
- Innovation continues with more trials of recycled water, research partnerships, smart shower technologies, irrigation trials, and improving data and analytics.

The Greater Sydney Water Strategy directs Sydney Water to 'develop and maintain a detailed five-year water efficiency plan consistent with the long-term water efficiency goals for Sydney to save 38 GL/year of drinking water by 2030 and 49 GL/year by 2040'.

More detailed information on how we are pursuing that target and our current water conservation measures is available in our *Water Conservation Report 2022–23*.





# Asset management

We deliver world-class products and services to our city and are champions for the environment, public health and resilience. Sydney Water has an AS 55000 certified asset management system, that directly links management of, and investment in its assets to customer outcomes.

Our Service Excellence program is transforming our asset management capabilities to provide an even better trade-off cost to customers, with water and environment outcomes, at an acceptable level of risk.

The performance of water and wastewater treatment plants and network facilities remained stable with minor improvements in 2022–23 compared to previous years. The forecast for 2023–24 is an improvement in performance due to an increase in investment in poorer performing areas:

- Customer outcomes were underpinned by stable service results overall in 2022–23.
- Wastewater compliance is stable and starting to demonstrate improving underlying trends.
- Asset-class performance has remained mostly stable or improved compared to last year.
- Investment in and effective delivery of maintenance and renewals is being increasingly pinpointed at a granular asset level to deliver more effective performance outcomes within budget forecasts.
- Water system capacity and compliance meet requirements, but treatment capability remains negatively impacted by raw water quality.
- Wastewater systems remain impacted by poor weather and compliance target changes in 2019–20 and 2020–21.
- Wet weather in 2022–23 continued to impact asset and service performance, work delivery timelines, and prioritisation of resources towards emergency repairs instead of planned work. The 2023–24 forecasted upcoming dry period will assist favourably in reducing wet weather-related non-compliances but is requiring an active change in focus to manage associated challenges such as leaks and breaks, and dry weather overflows. This is being factored into the maintenance budgeting process.
- Sustained improvement in underlying asset-management practices and system through Service Excellence provides a sound base for forecast improvement in risk levels in the coming years.





## Heritage delegation actions

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.

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.

### Decisions made under the Heritage Council of NSW delegation, 2022–23

Site	Work completed
<b>Decision approved under section 63</b>	
Crown Street Reservoir and Site	Conservation of the stone and wrought iron boundary fence
Ryde Pumping Station and Site	Two new emergency escape doors and new entry to archives area
Prospect Reservoir and Site	Temporary pop-up swimming pool
Centennial Park Reservoir No. 1	Construction of a temporary works compound
Woollahra Reservoir	Painting Pride colours on section of reservoir



# High performance culture

# High performance culture

We deliver results together focusing on safety, inclusion, innovation and accountability.

Goals	Measures	Target 22-23	Actual 2023	Status	Comment	Achievements and opportunities
<b>Transform our culture to enable our Strategy</b>	TRIFR (Employees and Contractors)	≤ 5	5	✓	Improving with our continued focus on Safety. Combined TRIFR is meeting the target	<ul style="list-style-type: none"> <li>Continued activities to provide the foundations for supporting our people including Better Safer Together Plan, Culture Roadmap, Reconciliation Action Plan, Diversity, Equity, Inclusion and Belonging Plan, Learning and Development Plan, Workforce Plan, Process Maturity Plan</li> <li>Launched our refreshed ethical framework 'The very human story of Sydney Water'</li> <li>Provided our people with safety and compliance training, including workplace psychosocial hazard awareness training</li> <li>Thrive Program underway including Hub and Spoke optimisation, delivering a new workplace model to suit hybrid working and enable a cultural transformation</li> </ul>
	Behaviour index	74%	77%	✓	Target achieved with improving trends.	
	Diversity index	74%	80%	✓		
<b>Enhance the user experience, capability and security of digital ecosystem for the benefit of our people, assets, customers and the city</b>	Measures being developed for 2023–24					
<b>What's to come:</b>						
<ul style="list-style-type: none"> <li>People Experience Program – Transformation of Sydney Water's Human Capital Management (HCM) systems and capabilities</li> </ul>						

## We're taking a fresh approach to managing our people

A refresh of our enterprise strategy following COVID-19 has led to a rethink of our approach to caring for our people at Sydney Water.

To realise the strategic objectives defined in the High-Performance Culture and Successful and Innovative Business pillars of our strategy, we need to build a responsive and adaptive approach aligned to the needs of both our people and our business.

To achieve this, we have developed the People Experience Program (PxP).

Our PxP ambition is a new human capital management ecosystem that will transform our people experience through:

- simplified people processes that are intuitive and, where possible, automated
- deployment of smart tools that are simple to use while interpreting and applying our policies on the go
- anywhere, anytime access that suits the needs of various work styles across our organisation
- insight-led decisions for transparent performance and outcomes.

Over 2022–23, we have built a strong business case for a software partner to work with us on these objectives.

We will engage our business to bring this ambition to life in 2023–24.

### Development starts early

The Australian Association of Graduate Employers has recognised Sydney Water for a third consecutive year as a Top Graduate Employer. Our Early Talent groups provide career pathways with a specific focus on Women in STEM and First Nations candidates.

In late 2022, we welcomed our First Nation traineeship cohort, with five trainees commencing their studies in a variety of disciplines while gaining hands-on experience.

In early 2023, we welcomed our first intern as part of the Cyber Academy Program, a joint initiative between industry, education and government.

## Diversity and inclusion

Sydney Water is strongly committed to diversity and inclusion, which aligns with our value system and makes economic sense.

Our organisation's effort and passion for making a difference in this area has lifted our Diversity Index in 2022–23 to 81 per cent from 74.3 per cent a year earlier and well above our 74 per cent target.

To ensure our work in this area is best practice, we are expanding our diversity and inclusion focus to include equity and belonging as we work to create equity and drive an inclusive culture.

As part of our work to create equity and drive a culture of belonging, we have created a 2023–2025 Diversity, Equity, Inclusion and Belonging (DEIB) Action plan.

DEIB is a response to a number of social and demographic changes:

- the adverse impacts of racism, sexism and ageism on society, the workplace and the economy
- adapting to a hybrid work environment following COVID, which left women financially worse off than men
- increased awareness of mental health, employee wellbeing and the importance of psychological safety
- greater awareness of the impact of social inclusion and community on health, wellness, the economy and profitability.

We are also revamping our quarterly Diversity Index. The index formerly measured gender, gender pay gap, First Nations, cultural and linguistically diverse communities, people with disability and age-profile representation. From 1 July 2024, Sydney Water will shift the focus of the index to five areas:

- First Nations Employees
- Disability and Neurodiversity
- Combined Diversity in Leadership
- Women in Science, Technology, Engineering and Mathematics (STEM)
- Women in Leadership roles.

## Advancement of women

We've continued our focus on gender equality throughout the year, with International Women's Day providing a great example. Sydney Water challenged the status quo by asking everyone to participate in activities to break the gender code with a clear message that it is not one person, one community or one team; we all have a role to play in influencing and impacting a gender-equal future.

The Diversity, Equity Inclusion and Belonging team organised design sprints across the organisation on practical ways to advance gender equality in our daily working lives. More than 250 employees and contractors participated across seven Sydney Water locations. We've also relaunched our Women of Water (WoW) Network, an employee-led group focused on achieving successful outcomes for women and those who support them and established a Women of Water (WoW) Organising Committee at Sydney Water to contribute to increasing gender balance within workforce representation.

WoW Organising Committee activities this year include:

- a pilot experience day for 23 school-aged girls interested in trade careers and STEM roles. The experience day included a showcase of our leak-detection dogs, a robotics demonstration and a panel of WoW Network members who shared their career experiences.

- a donation drive collecting work clothes and accessories for registered charity Dress for Success. This charity focuses on improving employment opportunities for vulnerable women in the community through donations of professional clothing, support networks, coaching and career development.

We are also maximising outcomes through memberships with organisations such as the National Association of Women in Operations. We will continue our commitment to gender diversity through community events and activities that support an equitable and gender-balanced society.

## People with disability and neurodiversity

Sydney Water undertook a recruitment review through a partnership with Job Access, to identify and understand improvement opportunities through a disability lens. Sydney Water continues the journey to improve and build on being an inclusive organisation to achieve the vision to create a better life with world class water services. Significant dates such as International Day of People with Disability, Carers Week, Neurodiversity Celebration Week and Global Accessibility Awareness Day were recognised and celebrated in many ways.

Listening circles (focus groups) were held during the year to understand opportunities to improve. As a result, an employee-led network focused on People with Disability or Neurodiversity will launch in 2024.

In March, as we celebrated 135 years of Sydney Water, I launched *The very human story of Sydney Water*, a book that sets out our moral compass for the decisions we make and the way we conduct ourselves at work. It is the story of who we are and what we stand for. Reading through the stories in the book, our shared commitments and non-negotiables, was an opportunity to reflect on the legacy we are collectively leaving for the next generation.

Roch Cheroux  
Managing Director





## Pride Network

Sydney Water was the Official Water Partner for WorldPride, with our rainbow-branded drinking water stations providing hydration to attendees at events across Sydney.

The Pride Network planned and delivered many initiatives during WorldPride, including the successful painting of a progress pride flag mural on the Woollahra Reservoir. Additionally, as a demonstration of commitment to LGBTQIA+ inclusion, our Pride Network volunteers coordinated Sydney Water’s presence at Mardi Gras Fair Day.

Sydney Water is formally committed to taking part in the Australian Workplace Equality Index (AWEI) survey and benchmarking process over the coming year. The AWEI is a national benchmarking and measure of performance in LGBTQIA+ inclusion. We have joined Pride in Diversity, which provides tools and resources to assist with the AWEI process.

The Sydney Water Pride Network continues to grow, and the Pride Committee has initiatives planned over the coming year that help improve life for our employees, families, communities and customers.

## Ethical Framework

As a State-owned Corporation, we hold ourselves to the highest standards when it comes to ethics. We model best practice in our decisions and actions. Building on already established Sydney Water values, our Ethics Framework, updated in 2022–23, involves a broader approach with zero tolerance for fraud and corruption, embeds integrity into our organisational values and includes an ethics and integrity checklist. Our innovative ethical framework aligns with current best practice; it is the fusion of our why, what and how, as an organisation. Our culture reflects our Ethical Framework – a culture where every single one of us strives to create a better life for others by living our values and our behaviours and delivering our strategic outcomes for our customers and communities.



# First Nations

Sydney Water is committed to deep listening and learning from First Nations people as the first engineers of water and natural resources in Australia. Our Reconciliation Action Plan has delivered important initiatives over the past year:

- Over 40 per cent of our 3200 people have completed First Nations Cultural Awareness training, non-mandatory training program that our people choose to do on top of their day job.
- We developed First Nations-designed personal protective equipment (PPE) for our people to demonstrate our commitment to reconciliation. The story of the art is “Here, there, everywhere – belonging” which represents our holistic approach to reconciliation, our desire to bring everyone on the journey and connect our people to Country.
- We embedded meaningful Acknowledgements of Country in our connections to help us understand the importance and history of the lands and water on which we meet.
- We embedded respecting, recognising, and celebrating key events such as National Sorry Day, National Reconciliation Week and NAIDOC week.
- We formed a partnership with the Indigenous Chamber of Commerce (ICC) to enable success in advancing in reconciliation.
- Our First Nations traineeships are well underway. The traineeships grow First Nations talent pools through entry-level roles which provide on-the-job training.
- Our First Nations Employee-led Network builds a sense of community and provides a safe forum for discussing workplace challenges and opportunities.
- Our Aboriginal Procurement Participation Plan details our commitment to providing employment opportunities to increase skills and economic participation for Aboriginal and Torres Strait Islander communities and businesses.

## Preserving ancient art at Bondi

Sydney Water is preserving a piece of First Nations history while undertaking a multi-million-dollar upgrade to our Bondi Water Resource Recovery Facility.

We have committed to safeguarding 2000-year-old Aboriginal rock carvings nearby at North Bondi, which are thought to be the first known depiction of a shark attack.

The Bondi facility provides wastewater services to 750,000 people in Sydney. The upgrades will help us cater for growing demand.



# Safety, Health and Wellbeing

Through our Safety, Health and Wellbeing Team, Health and Safety Representatives and Wellbeing Champions, Sydney Water's Better Safer Together plan goes from strength to strength.

We continue to deliver on our *Better Safer Together* plan to prevent serious injuries to our people and maintain our combined TRIFR target of  $\leq 5.0$  whilst improving our safety maturity. In line with this commitment, we report the following ongoing improvement initiatives:

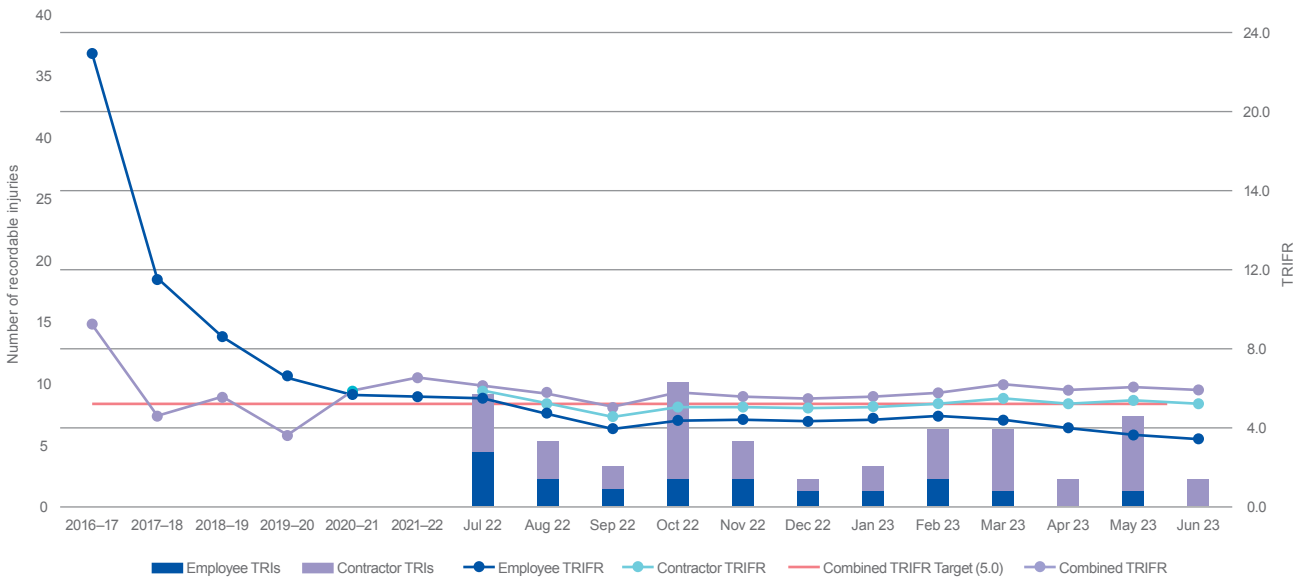
- The enactment of our Psychological Health Management Plan which contains strategic programs and initiatives to improve employee psychological health. We have trained more than 350 of our People Leaders in identifying and managing psychosocial safety hazards as well as implementing appropriate control measures.
- Psychosocial Hazard Risk Assessments (using the People at Work measurement tool) are being conducted across Sydney Water teams using a risk-based priority approach.
- The development and roll-out of our Visible Safety Leadership program for internal deployment to leaders of hazardous work at Sydney Water. The program will introduce Behavioural Safety Interactions for our leaders to conduct with frontline employees.
- We are rolling out minimum requirements for high-risk work as part of the continuous improvement of our critical control standards.
- Audiometric testing of our frontline employees will be a focus of our upcoming injury prevention plan.

A sustained focus on improving safety, health and wellbeing has led to significant achievements:

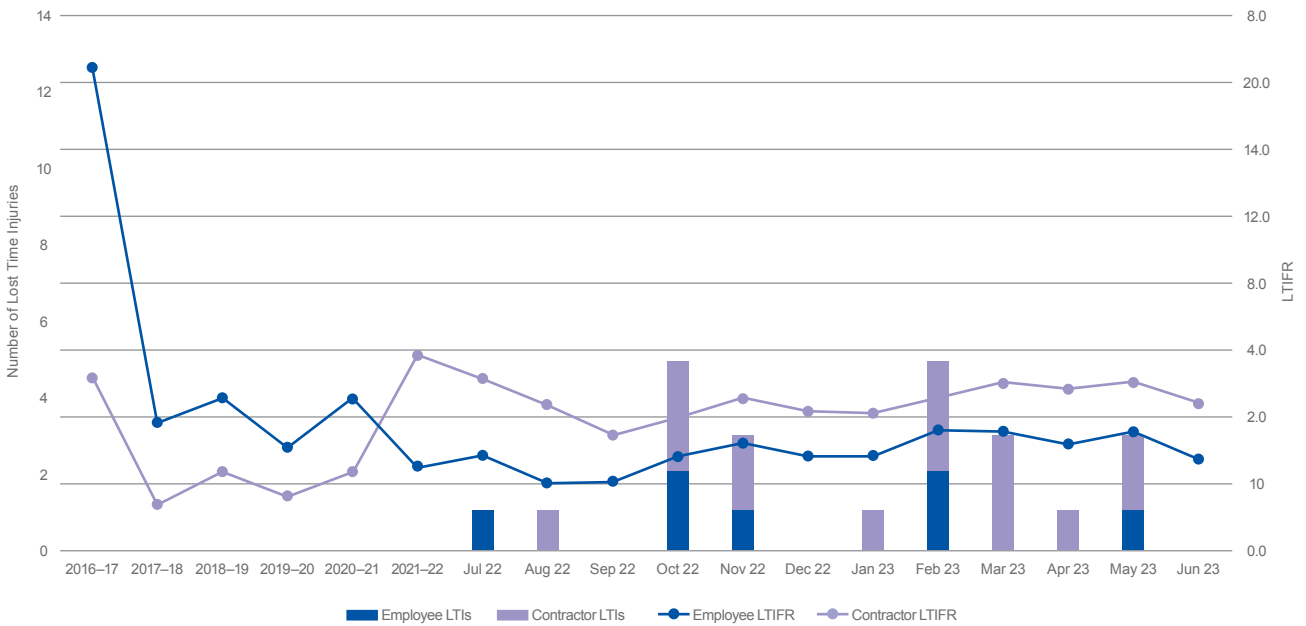
- Sydney Water recorded an end of financial year Total Recordable Injury Frequency Rate (TRIFR) of 3.3 (excluding contractors), well below the target of  $\leq 5.0$  and the lowest TRIFR ever for a full financial year.
- Over the last five years, Sydney Water has seen a year-on-year reduction of its TRIFR from 8.8 to 3.3 (a 63 per cent improvement) which represents a significant reduction in the number of recordable injuries.
- Compared to last financial year, there has been a 39 per cent reduction in the annual total of recordable injuries for Sydney Water employees (from 28 in 2021–22 to 17 in 2022–23). This has largely been driven by an extra commitment to the early prevention program of *PhysioCare* (our onsite physiotherapy program) and our manual handling injury prevention strategies.
- The Lost Time Injury Frequency Rate (LTIFR) has slightly increased for Sydney Water at 1.4 at the end of 2022–23 compared to 1.2 at the end of 2021–22.
- The combined TRIFR (including contractors) ended the year at 5.0, meeting the target of  $\leq 5.0$ . Sydney Water continues to collaborate with our delivery partners to maintain performance through shared lessons learnt and best practice to bring the contractor TRIFR under 5.0.
- As part of our Wellbeing Program, our people have access to a Fitness Passport. This is a subsidy towards membership fees for over 700 health and fitness facilities including gyms and pools, and the number of Sydney Water members is up 24.6 per cent from 2021–22.
- More than 680 employees participated in the Flu Vaccination Program, receiving their vaccine at either a Sydney Water location or another authorised location.
- Our employee survey showed our employees feel psychologically safe to speak up about safety. Ninety-four per cent said that they would feel confident to stop any task believed to be unsafe and 93 per cent suggested the action would be well regarded by their manager/supervisor.



## TRIFR for employees and contractors, seven years to 30 June 2023



## LTIFR for employees and contractors, seven years to 30 June 2023



### Notes:

- TRIFR is the number of recordable injuries per million hours worked. The total recordable injuries (TRI) include lost time injuries (LTI) and medical treatment injuries (MTI)
- 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 full 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.



# Safety Month Improvement Competition

At Sydney Water, we champion fresh ideas to make work safer for all.

Safety is everyone's responsibility. This year, Sydney Water's people and partners exceeded the expectations of organisers of the 2023 Safety Month Improvement Competition with some brilliant improvement ideas submitted to help target key safety risks to employees.

A panel of subject matter experts, including health and safety representatives, past competition winners and senior leaders assessed the entries which addressed one of the following areas:

- ✓ safe excavation
- ✓ risk of falls
- ✓ road and vehicle safety
- ✓ working safely near overhead services
- ✓ hand safety
- ✓ psychosocial hazards.

The three winners will continue to work with the relevant business areas to investigate how and where their ideas can be implemented across Sydney Water.

# Winning ways

The three winning entries for 2023 were:



## Scaffolding Solution: Safety Retrieval Beam

Rock Idugboe, HSEQ Supervisor with partnering company, Guidera O'Connor Pty Ltd.

Within the Sydney Science Park Project, multiple large concrete and steel structures were built during construction. A critical component of working with these structures was the development of project capability to conduct a rescue safely if required. The solution developed eliminated the need to manually manoeuvre a person up numerous flights of stairs or to use a mobile crane in a rescue situation. Patients could be raised by winch from inside the tank and moved over the tank wall before being lowered in a controlled manner to emergency services personnel.



## Single Use Anchor Points Fall Prevention System

West Region Delivery team

The West Region Delivery team developed a suite of temporary fall prevention practices for carrying out work on Sydney Water assets where fall prevention controls can be challenging to implement. The following innovative ideas were successfully trialled and shown to improve both safety and efficiency:

- vehicle temporary anchor points
- steel stairs reservoir anchor point
- steel landing on reservoir anchor point
- penstock anchor point.



## Site Virtual Tour

Rez Kharaghani, Senior Project Manager

Site Virtual Tour is a desktop platform that uses 360-degree photos to allow users to 'walk' around a site. The virtual tour format is designed to help remote teams understand key site hazards and incorporate safe design into new projects and construction plans. It enables project teams to enter restricted areas virtually and reduces onsite foot traffic.





## Rest, recharge and regroup

Virtual physiotherapy sessions kept our people feeling their best whether in the field or in the office.

Our annual Summer of Safety campaign asked our people to consider how they would recharge safely over the holiday break. Whether taking leave or working through Christmas and New Year, it was important that everyone found a way to “rest, recharge and regroup” over summer.

The popular program included online sessions with nutritionists, psychologists and physiotherapists. The two virtual physio sessions run by BodyCare (one aimed at field-based employees and one for office-based employees) were each attended by more 130 people.

The aim of each session was to keep our bodies in good working order and ensure our working environment and vehicle ergonomics were in check. Participants learned how to do simple stretches and exercises, including meditation and breathing exercises. Videos of each session were made available online, along with other exercising and stretching resources.

# Digital technology

We improve our services to our customers through leveraging technology – everything from water and wastewater treatment to system management and customer interactions.

We leverage technology to improve outcomes for our customers.

Our use of innovative technologies like Internet of Things (IoT) can improve environmental outcomes for our customers. IoT technology is used to detect emerging issues and predict service faults. Over the past few years, we've expanded our use of IoT technology, which feeds live data from level sensors from our wastewater networks to the field so that we can in near-real time mitigate potential wastewater events.

Our ultimate goal is to prevent issues before they happen, and we have expanded our industry-leading deployment of wastewater-blockage level sensors. These level sensors have detected 500 blockages over the past few years. The total number of level sensors installed so far is 12,000 and we're working to lift the total to 26,000 in 2023–24.

Virtual models help us manage our system operations and reduce impacts to our customers during incidents. These models are also used to prove the value of priority business cases, delivering valuable insights by monitoring and simulating our assets and systems in real time. Through the use of modelling and trusted data we have been uplifting our ability to understand network operations and conditions that lead to leaks and breaks.

With our partners we use Building Information Models (BIM) to enhance our capital planning processes as we plan out our assets for the future in service to our current and future customers.

Digitising our equipment can help save water and money. We are installing digital meters at our water resource-recovery plants and rolling out smart standpipes – a temporary link to water mains – to measure our water use in the field. We are exploring improved demand forecasting through digital customer meters, which can also help our customers better track their own water use.

We use Supervisory Control and Data Acquisition (SCADA) Systems at our 33 water and wastewater

treatment facilities to automate, control and monitor treatment operations. Our SCADA system is made up of instrumentation, control equipment, local and wide area communication networks, programmable logic controllers, workstations and servers and SCADA application software.

We are embedding our SCADA technology into future treatment services and enabling a smart city in our Western Sydney precinct.

## Delivering for the future

Digital capability is key to the success of our Long Term Capital and Operational Plan. Advances in the size, speed, intelligence and applications of digital technologies will provide new opportunities for us and our customers.

These advances will influence the way we deliver our services, improving customer outcomes. However, they have the potential for greater cyber-security risk. We are investing in cyber security now to ensure our systems and information are secure in the future.

Our physical and digital assets will unlock improvements across water conservation, leakage reduction, operational efficiencies, and recycling. Significant upgrades are also required across our systems to enable automation, which will see a positive shift in our workforce capabilities and skills.

Digitalisation will support a shift in customer advocacy and engagement, enabling a better customer experience, bill affordability and promoting us to be a partner of choice. Smart sensors and data will empower our customers with more accurate insights and greater control over their water use and service visibility. We are also on the pathway to transform into an intelligent asset business where our assets will inform us in near-real-time of their performance and adjust accordingly providing better services to our customers.



# Successful and innovative business

# Successful and innovative business

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

Goals	Measures	Target 22-23	Actual 2023	Status	Comment
<b>Ensure Sydney Water is a successful and commercially focused business</b>	EBITDA	\$1,444m	\$1,389m (-3.8%)	⊖	Unfavourable largely due to higher bulk water and service contractor costs
	Return on Invested Capital (core)	4.9%	4.9%	✓	Target achieved. Improved from 4.7% last year
<b>Contribute to the State's economic recovery through the investment in and delivery of our capital infrastructure program and embed innovative ways of working</b>	Innovation Effectiveness Index – reference innovation update	6.4	6.4	✓	Annual update in Sept 2022 – showed a moderate improvement from 6.3

## Achievements and opportunities

- Continue activities to ensure Sydney Water is a successful and commercially focused business and undertake planning to identify medium and long-term sustainable efficiencies to improve our business to deliver value for customers and shareholders
- Developed our Long Term Capital and Operational Plan
- Exhibited proposed water infrastructure contribution prices
- Embedded Business Experience Platform ways of working
- Continued initiatives to empower a culture of innovation, including our Innovation Festival and progressed our Innovation & Research Deployment Plan
- Trialled Internet of Things (IoT) devices to solve business problems and improve customer experience
- Developed Data and Analytics Foundation to enhance our ability to understand business performance system-wide
- Implemented our Aboriginal Procurement Participation Plan
- Continued to forge strong partnership with our Regional Development Consortia and mature the Partnering for success program
- Held inaugural Supply Chain and Recruitment Expo Nov 2022
- Delivered protective security and emergency uplift program to enable the business to continue to manage challenges such as cyber security.

## What's to come:

- Enhance our Enterprise Planning approach and develop our Price Proposal for 2025–2030
- Deliver roadmap to integrate, rationalise and simplify management systems into one management system (1MS)
- Implement future-proofed digital cloud foundations
- Increase the use of data and digital technology to help improve business efficiency and customer experience, including transitioning to smart digital meters
- Embed and continuously improve program and project governance and plan for scale-up the business to deliver increased future Investment program.



# Research and innovation

We invest in research, innovation and new technologies to deliver better and more resilient services to all our customers.

The award-winning research and innovation (R&I) programs from Sydney Water help to raise decision-making effectiveness, efficiency, and quality. The programs also offer effective risk mitigation and corporate planning across the entire business.

## The key R&I priority areas are:

- ✓ new products and services
- ✓ open innovation
- ✓ capability building
- ✓ sustainable smart cities
- ✓ circular economy and resource recovery
- ✓ reliable and resilient water supply
- ✓ healthy waterways and environment
- ✓ asset and operations
- ✓ horizon scanning
- ✓ pilots and technology trials.

The Innovation, Research and Deployment Plan has now been in place for 18 months. Substantial progress has been made over the past 12 months and as we move forward to mature our alignment and prioritisation of resources across the organisation, we will capture and extend the benefits of the investment into research and innovation. 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.



Progress has been made on the delivery of the Innovation, Research and Deployment Plan with key achievements:

- helping the business to save money and reduce risks
- developed and implemented our updated Innovation Effectiveness Index score to measure our progress with an increase score from 6.3 to 6.4
- delivered the Sydney Water Innovation Festival 2022
- stronger partnerships with universities and research partners, achieving leverage co-funding of \$3.30 for every Sydney Water \$1.

In 2023, Sydney Water was awarded the Australian Water Association's NSW R&D Excellence Award for Collaborative Research Project for NOM Reduction Through Catalytic Advanced Oxidation and was also shortlisted finalist in Ozwater'23. Sydney Water and Infinite Water designed a test plant to simulate the effectiveness of the Hydroxon system within Sydney Water's Water Filtration process. Hydroxon is Infinite Water's proprietary process that generates Hydroxyl radicals in situ when suitably conditioned water is brought into contact with the solid phase catalyst.



## SYDNEY WATER WAS SHORTLISTED FOR 2023 AWARD FINALIST AWA NSW FOR THE FOLLOWING AWARDS:

### R&D Excellence Award

- Innovative Management of Sewer Pressure Main Performance – Sydney Water, The University of Technology Sydney and The University of Sydney
- Collaborative Research Project for NOM Reduction Through Catalytic Advanced Oxidation – Infinite Water and Sydney Water

### Organisational Excellence Award

- Partnering for Success – Sydney Water with Contributing Organisations
- Integrated Work Programs for Extreme Events'

### Infrastructure Project Innovation Award (Metro)

- Johnstons Creek Naturalisation – Sydney Water, Thompson Berrill Landscape Design and Diona
- PopRock – Arup, Sydney Water and Aurecon
- Sydney Water Geospatial Risk Analysis Model – Aurecon, Sydney Water and Arup
- Thinking Outside the Box (Culvert): the Innovative Repair of a Culvert at Penrith WRP – Interflow, Sydney Water and Jacobs

### Water Professional

- Dr Peter Cox, Water Quality Lead, Sydney Water

### 3 CUSTOMERS, OPERATIONS AND PERFORMANCE

Research and Innovation Principal Scientist Treatment, Heri Bustamante, won a Research Fellowship to City University London for his work implementing photonic sensors for real-time monitoring of the structural condition of pumping station. The work helps predict major failures like the Northmead collapse before they happen.

In 2022–23, we invested \$8.02 million across a range of research and innovation 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 2022–23, we invested \$942,000 into a diversified portfolio of projects aimed at reducing water consumption in households, businesses, and councils, and across our networks.

#### R&I investments in 2022–23

Project name	Collaborator/s	Investment <sup>10</sup> 2022–23 (\$)
Development of new methodologies for assessing the health of deep ocean outfalls	University of Technology Sydney	177,958
Leo Truck	HunterH2O	23,551
Western Sydney Wetlands Project	E2D	278,861
Solar Hydrogen	n/a	19,435
Assessment of the use of recycled water for irrigation of urban green spaces in Western Sydney	Western Sydney University, Macquarie University	171,741
Value added products biosolids	University of NSW	16,084
Pressurised pipe robotic sensing phase 2	University of Technology Sydney	498,016
Operationalisation of the Intelligent Sewer Tools	University of Technology Sydney	118,072
Implementation of new technologies and methodologies for the development of future Wet Weather Overflow Monitoring Program	CSIRO, University of New South Wales, Macquarie University, University of Melbourne	1,554,684
Hawkesbury Nepean South Creek Fast Modelling	University of Western Australia, Eco Logical Australia Pty Ltd, Aurecon Australiasia Pty Ltd, BMT Commercial Australia Pty Ltd	1,624,425
API Gateway/Rancher Upgrade	n/a	1,577,410
Quantum Sensing	Nomads Atomic	384,008
Dark Fibre	Terra15	381,102
Understanding Sewer Riser Main Failures	University of Technology Sydney	138,944
WRS-7028 Sewermain CCTV MVP project	n/a	142,131
Riverwatch	University of Melbourne	26,000
Thermal Comfort Index	The University of Sydney, CRC Smartsat	116,896
Photonic Sensors	University of NSW	37,286
Sensors to determine free ammonia in water distribution systems	University of NSW	104,487
SIMPacT	Western Sydney University	550,627
Predictive modelling of tree root intrusion of sewerage infrastructure in the Greater Sydney Region	Macquarie University, BoM	80,330
<b>Total</b>		<b>8,022,048</b>

<sup>10</sup> The information included is based on cost estimates at 30 June 2023 and may be subject to change.



# Innovation Festival

For a second year, Sydney collaborated with Northumbrian Water Group to bring the Innovation Festival to Australia and share ideas from around the globe.

The Sydney Water Innovation Festival brings together the best and brightest minds to connect, collaborate and innovate to solve the biggest challenges and opportunities in the water industry.

The second Sydney Water Innovation Festival was held in November 2022. More than 800 attendees from 281 different organisations in 22 countries were inspired by the opening keynote address from Stan Grant which left the audience with a deep appreciation for how connection to Country cannot be broken. The festival continued with fireside chats, 'tech tanks' and thought-provoking panel sessions on circular economy, water resilience, and waterway health. Seventy people also participated in six design sprints including the Customer Experience (Cx) data sprint which generated water-use behavioural insights on seasonal, demographic and other factors contributing to water consumption that could be used to better target water efficiency campaigns.



**23**

sessions over  
five action-packed days



**21**

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## FUTURE PLANS

The Sydney Water Innovation Festival will become a biennial event, next held in 2024.



# Supply Chain and Recruitment Expo

Enabling partnerships and innovation to transform the industry

Over 1000 delegates across industry sectors came together for the inaugural Sydney Water Supply Chain and Recruitment Expo at Accor Stadium in November 2022.

A global panel of experts led by Steve Brogan, Chief of Policy and Research, Infrastructure Australia, discussed the latest supply chain advances, alongside challenges and opportunities post-COVID. Steve presented the results of his organisation's second Market Capacity Report which explored 10 critical market capacity pressures that create unprecedented uncertainty, along with recommendations for managing capacity constraints including proactive demand management, expansion of market supply through recycled alternatives, and improving construction productivity.

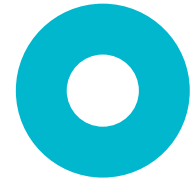
Twelve breakout sessions on various important infrastructure delivery topics were held throughout the day. One hundred exhibitors, including Sydney Water and its regional delivery consortia and major partners, showcased their projects and capabilities and took the opportunity to recruit talent. This will help enable the industry to deliver the NSW Government's long-term infrastructure delivery plan and meet the needs of our growing city.

Sydney Water Managing Director Roch Cheroux highlighted the importance of innovation, collaboration and transformation to boost productivity and innovation – and help support deliverability of critical works in the coming years.

Industry players, large and small, established stronger connections at the Expo – which will help enable partnerships and innovation to transform the industry and ensure future success.

The next Supply Chain Expo will be held in early 2024.

# Partnering for Success (P4S)



Our game-changing partnership model continues to respond to industry challenges.

The Australian Government's 2020–21 budget allocated a record \$225 billion in infrastructure investment over 2023–24. Yet the supply chain is facing increasing market capacity and capability pressure, alongside resource scarcity caused by severe global supply chain disruption. Sydney Water's Partnering for Success (P4S) program – an industry game-changer – responds to these challenges to deliver a 10-year pipeline of projects for Greater Sydney's growth.

P4S is the largest infrastructure delivery partnership by a water utility in Australia with four 10-year agreements with 14 of the world's largest professional services and construction firms. P4S is delivering nearly \$8 billion of infrastructure between 2020–2030. P4S enabled significant ramp-up in resourcing to deliver \$1 billion in investments in 2022, nearly tripling annual investment from \$400 million in 2019.

Sydney Water sought global best practices to develop P4S, becoming the first Australian company to adopt Project 13 Principles and the New Engineering Contract 4 (NEC4) contract management suite. Under P4S, Sydney Water enabled a shift towards a more collaborative business model, setting an award-winning example for public-private partnerships by bringing world's best practice in infrastructure delivery to build a resilient and future-proofed Greater Sydney.

## Aboriginal Procurement Participation Plan

We are working with our partners to grow the First Economy.



We value the economic, social and cultural contribution of Aboriginal and Torres Strait Islander peoples and, as Australia's largest water utility, we have a unique opportunity to grow the First Economy.

Sydney Water's Aboriginal Procurement Participation Plan (APPP) sets out how we can increase skills, provide employment opportunities and economic participation within Aboriginal and Torres Strait Islander communities.

Sydney Water is a member of Supply Nation, a non-profit organisation that works with procurement teams from government and corporations to grow the Aboriginal and Torres Strait Islander business sector through the promotion of supplier diversity.

In 2022–23, Sydney Water spent \$9.8 million (0.52 per cent of addressable spend) with Aboriginal-owned businesses. There is more work to do, and we will continue to work with our supply partners to grow the First Economy.



SECTION 4

# Management and accountability



# Management and accountability

## 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 Enterprise Agreement 2023 is in negotiations and once voted on, will be approved by the Fair Work Commission.

## Our Enterprise Agreement

The Sydney Water Enterprise Agreement 2021 covers more than 90 per cent of our people across the organisation. The agreement has been in place since September 2021.

The agreement expired on 19 September 2023, which presented Sydney Water with an opportunity to further modernise our working conditions to ensure we can attract and retain employees, and to help meet the changing needs of the communities we serve.

Our guiding principles are:

- creating a culture that caters for consistency and differentiation
- a two-way people leader/people relationship built on trust and understanding
- maintain affordable bills for our customers.
- A new Sydney Water Enterprise Agreement 2023 is in negotiations and once voted on, will be approved by the Fair Work Commission.

## Trends in the representation of workplace diversity groups<sup>11</sup>

Workforce diversity group	Benchmark <sup>12</sup>	2021	2022	2023
	(%)	%	%	%
Women	50	35.1	34.8	35.9
Aboriginal and/or Torres Strait Islander peoples	3.3	0.9	1.0	1.3
People whose first language spoken as a child was not English	23.2	13.0	15.2	16.2
People with a disability	5.6	1.1	1.8	1.8
People with a disability requiring a work-related adjustment	N/A	0.1	0.2	0.2

<sup>11</sup> Employee numbers at 30 June 2023.

<sup>12</sup> NSW Public Service Commission benchmark.



## Trends in the distribution of workforce diversity groups<sup>13</sup> – distribution index<sup>14</sup>

Workforce diversity group	Benchmark	2021	2022	2023
Women	100	99	97	97
Aboriginal and/or Torres Strait Islander peoples	100	92	86	80
People whose first language spoken as a child was not English	100	111	111	110
People with disability	100	110	104	105
People with disability requiring work-related adjustment	100	N/A	N/A	N/A

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

14 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.

## Workforce numbers<sup>15</sup>, 2018–19 to 2022–23

Human resources	2018–19	2019–20	2020–21	2021–22	2022–23
Full-time equivalent – permanent	2,217	2,400	2,571	2,747	2,953
Full-time equivalent – temporary	260	246	268	203	239
Full-time equivalent – part-time	95	113	100	102	114
<b>Total</b>	<b>2,572</b>	<b>2,759</b>	<b>2,939</b>	<b>3,052</b>	<b>3,306</b>
<b>Other</b>					
Agency employees	269	234	238	224	229
Redundancies	79	57	23	49	27
Appointments	427	405	388	470	549
Average turnover (%)	6.1	4.7	4.3	7.9	10.5
Unplanned absences (%)	7.5	6.3	5.6	6.5	6.3

15 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 refer to the total number of days of unplanned absences per rolling 12 months, divided by the total number of employees.

## Executive remuneration, 2022–23<sup>16</sup>

PSSE band equivalent <sup>17</sup>	2022–23		2021–22		Average remuneration	
	Female	Male	Female	Male	2022–23 (\$)	2021–22 (\$)
Above Band 4 equivalent	0	1	0	1	817,839	786,252
Band 4 equivalent	0	0	0	0	-	-
Band 3 equivalent	3	6	3	5	414,321	412,577
Band 2 equivalent	14	18	8	17	310,374	305,035
Band 1 equivalent	63	160	63	126	230,852	226,771
<b>Total</b>	<b>80</b>	<b>185</b>	<b>74</b>	<b>149</b>		
<b>Grand total</b>	<b>265</b>		<b>223</b>			

16 The numbers for 2021–22 have been adjusted based on an improved methodology adopted in 2022–23.

17 Sydney Water does not use Public Sector Senior Executive (PSSE) remuneration package ranges. For 2022–23, 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 2023, around 7.2% of our employee related expenditure was for employees remunerated at an equivalent level to the PSSE bands. It was 6.4% at the end of 2021–22.

## Overseas travel, 2022–23

Date of travel	Name	Destination	Purpose
24–30 April 2023	Jason Dagger and Rian Sullings	United Kingdom	Attend Global Smart Water Metering & Intelligent Data Utilisation Congress 2023. Gather insights directly from international utilities who have already undertaken similar digital metering rollouts to the significant rollout Sydney Water is undertaking from 2024 to take Sydney Water's fleet of more than 1.6 million water meters to over 90% digital meters by 2035. Sydney Water funded the travel.
24 June – 2 July 2023	Heri Bustamante	United Kingdom	Visit City University of London, deliver seminars to City University of London students and provide insights to designing research programs that meet Sydney Water's needs. Gather insights into new sensor techniques and adopting research outcomes in Sydney Water operations.  Royal Academy of Engineering (UK charity) funded the travel.

Payments to consultants for engagements costing equal to or greater than \$50,000, 2022–23<sup>18</sup>

Consultant name	Title of project	Contract description	Category	Amount (\$)
Jacobs Group Australia Pty Ltd	Digital meter transition	Strategic advice on transition to digital meter strategy	Management services	68,074.50
Oxera Consulting	Asset replacement strategic advice	Strategic advice on asset replacement and comparison with overseas utilities	Management services	69,663.33
R2S Security	Security risk assessment	Security risk assessment for priority sites	Management services	274,560.00
Sapere Research Group	Water Conservation Pricing Project	Consultancy support for potential pricing strategies to encourage water conservation	Management services	272,368.00
Sapere Research Group	Long Term Capital and Operational Plan (LTCOP)	LTCOP support – economic assessments and advice	Management services	112,041.00
Aqua Consultants	LTCOP	LTCOP independent review	Management services	392,018.36
<b>Total</b>				<b>1,188,725.19</b>

In 2022–23, we engaged 52 consultants for \$50,000 or less, with total costs of \$672,563.27.

<sup>18</sup> Consultants are defined as companies that provide opinion 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.

## Legal events

Following are the key changes in law and major judicial decisions that affected Sydney Water between 1 July 2022 and 30 June 2023.

## Constitution Amendment (Sydney Water and Hunter Water) Act 2023 (NSW)

On 8 June 2023, the *Constitution Amendment (Sydney Water and Hunter Water) Act 2023* (NSW) came into effect which amends the *Constitution Act 1902* (NSW) to ensure the continued public ownership of Sydney Water Corporation and its main undertakings. A main undertaking is defined to be a business activity necessary for Sydney Water to perform its functions.

## Privacy and Personal Information Protection Amendment Act 2022 (NSW)

On 28 November 2022, the *Privacy and Personal Information Protection Amendment Act 2022* (NSW) came into effect which amends the *Privacy and Personal Information Protection Act 1998* (NSW) (PIIP Act) to introduce a mandatory notification of data breach scheme (MNDB scheme) and to extend the PIIP Act's application to State Owned Corporations (SOCs) that are not subject to the *Privacy Act 1988* (Cth). The MNDB scheme will align NSW privacy laws for NSW public sector agencies and SOCs with the existing Commonwealth Notifiable Data Breach scheme.

There is a one-year transitional period and from 28 November 2023, Sydney Water will need to strictly comply with the PIIP Act including the notification and reporting requirements of the MNDB scheme for "eligible data breaches".

## Major judicial decisions

The Land and Environment Court found Sydney Water guilty of a water pollution offence in Prospect Creek on 11 August 2022. Sydney Water defended the charge on the basis that allowing the sewer pumping station at Carramar to discharge a small amount of wastewater was necessary in order to carry out works to avoid a much larger discharge of wastewater. The Court held that the defence of necessity does not apply to the pollution of the environment, only to imminent threat to human health.

## 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.

As outlined in our Privacy policy, 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 2022–23, we:

- opened 262 privacy matters, of which:
  - 222 were general privacy enquiries, 10 of which were raised by external parties
  - 22 were internally investigated as per NSW Privacy Commissioner guidance
  - 13 were privacy impact assessments,
  - 5 matters concerned process improvement initiatives for the Privacy function
  - 222 matters were closed (along with 73 from previous years)
- commenced refresh of privacy framework in response to changes to NSW privacy laws
- hosted the NSW Privacy Commissioner at an event to discuss the impact of NSW privacy law changes as part of Privacy Awareness Week in May
- presented to business units to promote better understanding of privacy
- participated in and hosted NSW Right to Information and Privacy Practitioner's Network events.

## Public interest disclosures 2022–23

Public interest disclosures	Number of disclosures <sup>19</sup>
Number of public interest disclosures received by Sydney Water	35
Number of public officials who made public interest disclosures to Sydney Water	35
Number of public interest disclosures received, relating to:	
• corrupt conduct	34
• maladministration	0
• serious and substantial waste	0
• government information contravention	1
• local government pecuniary interest contravention	0
Number of public interest disclosures (completed this period)	35

19 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.

We have an established internal policy of reporting of public interest disclosures, with a range of public interest disclosure officers. 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.

## Risk management

The Enterprise Risk Management Framework helps us manage risk and uncertainty to increase the likelihood of successfully achieving our strategic outcomes while safeguarding the interests of our customers and shareholders. Our framework now includes updated Board Risk Appetite statements that clearly articulate areas where we will seek to minimise risks as much as possible and those areas where we will consider a measured approach to the acceptance of higher levels of risk. To determine whether we are operating according to the Board's Risk Appetite we have developed a set of Risk Tolerance metrics, which are continuously tracked. These metrics set clear points which we should not move beyond or where we will manage performance very closely. Trend monitoring of those metrics will allow us to forecast whether there is the potential to cross those points and take appropriate preventative actions.

The Audit and Risk Committee assists the Board in overseeing the effective implementation of our risk management framework, including assurance on controls. The Board and its subcommittees monitor our risk profile which considers current performance, emerging risks and the effectiveness of controls to manage existing known risks. This allows us to ensure risks are being managed so we can successfully deliver our vision, strategy and values.

Our framework is aligned to the NSW Treasury Policy and Guidelines Paper TPP20-08 *Internal Audit and Risk Management Policy for the General Government Sector* and is consistent with the risk management standard AS ISO 31000:2018 – *Risk management – Guidelines*.

## Summary of enterprise risks 2022–23

Principal objectives	Strategic outcomes			Enterprise risks and desired outcomes	
					
Protect <b>public health</b> by supplying safe drinking water	✓		✓	<b>Public health</b> Proactively manage events that could impact the quality of our products	
Protect the <b>environment</b> by conducting operations in compliance with the principles of ecologically sustainable development	✓		✓	<b>Environment</b> Protect, restore and enhance the quality of our environment, minimising activities that could cause harm to natural environments	
Be a <b>successful business</b> by operating efficiently, maximising net worth, and exhibiting a sense of social responsibility	✓		✓	<b>Customer experience</b> Prioritise the delivery of outcomes our customers value that maintain trust and recognition of our brand	
		✓	✓	<b>Safety and wellbeing</b> We will avoid activities that could compromise the health and safety of our people, customers and members of the public	
			✓	✓	<b>Asset safety, reliability and capability</b> Sustain critical operations and manage reasonably foreseeable business interruptions that could impact the reliability and continuity of our products and services
			✓	✓	<b>Capital program</b> Deliver our capital investment program on time and budget to achieve our desired customer, public health and environment outcomes
			✓	✓	<b>Enterprise security</b> Manage and protect the exploitation of vulnerability in our cyber, physical, personnel and supply chain spaces
		✓		✓	<b>Culture and ethics</b> Establish a culture that promotes ethical practices by avoiding activities that could breach our ethical framework
	✓	✓		✓	<b>Finance</b> Manage our financial stability (including credit, treasury, debt repayments and liquidity exposures)
		✓		✓	<b>Organisational capability</b> Build capabilities (people, systems and processes) required to deliver core business and strategic initiatives
	✓	✓	✓		<b>Procurement and supply chain</b> Manage access to supplies and equipment for our products and services to reduce costs, increase customer service and ensure supply chain resilience

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 **Successful and innovative business**

## Insurance

Sydney Water's insurance program focuses on mitigating risks. We consider enterprise risks in determining insurance arrangements 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 (icare).

## Government Information (Public Access) Act 2009

The *Government Information (Public Access) Act 2009* (GIPA Act) establishes a transparent process to grant the public access to information from NSW public sector agencies and encourages the proactive release of government information.

During the year 1 July 2022 to 30 June 2023, Sydney Water:

- received a total of 126 formal access applications, of which:
  - four access applications were marked invalid and were closed subsequently
  - 14 access applications were carried over to the next financial year 2023–24 (in accordance with statutory timeframes)
- decided a total of 115 formal access applications, of which 10 access applications were from the previous financial year
- received and decided a total of 55 informal access applications.

Sydney Water prepares an annual report on GIPA access applications. This report is presented in Parliament and subsequently shared with the Information and Privacy Commission NSW (IPC).

Sydney Water offers various services related to water, wastewater, recycled water, and stormwater drainage, all regulated by an operating licence. In line with our commitment to openness, we take proactive measures to make information available to the public by:

- identifying commonly requested categories of information
- publicising initiatives, developments, and projects to keep the public informed
- identifying and disclosing significant information since the last review
- providing information that would be in the public interest for disclosure.

Information about our functions and services can be accessed and found at:

<http://www.sydneywater.com.au/about-us/our-organisation/how-we-provide-information.html>.

Table A: Decision made on applications by type of applicant and outcome<sup>20</sup>

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	1	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	1	0	0
Private sector business	3	13	0	0	0	0	0	1
Not for profit organisations or community groups	0	1	0	0	0	0	0	0
Members of the public (application by legal representative)	6	31	0	1	0	1	0	1
Members of the public (other)	12	39	0	1	0	1	0	3

<sup>20</sup> 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.



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

Type	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications <sup>21</sup>	5	25	0	1	0	0	0	1
Access applications (other than personal information applications)	10	46	0	1	0	2	0	2
Access applications that are partly personal information applications and partly other	7	14	0	0	0	1	0	2

21 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: Details about invalid applications

Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	10
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	10
Invalid applications that subsequently became valid applications	6

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 (Decisions to refuse access)

	Number of times consideration used <sup>22</sup>
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	1
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0
Information about complaints to Judicial Commission	0

<sup>22</sup> 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 to Table E.

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

	Number of occasions when application not successful
Responsible and effective government	3
Law enforcement and security	0
Individual rights, judicial processes and natural justice	81
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

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	83
Decided after 35 days (by agreement with applicant)	31
Not decided within time (deemed refusal)	1
<b>Total</b>	<b>115</b>



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

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner <sup>23</sup>	2	1	3
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT (NSW Civil Administrative Tribunal)	0	0	0
<b>Total</b>	<b>2</b>	<b>1</b>	<b>3</b>

23 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.

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

	Number of applications for review
Applications by access applicants	3
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Table I: Applications transferred to other agencies 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

## Governance

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 membership. 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 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 customers and 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 *ASX Corporate Governance Principles and Recommendations* (3rd Edition) which aligns with the NSW Treasury's *TPP17-10 Guidelines for Governing Boards of Government Businesses* (TPP17-10) and *TPG23-06 Board Appointments for State Owned Corporations and Other Commercial Government Businesses* (TPG23-06). These frameworks serve 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 2022, the Board undertook an externally facilitated assessment and evaluation of its performance which is required under the Board Charter every three years.

The Board is supported by a Corporate Secretariat team, led by the Corporate Secretary.

## If not, why not reporting

Apart from the recommendation that directors serve on no more than three government boards, Sydney Water satisfies the governance practices outlined in TPP17-10. Sydney Water favours directors who exhibit high levels of performance and possess the skills and knowledge required on the Board and believes that the focus should be on director's expertise and their ability to bring valuable insights and perspectives to the Board, rather than the number of government board positions they hold. This approach ensures that the Board is composed of highly qualified individuals who can effectively contribute to Sydney Water's strategic decision-making and governance processes.

## Board of Directors

Sydney Water makes its Board appointments in accordance with the NSW Treasury TPG23-06. The Board actively promotes diversity and inclusion in the workplace, and Sydney Water's Board exceeds the NSW Treasury's gender diversity goal for State Owned Corporation Boards of having at least 40% of positions filled by women.

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
- 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, people, suppliers and customers, and the community. It has delegated responsibility to the Managing Director for implementing the strategic direction and managing Sydney Water's day-to-day operations through an Instrument of Conferral of Powers. The Board operates according to its Board Charter, which complements Sydney's Water's Constitution and its Directors' Code of Conduct.

The Board Charter allows for the Directors to seek independent professional advice at the expense of Sydney Water where necessary.

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

## Board of Directors skills matrix

The Board considers that its membership should comprise Directors who collectively bring a broad range of 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, which is regularly reviewed especially when considering upcoming Board appointments.

## Board of Directors skills matrix at 30 June 2023

Skills and experience	Explanation	Target number of Directors at the desired specialist level of competency	Status
Accounting, financial management, reporting and auditing	Expertise in technical management accounting and reporting, and financial auditing	1	▲
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	2	▲
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, safety	Technical and professional expertise in an engineering, construction or safety context, including overseeing work health and safety systems	1	▲
Stakeholder engagement	Experience managing reputational risk, including stakeholder management, influence and positioning	1	▲
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	4	▲
Financial literacy <sup>24</sup>	Experience with financial statements and drivers of financial performance, including finance controls in a large organisation	All	▲
Risk management <sup>24</sup>	Experience in applying and overseeing risk management frameworks, including settling the Board's risk appetite	All	▲
Commercial, business acumen, and leadership <sup>24</sup>	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 <sup>24</sup>	Experience in developing, setting and implementing clear strategic direction, including performance monitoring	All	▲
Culture and people <sup>24</sup>	Ability to understand, assess and drive the desired organisational culture in a corporate context	All	▲

**Performance indicator key** ▲ Target met or exceeded

<sup>24</sup> Indicates the key qualifying skills required to join the Board.

# Sydney Water Board Directors





## Grant King

Non-executive Director and Chair

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

**Director:** 9 June 2021 to 30 September 2021

**Chair:** 1 October 2021 to current

**Chair of Nominations Committee**

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### 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.

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### EXTERNAL APPOINTMENTS

Grant is the Chairman of the Climate Change Authority, HSBC Bank of Australia, 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 NSW Foundation.

He also holds the position as Professor of Energy Economics and is Chair of the Energy Institute at the University of NSW. Grant is a former President of the Business Council of Australia.



## Roch Cheroux

Chief Executive Officer and  
Managing Director

MEng & BA, FIEAust

**Managing Director:** 2 September 2019 to current

**Member of the Safety, Culture and Remuneration, Planning and Infrastructure, and Economic Regulation Committees**

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### 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.

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### EXTERNAL APPOINTMENTS

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

\* Denotes the individuals did not hold the designated roles for the full reporting period.



## Greg Couttas

Non-executive Director

BComm, FCA, MAICD

**Director:** 17 November 2016 to current

**Chair of the Audit and Risk Committee**

**Member of the Safety, Culture and Remuneration, Economic Regulation and Nominations\* Committees**

### SKILLS AND EXPERIENCE

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

### EXTERNAL APPOINTMENTS

Greg is a Chair of Hireup Holdings Pty Ltd and a member of the Governance Board of The Salvation Army Australian Territory. He is also a Member of the Reserve Bank of Australia Audit Committee.



## Cameron Robertson

Non-executive Director

MEc, FIAA, FAICD

**Director:** 21 December 2017 to current

**Chair of the Economic Regulation Committee**

**Member of the Audit and Risk, Planning and Infrastructure and Nominations\* Committees**

### SKILLS AND EXPERIENCE

Cameron’s executive career included roles in investment banking, asset management, asset development, social services and not-for-profit organisations. 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 WRC Carpenter No 1 Pty Ltd (owner of the Worsley Co-Generation Facility) and 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).

\* Denotes the individuals did not hold the designated roles for the full reporting period.



## Craig Roy

Non-executive Director

MSc, MBA, FAICD

**Director:** 1 January 2019 to current

**Chair of the Planning and Infrastructure Committee\***

**Member of the Safety, Culture and Remuneration, Economic Regulation\* and Audit and Risk\* Committees**

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### SKILLS AND EXPERIENCE

Craig brings to the Board extensive experience as a Board Chair and Director with broad C-Suite experiences particularly technology and innovation which is underpinned by a strong understanding of governance, and the role and use of platform technology and commercialisation. He is skilled in business sustainability in complex social, stakeholder and environmental settings, and as a meteorologist and oceanographer 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.

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### EXTERNAL APPOINTMENTS

Craig is Chair of Australian Research Data Commons, Silex Systems Limited and Global Laser Enrichment LLC (a joint venture between Silex and Cameco). He is also a Director of the Sovereign Manufacturing Automation for Composites CRC. Craig was formerly the Chair of Data61, Non-executive Director of the Australian National Commission for UNESCO, and on the Vice-Chancellor's Industry Board for the University of Technology Sydney.



## Kate Dryden

Non-executive Director

BAS, LLB (First Class Hons), MAICD

**Director:** 29 November 2021 to current

**Chair of the Safety, Culture and Remuneration Committee\***

**Member of the Audit and Risk, Planning and Infrastructure\*, and Economic Regulation Committees**

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### SKILLS AND EXPERIENCE

Kate is an experienced company executive and lawyer, with deep expertise in environmental law and the environmental services industry across the water, waste and energy sectors. Kate's executive career included roles at Veolia, which included Board roles for several related entities. Before that she was a solicitor at Baker & McKenzie and Mallesons. She has strong experience with effectively balancing risk mitigation and business growth.

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### EXTERNAL APPOINTMENTS

Kate is a Partner and co-founder of Sphere Infrastructure Partners.

\* Denotes the individuals did not hold the designated roles for the full reporting period.



**Associate Professor  
Susan Petterson**

Non-executive Director

BE (Environmental) (Hons), PhD, GAICD

**Director:** 15 February 2022 to current

**Member of the Planning and Infrastructure, and Safety, Culture and Remuneration Committees**

**SKILLS AND EXPERIENCE**

Susan brings to the Board important expertise in environmental protection and public health specifically related to water quality and sanitation. Over the last 20 years she has been a leader in the development and implementation of risk-based approaches for protection of public health both within Australia and Internationally.

**EXTERNAL APPOINTMENTS**

Susan is a Board member of the International Water Association (IWA) Health-Related Water Microbiology Specialist Group, a member of the National Health Medical Research Council (NHMRC) Recreational Water Quality Advisory Committee, Editor of the IWA Journal of Water and Health, and Director of Water & Health Pty Limited. She is also a member of the Australian Water Association and Academic Title Holder in the School of Medicine and Dentistry, at Griffith University.

Susan has served on the NHMRC Water Quality Advisory Committee (responsible for the revision of the Australian Drinking Water Guidelines), and for the World Health Organisation (WHO) on their Guidelines Development Group relating to the ‘WHO Guidelines for Sanitation and Health’.



**Dr Alex Fisher**

Non-executive Director

BE (Civil) – Hons 1, MBA, PhD, GAICD, MIEAust

**Director:** 1 November 2022 to current

**Member of the Planning and Infrastructure\*, and Safety, Culture and Remuneration\* Committees**

**SKILLS AND EXPERIENCE**

Alex is an experienced organisational leader, senior executive and director with more than 25 years’ experience in diverse environments including the military, academia, utilities, government and consulting.

She has an extensive background working in government owned corporations and statutory authorities in the water sector (across the full water cycle management), including deep experience and success in driving operations, asset management, program and project management, including for delivery of major infrastructure capital works projects and programs.

**EXTERNAL APPOINTMENTS**

Alex is currently General Manager, Assets at Birdon Pty Limited, and has been involved in numerous industry organisations, committees and high-profile alliances in the past. Most recently, she has completed terms as the Deputy Chair of Dams Safety NSW, and as a Specialist External Director for Many Rivers Regional Housing Services (Aboriginal Corporation).

Alex is a member and graduate of the Australian Institute of Company Directors and member of the Australian Institute of Engineers. She is also an active community member on patrol with Port Macquarie Surf Life Saving Club and instructing classes at Your Life Fitness Centre.

\* Denotes the individuals did not hold the designated roles for the full reporting period.





## Professor Mary O'Kane AC

Non-executive Director

BSc (Hons), PhD, Hon Duni Hon DSc, Hon FIEAust, MAICD

**Director:** 13 February 2023 to current

**Member of the Nominations Committee\***

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### SKILLS AND EXPERIENCE

Mary has a background in engineering and information and communications technology (ICT), specialising in automatic speech recognition and artificial intelligence. She was an academic for some years, later moving into senior management. She was the first female Dean of Engineering in Australia and the second female Vice-Chancellor.

For the last 20 years Mary has pursued a largely non-executive career. She has significant and diverse experience as a company director, serving on the boards of listed companies; government entities; start-up companies and international development entities. She also has extensive experience in leading reviews into contentious matters.

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### EXTERNAL APPOINTMENTS

Mary is Chair of the NSW Independent Planning Commission, a company director, and Executive Chairman of O'Kane Associates, a Sydney-based consulting practice specialising in government reviews in Australia and overseas. She was NSW Chief Scientist & Engineer from 2008-2018 and Vice-Chancellor of the University of Adelaide from 1996-2001.

Mary has served on several boards and committees in the public and private sectors, especially related to innovation, education, energy, engineering, health, Antarctica, ICT and research. She is currently Chair of the boards of Aurora Energy Pty Ltd, Museums of History NSW, and Sydney Health Partners and is a member of the boards of AEMO Services Ltd and the Silverchain Group.

\* Denotes the individuals did not hold the designated roles for the full reporting period.

Director retirements during the reporting period



**Trevor Bourne**  
Former Non-executive Director

BSc (Mech Eng), MBA, FAICD

**Director:** 10 February 2014 to 9 February 2023

**Chair of the Safety, Culture & Remuneration Committee\***  
**Member of the Planning and Infrastructure\*, 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 a Non-executive Director of Transport Asset Holding Entity of NSW South Wales (TAHE). Formerly, he was Chair of Senex Energy Limited and a Non-executive Director of Virgin Australia Holdings Limited, Caltex Australia Limited, Origin Energy Limited, and Managing Director of Brambles Australasia.



**Dr Marlene Kanga AO**  
Former Non-executive Director

Btech, MSc, PhD, Hon FIEAust, Hon FICHEM FTSE, FAICD

**Director:** 10 February 2014 to 9 February 2023

**Chair of the Planning and Infrastructure Committee\***  
**Member of the Economic Regulation\*, and Nominations\* Committees**

**SKILLS AND EXPERIENCE**

Marlene is an experienced business leader and Non-executive Director. She has more than 30 years' experience in the chemical and process engineering industry in Australia and New Zealand and is a former President of Engineers Australia.

In the June 2022 Queen's Birthday Honours, Marlene was recognised as an Officer of the Order of Australia for her distinguished service to engineering, particularly as a global leader and role model to women in engineering.

**EXTERNAL APPOINTMENTS**

Marlene is a Non-executive Director of Endeavour Energy, Airservices Australia, Business Events Sydney (BE Sydney), Standards Australia, and iOmniscient Pty Ltd and Rux Energy Holdings Pty Limited. 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.

\* Denotes the individuals did not hold the designated roles for the full reporting period.

## Board committees

The following permanent committees have been convened for the period.

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### 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), C Robertson, Kate Dryden, G King#, R Cheroux#, and C Roy\*

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### ECONOMIC REGULATION

**Purpose:** To oversee Sydney Water's economic regulatory framework and regulatory submissions and protect the long-term interests of customers and meets statutory obligations.

**Members:** C Robertson (Chair), G Couttas, K Dryden, C Roy\*, M Kanga\*, and R Cheroux

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### NOMINATIONS

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

**Members:** G King (Chair), T Bourne\*, G Couttas\*, M Kanga\*, C Robertson\*, M O'Kane\* and R Cheroux#

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### 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:** C Roy (Chair)\*, M Kanga (Chair)\*, S Petterson, C Robertson, A Fisher\*, T Bourne\*, Kate Dryden\*, G King and R Cheroux

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### SAFETY, CULTURE AND REMUNERATION

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

**Members:** K Dryden (Chair)\*, T Bourne (Chair)\*, G Couttas, C Roy, S Petterson, A Fisher\*, G King and R Cheroux

Note: The Board decided to combine the Safety and Wellbeing Committee and the People, Culture and Remuneration Committee into the Safety, Culture and Remuneration Committee in order to streamline and improve oversight of safety, culture, and remuneration with organisational values.

\* Denotes the individuals did not hold the designated roles for the full reporting period.

# Denotes the individual attends these meetings in an ex-officio capacity without member voting rights.

## Board meetings and attendance

The Board meets monthly, except in January and July (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. Ten meetings were held in 2022–23.

### Directors' meetings, 2022–23

Directors	Meeting	Board	Audit and Risk Committee	Economic Regulation Committee	Nominations Committee	Planning and Infrastructure Committee	Safety, Culture and Remuneration Committee
	Number Held	10	4	5	2	4	4
<b>G King</b>		10 (C)	4	5	2 (C)	4	4
<b>R Cheroux</b>		10	4	5	2	4	4
<b>G Couttas</b>		10	4 (C)	5	1*	0	4
<b>C Robertson</b>		10	4	5 (C)	1*	4	0
<b>C Roy</b>		10	1*	2*	0	4 (2 (C))	4
<b>K Dryden</b>		10	4	5	0	1*	2* (C)
<b>S Petterson</b>		10	0	0	0	4	4
<b>A Fisher<sup>#</sup></b>		7	0	0	0	2*	2*
<b>M O'Kane<sup>##</sup></b>		3	0	0	1*	0	0
<b>T Bourne<sup>###</sup></b>		4	0	0	1*	2*	2* (C)
<b>M Kanga<sup>###</sup></b>		4	0	3*	1*	2* (C)	0

Notes: The above table reflects meetings attended by Directors as members or in an ex-officio capacity, it does not include attendance as observers. The Board held strategy sessions with the Executive on 22 November 2022 and 22 March 2023. These sessions are not counted as Director meetings. (C) denotes chairperson.

<sup>#</sup> Dr Fisher was appointed to the Board effective from 1 November 2022

<sup>##</sup> Professor O'Kane was appointed to the Board effective from 13 February 2023

<sup>###</sup> Dr Kanga and Mr Bourne retired from the Board on 9 February 2023

\* Denotes the individuals were not members for the full reporting period

# Circular collaborations



We share our knowledge to build capacity for the global circular economy.

In May 2023, Prime Minister of the Republic of India, His Excellency Shri Narendra Modi, visited Australia as a guest of the Australian Government.

In support of the visit, the UTS Institute for Sustainable Futures designed and delivered a short course with Alluvium for 20 Indian government officials to support them to gain practical insights on circular economy in Australia.

The course helped equip participants with an understanding of the circular economy principles for water security and wastewater management, and gender equality, disability and social inclusion in the water sector. The course facilitated knowledge exchanges between Indian and Australian water officials and provided opportunities for participants to network with Australian experts.

Participants visited Sydney Water's St Marys Advanced Water Treatment Plant, the Central Park recycled water treatment plant, Sydney Olympic Park, as well as UTS's NiCE (Nutrients in Circular Economy) project experiments and the Centre for Climate Change (C3) laboratories.

St Marys Advanced Water Treatment Plant is one of the biggest water recycling facilities in Australia. It receives tertiary-treated effluent from three water resource recovery facilities and uses membrane technology to produce highly treated recycled water, which is discharged into the Hawkesbury-Nepean River.

The guided tour of the St Marys Wastewater Treatment Plant – hosted by the Treatment Plant team and the Community Education team – provided participants with an example of advanced gas generation and water treatment on the same site, which the participants had not seen before.

The delegation found the learning experience insightful, and one noted they would “like to evaluate [their] projects on the basis of circularity”.





SECTION 5

# Sustainability





# Our commitment

Sydney Water delivers world-class essential water and wastewater products and services to our city, creating a better life for our customers and communities. We are committed to do this sustainably.

We consider sustainability as achieving a better life for customers today without compromising the needs of current and future generations. We do this by caring for Country, supporting social equity and community well-being and providing high economic value and affordable services.

Our decisions and actions must recognise that our wellbeing and the wellbeing of natural systems are connected and depend on each other. Our families, friends and future generations depend on us to protect their health and our environment. Sydney Water respects the traditional Caring for Country sustainable and nurturing approaches practiced over tens of thousands of years by Aboriginal people and commits to playing our part to improve the health of the landscape by recognising and fostering the value of water in our environment and communities.

Sydney Water recognises that sustainability is a set of principles and a process, not an end point to be achieved. As the world and city continues to change, we will need to continue to improve and adapt. Key sustainability principles that will help us on this journey include:

- providing for equity within and between generations
- proceeding cautiously with activities that may have serious impacts on the environment or the community
- striving for regenerative and circular outcomes
- focusing on making meaningful progress on the things that matter most
- targeting longevity of efficiency gains and ensuring no deterioration in the long term
- genuinely capture and transparently disclose sustainability impacts
- recognising that our role in sustainability is part of a broader community.



Sydney Water is also committed to the United Nations 2030 Agenda for Sustainable Development: for peace and prosperity for people and the planet. In One strategy to *deliver our vision: Our strategy blueprint 2020-2030*, Sydney Water not only defines its four key Strategic Outcomes but also links them to relevant UN Sustainable Development Goals. This has been done as follows:

### Thriving, liveable and sustainable cities



- 3 GOOD HEALTH AND WELL-BEING
- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 14 LIFE BELOW WATER
- 15 LIFE ON LAND

### First choice of customers and partners



- 1 NO POVERTY
- 6 CLEAN WATER AND SANITATION
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 17 PARTNERSHIPS FOR THE GOALS

### High performance culture



- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 10 REDUCED INEQUALITIES

### Successful and innovative business



- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

**In total, our strategy incorporates 15 of the 17 UN Sustainable Development Goals.**



# Our approach

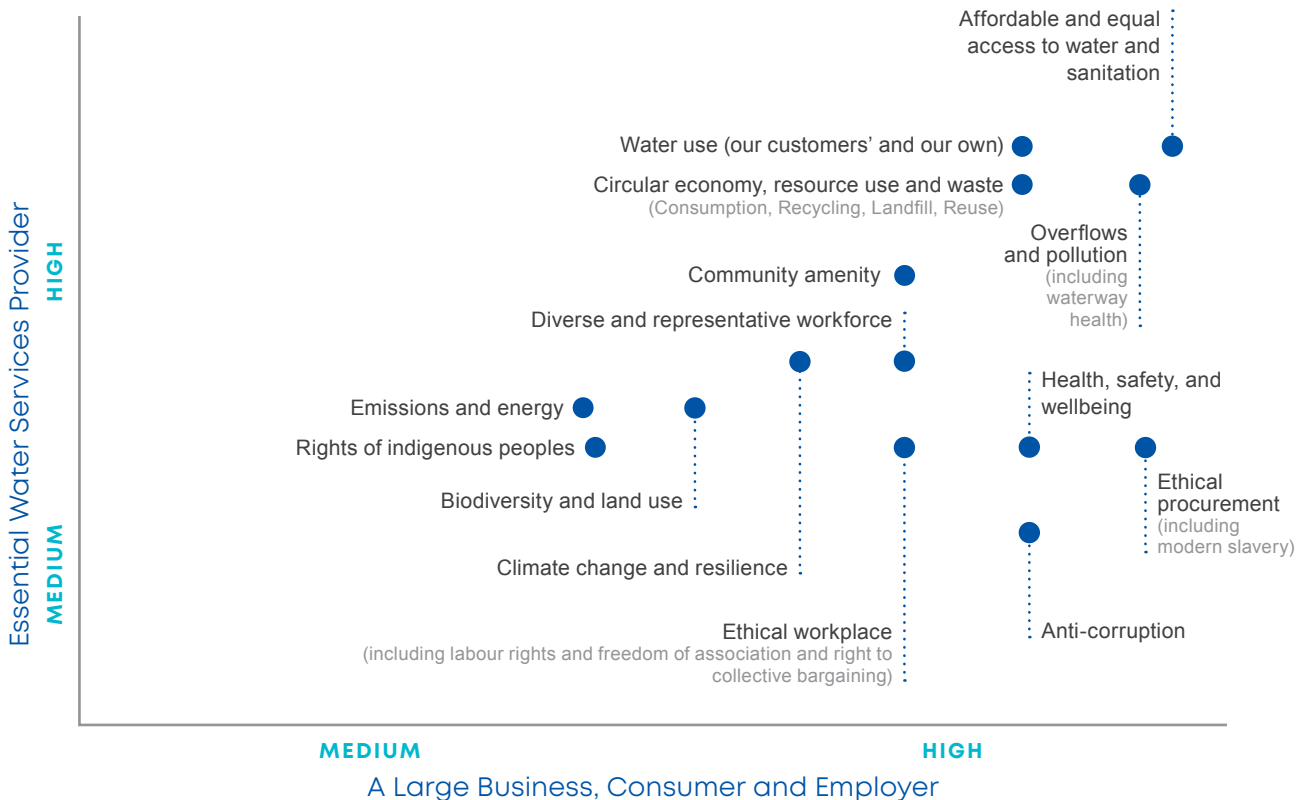
Sydney Water is uniquely positioned to make a material impact on sustainability areas associated with its performance as a large company operating in the water services sector and through its actions to contribute towards achieving the UN Sustainable Development Goals.

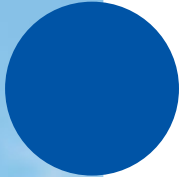
A materiality assessment has been undertaken to determine the areas where, through our operations, we are able to make effective improvements. To determine the issues most material to Sydney Water a thorough review and analysis of the following areas was undertaken.

- Sydney Water Act and Operating Licence
- Sydney Water’s Strategy and Enterprise Plan
- Customer research
- Commitment to the UN Global Compact and UN Sustainable Development Goals
- Strategic Blueprints
- Key policy documents including, Reconciliation Action Plan, Aboriginal Procurement Participation Plan, Modern Slavery Statement, Net Zero Carbon Plan, Environment Policy, Research Horizon Priorities and Our Ethical Framework).

This established 14 key areas where Sydney Water is, through its policy direction and associated actions, achieving meaningful change as both an essential water services provider and a large business, consumer, and employer.













## Material Issues for Sydney Water 2022





# Material issues

We have used our Strategic Goals and the United Nations Sustainable Development Goals to determine a set of key material issues for sustainability. A summary of these issues and our progress towards them is described in the following table as well as references to other Sydney Water reports and policies for further information.

Material Issues	Outline work undertaken	Further Information	UN Sustainable Development Goals	UN Compact Principles
<b>Affordable and equal access to water and sanitation</b>	<ul style="list-style-type: none"> <li>• Bill Assist</li> <li>• WaterFix</li> <li>• PlumbAssist</li> </ul>	Water quality reports Water conservation report	 	Human Rights
<b>Water use (our customers' and our own)</b>	<ul style="list-style-type: none"> <li>• Water recycling targets</li> <li>• Water leak management</li> <li>• Water conservation plan</li> </ul>	Water conservation report		Environment
<b>Overflows and pollution (including waterway health)</b>	<ul style="list-style-type: none"> <li>• Improvement in discharge performance metrics</li> <li>• Improved stormwater management</li> <li>• Investigation of environmental non-compliance</li> <li>• Picton macro algae trial to remove nutrients and bacteria from wastewater</li> </ul>	Environmental report	  	Environment
<b>Circular economy, resource use and waste (Consumption, Recycling, Landfill, Reuse)</b>	<ul style="list-style-type: none"> <li>• 100% beneficial use of biosolids</li> <li>• Malabar Biomethane Injection Project to reuse methane from wastewater</li> <li>• Increased water recycling</li> <li>• Commitment to reducing quantity of waste sent to landfill</li> </ul>	Environmental report		Environment
<b>Emissions and energy</b>	<ul style="list-style-type: none"> <li>• Emissions targets</li> <li>• Reduced electricity use targets</li> <li>• Building more infrastructure incorporating renewable energy</li> <li>• Net Zero Carbon Plan</li> </ul>	Environmental report	  	Environment
<b>Biodiversity and land use</b>	<ul style="list-style-type: none"> <li>• Vegetation disturbance and replacement</li> <li>• Odour management</li> </ul>	Environmental report	 	Environment

Material Issues	Outline work undertaken	Further Information	UN Sustainable Development Goals	UN Compact Principles
<b>Climate change and resilience</b>	<ul style="list-style-type: none"> <li>Climate adaptation commitment</li> <li>Climate change position statement and resilience directorial statement</li> </ul>	Environmental report	 	Environment
<b>Community amenity</b>	<ul style="list-style-type: none"> <li>Position statement sharing our land with communities</li> <li>Greening and cooling cities commitment</li> <li>Community grants</li> <li>Community engagement and education</li> </ul>	Community grants		
<b>Ethical workplace (labour rights, freedom of association and right to collective bargaining)</b>	<ul style="list-style-type: none"> <li>Modern Slavery</li> <li>Ethical Framework</li> </ul>	Modern Slavery statement The very human story of Sydney Water		Labour Human Rights
<b>Diverse and representative workforce</b>	<ul style="list-style-type: none"> <li>Diversity and inclusion objectives and targets</li> <li>Supporting the recruitment and retention of First Nations people</li> </ul>	Corporate Governance Statement		Labour Human Rights
<b>Health, safety, and wellbeing</b>	<ul style="list-style-type: none"> <li>Health, safety, and wellbeing</li> </ul>			Labour Human Rights
<b>Ethical procurement (including modern slavery)</b>	<ul style="list-style-type: none"> <li>Modern Slavery Statement</li> <li>Supplier Code of Conduct</li> <li>Net zero carbon target</li> </ul>	Corporate Governance Statement Supplier Code of Conduct Modern Slavery Statement		Labour
<b>Rights of Indigenous peoples</b>	<ul style="list-style-type: none"> <li>Commitment to reconciliation and anti-discrimination</li> <li>Commitment to promoting reconciliation</li> <li>First Nations cultural awareness training module</li> </ul>	Innovate Reconciliation Action Plan 2021-2023		Human Rights
<b>Anti-corruption</b>	<ul style="list-style-type: none"> <li>Zero tolerance policy</li> <li>Directors' code of conduct</li> <li>Board committees</li> <li>Employee education and onboarding</li> </ul>	Corporate Governance Statement		Anti-Corruption

# Modern slavery

Sydney Water supports the objectives of the *Modern Slavery Act 2018* (Cth) which closely align with our core corporate values. We are strongly committed to ensuring that our operations and supply chain are free from modern-day slavery practices; that as a business we do not profit from exploitation of others; and that the products and services we deliver to our 5.3 million customers are ethically sourced. Our latest Modern Slavery Statement can be found on our website <https://www.sydneywater.com.au/about-us/our-suppliers/procurement-approach.html>.

Over the past year, we've undertaken initiatives that build on Sydney Water's deep commitment to ensuring modern slavery practices are reduced and, ultimately, eradicated.

Our focus this year was collaboration with other water organisations across Australia to share best practice, discuss common issues and standardise our approach to modern slavery risks.

We took part in activities coordinated by the Water Services Association of Australia (WSAA), the urban water industry's peak industry body, including a review of the Modern Slavery Act (Cth) by a representative from the Attorney-General Department's Modern Slavery and Human Trafficking Branch.

Following the consultation with the Attorney-General Department representative, we worked with WSAA and other water organisations across Australia to make a formal submission to the Attorney General's Department as part of the review of the Modern Slavery Act 2018 (Cth).

We also collaborated on a modern slavery questionnaire, developing a robust, standardised screening of suppliers for risk and control. We also analysed software to assess and manage modern slavery risks more efficiently and called for Expressions of Interest from providers.

## Sydney Water has also added new clauses to our purchase order terms and conditions:

1

Suppliers are prohibited from engaging in any activities, practices or conduct that would constitute an offence under modern slavery laws

2

Suppliers must thoroughly investigate their labour practices and those of their subcontractors and direct suppliers to ensure no activities, practices or conduct across their operations constitute an offence under modern slavery laws

3

Suppliers are required to put in place all necessary processes, procedures and compliance systems to ensure they comply with modern slavery laws

We have broadened our risk assessment to the top 60 subcontractors engaged by our Regional Delivery Consortia (RDCs), who help us deliver water solutions and infrastructure across Greater Sydney. We are working on improving the risk assessment tool and process in order to expand the coverage. An action plan will be developed to address identified risks as necessary.



# Urban Plunge

We are making access to swimming and water recreation equitable for people across the city.

In 2022, Sydney Water launched Urban Plunge, our program to accelerate the delivery of swimming sites in waterways across Greater Sydney. Urban Plunge builds on our successful partnership with the Parramatta River Catchment Group, opening swim sites on the Parramatta River.

The City of Canada Bay opened the first site at Bayview Park in November 2022, supported by our RiverWatch recreational water quality monitoring program. We're now using our expertise and partnerships to expand this offering to all of Sydney, backed by a new website – [www.urbanplunge.com.au](http://www.urbanplunge.com.au) – that tells people when it's safe to swim.

To support the launch of Urban Plunge, Sydney Water also delivered a free pop-up swim site in Prospect Reservoir parklands from November

2022 to January 2023 as a way to kickstart a conversation with the community about swimming in local waterways.

The temporary installation included two large container pools – one for adults and one for children – surrounded by a platform for relaxing and enjoying views of the parklands. The fully accessible site was also activated through food trucks, ping pong tables and kids sporting clinics. An overwhelming 98 per cent of surveyed visitors at the pop-up said they would be interested in seeing more swimming and recreation opportunities in nearby waterways.

We will continue to work with partners to activate new swimming spots in waterways in 2024 and beyond.

# Waterway health

We are mindful that the way we deliver our world-class water services impact our waterways. As the population grows, the climate changes and our city expands, there is more we need to do to protect and restore the value of water in our environment and communities.

We have developed the following actions we will implement over the next decade to ensure we reduce our impact and deliver on our customers' expectations for healthy waterways and lands:

### Prevent wastewater pollution

by upgrading and proactively managing our systems and wastewater treatment plants, and continuing to enhance our response to overflows, leaks and odour. We will improve the quality of wastewater coming into our systems by enhancing our business customer programs, continuing our education programs, improving monitoring in our systems, and pursuing innovative ways to manage waste products.

### Maximise the recovery of beneficial resources.

This includes increasing water recycling, enhancing recovery of high-quality water for rivers, and over time significantly increasing recovery of recycled water, nutrients and energy from our coastal wastewater systems. We are building our Advanced Water Recycling Centre at Upper South Creek that will provide high quality replacement flows to the Nepean River. We will also improve recovery of organics and nutrients from our treatment plants to reduce the impact on local waterways.

### Increase climate resilience our systems and services

by responding to a realistic assessment of the risks to our stormwater and wastewater assets from climate hazards such as rising sea levels, increased storm and flood frequency and hotter temperatures. We are also advocating for city design to capture more water for greening, cooling and waterway health. This will enable more water to be retained in the landscape and waterways to be protected.

### Restore nature and waterways,

including via bushland and effective land management, naturalising waterways, restoring waterways and delivering wetlands to retain water in the landscape. In Western Sydney, we will manage many new waterways and many water sensitive urban design features and operate an extensive stormwater harvesting system.

### Collaborate with partners.

Champion our waterways and lead waterway management with collaboration and co-creation, information and insights. This means working with partners who share responsibility for waterways, including local catchment groups, coastal management programs, local councils and other parts of government.

### Amplify First Nations voices

by supporting Aboriginal water rights, supporting dual naming of our city's waterways, and applying lessons from Caring for Country and waterways including via land management approaches such as cool burns.





# Malabar Gas to Grid partnership

Reducing carbon emissions through cross-industry collaboration and investment

Sydney Water, Jemena and the Australian Renewable Energy Agency developed Australia's first biomethane-to-gas project. The Malabar biomethane facility demonstrates the potential of a waste-to-energy industry which can reduce carbon emissions by replacing other natural gas sources, while creating jobs and many other circular economy benefits. The biomethane will be blended with other sources of natural gas in Jemena's New South Wales gas distribution network and shared across customers.

Under an agreement, Jemena will generate the high quality biomethane from biogas produced by Sydney Water. This innovative approach will enable the Wastewater Treatment Plant to turn waste material into a new energy source.

The \$16 million project is jointly funded by Jemena and the Australian Renewable Energy Agency who will provide up to \$5.9 million in grant funding. The project has successfully overcome technical and commercial barriers including adapting international technology for Australian standards and regulations.

The Malabar Biomethane facility will demonstrate the potential of a waste-to-energy industry which can reduce carbon emissions, create jobs and generate other circular economy benefits.

The next stage of the project will explore how this approach can be delivered efficiently and adopted industry wide. The Malabar Gas to Grid partnership is a key driver to create momentum for similar cross industry collaborations and investments that deliver significant reductions in carbon emissions.





# Advanced Water Recycling Centre

This ground-breaking project is shaping the future of Western Sydney.

Sydney Water is taking a leading role in the future growth and development of the Western Parkland City, the largest growth area in New South Wales, covering eight local government areas. More than \$20 billion of investment is already committed to the region, creating 200,000 new jobs over the next 20 years.

With direct access to the new Western Sydney International (Nancy-Bird Walton) Airport – which will welcome more than 80 million passengers per year by 2063 – we are utilising the opportunity to maximise resource recovery from food waste by building an Advanced Water Recycling Centre (AWRC) at Kemps Creek.

The Advanced Water Recycling Centre will treat wastewater from homes and businesses, producing recycled water for a range of residential, agricultural and industrial uses. This flagship also presents a unique opportunity to activate a broader circular economy hub – a biorefinery – for the management of water, energy, bioresources, skills and jobs in the Western Parkland City.

When at full capacity, the new facility will produce up to 70 megalitres of high-quality treated water for sustainable use, for environmental flow in rivers and creeks, for greening and cooling, and potentially for non-drinking use in homes and businesses. It will generate energy and recover nutrients to be sold as biosolids for use as fertilisers in agriculture.

Given its high quality, recycled water produced at the AWRC can also be released to local waterways such as the Nepean and Warragamba Rivers to help sustain important river ecosystems that continue to come under significant pressure from climate change and urban development in their catchments.

The project is due to be operational in 2026.

This leading approach to collaboration rewards innovation and incentivises new delivery models. It is foundational for building a resilient water future and now provides the framework for future investments of a similar size and nature, to drive value and delivery quality outcomes for customers and the environment.

## Our green goals

This project is targeting a 'Gold' Infrastructure Sustainability Council (ISC) Rating which will be the first project in New South Wales to undertake a rating under this new version of the rating tool (ISC v2.1). The project includes a 4MW solar farm, biogas production to generate electricity contributing to 30 per cent of energy reduction from the baseline, 25 per cent reduction in water demand from the baseline, recycled content of construction material (bedding sand, asphalt, concrete) and 100 per cent of biosolids reused.

# Major projects delivering sustainable outcomes

We're building circular principles into the design and planning of water utilities.

An integrated approach to water-cycle management – from rainwater to wastewater – directly leads to producing renewable energy, converting waste to energy, water conservation and reuse, and reaching carbon neutrality. This commitment is very important to us.

Sydney Water's carbon-emissions ambition is net zero across our entire business by 2030, and across our supply chain by 2040 – and the circular economy approach will help us get there as we create opportunities to design out waste and pollution and keep resources in use at their highest value.

Through our infrastructure program, we have driven net zero carbon emissions and the circular economy goals by:

- evaluating carbon (impact) within project initiation and project decision-making through *Sydney Water's Greenhouse Gas Emissions Tool*.
- establishing minimum requirements for sustainability within projects.
- implementing low or zero carbon solutions within project development and delivery, such as use of low carbon construction materials, re-use of existing resources and alternative sources of energy.
- embedding climate change adaptation into projects through climate modelling and risk assessments to improve climate risk maturity, using *Sydney Water's Climate Change Adaptation Guidebooks*.
- enhancing sustainability awareness and building internal capacity through training, knowledge sharing activities, lessons learnt on projects and other continuous improvement opportunities.

## Key sustainability initiatives

### Austral-Leppington Wastewater Stage 3 Development

This project utilised Fibre Reinforced Polymer as prefabrication maintenance holes instead of traditional concrete and steel holes, significantly reducing the embodied carbon as well as improving efficiency of delivery (transport and time impacts).

### Prospect South to Macarthur

Project teams demonstrated exemplary practice in environmental management to minimise the impact on native Australian flora and fauna. To reduce the impact of works on the critically endangered Swift Parrot feeding area, mitigations were implemented including re-programming works until after the Swift Parrots had left the Australian Botanic Garden for the year, establishing a key exclusion zone for the parrots' watering hole during migration.

An additional Biodiversity Assessment Method was conducted to determine the impact of works on vegetation inside Botanic Gardens. The result was a high-quality restoration and quicker re-establishment of impacted areas, with 68,000 natives planted inside the 34,000m<sup>2</sup> construction corridor.

### West Camden Water Recycling Plant Upgrade

Ten nest boxes were installed into mature Eucalyptus moluccana (Grey Box) and Eucalyptus tereticornis (Forest Red Gum) trees at the West Camden Water Recycling Plant. The nest boxes were made from salvaged hollows from three hollow bearing trees and will create a habitat for a range of native fauna including small parrots, microbats and other hollow-dwelling mammals.

# Macroalgae trial

This project is a NSW-first circular economy pilot using macroalgae to set a new standard in global wastewater management.



Sydney Water's trial of the innovative macroalgae wastewater management system has improved the quality of water released from our Picton Water Resource Recovery Facility.

The trial used a native green macroalgae to reduce the levels of nitrogen and phosphorus in the water that is released into the Nepean River system. It is a cost-effective, carbon-neutral and chemical-free wastewater management process that is better for the environment and improves waterway health.

Instead of using a complex mechanical solution, the trial utilised three shallow ponds to optimise algae growth. As the wastewater passes through the ponds, the fast-growing *Oedogonium* macroalgae takes up the nutrients in the water and carbon dioxide from the air.

The end result is water with significantly reduced nutrients, including up to 100 per cent reductions in oxidised nitrogen, ammonia, and phosphorus as well as 99.9 per cent reductions in harmful bacteria.

Too much nitrogen and phosphorus in our waterways causes the proliferation of harmful blue green algae at a rate faster than ecosystems can handle. Significant increases in blue green microalgae harm water quality, food resources and

habitats, as they decrease the available oxygen that fish and other aquatic life need to survive, strangling the vibrancy and life of waterways and river systems.

Once the macroalgae has done its job in the ponds, it is removed and can be harvested and converted into a biostimulant that may be used to enrich agricultural soils as a companion product to help grow healthier more resilient crops and reduce farmers' the reliance and use of traditional nitrogen and phosphorus-rich fertilisers.

## Promising results

In March 2023, we saw:

- a 70-80 per cent reduction in Total Nitrogen consistent across 3 raceways and 5 sampling days
- a 95-100 per cent reduction in dissolved inorganic nitrogen (DIN). This includes ammonia, nitrate and nitrite
- a 70-90 per cent reduction in phosphorus (P)
- a 95-100 per cent reduction in ortho phosphorus (DIP). This implies further potential to reduce alum dosing
- achieved an exponential reduction (+99 per cent) in harmful bacteria (faecal coliforms)
- a significant reduction (up to 90 per cent) in aluminium, copper, iron, manganese, and zinc.

We also expect from our experience that macroalgae will reduce harmful compounds such as perfluorochemicals (PFAS / PFOS) when present in the incoming water. We are already removing some heavy metals when they are present in incoming water.





SECTION 6

# Financial performance



# 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, the board of directors agrees a Statement of Corporate Intent (SCI) with the shareholders. The SCI includes key business objectives, commercial performance, income targets, operational expenditure and capital investment. The SCI also forms the basis for our yearly budget.

During 2022–23, our net profit after tax (NPAT) was \$314 million, which was \$142 million below the SCI Target of \$456 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year was \$1,389 million, which was \$55 million under the SCI Target of \$1,444 million. We recognised a dividend of \$100 million consistent with the SCI Target.

The profit was lower than expected due to a \$112 million increase in operating expenditure, including the additional costs of sourcing more water from the Sydney Desalination Plant. Borrowing expenses were \$150 million higher than the SCI Target due to the higher inflation impact on CPI bonds and due to higher debt refinancing rates. These increased costs were partly offset by a \$57 million increase in revenue predominately due to higher service charges and a \$64 million decrease in income tax expense when both compared to their SCI Targets.

## Profit and loss statement, 2019–20 to 2022–23

Financial performance target	2019–20 result	2020–21 result	2021–22 result	2022–23 result	2022–23 SCI target	2022–23 variance to SCI target
Total income (\$m)	2,967	2,748	2,764	2,946	2,889	57
Operating expenses (\$m)	1,501	1,428	1,460	1,557	1,445	(112)
Earnings before interest, tax, depreciation and amortisation (\$m)	1,466	1,320	1,304	1,389	1,444	(55)
Depreciation, amortisation, impairments and loss on asset sales (\$m)	389	384	427	437	436	(1)
Borrowing expenses (\$m)	448	361	416	507	357	(150)
Net profit before tax (\$m)	629	575	461	445	651	(206)
Income tax expense (\$m)	188	171	136	131	195	64
Net profit after tax (\$m)	441	404	325	314	456	(142)
Dividend (\$m)	963	687	139	100	100	-
Return on assets (%)	5.1	4.2	3.8	3.8	4.1	(0.3)
Net cash flows from operating activities	632	627	756	766	750	16
Net cash flows from operating activities interest cover (times)	2.4	2.7	2.8	2.5	3.1	(0.6)
Capital investment program <sup>25</sup> (\$m)	843	885	1,170	1,558	1,376	(182)
Gearing ratio (%)	58	59	59	60	59	(1)

<sup>25</sup> The capital investment program numbers exclude unregulated capex and capitalised borrowing costs.



## Income

Total income for the year was \$2,946 million, which was \$57 million above the SCI Target of \$2,889 million.

Regulated income was \$2,662 million, which was \$11 million higher than the SCI Target of \$2,651 million. Non-regulated income was \$284 million, which was \$45 million higher than the SCI Target of \$239 million.

## Property sales

During 2022–23, seven properties were sold that were surplus to operational needs at a total gross sale price of \$0.9 million. All sales were completed in line with accepted NSW Government disposal standards and guidelines. Separate to this, nine of our properties were compulsorily acquired by Sydney Metro. An additional gain on a surplus property asset disposed in 2014–15 of \$13.5 million was also received. This additional gain was realised when the purchaser secured during 2022–23 an approved increase to the size of the planned development beyond the base development area agreed per the contract for sale.

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 \$1,557 million, which was \$112 million above the SCI Target of \$1,445 million. This was mainly due to the additional costs of sourcing more desalinated water from the Sydney Desalination Plant than compared to the SCI Target.

## Debt management, 2022–23

The market valuation of the debt at 30 June 2023 was \$12,398 million. 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.

## Time for payment of accounts

Sydney Water did not incur any penalty interest charges during 2022–23 for late payments to creditors.

## Net cash flows from operating activities

The net cash flows from operating activities in 2022–23 were \$766 million. This was \$16 million above our SCI Target of \$750 million. This was mainly due to cash receipts \$123 million higher than our SCI Target, offset by operating payments \$100 million above our SCI Target.

## Net cash flows from operating activities interest cover (times)

The net cash flows from operating activities interest cover (times) ratio were 2.5, which was lower than the SCI Target of 3.1.

## Investment management

We benchmark our investment portfolio's performance against the NSW Treasury Corporation's cash investment facility. In 2022–23, we had no financial investments, as we used surplus cash to minimise debt.

## Debt management

At 30 June 2023, we had a \$12.8 million cash balance, and our total debt was \$12.9 billion. Our debt portfolio was sourced through NSW Treasury Corporation, and this was actively managed to limit the cost of funds. Additionally, 84.5% of our total debt was fixed-rate debt maturing out to 2041, with the remaining 15.5% inflation-indexed debt maturing out to 2035.

	Sydney Water	Benchmark
Generalised cost of funds 2022–23(%)	3.6%	3.1%
Weighted average cost 2022–23 (%)	4.8%	4.4%

## Cash flow

- Cash receipts from our operations in 2022–23 were \$2,799 million, which was \$13 million higher than the SCI Target.
- We used \$1,771 million in cash for operational purposes, which was \$100 million higher than the SCI Target.
- Total interest paid was \$328 million, which was \$63 million higher than the SCI Target. Total interest paid includes interest and the government guarantee fee paid on our borrowings.

## Return on assets and equity

Our return on assets for 2022–23 was 3.8 per cent, against an SCI Target of 4.1 per cent.

The return on equity was 3.8 per cent, which was under the SCI Target of 5.6 per cent due to lower profits.

## Return on invested capital

Our return on invested capital (ROIC) for 2022–23 was 4.9 per cent which was consistent with the SCI Target.

## SCI Target 2023–24

### SCI Target 2023–24

Measure	SCI Target (\$m)
<b>Total income</b>	<b>3,192</b>
Total operating expenses	1,430
Depreciation, amortisation, impairments and loss on asset sales	521
Borrowing costs	804
<b>Profit before tax</b>	<b>437</b>
Income tax expense	131
<b>Profit after tax</b>	<b>306</b>

## IPART pricing determinations

### 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.<sup>26</sup>

<sup>26</sup> In November 2021, IPART deferred the pricing review to 2025.

## New (or upgraded) connection charges

### Schedule 1 – Connecting new developments to the system – water, wastewater and stormwater developer 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. The NSW Government policy to allow contributions for water, wastewater and stormwater services will be gradually reintroduced from 1 July 2024. Contributions will be capped at 25 per cent of the full charge in 2024–25 and 50 per cent in 2025–26, with full contributions from 1 July 2026. As such, Sydney Water did not levy any of these charges in the 12 months to 30 June 2023.

Under IPART’s determination we have 18 months from 1 January 2022 to develop, exhibit and register Development Servicing Plans for all areas where we expect to provide connection services to development before we begin to collect these contributions. Development Servicing Plans were placed on exhibition on 28 April 2023. In response to stakeholder feedback, IPART has allowed an extension of the exhibition. However, we still expect to have Development Servicing Plans registered during the second half of 2023 so that we can begin charging in 2024–25.

### Schedule 2 & 3 – Connecting or upgrading existing developments to the system – minor service extension charges

In the 12 months to June 2023, Sydney Water provided one new service to an existing property 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 this one existing case in Terrey Hills, we levied a charge calculated in accordance with the previous determination.

### Recycled water infrastructure contributions

Sydney Water has complied with IPART’s 2019 Determination for recycled water services, which sets a methodology for fixing the maximum price that a water agency may charge for recycled water infrastructure contributions.

## Compliance with IPART’s 2019 Recycled Water Determination – infrastructure contribution per equivalent tenement (ET), 2022–23

Recycled Water Scheme	Status of Development Servicing Plan (DSP)	Infrastructure contribution <sup>27</sup> (\$ per ET)	Compliance status against the determination
Rouse Hill	Reviewed and Registered (Oct 21)	\$4,447.83	Compliant
Hoxton Park	Reviewed and Registered (Oct 21)	\$8,415.36 <sup>28</sup>	Compliant

27 Infrastructure contributions are described as ‘new connection charges’ in the 2019 determination.

28 The NSW Treasurer gave approval to cap the price at the Hoxton Park scheme in 2016. The price above reflects the capped price, which is adjusted each year for inflation.

## Sydney Water prices

IPART pricing table, 2022–23

	IPART determined price (\$)	Adjustments for SDP by IPART determined method (\$)	Inflated IPART maximum prices (\$, at the rate of 6.3%)	Sydney Water daily rate (\$) <sup>a</sup>
2022–23	(2020–21)	(2022–23)	(2022–23)	(2022–23)
<b>Service charges (\$)</b>				
<b>Residential premises</b>				
<b>Water</b>				
Metered <sup>c</sup>	39.90	13.61	56.02	0.15348
Unmetered <sup>i</sup>	462.90	13.61	506.02	1.38636
<b>Wastewater <sup>b, d</sup></b>	544.52		579.49	1.58764
<b>Stormwater (drainage) <sup>b</sup></b>				
Standalone premises	77.55		82.43	0.22584
Multi premises	24.79		26.35	0.07219
Low impact	24.79		26.35	0.07219
<b>Non-residential properties</b>				
<b>Water</b>				
Water service charges by meter size (mm) <sup>e</sup>				
20	39.90	13.61	56.02	0.15348
25	62.34	21.26	87.53	0.23981
32	102.14	34.84	143.41	0.39290
40	159.59	54.43	224.07	0.61389
50	249.36	85.05	350.12	0.95923
80	638.36	217.73	896.31	2.45564
100	997.43	340.21	1,400.48	3.83693
150	2,244.38	765.47	3,151.03	8.63296
200	3,990.00	1,360.84	5,601.84	15.34751
250	6,234.38	2,126.31	8,752.87	23.98047
300	8,977.50	3,061.88	12,604.13	34.53186
500	24,937.50	8,505.22	35,011.47	95.92184
600	35,910.00	12,247.52	50,416.52	138.12745
Unmetered	462.90	13.61	506.02	1.38636
<b>Wastewater <sup>b</sup></b>				
Wastewater service charges by meter size (mm) <sup>f, g</sup>				
20	486.03		516.65	1.41548
25	759.42		807.27	2.21170
32	1,244.24		1,322.62	3.62362
40	1,944.13		2,066.61	5.66195
50	3,037.70		3,229.08	8.84679
80	7,776.51		8,266.43	22.64775
100	12,150.79		12,916.29	35.38710
150	27,339.19		29,061.56	79.62071
200	48,603.00		51,665.00	141.54795
250	75,942.19		80,726.56	221.16866
300	109,356.75		116,246.25	318.48288
500	303,768.75		322,906.25	884.67466
600	437,427.00		464,985.00	1,273.93151
Unmetered	544.52		579.49	1.58764

	IPART determined price (\$)	Adjustments for SDP by IPART determined method (\$)	Inflated IPART maximum prices (\$, at the rate of 6.3%)	Sydney Water daily rate (\$) <sup>a</sup>
2022–23	(2020–21)	(2022–23)	(2022–23)	(2022–23)
<b>Service charges (\$)</b>				
<b>Non-residential properties</b>				
<b>Stormwater (drainage) <sup>b</sup></b>				
Standalone premises				
Small (200m <sup>2</sup> or less)	24.79		26.35	0.07219
Medium (201–1,000m <sup>2</sup> ) or low impact	77.55		82.43	0.22584
Large (1,001–10,000m <sup>2</sup> )	447.82		476.03	1.30419
Very large (10,001–45,000m <sup>2</sup> )	1,987.42		2,112.62	5.78800
Largest (45,001m <sup>2</sup> or greater)	4,967.28		5,280.22	14.46636
Multi premises				
Low Impact assessed Non-Residential Property (irrespective of Property Area)	24.79		26.35	0.07219
	77.55		82.43	0.22584
<b>Usage charges (\$/kL)</b>				
<b>Residential premises</b>				
Filtered water	2.35		2.50	2.50
Uplift on Drought Response Days <sup>h</sup>	0.83		0.88	0.88
<b>Non-residential properties</b>				
Filtered water	2.35		2.50	2.50
Uplift on Drought Response Days <sup>h</sup>	0.83		0.88	0.88
Wastewater	1.20		1.28	1.28
<b>Mandated recycled water supply services (\$/kL)</b>				
Recycled water usage charge <sup>i</sup>				2.25

## 6 FINANCIAL PERFORMANCE

- a. Sydney Water's charges applied from 1 July 2022. 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 'Vaucluse Diamond Bay' and 'Waterways Health Improvement' programs. The wastewater discretionary charge for residential premises is \$1.11 pa (\$2022–23) and the stormwater discretionary charge for residential premises that do attract a stormwater drainage charge is \$0.90 pa (\$2022–23). The wastewater discretionary charge applicable to non-residential properties is subject to the meter size of the property whereas the stormwater discretionary charge for non-residential properties that do attract a stormwater drainage charge is \$0.90 pa (\$2022–23).
- 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 \$192.00 (\$2022–23) 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 as defined in the Schedule 8 of the 2020 Price Determination for Sydney Water.
- i. Water service charge for unmetered customers of \$506.02 (\$2022–23) per year during non-drought periods includes a deemed water usage charge of \$450.00 (\$2022–23) per year based on a usage allowance of 180 kL per year multiplied by the filtered water usage price of \$2.50 per kL (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/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](http://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 2023, 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.

## Annual Report external production costs

We have outsourced production of some elements of the Sydney Water Annual Report 2022–23 due to limitations with internal capabilities and resources. The total estimated cost of producing this year's report is \$17,547 (excluding GST).<sup>29</sup>

<sup>29</sup> estimated costs correct at time of publication.



# **Sydney Water Corporation**

**Financial Statements  
for the year ended 30 June 2023**

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## Statement of profit or loss and other comprehensive income

### for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Revenue	1(a)	2,928,329	2,757,240
Other income	1(b)	17,748	6,564
Finance costs	2(a)	(506,564)	(415,643)
Other expenses	2(b)	(1,994,284)	(1,886,774)
<b>Profit before income tax</b>		<b>445,229</b>	<b>461,387</b>
Income tax expense	3(a)	(130,748)	(136,765)
<b>Profit for the year</b>		<b>314,481</b>	<b>324,622</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of property, plant and equipment	4	347,218	82,705
Income tax effect	3(a)	(104,165)	(24,812)
		243,053	57,893
Remeasurement of defined benefit superannuation net liability	13(c)	55,999	229,981
Income tax effect	3(a)	(16,800)	(68,994)
		39,199	160,987
<b>Other comprehensive income for the year net of income tax</b>		<b>282,252</b>	<b>218,880</b>
<b>Total comprehensive income for the year</b>		<b>596,733</b>	<b>543,502</b>

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

## Statement of financial position

as at 30 June 2023

	Note	30 June 2023 \$'000	30 June 2022 \$'000
<b>Current assets</b>			
Cash and cash equivalents	8	12,778	12,783
Trade and other receivables	9	462,632	473,960
Other current assets	10	45,619	46,163
Current tax asset		61,843	31,252
		<b>582,872</b>	<b>564,158</b>
Non-current assets classified as held for sale		7,956	3,954
<b>Total current assets</b>		<b>590,828</b>	<b>568,112</b>
<b>Non-current assets</b>			
Non-current receivables	9	3,311	3,537
Property, plant and equipment	4	24,395,169	22,586,217
Right-of-use assets	5	299,016	329,489
Intangible assets	7	427,283	384,045
<b>Total non-current assets</b>		<b>25,124,779</b>	<b>23,303,288</b>
<b>Total assets</b>		<b>25,715,607</b>	<b>23,871,400</b>
<b>Current liabilities</b>			
Trade and other payables	11	770,134	758,210
Borrowings and other financial liabilities	12	129,905	164,434
Lease liabilities	5	39,983	36,590
Dividends payable	15	100,000	138,750
Provisions	13	252,069	169,079
Deferred Government grants	14	253	62
<b>Total current liabilities</b>		<b>1,292,344</b>	<b>1,267,125</b>
<b>Non-current liabilities</b>			
Borrowings and other financial liabilities	12	13,296,748	12,114,786
Lease liabilities	5	288,279	316,010
Deferred tax liabilities	3(b)	1,880,003	1,668,082
Provisions	13	442,171	486,068
<b>Total non-current liabilities</b>		<b>15,907,201</b>	<b>14,584,946</b>
<b>Total liabilities</b>		<b>17,199,545</b>	<b>15,852,071</b>
<b>Net assets</b>		<b>8,516,062</b>	<b>8,019,329</b>
<b>Equity</b>			
Share capital	16	3,911,854	3,911,854
Asset revaluation reserve		3,016,464	2,773,470
Retained earnings		1,587,744	1,334,005
<b>Total equity</b>		<b>8,516,062</b>	<b>8,019,329</b>

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

## Statement of changes in equity

### for the year ended 30 June 2023

	Note	Share capital \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total Equity \$'000
<b>Balance at 30 June 2022</b>		3,911,854	2,773,470	1,334,005	8,019,329
Profit for the year		-	-	314,481	314,481
Other comprehensive income		-	243,053	39,199	282,252
<b>Total comprehensive income for the year</b>		-	<b>243,053</b>	<b>353,680</b>	<b>596,733</b>
Transfers between equity items on disposal of assets		-	(59)	59	-
<b>Total transfers between equity items</b>		-	<b>(59)</b>	<b>59</b>	-
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	15	-	-	(100,000)	(100,000)
<b>Total transactions with owners in their capacity as owners</b>		-	-	<b>(100,000)</b>	<b>(100,000)</b>
<b>Balance at 30 June 2023</b>		<b>3,911,854</b>	<b>3,016,464</b>	<b>1,587,744</b>	<b>8,516,062</b>
<b>Balance at 30 June 2021</b>		3,911,854	2,717,948	984,775	7,614,577
Profit for the year		-	-	324,622	324,622
Other comprehensive income		-	57,893	160,987	218,880
<b>Total comprehensive income for the year</b>		-	<b>57,893</b>	<b>485,609</b>	<b>543,502</b>
Transfers between equity items on disposal of assets		-	(2,371)	2,371	-
<b>Total transfers between equity items</b>		-	<b>(2,371)</b>	<b>2,371</b>	-
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	15	-	-	(138,750)	(138,750)
<b>Total transactions with owners in their capacity as owners</b>		-	-	<b>(138,750)</b>	<b>(138,750)</b>
<b>Balance at 30 June 2022</b>		<b>3,911,854</b>	<b>2,773,470</b>	<b>1,334,005</b>	<b>8,019,329</b>

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

## Statement of cash flows

### for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts		2,799,086	2,547,379
Cash payments		(1,771,224)	(1,478,550)
Cash generated from operations		1,027,862	1,068,829
Social programs grants received from NSW Government		133,032	136,288
Other grants received from NSW Government		421	332
Grants received from Commonwealth Government		35	106
Interest received		3,596	1,815
Interest paid		(179,128)	(188,291)
Government guarantee fee paid		(149,487)	(144,346)
Income tax paid		(70,456)	(119,017)
<b>Net cash flows from operating activities</b>	8(b)	<b>765,875</b>	<b>755,716</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		14,404	2,770
Capital grants received from NSW Government		86	-
Other cash contributions received		1,568	3,908
Security and other deposits received		26,064	34,582
Payments for property, plant and equipment		(1,499,017)	(1,146,795)
Payments for intangible assets		(113,584)	(79,116)
Security and other deposits released		(24,724)	(19,572)
<b>Net cash flows from investing activities</b>		<b>(1,595,203)</b>	<b>(1,204,223)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,045,783	803,838
Payment of principal for lease liabilities related to right-of-use assets		(37,885)	(36,158)
Payment of principal for service concession liabilities		(39,825)	(38,290)
Dividends paid	15	(138,750)	(274,400)
<b>Net cash flows from financing activities</b>		<b>829,323</b>	<b>454,990</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(5)	6,483
<b>Cash and cash equivalents at beginning of the year</b>		12,783	6,300
<b>Cash and cash equivalents at end of the year</b>	8(a)	<b>12,778</b>	<b>12,783</b>

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

# About these Financial Statements

## Corporate information

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

The Corporation provides water and water-related services under its Operating Licence to customers in its area of operations in NSW. It operates under the commercial disciplines of the NSW Government's Commercial Policy Framework and accordingly the directors have determined that it is a for-profit entity for financial reporting purposes. The Corporation's ultimate parent is the NSW Government. Accordingly, the Corporation's financial statements form part of the consolidated NSW Total State Sector Accounts.

The Corporation's financial statements for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 23 August 2023.

## Basis of preparation

These general-purpose financial statements have been prepared in accordance with applicable Australian Accounting Standards (including Australian Accounting Interpretations), the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018, mandates issued by NSW Treasury including NSW Treasury Directions issued under the GSF Act, NSW Treasury Circulars and 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 and intangible assets are stated using the fair value basis;
- Greenhouse trading certificates and biodiversity offset credits 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 and lease liabilities related to right-of-use assets 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 2022 to 30 June 2023, and its financial position as at 30 June 2023.

## Presentation currency

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

## 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 5 Leases;
- Note 6 Service concession arrangements;
- 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.

## Significant changes in the current reporting period

There were no changes in accounting policy during the reporting period, nor did the introduction of new Accounting Standards and Accounting Interpretations lead to any change in measurement in these financial statements.

## Notes to the Financial Statements

### Performance for the reporting period

#### Note 1. Income

##### (a) Revenue

	Note	Regulated		Non- Regulated		Total	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Revenue from contracts with customers</b>							
Service availability charges (redress rebates)		1,243,505	1,168,790	(3,978)	(2,208)	1,239,527	1,166,582
Usage charges		1,248,067	1,198,796	18,597	11,772	1,266,664	1,210,568
Ancillary services		31,458	21,778	3,111	3,406	34,569	25,184
Developer contributions	8(b)	-	-	212,936	190,766	212,936	190,766
Sundry revenue		-	-	26,197	18,940	26,197	18,940
<b>Total revenue from contracts with customers</b>		<b>2,523,030</b>	<b>2,389,364</b>	<b>256,863</b>	<b>222,676</b>	<b>2,779,893</b>	<b>2,612,040</b>
<b>Timing of revenue recognition</b>							
Over time		2,491,572	2,367,586	14,619	9,564	2,506,191	2,377,150
At a point in time		31,458	21,778	242,244	213,112	273,702	234,890
		<b>2,523,030</b>	<b>2,389,364</b>	<b>256,863</b>	<b>222,676</b>	<b>2,779,893</b>	<b>2,612,040</b>
<b>Other revenues</b>							
NSW Government grants for social programs		133,352	131,746	-	-	133,352	131,746
Capital grants from NSW Government		-	-	86	-	86	-
Other grants from NSW Government		-	-	230	185	230	185
Grants from Commonwealth Government		-	-	35	106	35	106
Interest revenue		-	-	3,597	1,815	3,597	1,815
Rent revenue from operating leases		5,221	5,421	5,221	5,421	10,442	10,842
Sundry revenue		-	-	694	506	694	506
<b>Total other revenues</b>		<b>138,573</b>	<b>137,167</b>	<b>9,863</b>	<b>8,033</b>	<b>148,436</b>	<b>145,200</b>
<b>Total revenue</b>		<b>2,661,603</b>	<b>2,526,531</b>	<b>266,726</b>	<b>230,709</b>	<b>2,928,329</b>	<b>2,757,240</b>

#### 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, stormwater, and recycled water 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, recycled water, 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, stormwater, and recycled water 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	2023 \$'000	2022 \$'000
Gain on disposal of property, plant and equipment	8(b)	13,785	2,770
Income from sale of greenhouse trading certificates		2,563	2,665
Unrealised gain on biodiversity credits		1,379	1,129
Unrealised gain on foreign currency derivatives		21	-
<b>Total other income recognised in profit or loss</b>		<b>17,748</b>	<b>6,564</b>

**Note 2. Expenses****(a) Finance costs**

	Note	2023 \$'000	2022 \$'000
Interest expense for borrowings at amortised cost		270,369	225,323
Interest expense for lease liabilities related to right-of-use assets	5	12,561	11,747
Interest expense for service concession liabilities		20,177	22,412
Amortisation of deferred discounts on loans	8(b)	29,828	15,697
Total interest expense		<b>332,935</b>	<b>275,179</b>
Government guarantee fee expense – NSW Treasury		170,893	149,522
Indexation of CPI bonds	8(b)	113,372	54,058
		<b>617,200</b>	<b>478,759</b>
Less amount capitalised as borrowing costs		(110,636)	(63,116)
<b>Total finance costs recognised in profit or loss</b>		<b>506,564</b>	<b>415,643</b>

**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.

Payments for the lease liabilities related to the right-of-use assets and for the service concession liabilities are allocated between principal and interest. The interest is expensed as incurred within finance costs in profit or loss over the lease period for the lease liabilities or over the service concession arrangement term for the service concession liabilities. This expense is to produce a constant periodic rate of interest on the remaining balance of the lease liabilities and service concession liabilities for each period.

Borrowing costs are capitalised where there is a direct relationship between the borrowings and the projects giving rise to qualifying capital assets.

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

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

**(b) Other expenses**

	Note	2023 \$'000	2022 \$'000
<b>Employee-related expenses:</b>			
Total employee-related expenses before amounts capitalised		601,398	549,063
Less amounts capitalised		(237,095)	(190,805)
Total employee-related expenses		364,303	358,258
<b>Non-employee related expenses:</b>			
Availability charges and purchases of bulk water – Water NSW		204,774	197,134
Availability charges and operational costs - Sydney Desalination Plant		238,568	203,931
Tariff expenses from water filtration plant agreements		109,524	100,869
Maintenance services	2(d)	347,661	273,386
Operational services		84,874	86,759
Materials, plant and equipment		93,885	84,651
Leases of low value assets		16	100
Short-term leases expense		11,788	11,912
Electricity and other energy		57,111	51,749
Transport		4,593	5,447
Property including land tax		23,512	28,411
Data management		65,260	66,599
Unrealised loss on biodiversity offset credits		-	4,261
Other expenses from ordinary activities		64,255	59,009
Total non-employee related expenses before amounts capitalised		1,305,821	1,174,218
Less amounts capitalised		(114,725)	(72,917)
Total non-employee related expenses		1,191,096	1,101,301
<b>Depreciation and amortisation expenses:</b>			
Depreciation of property, plant and equipment	4	318,462	301,496
Depreciation of property, plant and equipment – right-of-use assets	5	43,283	41,258
Amortisation of intangible assets	7	70,515	53,623
Total depreciation and amortisation expenses	8(b)	432,260	396,377
<b>Losses from disposal of:</b>			
Property, plant and equipment	8(b)	6,010	12,007
Total losses from disposal		6,010	12,007
<b>Impairment losses expensed (reversed) through profit or loss:</b>			
Receivables	9(c)	26	520
Property, plant and equipment	4, 8(b)	(427)	18,250
Intangible assets	7, 8(b)	(168)	61
Inventory		1,184	-
Total impairment losses expensed (reversed) through profit or loss		615	18,831
<b>Total other expenses recognised in profit or loss</b>		<b>1,994,284</b>	<b>1,886,774</b>

**(c) Additional information on superannuation expense**

	Note	2023 \$'000	2022 \$'000
<b>Superannuation expense recognised in profit or loss</b>			
<b>Defined benefit schemes</b>			
Current service cost	13(c)	2,548	4,794
Net interest on the net defined benefit liability (asset)	13(c)	23,077	19,500
Defined benefit superannuation expense (advised by Administrator)		25,625	24,294
Other movements		1,326	(43)
Defined benefit superannuation expense before amounts capitalised		26,951	24,251
Less amount capitalised		(6,097)	(6,606)
<b>Defined benefit superannuation expense</b>		<b>20,854</b>	<b>17,645</b>
<b>Defined contribution schemes</b>			
Defined contribution superannuation expense before amounts capitalised		20,204	19,644
Less amount capitalised		(3,718)	(3,608)
<b>Defined contribution superannuation expense</b>		<b>16,486</b>	<b>16,036</b>
<b>Total superannuation expense recognised in profit or loss</b>		<b>37,340</b>	<b>33,681</b>

**(d) Additional information on maintenance expense**

	Note	2023 \$'000	2022 \$'000
<b>Maintenance expenses</b>			
Maintenance related expense included in employee related expenses	2(b)	85,663	83,416
Maintenance expense included in non-employee related expenses	2(b)	347,661	273,386
<b>Total maintenance expenses</b>		<b>433,324</b>	<b>356,802</b>

**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.

### Note 3. Taxation

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

	2023	2022
	\$'000	\$'000
<b>Current tax expense</b>		
Current tax on profits for the year	39,405	68,564
Adjustments for current tax of prior years	387	7,765
	39,792	76,329
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	92,282	68,027
Adjustments for prior years	(1,326)	(7,591)
	90,956	60,436
<b>Total income tax expense in profit or loss</b>	<b>130,748</b>	<b>136,765</b>
<b>Reconciliation of income tax expense to prima facie tax payable</b>		
Profit before income tax	445,229	461,387
Tax at the Australian tax rate of 30% (2022: 30%)	133,569	138,415
Tax effect of amounts which are not (taxable) deductible		
Research and development concession	(305)	(306)
Sundry items	(1,577)	(1,518)
	131,687	136,591
Under provided in prior year – current tax	387	7,765
(Over) provided in prior year – deferred tax	(1,326)	(7,591)
<b>Income tax expense</b>	<b>130,748</b>	<b>136,765</b>
<b>Income tax on other comprehensive income</b>		
<b>Deferred tax relating to:</b>		
Revaluation of property, plant and equipment	104,165	24,812
Remeasurement of defined benefit superannuation liability	16,800	68,994
<b>Total income tax on other comprehensive income</b>	<b>120,965</b>	<b>93,806</b>

#### 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.

(b) Deferred tax assets and liabilities

Movements

	Balance 1 July 2022	Recognised in profit or loss	Recognised in other comprehensive income	Balance 30 June 2023
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment and intangibles	1,949,701	88,415	104,165	2,142,281
Other assets	5,244	(86)	-	5,158
Right-of-use assets	(6,934)	(1,840)	-	(8,774)
Employee benefits	(181,627)	(3,830)	16,800	(168,657)
Provisions not currently deductible	(8,063)	732	-	(7,331)
Anticipated receipts and accrued expenses	(12,748)	225	-	(12,523)
Service concession liabilities	(75,610)	7,586	-	(68,024)
Greenhouse trading certificates and biodiversity offset credits	(1,881)	(246)	-	(2,127)
<b>Net tax (assets) / liabilities</b>	<b>1,668,082</b>	<b>90,956</b>	<b>120,965</b>	<b>1,880,003</b>

	Balance 1 July 2021	Recognised in profit or loss	Recognised in other comprehensive income	Balance 30 June 2022
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment and intangibles	1,870,553	54,336	24,812	1,949,701
Other assets	3,428	1,816	-	5,244
Right-of-use assets	(5,453)	(1,481)	-	(6,934)
Employee benefits	(246,759)	(3,862)	68,994	(181,627)
Provisions not currently deductible	(13,634)	5,571	-	(8,063)
Anticipated receipts and accrued expenses	(7,519)	(5,229)	-	(12,748)
Service concession liabilities	(82,838)	7,228	-	(75,610)
Greenhouse trading certificates and biodiversity offset credits	(3,938)	2,057	-	(1,881)
<b>Net tax (assets) / liabilities</b>	<b>1,513,840</b>	<b>60,436</b>	<b>93,806</b>	<b>1,668,082</b>

Carrying amounts

	Assets		Liabilities		Net	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Property, plant and equipment and intangibles	-	-	2,142,281	1,949,701	2,142,281	1,949,701
Other assets	-	-	5,158	5,244	5,158	5,244
Right-of-use assets	(8,774)	(6,934)	-	-	(8,774)	(6,934)
Employee benefits	(168,657)	(181,627)	-	-	(168,657)	(181,627)
Provisions not currently deductible	(7,331)	(8,063)	-	-	(7,331)	(8,063)
Anticipated receipts and accrued expenses	(12,523)	(12,748)	-	-	(12,523)	(12,748)
Service concession liabilities	(68,024)	(75,610)	-	-	(68,024)	(75,610)
Greenhouse trading certificates and biodiversity offset credits	(2,127)	(1,881)	-	-	(2,127)	(1,881)
<b>Tax (assets) liabilities</b>	<b>(267,436)</b>	<b>(286,863)</b>	<b>2,147,439</b>	<b>1,954,945</b>	<b>1,880,003</b>	<b>1,668,082</b>
Set-off of tax	267,436	286,863	(267,436)	(286,863)	-	-
<b>Net tax (assets) / liabilities</b>	<b>-</b>	<b>-</b>	<b>1,880,003</b>	<b>1,668,082</b>	<b>1,880,003</b>	<b>1,668,082</b>

### **(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.

### **(d) Uncertainty over income tax treatment**

AASB Interpretation 23 *Uncertainty over income Tax Treatment* clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* where there is uncertainty over income tax treatments. An assessment is required of each uncertain tax position as to whether it is probable that the ATO will accept the position. Where it is not probable, the effect of the uncertainty is reflected in determining the relevant taxable profit or loss, tax bases and tax rates. The amount is determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements are reassessed as and when new facts and circumstances are presented.

In *Victoria Power Networks Pty Ltd v Commissioner of Taxation* (2020) FCAFC 169, on 21 October 2020 the Full Federal Court made a judgement on what value to assign to assets received free of charge in terms of determining assessable income for the taxpayer. The Full Federal Court held that the arm's length value of the assets received free of charge under section 21A of the *Income Tax Assessment Act 1936* was limited to the rebate amount paid to the electricity distribution taxpayer by the customer. The arm's length value excluded the estimated cost of construction undertaken by the customer and provided free of charge to the taxpayer. The effect was to exclude the assets received free of charge from being classified as part of assessable income. The case was decided based on legislation and industry guidelines specific to the electricity distribution industry in the state of Victoria.

A subsequent Decision Impact Statement issued by the ATO stated that the Commissioner was currently assessing the potential impact of the decision on other infrastructure providers and regulated industries such as gas, water, telecommunications, rail and ports. The Commissioner is still yet to perform its assessment as at the reporting date. No specific guidance has been issued in relation to assets received free of charge and their classification as assessable income for entities within the regulated water industry.

The Corporation has considered the most likely outcome of the uncertainty associated with the case is that there will be no change to the status of the assets received free of charge being classified as assessable income. Hence no adjustment was made to the current income tax expense and the current income tax payable for the current reporting period.

**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	Service Concession Arrangements	Plant and equipment	Computer equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2021 – net carrying amount	127,459	25,403	18,448,341	1,320,637	36,233	26,937	1,524,734	21,509,744
Additions to work in progress	-	-	-	-	-	-	1,195,573	1,195,573
Additions transferred from work in progress	705	-	417,827	3,767	2,196	15,097	(439,592)	-
Additions – other and adjustments	-	-	186,858	-	-	-	-	186,858
Disposals	-	-	(11,915)	-	(15)	(9)	-	(11,939)
Reclassified as assets held for sale	(1,313)	-	-	-	(38)	-	-	(1,351)
Reclassified to inventory	-	-	-	-	-	-	(1,810)	(1,810)
Other reclassifications	(8,598)	-	54,107	(45,509)	-	-	-	-
Reclassified to intangibles	-	-	-	-	-	-	(53,817)	(53,817)
Revaluation increments/(decrements) recognised in the asset revaluation reserve	8,995	3,056	(71,004)	141,658	-	-	-	82,705
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	516	-	-	-	-	-	(18,766)	(18,250)
Depreciation charge	(156)	(2,004)	(252,265)	(21,187)	(9,863)	(16,021)	-	(301,496)
<b>At 30 June 2022 – net carrying amount</b>	<b>127,608</b>	<b>26,455</b>	<b>18,771,949</b>	<b>1,399,366</b>	<b>28,513</b>	<b>26,004</b>	<b>2,206,322</b>	<b>22,586,217</b>
Additions to work in progress	-	-	-	-	-	-	1,603,180	1,603,180
Additions transferred from work in progress	-	-	494,169	-	11,352	4,658	(510,179)	-
Additions – other and adjustments	-	-	209,782	-	-	-	-	209,782
Disposals	-	-	(5,855)	-	(25)	-	-	(5,880)
Reclassified as assets held for sale	(4,774)	-	-	-	-	-	-	(4,774)
Other reclassifications	(526)	-	358	-	38	-	130	-
Reclassified to intangibles	-	-	-	-	-	-	(22,539)	(22,539)
Revaluation increments/(decrements) recognised in the asset revaluation reserve	10,914	6,121	200,485	129,698	-	-	-	347,218
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	1,635	-	-	-	-	-	(1,208)	427
Depreciation charge	(161)	(2,003)	(267,502)	(19,596)	(12,496)	(16,704)	-	(318,462)
<b>At 30 June 2023 – net carrying amount</b>	<b>134,696</b>	<b>30,573</b>	<b>19,403,386</b>	<b>1,509,468</b>	<b>27,382</b>	<b>13,958</b>	<b>3,275,706</b>	<b>24,395,169</b>



	Market land and buildings	Leasehold property	System assets - Infrastructure including system land	Service Concession Arrangements	Plant and equipment	Computer equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2022</b>								
Cost	-	-	-	-	187,009	127,361	2,206,322	2,520,692
Fair value (level 3) – market approach	130,990	27,398	-	-	-	-	-	158,388
Fair value (level 3) – income approach	-	-	18,771,949	-	-	-	-	18,771,949
Fair value (level 3) – replacement cost	-	-	-	1,525,000	-	-	-	1,525,000
	130,990	27,398	18,771,949	1,525,000	187,009	127,361	2,206,322	22,976,029
Accumulated depreciation	(54)	(723)	-	(125,634)	(158,496)	(101,357)	-	(386,264)
Accumulated impairment	(3,328)	(220)	-	-	-	-	-	(3,548)
	(3,382)	(943)	-	(125,634)	(158,496)	(101,357)	-	(389,812)
<b>At 30 June 2022 – net carrying amount</b>	<b>127,608</b>	<b>26,455</b>	<b>18,771,949</b>	<b>1,399,366</b>	<b>28,513</b>	<b>26,004</b>	<b>2,206,322</b>	<b>22,586,217</b>
<b>At 30 June 2023</b>								
Cost	-	-	-	-	192,363	131,936	3,275,706	3,600,005
Fair value (level 3) – market approach	138,176	31,701	-	-	-	-	-	169,877
Fair value (level 3) – income approach	-	-	19,403,386	-	-	-	-	19,403,386
Fair value (level 3) – replacement cost	-	-	-	1,684,711	-	-	-	1,684,711
	138,176	31,701	19,403,386	1,684,711	192,363	131,936	3,275,706	24,857,979
Accumulated depreciation	(67)	(767)	-	(175,243)	(164,981)	(117,978)	-	(459,036)
Accumulated impairment	(3,413)	(361)	-	-	-	-	-	(3,774)
	(3,480)	(1,128)	-	(175,243)	(164,981)	(117,978)	-	(462,810)
<b>At 30 June 2023 – net carrying amount</b>	<b>134,696</b>	<b>30,573</b>	<b>19,403,386</b>	<b>1,509,468</b>	<b>27,382</b>	<b>13,958</b>	<b>3,275,706</b>	<b>24,395,169</b>
<b>Revalued assets based on cost model</b>								
Cost	37,738	26,745	22,978,696	757,955	-	-	-	-
Accumulated depreciation	(5,516)	(18,269)	(6,047,213)	(382,010)	-	-	-	-
Accumulated impairment	(7,364)	-	-	-	-	-	-	-
	(12,880)	(18,269)	(6,047,213)	(382,010)	-	-	-	-
<b>At 30 June 2023 – net carrying amount</b>	<b>24,858</b>	<b>8,476</b>	<b>16,931,483</b>	<b>375,945</b>	-	-	-	-

	Market land and buildings	Leasehold property	System assets - Infrastructure including system land	Service Concession Arrangements	Plant and equipment	Computer equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2021</b>								
Cost	-	-	-	-	185,553	117,581	1,524,734	1,827,868
Fair value (level 3) – market approach	130,899	26,600	-	-	-	-	-	157,499
Fair value (level 3) – income approach	-	-	18,448,341	-	-	-	-	18,448,341
Fair value (level 3) – replacement cost	-	-	-	1,387,804	-	-	-	1,387,804
	130,899	26,600	18,448,341	1,387,804	185,553	117,581	1,524,734	21,821,512
Accumulated depreciation	(63)	(992)	-	(67,167)	(149,320)	(90,644)	-	(308,186)
Accumulated impairment	(3,377)	(205)	-	-	-	-	-	(3,582)
	(3,440)	(1,197)	-	(67,167)	(149,320)	(90,644)	-	(311,768)
<b>At 30 June 2021 – net carrying amount</b>	<b>127,459</b>	<b>25,403</b>	<b>18,448,341</b>	<b>1,320,637</b>	<b>36,233</b>	<b>26,937</b>	<b>1,524,734</b>	<b>21,509,744</b>
<b>At 30 June 2022</b>								
Cost	-	-	-	-	187,009	127,361	2,206,322	2,520,692
Fair value (level 3) – market approach	130,990	27,398	-	-	-	-	-	158,388
Fair value (level 3) – income approach	-	-	18,771,949	-	-	-	-	18,771,949
Fair value (level 3) – replacement cost	-	-	-	1,525,000	-	-	-	1,525,000
	130,990	27,398	18,771,949	1,525,000	187,009	127,361	2,206,322	22,976,029
Accumulated depreciation	(54)	(723)	-	(125,634)	(158,496)	(101,357)	-	(386,264)
Accumulated impairment	(3,328)	(220)	-	-	-	-	-	(3,548)
	(3,382)	(943)	-	(125,634)	(158,496)	(101,357)	-	(389,812)
<b>At 30 June 2022 – net carrying amount</b>	<b>127,608</b>	<b>26,455</b>	<b>18,771,949</b>	<b>1,399,366</b>	<b>28,513</b>	<b>26,004</b>	<b>2,206,322</b>	<b>22,586,217</b>
<b>Revalued assets based on cost model</b>								
Cost	38,189	26,745	22,319,813	757,955	-	-	-	-
Accumulated depreciation	(5,149)	(16,854)	(5,748,826)	(367,276)	-	-	-	-
Accumulated impairment	(9,000)	-	-	-	-	-	-	-
	(14,149)	(16,854)	(5,748,826)	(367,276)	-	-	-	-
<b>At 30 June 2022 – net carrying amount</b>	<b>24,040</b>	<b>9,891</b>	<b>16,570,987</b>	<b>390,679</b>	-	-	-	-

## **(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, stormwater services and recycled water 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 assets**

The Corporation as a public sector grantor engages private sector operators to provide public services using the Corporation's assets. The private sector operators must exercise managerial discretion over the specified term of the arrangements when providing the public services. The Corporation's assets identified in these arrangements are recognised as service concession assets (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 assets, 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 and leasehold property to fair value, any accumulated depreciation or amortisation is netted against the gross carrying amount and the resulting balance is then increased or decreased by the revaluation adjustment.

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

**(d) Fair value approaches and hierarchy levels**

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

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

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

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

Due to the unique nature of the Corporation's property, plant and equipment assets, while level 2 observable inputs are considered, the inputs used to determine the fair value measurements also includes level 3 unobservable inputs. Hence the fair value measurements 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 assets - cost approach**

Service concession assets are measured at current replacement cost. Current replacement cost is estimated using the modern engineering equivalent replacement asset (MEERA) methodology and then depreciated via the straight-line method based on assessment of useful lives and asset condition. This assessment is based on visual inspection of the asset and the review of asset condition records provided by the operator.

Independent replacement cost valuations are obtained every five years. During the interim years between comprehensive valuations, an index based valuation adjustment (determined by independent valuers) is applied to each service concession asset. New service concession assets are subject to an independent replacement cost valuation.

## (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 assets 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 2025 – the current 'Price Path'), the revenue requirement determined by IPART was used. This is for the 2 years following the 30 June 2023 balance date. Adjustments were made (where required) for changes in water demand/usage and customer growth. The current Price Path was extended by 1 year to 30 June 2025 following agreement with IPART. For the previous year the current Price Path was for 4 years.
- For future years (after 30 June 2025), 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
<b>Discount rate</b>	Post-tax WACC 'nominal' discount rate of 5.78% (2022: 5.12%). The rate was determined after a market assessment of rate parameters. The asset value would increase with a reduction in the discount rate.
<b>Growth rate</b>	Growth rate used to estimate the terminal value. The Gordon's Growth Model is used to calculate the terminal value. The growth rate used is the assumed forecast growth rate in free cash flows beyond the initial 30-year (2022: 10-year) forecast period used. A rate of 2.50% has been adopted (2022: 2.50%).
<b>CPI rate for future years after the current 'Price Path'</b>	The RAB is escalated using a CPI rate of 2.50% (2022: 2.50%) for determining the annual revenue requirement beyond the current 'Price Path', for future years in the forecast after 30 June 2025. The asset value would increase/decrease with an increase/decrease in the CPI.
<b>Period of discounting</b>	The discounting incorporates cash flows over a 30-year (2022: 10-year) period and an estimate of 'terminal value' using the Gordon's Growth Model. The change has been made to a 30-year term to incorporate the recent production of a long-term capital operating plan (LTCOP) which forecasts capital expenditure cash flows for a 30-year period.
<b>Service and usage revenue cash inflows</b>	Estimates of future revenue earnings were drawn from the Corporation's Statement of Corporate Intent and the long-term forecast Corporate Model and were based on: <ul style="list-style-type: none"> <li>• IPART's June 2020 Pricing Determination and expected earnings rates over succeeding pricing periods,</li> <li>• the RAB determined by IPART from the June 2020 Pricing Determination and rolled forward thereafter, and</li> <li>• capital spending over the future forecast / discount period.</li> </ul> <p>The asset value would be higher if future revenue was higher.</p>
<b>Infrastructure contributions</b>	Infrastructure contributions to be charged for future years are excluded as these help the Corporation to recover the cost of its growth capital expenditure.
<b>Other non-regulated revenue cash inflows</b>	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.
<b>Operating expenditure cash outflows</b>	Operating expenditures were drawn from the Corporation's Statement of Corporate Intent and the long-term forecast Corporate Model, 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.
<b>Capital expenditure cash outflows</b>	Capital expenditure over the 30-year (2022: 10-year) forecast period. The asset value would be higher if capital expenditure was higher. Growth capital expenditure is excluded.
<b>Cash flows from franking credits</b>	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	5.78%	5.98%	5.58%
Calculated fair value of property, plant and equipment including right-of-use assets (\$'000)	24,694,184	23,151,944	26,439,782
Resulting change (\$'000)		(1,542,240)	1,745,598

Estimated future service and usage revenue	Rate Applied %	If higher +1.0%	If lower -1.0%
Statement of Corporate Intent 2023-24	100%	101%	99%
Calculated fair value of property, plant and equipment including right-of-use assets (\$'000)	24,694,184	25,663,350	23,725,018
Resulting change (\$'000)		969,166	(969,166)

Terminal value growth rate	Rate Applied %	If higher +0.25%	If lower -0.25%
Terminal value growth rate	2.50%	2.75%	2.25%
Calculated fair value of property, plant and equipment including right-of-use assets (\$'000)	24,694,184	25,618,650	23,899,997
Resulting change (\$'000)		924,466	(794,187)

### (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 2023 and 2022:

	Number of Years
<b>System asset network categories:</b>	
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
<b>Other classes:</b>	
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 re-lined 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

#### **(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. Right-of-use assets and lease liabilities****Movements and carrying amounts of right-of-use assets**

	Market land and buildings \$'000	System assets - Infrastructure including system land \$'000	Plant and equipment \$'000	Computer equipment \$'000	Total \$'000
At 1 July 2021 – net carrying amount	175,895	158,298	22,463	2,343	358,999
Additions	421	-	8,023	-	8,444
Disposals	-	-	(10)	-	(10)
Modifications	(8,281)	6,872	202	4,521	3,314
Depreciation charge	(14,312)	(15,983)	(8,675)	(2,288)	(41,258)
<b>At 30 June 2022 – net carrying amount</b>	<b>153,723</b>	<b>149,187</b>	<b>22,003</b>	<b>4,576</b>	<b>329,489</b>
Additions	2,440	-	6,038	-	8,478
Disposals	-	-	(17)	-	(17)
Modifications	(7,600)	11,055	894	-	4,349
Depreciation charge	(14,907)	(16,773)	(9,315)	(2,288)	(43,283)
<b>At 30 June 2023 – net carrying amount</b>	<b>133,656</b>	<b>143,469</b>	<b>19,603</b>	<b>2,288</b>	<b>299,016</b>

	Note	2023 \$'000	2022 \$'000
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**Carrying amounts of related lease liabilities****Current**

Lease liabilities related to right-of-use assets		39,983	36,590
<b>Total current lease liabilities related to right-of-use assets</b>		<b>39,983</b>	<b>36,590</b>

**Non-current**

Lease liabilities related to right-of-use assets		288,279	316,010
<b>Total non-current lease liabilities related to right-of-use assets</b>		<b>288,279</b>	<b>316,010</b>

**Amounts recognised in profit or loss**

Interest expense for lease liabilities related to right-of-use assets	2(a)	12,561	11,747
Depreciation charge – right-of-use assets	2(b)	43,283	41,258
Leases of low value assets expense	2(b)	16	100
Short-term lease expense	2(b)	11,788	11,912

**Amounts recognised in the statement of cash flows**

Cash outflows for lease payments (within cash flows from financing activities)		37,885	36,158
Lease interest paid (within cash flows from operating activities)		12,561	11,747
<b>Total cash outflows for leases</b>		<b>50,446</b>	<b>47,905</b>



## (a) Types of right-of-use assets and related lease liabilities

The Corporation has the following types of right-of-use assets and related lease liabilities:

### 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 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.

Extension and termination options are included in most of the property leases. 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.

The lease for the head office building at 1 Smith Street, Parramatta was renegotiated during the last financial year. The previous lease was for a term of 15 years (ending in May 2024) with two 5-year option periods. The renegotiated lease is for a term of 10 years (ending in May 2034) with two 5-year options periods.

### 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. The two leases were extended in the previous financial year for a term of two years to 2023-24 with no option to extend.

### 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.

### Short-term leases and low-value leases

The Corporation applied the short-term lease recognition exemption under AASB 16 *Leases* (AASB 16) as mandated by NSW Treasury to its short-term leases (where 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 low value asset leases are recognised as an expense on a straight-line basis over the lease term.

## (b) Recognition and measurement of right-of-use assets

The Corporation as lessee recognises right-of-use assets and lease liabilities for most operating leases at commencement date of the lease term. This is the date the underlying lease assets are available for use. Right-of-use assets are initially measured at the amount of the related initial measurement of the lease liability. This amount is then adjusted by any lease payments made at or before the commencement date, any lease incentives received, initial direct costs incurred in relation to the lease and the estimated costs for dismantling and removing the right-of-use asset. Subsequent to initial recognition the right-of-use asset is measured using the cost model as per NSW Treasury mandate.

## (c) Depreciation of right-of-use assets

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 is the lease term.

## (d) Recognition and measurement of lease liabilities

At the commencement date of the lease, the Corporation as lessee 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;
- The 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. Where this rate cannot be readily determined, which is generally the case for most of the Corporation's leases, the incremental borrowing rate of the Corporation is used instead. The incremental borrowing rate is the rate that the Corporation would have to pay to borrow the funds necessary to obtain a right-of-use asset of similar value and in a similar economic environment, with similar terms and conditions. This rate is then increased by the Government guarantee fee rate charged by NSW Treasury.

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

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.

The lease agreements do not impose any covenants. The leased assets are not used as security for borrowing purposes. The Corporation also does not provide residual value guarantees in relation to leases.

The average incremental borrowing rate applied to new lease liabilities from 1 July 2022 was 5.28% (from 1 July 2021: 3.19%).

### **(e) Leases for where the Corporation is the lessor**

The Corporation as lessor classifies its leases as either operating or finance leases. The Corporation does not hold any finance leases as lessor.

## Note 6. Service concession assets and service concession liabilities

The Corporation holds the following service concession arrangements during the year ended or as at 30 June 2023 and 30 June 2022:

Description	Blue Mountains sewage transfer scheme agreement	Water filtration plant agreements	Gerrigong Gerooa sewage treatment plant agreement	St Mary's advanced water treatment plant agreement	Bingara Gorge treatment plant
Name and description of the service concession arrangements	The Corporation has a service concession arrangement for both the Corporation owned portion and the operator owned portion of a sewage tunnel in the Blue Mountains. This tunnel is used for the transfer of sewage to the Corporation's sewage treatment plant at Winmalee.	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 an operator for the collection, transport and treatment of sewage using the Corporation's pumping stations, pipe networks and sewage treatment works. The treated sewage is then re-used as part of a dairy farm's operations.	The Corporation has a service agreement with the operator to produce highly treated recycled water for discharge to the Hawkesbury-Nepean River using the Corporation's advanced water treatment plant at St Mary's.	The Corporation has a service agreement with the operator to take and treat wastewater from Bingara Gorge and Wilton Village. This will supply recycled water services for the Bingara and Wilton area and any excess flow sent to an effluent pond for irrigation of an adjacent golf course.
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: <ul style="list-style-type: none"> <li>Macarthur: 1 March 2011 to 8 September 2030.</li> <li>Illawarra and Woronora: 1 October 2015 – 30 November 2036.</li> <li>Prospect: 1 Jul 2016 – 30 November 2035.</li> </ul>	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.	The term of the agreement is for 13 years and will end on 30 March 2028.
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. The tariff component includes both a service and capital component, with the latter giving rise to a service concession liability.	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. The tariff component includes both a service and capital component, with the latter giving rise to a service concession liability.	A tariff is payable to the operator for the operations and maintenance of the Corporation's plant. The tariff component includes only a service component. There is no related service concession liability for this service concession asset.	A tariff is payable to the operator for the operations and maintenance of the Corporation's plant. The tariff component includes only a service component. There is no related service concession liability for this service concession asset.	A tariff is payable to the operator for the operations and maintenance of the Corporation's plant. The tariff component includes only a service component. There is no related service concession liability for this service concession asset.
Frequency of payments	Quarterly.	Monthly.	Monthly.	Monthly.	Monthly.
Changes in arrangements that occurred during FY22	No changes.	No changes.	No changes.	This service concession arrangement was terminated during the financial year. The plant is now operated by employees of the Corporation.	The service concession asset was acquired on 28 June 2022 and the service concession arrangement was entered into effect from that date.
Changes in arrangements that occurred during FY23	No changes.	No changes.	The term of the agreement was extended for 14 years, effective 1 July 2022. The contract will now expire on 30 November 2036.	No changes.	The term of the agreement was extended for 5 years, effective 1 April 2023. The contract will now expire on 30 March 2028.

**Carrying amounts of service concession assets**

	2023	2022
	\$'000	\$'000
Blue Mountains Sewage Tunnel - owned by Corporation	551,426	504,292
Blue Mountains Sewage Tunnel - owned by operator	413,960	378,794
Water filtration plants	446,008	423,648
Gerringong Gerroa Sewage treatment plant	79,559	73,888
Bingara Gorge treatment plant	18,515	18,744
<b>Total service concession assets</b>	<b>1,509,468</b>	<b>1,399,366</b>

**(a) Recognition and measurement of service concession assets**

The Corporation will recognise the service concession asset when it obtains control over the underlying asset. Control arises if the following conditions are present:

- The Corporation as the grantor controls or regulates what services the operator must provide with the service concession asset, to whom it must provide the services and the related price, and either;
- The Corporation as the grantor controls through ownership, beneficial entitlement or other factors, a significant residual interest in the service concession asset at the end of the term of the service concession arrangement; or
- The service concession arrangement requires that the service concession asset is used for its entire economic life.

Service concession assets are initially recognised at current replacement cost based on the principles set out within AASB 13 *Fair Value Measurement* (AASB 13).

Where the asset is an existing asset of the Corporation, 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 were a revaluation of the asset.

Subsequent to initial recognition, the service concession asset is measured at current replacement cost less depreciation and any impairments.

At the end of the service concession arrangement term, the Corporation will reclassify the service concession arrangement to the appropriate asset class. The fair value reverts from current replacement cost to the appropriate approach to determining fair value by asset class. The asset is only derecognised when the Corporation ceases to control the asset.

## 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 2021 – net carrying amount	234,517	16,127	60,285	310,929
Additions to work in progress	-	-	72,983	72,983
Additions transferred from work in progress	105,910	-	(105,910)	-
Reclassifications	-	-	53,817	53,817
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	-	(61)	-	(61)
Amortisation charge	(53,623)	-	-	(53,623)
<b>At 30 June 2022 – net carrying amount</b>	<b>286,804</b>	<b>16,066</b>	<b>81,175</b>	<b>384,045</b>
Additions to work in progress	-	-	91,046	91,046
Additions transferred from work in progress	90,590	-	(90,590)	-
Reclassifications	-	-	22,539	22,539
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	-	168	-	168
Amortisation charge	(70,515)	-	-	(70,515)
<b>At 30 June 2023 – net carrying amount</b>	<b>306,879</b>	<b>16,234</b>	<b>104,170</b>	<b>427,283</b>

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	Computer software \$'000	Easements and other rights of access \$'000	Work in progress \$'000	Total \$'000
<b>At 1 July 2022</b>				
Cost	834,765	-	81,175	915,940
Fair value (level 3) – income approach	-	16,066	-	16,066
	<u>834,765</u>	<u>16,066</u>	<u>81,175</u>	<u>932,006</u>
Accumulated amortisation	(547,961)	-	-	(547,961)
Accumulated impairment	-	-	-	-
	<u>(547,961)</u>	<u>-</u>	<u>-</u>	<u>(547,961)</u>
<b>At 1 July 2022 – net carrying amount</b>	<b><u>286,804</u></b>	<b><u>16,066</u></b>	<b><u>81,175</u></b>	<b><u>384,045</u></b>
<b>At 30 June 2023</b>				
Cost	925,355	-	104,170	1,029,525
Fair value (level 3) – income approach	-	16,234	-	16,234
	<u>925,355</u>	<u>16,234</u>	<u>104,170</u>	<u>1,045,759</u>
Accumulated amortisation	(618,476)	-	-	(618,476)
Accumulated impairment	-	-	-	-
	<u>(618,476)</u>	<u>-</u>	<u>-</u>	<u>(618,476)</u>
<b>At 30 June 2023 – net carrying amount</b>	<b><u>306,879</u></b>	<b><u>16,234</u></b>	<b><u>104,170</u></b>	<b><u>427,283</u></b>
<b>At 1 July 2021</b>				
Cost	732,562	-	60,285	792,847
Fair value (level 3) – income approach	-	16,127	-	16,127
	<u>732,562</u>	<u>16,127</u>	<u>60,285</u>	<u>808,974</u>
Accumulated amortisation	(498,045)	-	-	(498,045)
Accumulated impairment	-	-	-	-
	<u>(498,045)</u>	<u>-</u>	<u>-</u>	<u>(498,045)</u>
<b>At 1 July 2021 – net carrying amount</b>	<b><u>234,517</u></b>	<b><u>16,127</u></b>	<b><u>60,285</u></b>	<b><u>310,929</u></b>
<b>At 30 June 2022</b>				
Cost	834,765	-	81,175	915,940
Fair value (level 3) – income approach	-	16,066	-	16,066
	<u>834,765</u>	<u>16,066</u>	<u>81,175</u>	<u>932,006</u>
Accumulated amortisation	(547,961)	-	-	(547,961)
Accumulated impairment	-	-	-	-
	<u>(547,961)</u>	<u>-</u>	<u>-</u>	<u>(547,961)</u>
<b>At 30 June 2022 – net carrying amount</b>	<b><u>286,804</u></b>	<b><u>16,066</u></b>	<b><u>81,175</u></b>	<b><u>384,045</u></b>

### (a) Asset classes

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

#### Computer software

Computer 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.

#### Cloud computing arrangements

Cloud computing arrangements provide the Corporation with the right to access the cloud provider's application software over the term of the arrangement. The Corporation does not receive a software intangible asset at the commencement of the term of the arrangement. A right to receive future access to the cloud provider's application software does not give the Corporation as a customer the right to obtain the future economic benefits flowing from the cloud application software itself and to restrict others from accessing these benefits.

Costs incurred for the development of software code that enhances, modifies or creates an additional capability for existing on premise systems are classified as an intangible software asset where the Corporation has the right to obtain the future economic benefits flowing from the software development and can restrict others from accessing those future economic benefits. Configuration and customisation costs associated with cloud computing arrangements is only capitalised where the Corporation satisfies the definition of control.

#### 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 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 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:

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Intangible assets subject to amortisation	Number of Years
Computer software	3 to 10

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## Working capital management

### Note 8. Cash and cash equivalents

#### (a) Balances at the reporting date

##### Carrying amounts

	2023 \$'000	2022 \$'000
Cash at bank	12,778	12,783

#### 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 (2022: \$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 \$3.961 million (2022: \$3.866 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	2023 \$'000	2022 \$'000
<b>Reconciliation of profit to net cash flows from operating activities</b>			
<b>Profit for the year</b>		<b>314,481</b>	<b>324,622</b>
<b>Adjustments for:</b>			
Gain on disposal of property, plant and equipment	1(b)	(13,785)	(2,770)
Loss on disposal of property, plant and equipment	2(b)	6,010	12,007
Developer contributions	1(a)	(212,936)	(190,766)
Capital grants received from NSW Government		(86)	-
Depreciation and amortisation	2(b)	432,260	396,377
Amortisation of deferred discounts on loans	2(a)	29,828	15,697
Indexation of CPI bonds	2(a)	113,372	54,058
Impairment loss (reversed) for property, plant and equipment	2(b), 4	(427)	18,250
Impairment loss (reversed) recognised for intangible assets	2(b), 7	(168)	61
<b>Net movement in statement of financial position items applicable to operating activities:</b>			
Other current assets		545	10,295
Trade and other receivables		15,140	(31,487)
Trade and other payables		13,565	127,067
Provisions		7,593	534
Income tax assets and liabilities		60,292	21,623
Deferred Government grants		191	148
<b>Net cash flows from operating activities</b>		<b>765,875</b>	<b>755,716</b>



### (c) Non-cash financing and investing activities

Assets handed over at no cost by developers and the acquisition and disposal of right-of-use assets are not included in the statement of cash flows as these are regarded as non-cash.

#### Reconciling non-cash contributions from developers with total developer contributions

	Note	2023 \$'000	2022 \$'000
Total developer contributions (per profit and loss)	1(a), 8(b)	212,936	190,766
Less: 'Other contributions received' (within cash flows from investing activities)		(1,586)	(3,908)
Less: 'Other contributions receivable (within receivables)		(1,568)	-
<b>Assets received at no cost from developers and capitalised (non-cash contributions)</b>	4	<b>209,782</b>	<b>186,858</b>

The amount capitalised during the current reporting period relating to the acquisition of right-of-use assets (refer to note 5) was \$8.478 million (2022: \$8.444 million) and \$0.017 million (2022: \$0.010 million) was disposed from right-of-use assets during the current reporting period. The modification of leases amounted to \$4.349 million (2022: \$3.314 million).

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

	Borrowings - NSW Treasury Corporation \$'000	Lease liabilities related to right-of-use assets \$'000	Service concession liabilities \$'000	Dividends payable \$'000	Total \$'000
<b>Balance at 1 July 2021</b>	10,837,127	377,176	608,069	274,400	12,096,772
Cash flows	803,838	(36,158)	(38,290)	(274,400)	454,990
Non-cash acquisition	-	8,443	-	-	8,443
Accrued payments for service concession arrangements	-	-	(1,279)	-	(1,279)
Non-cash amortisation of deferred premiums	15,697	-	-	-	15,697
Non-cash indexation of CPI indexed loans	54,058	-	-	-	54,058
Disposal of lease liabilities (right-of-use assets)	-	(175)	-	-	(175)
Modification of lease liabilities (right-of-use assets)	-	3,314	-	-	3,314
Dividends payable	-	-	-	138,750	138,750
<b>Balance at 1 July 2022</b>	<b>11,710,720</b>	<b>352,600</b>	<b>568,500</b>	<b>138,750</b>	<b>12,770,570</b>
Cash flows	1,045,783	(37,885)	(39,825)	(138,750)	829,323
Non-cash acquisition	-	8,478	-	-	8,478
Accrued payments for service concession arrangements	-	-	(1,725)	-	(1,725)
Non-cash amortisation of deferred premiums	29,828	-	-	-	29,828
Non-cash indexation of CPI indexed loans	113,372	-	-	-	113,372
Disposal of lease liabilities (right-of-use assets)	-	(27)	-	-	(27)
Modification of lease liabilities (right-of-use assets)	-	5,096	-	-	5,096
Dividends payable	-	-	-	100,000	100,000
<b>Balance at 30 June 2023</b>	<b>12,899,703</b>	<b>328,262</b>	<b>526,950</b>	<b>100,000</b>	<b>13,854,915</b>

**Note 9. Trade and other receivables****(a) Balances at the reporting date****Carrying amounts**

	2023 \$'000	2022 \$'000
<b>Current assets</b>		
<b>Trade receivables from contracts with customers</b>		
Outstanding service availability and usage charges	157,674	162,277
Loss allowance	(372)	(558)
	157,302	161,719
Accrued unbilled usage charges on unread meters:		
Water	198,245	181,811
Wastewater	32,615	33,290
Other	2,015	2,015
	232,875	217,116
Other trade debtors	8,553	25,306
Loss allowance	(546)	(520)
	8,007	24,786
<b>Total trade receivables from contracts with customers</b>	<b>398,184</b>	<b>403,621</b>
<b>Other receivables</b>		
Other debtors and accrued revenue	29,040	34,000
Prepayments	35,408	36,339
<b>Total other receivables</b>	<b>64,448</b>	<b>70,339</b>
<b>Total current trade receivables from contracts with customers and other receivables</b>	<b>462,632</b>	<b>473,960</b>
<b>Non-current assets</b>		
Non-current receivable held with Biodiversity Conservation Trust	3,311	3,537
	<b>3,311</b>	<b>3,537</b>

**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.

The non-current receivable represents a portion of the proceeds from sale of the Corporation's biodiversity offset credits that will be used to help meet the Corporation's obligations to protect its biodiversity stewardship sites (refer to notes 10 and 13(d)). The proceeds from sale are held with the Biodiversity Conservation Trust (a NSW Government agency).

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

	Gross Amount	Allowance for Impairment	Net amount	Gross Amount	Allowance for Impairment	Net amount
	2023	2023	2023	2022	2022	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Outstanding service and usage charges</b>						
Not past due	77,818	-	77,818	81,043	-	81,043
Past due 22 - 30 days	8,155	-	8,155	9,600	-	9,600
Past due 31 - 60 days	16,231	-	16,231	14,153	-	14,153
Past due 61 - 90 days	6,630	-	6,630	8,829	-	8,829
Past due 91 - 180 days	13,053	-	13,053	12,781	-	12,781
Past due 181 - 365 days	12,475	-	12,475	13,440	(558)	12,882
Past due > 365 days	23,312	(372)	22,940	22,431	-	22,431
	<b>157,674</b>	<b>(372)</b>	<b>157,302</b>	<b>162,277</b>	<b>(558)</b>	<b>161,719</b>
<b>Other trade debtors</b>						
Not past due	4,055	-	4,055	5,794	-	5,794
Past due 15 - 30 days	314	-	314	6,707	-	6,707
Past due 31 - 60 days	1,335	-	1,335	421	-	421
Past due 61 - 90 days	79	-	79	263	-	263
Past due 91 - 180 days	53	-	53	6,370	-	6,370
Past due 181 - 365 days	279	-	279	2,366	-	2,366
Past due > 365 days	2,438	(546)	1,892	3,385	(520)	2,865
	<b>8,553</b>	<b>(546)</b>	<b>8,007</b>	<b>25,306</b>	<b>(520)</b>	<b>24,786</b>

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****Movements**

	Outstanding service and usage charges		Other trade debtors		Total	
	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the year	(558)	(746)	(520)	-	(1,078)	(746)
Charge for (loss allowance)	-	-	(26)	(520)	(26)	(520)
Amounts written off	186	188	-	-	186	188
<b>Carrying amount at end of the year</b>	<b>(372)</b>	<b>(558)</b>	<b>(546)</b>	<b>(520)</b>	<b>(918)</b>	<b>(1,078)</b>

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****Carrying amounts**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Inventories - at cost	40,850	41,138
Greenhouse trading certificates – at fair value	1,052	-
Biodiversity offset credits – at fair value	3,717	5,025
<b>Total other current assets</b>	<b>45,619</b>	<b>46,163</b>

**Recognition and measurement****Inventories 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 Department of Planning and Environment NSW.

**Biodiversity offset credits at fair value**

Biodiversity offset credits held at the reporting date by the Corporation are issued under the Biodiversity Offsets Scheme administered by the Department of Planning and the Environment NSW. The biodiversity offset 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 obligations are contained within the Biodiversity Stewardship agreements held between the Corporation and the NSW Government Biodiversity Conservation Trust. The Biodiversity Stewardship sites relates to land held within the System Assets – Infrastructure property, plant and equipment asset category.

The biodiversity offset credits are held for trading purposes, and when sold will be used in part to fund the obligation to maintain the Biodiversity Stewardship sites. Biodiversity offset credits that are issued to the Corporation, and 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 to fair value based on the prevailing market price at the reporting date, with any gains or losses recognised in profit or loss.

**Note 11. Trade and other payables****Carrying amounts**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Trade payables	188,160	177,461
Non-trade payables	33,879	33,916
Income in advance	41,479	42,135
Government guarantee fee payable	170,928	149,522
Interest expense payable	72,193	59,255
Accrued expenses	263,495	295,921
<b>Total trade and other payables</b>	<b>770,134</b>	<b>758,210</b>

**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

#### Carrying amounts

	2023 \$'000	2022 \$'000
<b>Current</b>		
<b>Borrowings:</b>		
Come and Go borrowings – NSW Treasury Corporation	86,100	123,000
<b>Other financial liabilities</b>		
Service concession liabilities	43,805	41,434
<b>Total current borrowings and other financial liabilities</b>	<b>129,905</b>	<b>164,434</b>
<b>Non-current</b>		
<b>Borrowings:</b>		
Long-term borrowings – NSW Treasury Corporation	12,813,603	11,587,720
<b>Other financial liabilities</b>		
Service concession liabilities	483,145	527,066
<b>Total non-current borrowings and other financial liabilities</b>	<b>13,296,748</b>	<b>12,114,786</b>

#### 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 loans 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 liabilities

Where the Corporation as grantor recognises a service concession asset (refer to note 6), it shall also recognise a service concession liability owed to the owner or operator. The exception to recognition of a service concession liability is when the service concession asset is only recognised as a result of a reclassification from another property, plant and equipment asset class or from intangible assets and there is no additional consideration provided by the owner or operator.

The fair value of the service concession liabilities 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. The repayments have been discounted per NSW Treasury mandate using the incremental borrowing rate of the Corporation. This is the rate that the Corporation would have to pay to borrow the funds necessary to obtain a service concession asset of similar value in a similar economic environment and with similar terms and conditions. This rate is then increased by the amount of the Government guarantee fee rate 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 the service concession liabilities is increased to reflect the accumulation of interest expense and is reduced for the service concession liability repayments made.

Service concession liabilities comprise liabilities for the Corporation's obligations under the Blue Mountains sewage transfer scheme agreement and the water filtration plant agreements (refer to note 6).

**(c) Borrowing facilities**

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

Financing facilities	Utilised	Not	Total	Utilised	Not	Total
	2023	Utilised	Facility	2022	Utilised	Facility
	\$'000	2023	2023	\$'000	2022	2022
		\$'000	\$'000		\$'000	\$'000
Bank overdraft facility	-	-	-	-	15,000	15,000
Transaction negotiation authority facility	-	110,000	110,000	-	-	-
Purchase credit card facility	249	1,251	1,500	143	857	1,000
Guarantee facility	21,300	8,700	30,000	21,300	8,700	30,000
Come and Go short-term borrowing facility	86,100	63,900	150,000	123,000	27,000	150,000
Long-term borrowing facility	12,813,603	2,686,397	15,500,000	11,587,720	3,912,280	15,500,000
	<b>12,921,252</b>	<b>2,870,248</b>	<b>15,791,500</b>	<b>11,732,163</b>	<b>3,963,837</b>	<b>15,696,000</b>

**Change in corporate banker and provider of the purchase credit card facility**

The Corporation is in the process of migrating its transactional banking services to Westpac Banking Corporation. This process migration is expected to be completed in September 2023. The Corporation has migrated its purchase credit card facility to Citi. Both services were previously provided by the Commonwealth Bank of Australia.

**Bank overdraft facility**

The Corporation held a bank overdraft facility with the Commonwealth Bank of Australia. Overdraft interest is charged based on the debit rate that is calculated daily and applied to any overdrawn balances. This facility was closed during the reporting period.

**Transaction Negotiation authority**

The Corporation has entered into a transaction negotiation authority facility with Westpac during the reporting period. An authority is provided to Westpac to draw funds from the nominated bank accounts up to the value of the agreed limits. This allows payments to creditors regardless of the available funds in the nominated bank accounts.

**Purchase credit card facility**

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 loans and resettable loans to the Corporation. CPI indexed loans 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 18 years (2022: 19 years) for the Corporation. CPI indexed loans have a maximum term to maturity of 12 years to 2035 (2022: 13 years to 2035). None of these facilities are secured against the assets of the Corporation.

## Other liabilities

### Note 13. Provisions

#### Carrying amounts

	2023 \$'000	2022 \$'000
<b>Current</b>		
<b>Short-term provisions:</b>		
Annual leave	42,026	42,497
Termination benefits	461	537
Employee benefits on-costs	2,304	2,326
<b>Total short-term provisions</b>	<b>44,791</b>	<b>45,360</b>
<b>Current portion of long-term provisions:</b>		
Long service leave	102,169	101,656
Employee benefits on-costs	5,568	5,540
Superannuation	832	386
Workers' compensation self-insurance	1,838	2,499
General insurance	1,334	1,334
Restoration of leased premises	68	1,892
Restoration costs from decommissioning and maintaining system assets	7,969	10,412
Hardship applications	87,500	-
<b>Total current portion of long-term provisions</b>	<b>207,278</b>	<b>123,719</b>
<b>Total current provisions</b>	<b>252,069</b>	<b>169,079</b>
<b>Non-current</b>		
<b>Long-term provisions:</b>		
Employee benefits for long service leave	9,588	10,176
Employee benefits on-costs	522	555
Post-employment benefits from superannuation	398,720	441,750
Workers' compensation self-insurance	14,923	17,924
General insurance	1,649	1,649
Restoration of leased premises	2,386	1,149
Restoration costs from decommissioning and maintaining system assets	10,112	9,365
Biodiversity management action plan	4,271	3,500
<b>Total non-current provisions</b>	<b>442,171</b>	<b>486,068</b>
<b>Employee benefits and related on-costs</b>		
Employee benefits – current	144,195	144,153
Employee benefits on-costs – current	7,872	7,866
Employee benefits – non-current	9,588	10,176
Employee benefits on-costs – non-current	522	555
<b>Aggregate employee benefits and related on-costs</b>	<b>162,177</b>	<b>162,750</b>

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 \$39.357 million (2022: \$30.653 million) for annual leave, and payments totalling \$15.133 million (2022: \$7.462 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 2021. The next actuarial investigation is to be carried out as at 30 June 2024.

#### **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 2023 is \$202.066 million (refer to note 13(c)(i)).

## Movements and carrying amounts

	SASS		SANCS		SSS		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Reconciliation of the net defined benefit liability</b>								
Net defined benefit liability at beginning of the year	78,553	103,280	17,111	26,613	346,086	531,353	441,750	661,246
Current service cost	1,009	1,983	851	993	688	1,818	2,548	4,794
Net interest on the net defined benefit liability (asset)	4,031	2,997	703	668	18,343	15,835	23,077	19,500
Actual return on Fund assets less interest income	(5,429)	5,847	(999)	477	(33,934)	34,982	(40,362)	41,306
Actuarial (gains) losses arising from changes in financial assumptions	(2,925)	(31,069)	(238)	(3,513)	(28,600)	(265,446)	(31,763)	(300,028)
Actuarial (gains) losses arising from liability experience	7,931	918	2,357	279	5,838	27,544	16,126	28,741
Employer contributions	(4,951)	(5,403)	(7,705)	(8,406)	-	-	(12,656)	(13,809)
<b>Net defined benefit liability at end of the year</b>	<b>78,219</b>	<b>78,553</b>	<b>12,080</b>	<b>17,111</b>	<b>308,421</b>	<b>346,086</b>	<b>398,720</b>	<b>441,750</b>
<b>Reconciliation of the fair value of fund assets</b>								
Fair value of fund assets at beginning of the year	147,012	160,112	11,169	6,570	875,497	954,012	1,033,678	1,120,694
Interest income	7,380	4,539	683	247	44,351	27,320	52,414	32,106
Actual return on Fund assets less interest income	5,429	(5,847)	999	(477)	33,934	(34,982)	40,362	(41,306)
Employer contributions	4,951	5,403	7,705	8,406	-	-	12,656	13,809
Contributions by participants	1,745	1,841	-	-	671	811	2,416	2,652
Benefits paid	(24,078)	(18,040)	(4,161)	(2,283)	(77,368)	(79,011)	(105,607)	(99,334)
Taxes, premiums and expenses paid	(1,246)	(995)	(2,377)	(1,294)	3,653	7,347	30	5,058
<b>Fair value of fund assets at end of the year</b>	<b>141,193</b>	<b>147,013</b>	<b>14,018</b>	<b>11,169</b>	<b>880,738</b>	<b>875,497</b>	<b>1,035,949</b>	<b>1,033,679</b>
<b>Reconciliation of the defined benefit obligation</b>								
Present value of defined benefit obligations at beginning of the year	225,565	263,392	28,280	33,183	1,221,583	1,485,365	1,475,428	1,781,940
Current service cost	1,009	1,983	851	993	688	1,818	2,548	4,794
Interest cost	11,411	7,536	1,386	915	62,694	43,155	75,491	51,606
Contributions by fund participants	1,745	1,841	-	-	671	811	2,416	2,652
Actuarial (gains) losses arising from changes in financial assumptions	(2,925)	(31,069)	(238)	(3,513)	(28,600)	(265,446)	(31,763)	(300,028)
Actuarial (gains) losses arising from liability experience	7,931	918	2,357	279	5,838	27,544	16,126	28,741
Benefits paid	(24,078)	(18,040)	(4,161)	(2,283)	(77,368)	(79,011)	(105,607)	(99,334)
Taxes, premiums and expenses paid	(1,246)	(995)	(2,377)	(1,294)	3,653	7,347	30	5,058
<b>Present value of defined benefit obligations at end of the year</b>	<b>219,412</b>	<b>225,566</b>	<b>26,098</b>	<b>28,280</b>	<b>1,189,159</b>	<b>1,221,583</b>	<b>1,434,669</b>	<b>1,475,429</b>
<b>Adjustment for effect of asset ceiling</b>								
<b>At beginning/end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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
<b>As at 30 June 2023:</b>					
Short term securities	5,330,816	2,896,493	2,434,323	-	14.2
Australian fixed interest	100,350	-	100,350	-	0.3
International fixed interest	1,301,037	-	1,288,564	12,473	3.5
Australian equities	9,678,103	4,352,503	796,671	4,528,929	25.9
International equities	14,138,038	13,942,743	155,394	39,901	37.8
Property	769,724	-	-	769,724	2.1
Alternatives	6,059,199	179	1,206,068	4,852,952	16.2
<b>Total</b>	<b>37,377,267</b>	<b>21,191,918</b>	<b>5,981,370</b>	<b>10,203,979</b>	<b>100.0</b>
<b>As at 30 June 2022:</b>					
Short term securities	5,041,192	1,854,969	3,186,223	-	13.7
Australian fixed interest	244,972	-	244,972	-	0.7
International fixed interest	1,439,643	4,287	1,415,027	20,329	3.8
Australian equities	6,518,777	5,893,947	622,584	2,246	17.7
International equities	12,174,407	12,002,063	169,289	3,055	33.0
Property	2,362,344	-	-	2,362,344	6.4
Alternatives	9,095,720	(637)	2,160,192	6,936,165	24.7
<b>Total</b>	<b>36,877,055</b>	<b>19,754,629</b>	<b>7,798,287</b>	<b>9,324,139</b>	<b>100.0</b>

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.

For 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 \$338.0 million (2022: \$362.0 million); and
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$570.0 million (2022: \$540.0 million).

Significant actuarial assumptions at the reporting date

	2023	2022
Discount rate	5.61% pa	5.30% pa
Salary increase rate (excluding promotional increases):		
2021-22	-	3.15% pa
2023-24	4.45% pa	3.62% pa
2024-25	2.95% pa	2.87% pa
2025-26	2.74% pa	2.74% pa
Thereafter	3.20% pa	3.20% pa
Rate of CPI increase		
2021-22	-	4.00% pa
2022-23	6.65% pa	5.50% pa
2023-24	3.50% pa	3.00% pa
2024-25	3.00% pa	3.00% pa
Thereafter	2.50% pa	2.50% 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.

Discount rate	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	5.61%	5.11%	6.11%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Defined benefit obligation (\$'000)	<b>1,434,670</b>	<b>1,507,437</b>	<b>1,367,453</b>
Discount rate and CPI	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)	<b>1,434,670</b>	<b>1,506,520</b>	<b>1,367,893</b>
Discount rate, CPI and salary inflation rate	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)	<b>1,434,670</b>	<b>1,438,625</b>	<b>1,430,859</b>
Mortality rate	Base case	Scenario G Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation (\$'000)	<b>1,434,670</b>	<b>1,450,216</b>	<b>1,421,904</b>

\*Assumes the short-term pensioner mortality improvement factors for years 2023-2026 also apply for years after 2026.

\*\*Assumes the long-term pensioner mortality improvement factors for years post 2026 also apply for the years 2023 to 2026.

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 2021. 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 2023 and 30 June 2022 financial position of the Schemes calculated in accordance with AASB 1056 *Superannuation Entities* (AASB 1056).

	SASS		SANCS		SSS		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued benefits *	196,895	198,362	23,078	24,248	1,018,043	975,702	1,238,016	1,198,312
Fund assets' net market value	(141,194)	(147,012)	(14,018)	(11,169)	(880,738)	(875,497)	(1,035,950)	(1,033,678)
<b>Net (surplus) deficit</b>	<b>55,701</b>	<b>51,350</b>	<b>9,060</b>	<b>13,079</b>	<b>137,305</b>	<b>100,205</b>	<b>202,066</b>	<b>164,634</b>

\* 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) Economic assumptions

The economic assumptions adopted for AASB 1056 at the reporting date are:

Weighted Average Assumptions:	2023	2022
Expected rate of return on Fund assets backing current pension liabilities	7.00% pa	7.00% pa
Expected rate of return on Fund assets backing other liabilities	6.20% pa	6.20% pa
Expected salary increase rate (excluding promotional salary increases):		
2022-23	-	3.15% pa
2023-24	4.45% pa	3.62% pa
2024-25	2.95% pa	2.87% pa
2025-26	2.74% pa	2.74% pa
Thereafter	3.20% pa	3.20% pa
Expected rate of CPI increase		
	-	4.80% pa
2022-23	6.65% pa	2.50% pa
2023-24	3.50% pa	2.50% pa
2024-25	3.00% pa	2.50% pa
Thereafter	2.50% pa	2.50% pa

#### Expected contributions to be paid in the next reporting period

	SASS		SANCS		SSS		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected employer contributions	5,403	5,403	8,406	8,406	-	-	13,809	13,809

#### Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 10.2 years (2022: 10.8 years).

**(d) Other provisions****Carrying amounts and movements**

	<b>Workers' compensation self-insurance</b>	<b>General insurance</b>	<b>Restoration of leased premises</b>	<b>Decommissioning and maintaining system assets</b>	<b>Biodiversity management action plan</b>	<b>Hardship applications</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Carrying amounts at beginning of the year</b>						
Current	2,499	1,334	1,892	10,412	-	-
Non-current	17,924	1,649	1,149	9,365	3,500	-
	<b>20,423</b>	<b>2,983</b>	<b>3,041</b>	<b>19,777</b>	<b>3,500</b>	<b>-</b>
<b>Movement during the year</b>						
Provisions made	-	1,835	145	-	-	87,500
Provisions used	(3,662)	(1,835)	(818)	(2,012)	-	-
Unwinding of discount	-	-	86	316	771	-
	<b>(3,662)</b>	<b>-</b>	<b>(587)</b>	<b>(1,696)</b>	<b>771</b>	<b>87,500</b>
<b>Carrying amounts at end of the year</b>						
Current	1,838	1,334	68	7,969	-	87,500
Non-current	14,923	1,649	2,386	10,112	4,271	-
	<b>16,761</b>	<b>2,983</b>	<b>2,454</b>	<b>18,081</b>	<b>4,271</b>	<b>87,500</b>

**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. The liability is calculated on a discounted cash flow basis using the yield on government bonds.

**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.

**Decommissioning and maintaining system assets**

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 using the yield on government bonds.

**Biodiversity management action plan**

This provision recognises the Corporation's obligation to protect and maintain the biodiversity of its Biodiversity Stewardship sites. The provision is an estimate as determined by the NSW Biodiversity Conservation Trust and included in the Biodiversity Stewardship agreements and covers such costs as weed control, signage, fencing and gate maintenance, pest control, monitoring and other costs.

**Hardship applications**

The Corporation has been appointed as the stormwater drainage authority for the Aerotropolis and Mamre Road Precincts (the Precincts). The provision for hardship applications recognises the Corporation's constructive obligation towards satisfying landholder-initiated hardship claims that are yet to be finalised under the *Land Acquisition (Just Terms Compensation) Act 1991* and which relate to the Corporation's capital works programs for the Precincts. The provision is based on recent market land sales transactions within the Precincts.

## Note 14. Deferred Government grants

### Carrying amounts

	2023 \$'000	2022 \$'000
<b>Current</b>		
NSW Government grant for growth planning labour resources	-	62
NSW Government grant for Digital Restart Fund	253	-
<b>Total current deferred Government grants</b>	<b>253</b>	<b>62</b>

### 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

### Movements and carrying amounts

	2023 \$'000	2022 \$'000
<b>Dividends payable at the beginning of the year</b>	138,750	274,400
<b>Movement during the year</b>		
Dividend recognised at 2.56 cents per share (2022: 3.54 cents per share)	100,000	138,750
Dividends paid on shares at 3.55 cents per share (2022: 7.01 cents per share)	(138,750)	(274,400)
	<b>(38,750)</b>	<b>(135,650)</b>
<b>Dividends payable at the end of the year</b>	<b>100,000</b>	<b>138,750</b>

### 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

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### Note 16. Share capital

#### Carrying amounts and movements

	2023 \$'000	2022 \$'000
Issued and fully paid-up share capital	3,911,854	3,911,854
<b>Total share capital</b>	<b>3,911,854</b>	<b>3,911,854</b>

The Corporation's two shareholders are:

- the Treasurer; and
- the Minister for Finance and Natural Resources.

Each shareholder holds 1,955,927,000 (2022: 1,955,927,000) ordinary shares non-beneficially on behalf of the NSW Government. The shares entitle the NSW Government to a dividend from the Corporation. The amount of the dividend is determined as part of the annual process of negotiating and agreeing the Corporation's Statement of Corporate Intent with the shareholder Ministers.

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



## Unrecognised Items

### Note 17. Commitments

#### (a) Capital expenditure commitments

	2023 \$'000	2022 \$'000
<b>Capital expenditure commitments</b>		
Not later than one year	1,515,932	1,133,627
Later than one year and not later than five years	1,677,819	904,556
Later than five years	64,445	78,532
	<b>3,258,196</b>	<b>2,116,715</b>

Contractual commitments for capital expenditure cover both property, plant and equipment and intangible assets. Amounts disclosed for these commitments include total GST of \$296.200 million (2022: \$192.428 million).

#### (b) Other lease commitments

	2023 \$'000	2022 \$'000
<b>Receivable as lessor</b>		
Future rentals:		
Not later than one year	11,031	10,722
Later than one year and not later than five years	36,217	36,454
Later than five years	118,697	126,263
	<b>165,945</b>	<b>173,439</b>

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 \$15.085 million (2022: \$15.767 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 \$21.300 million (2022: \$21.300 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

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### 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 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 loans 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 84.5% of fixed rate bond debt and 15.5% CPI indexed debt (2022: 83.9% of fixed rate bond debt and 16.1% 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	
		2023 %	2022 %	2023 \$'000	2022 \$'000
<b>Financial assets</b>					
<b>At amortised cost:</b>					
Cash	8	1.88	0.75	12,778	12,783
				<b>12,778</b>	<b>12,783</b>
<b>Financial liabilities</b>					
<b>At amortised cost:</b>					
Borrowings:					
Come and Go borrowings - NSW Treasury Corporation	12	4.50	1.96	86,100	123,000
Long-term borrowings - NSW Treasury Corporation	12	3.46	3.10	12,813,603	11,587,720
Other financial liabilities:					
Service concession liabilities	12	3.80	3.80	526,950	568,500
Lease liabilities related to right-of-use assets	5	3.70	3.19	328,262	352,600
				<b>13,754,915</b>	<b>12,631,820</b>

#### 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 considering 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 4.10% (2022: 1.14%), a 100 basis points increase would increase the rate to 5.10% (2022: 2.14%) and a 100 basis points decrease would reduce the rate to 3.10% (2022: 0.14%). 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 4.10% over the past five years.

	Interest Revenue		Post Tax Profit		Equity	
	Higher (lower) 2023 \$'000	2022 \$'000	Higher (lower) 2023 \$'000	2022 \$'000	Higher (lower) 2023 \$'000	2022 \$'000

#### Judgement of reasonably possible events

Interest rates 100 basis points higher	128	127	90	89	90	89
Interest rates 100 basis points lower	(128)	(127)	(90)	(89)	(90)	(89)

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 credit rating.

**(c) Financial risk management policies, objectives and reporting**

The risks outlined above are managed in accordance with the Treasury Management Policy (the Policy) approved by the Board. This Policy provides a framework of strict controls to manage the impact of these exposures, within the overall framework of the GSF Act. The Policy covers 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 quarterly basis. Treasury management strategies and performance are also reported on and reviewed on a quarterly 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.

	Note	2023 \$'000	2022 \$'000
<b>Interest-bearing debt</b>			
Come and Go borrowings - NSW Treasury Corporation	12	86,100	123,000
Long-term borrowings - NSW Treasury Corporation	12	12,813,603	11,587,720
<b>Total interest-bearing debt</b>		<b>12,899,703</b>	<b>11,710,720</b>
Total equity		8,516,062	8,019,329
<b>Interest-bearing debt + total equity</b>		<b>21,415,765</b>	<b>19,730,049</b>
Gearing ratio (Interest-bearing debt / Interest-bearing debt + Total equity)		60.23%	59.35%
<b>Total interest-bearing debt</b>		<b>12,899,703</b>	<b>11,710,720</b>
<b>Other interest-bearing liabilities</b>			
Service concession liabilities	12	526,950	568,500
Lease liabilities related to right-of-use assets	5	328,262	352,600
<b>Total other interest-bearing liabilities</b>		<b>855,212</b>	<b>921,100</b>
<b>Total interest-bearing liabilities</b>		<b>13,754,915</b>	<b>12,631,820</b>
Total equity		8,516,062	8,019,329
<b>Total capital employed</b>		<b>22,270,977</b>	<b>20,651,149</b>
Debt to equity ratio (Total interest-bearing liabilities / Total equity)		161.52%	157.52%

**(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	Repricing or maturing in:				Total \$'000
					3 to 4 years \$'000	4 to 5 years \$'000	More than 5 years \$'000		
<b>2023</b>									
<b>Financial assets</b>									
Cash	8	12,778	-	-	-	-	-	-	12,778
Trade and other receivables *		407,825	-	-	-	-	-	-	407,825
		<b>420,603</b>	-	-	-	-	-	-	<b>420,603</b>
<b>Financial liabilities</b>									
Trade and other payables *		728,655	-	-	-	-	-	-	728,655
Borrowings:									
Come and Go borrowings and long-term borrowings	12	2,322,717	2,165,856	2,117,610	2,267,417	628,115	3,397,988		12,899,703
Other financial liabilities:									
Service concession liabilities	12	43,805	45,753	48,219	50,812	53,668	284,693		526,950
Lease liabilities related to right-of-use assets	5	39,983	33,579	32,626	32,059	31,988	158,027		328,262
		<b>3,135,160</b>	<b>2,245,188</b>	<b>2,198,455</b>	<b>2,350,288</b>	<b>713,771</b>	<b>3,840,708</b>		<b>14,483,570</b>
<b>2022</b>									
<b>Financial assets</b>									
Cash	8	12,783	-	-	-	-	-	-	12,783
Trade and other receivables *		420,104	-	-	-	-	-	-	420,104
		<b>432,887</b>	-	-	-	-	-	-	<b>432,887</b>
<b>Financial liabilities</b>									
Trade and other payables *		716,075	-	-	-	-	-	-	716,075
Borrowings:									
Come and Go borrowings and long-term borrowings	12	2,048,572	1,801,679	2,031,484	1,923,272	640,991	3,264,722		11,710,720
Other financial liabilities:									
Service concession liabilities	12	41,435	43,801	46,042	48,526	51,138	337,558		568,500
Lease liabilities related to right-of-use assets	5	36,590	36,759	31,196	30,505	29,788	187,762		352,600
		<b>2,842,672</b>	<b>1,882,239</b>	<b>2,108,722</b>	<b>2,002,303</b>	<b>721,917</b>	<b>3,790,042</b>		<b>13,347,895</b>

\* 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	Repricing or maturing in:			More than 5 years \$'000	Total \$'000
			2 to 3 years \$'000	3 to 4 years \$'000	4 to 5 years \$'000		
<b>2023</b>							
<b>At amortised cost:</b>							
Trade and other payables *	728,655	-	-	-	-	-	728,655
Borrowings:							
Come and Go borrowings and long-term borrowings	2,621,515	2,371,589	2,384,561	2,469,143	766,032	4,105,569	14,718,409
Other financial liabilities:							
Service concession liabilities	62,892	63,384	64,026	64,692	65,510	321,349	641,853
Lease liabilities related to right-of-use assets	49,519	43,226	41,068	39,321	38,097	173,516	384,747
	<b>3,462,581</b>	<b>2,478,199</b>	<b>2,489,655</b>	<b>2,573,156</b>	<b>869,639</b>	<b>4,600,434</b>	<b>16,473,664</b>
<b>2022</b>							
<b>At amortised cost:</b>							
Trade and other payables *	716,075	-	-	-	-	-	716,075
Borrowings:							
Come and Go borrowings and long-term borrowings	2,298,488	2,022,268	2,163,830	2,201,716	736,425	3,917,054	13,339,781
Other financial liabilities:							
Service concession liabilities	62,314	63,066	63,588	64,263	64,964	382,870	701,065
Lease liabilities related to right-of-use assets	47,627	45,845	39,624	37,600	36,151	204,808	411,655
	<b>3,124,504</b>	<b>2,131,179</b>	<b>2,267,042</b>	<b>2,303,579</b>	<b>837,540</b>	<b>4,504,732</b>	<b>15,168,576</b>

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

### (g) Fair values of financial assets and financial liabilities

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

	Basis of fair value	Note	Carrying amount		Fair Value	
			2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Financial assets</b>						
Cash	Carrying amount	8	12,778	12,783	12,778	12,783
Trade and other receivables *	Carrying amount		407,825	420,104	407,825	420,104
			<b>420,603</b>	<b>432,887</b>	<b>420,603</b>	<b>432,887</b>
<b>Financial liabilities</b>						
Trade and other payables *	Carrying amount		728,655	716,075	728,655	716,075
Borrowings:						
Come and Go borrowings	DCF** using interest rates T-Corp	12	86,100	123,000	85,735	122,997
Long-term borrowings	DCF using interest rates T-Corp	12	12,813,603	11,587,720	12,312,125	11,304,442
Other financial liabilities:						
Service concession liabilities	DCF using interest rates from independent market source	12	526,950	568,500	460,592	479,134
Lease liabilities related to right-of-use assets	DCF using interest rates from independent market source	5	328,262	352,600	287,224	295,430
			<b>14,483,570</b>	<b>13,347,895</b>	<b>13,874,331</b>	<b>12,918,078</b>

\* 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 other receivables, and income in advance and statutory taxes payable in the case of trade and other payables. These items are out of scope in relation to these disclosures.

\*\* Discounted cash flows

There were no financial instruments at either the current reporting date or the previous reporting date that were carried in the statement of financial position at fair value determined by any of the three valuation methods defined in note 4(d).

## 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.

	2023 \$'000	2022 \$'000
Short-term employee benefits	5,150	5,037
Post-employment benefits	331	320
Other long-term benefits	-	24
Termination benefits	14	6
	<b>5,495</b>	<b>5,387</b>
This comprises compensation relating to:		
Directors:		
Executive	916	876
Non-executive	806	762
	<b>1,722</b>	<b>1,638</b>
Senior executives	3,773	3,749
	<b>5,495</b>	<b>5,387</b>

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 provides laboratory testing services to test for COVID-19 markers for NSW Health. Revenues for these services during the current reporting period was \$0.330 million (2022: \$4.274 million).

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 \$1.861 million (2022: \$2.179 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 \$0.486 million (2022: \$0.490 million).



### Note 23. Impacts of COVID-19

Sydney Water has managed and continues to actively manage the risks arising from COVID-19 and 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.

During 2021-22 the Corporation recognised the financial hardship associated with the pandemic and 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. Sydney Water had experienced some increase in the level of customers not paying their bills by the due date.

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 were 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.

During 2021-22 and 2022-23 operationally, measures were 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.

The Corporation has identified the following significant financial impacts from COVID-19:

	2023 \$'000	2022 \$'000
<b>Revenue</b>		
Sundry revenue	330	4,274
Rental revenue (rent relief)	-	(474)
	<b>330</b>	<b>3,800</b>
<b>Expenses</b>		
Employee related expenses	46	227
Maintenance services	-	4,155
Operational services	1,326	754
Materials, plant and equipment	-	10,902
Transport	-	1,278
Property including land tax	144	1,122
Other expenses	-	50
	<b>1,516</b>	<b>18,488</b>

Construction contractors sought from the Corporation reimbursement of the incremental costs incurred to comply with the NSW Health Orders (lockdown) implemented for the COVID-19 Delta variant. These incremental costs included payment for securing the Corporation's construction sites and payment of the wages of the construction contractors' workforces stood down during the lockdown to enable the Corporation's construction projects to efficiently resume once the lockdown was lifted. These incremental costs totalled \$1.027 million (2022: \$13.403 million) for the current reporting period with \$nil (2022: \$4.155 million) included in maintenance services, \$1.027 million (2022: \$0.754 million) included in operational services and \$nil (2022: \$8.494 million) included in materials, plant and equipment expenses. The incremental costs were classified as operating expenditure in accordance with the accounting guidance mandated by NSW Treasury.

COVID 19 is not expected to materially impact the financial position of the Corporation during the coming reporting period.

**Note 24. Events occurring after the reporting period****Sydney Desalination Plant arrangements**

The current contractual arrangements and operating rules between Sydney Water Corporation and SDP Pty Limited in respect of the Sydney Desalination Plant (SDP) do not give rise to a lease under Australian Accounting Standard AASB 16 Leases (AASB 16).

The Greater Sydney Water Strategy document (GSWS document) was released in August 2022. The GSWS document outlined a change for the use of the SDP asset to meet the growing population needs of Greater Sydney. The intention is that the SDP asset will be used to produce an extra 20 GL/year to contribute towards higher dam levels at the start of a future drought and to slow down the rate of dam depletion during this future drought.

The operational impact is that the SDP asset will be used more frequently and thus will require a greater degree of operational control from Sydney Water. The accounting impact of the proposed revisions to the operating rules and contractual agreements to accommodate the GSWS document is that a lease will arise under AASB 16 once the revised operating rules comes into effect from 1 July 2023.

The transaction to be recorded on 1 July 2023 will result in the following assets and liabilities being reflected in the Sydney Water Corporation balance sheet on inception of the lease arrangement:

	2024 \$'000
<b>Right-of-use assets</b>	
Right-of-use assets – system assets – Infrastructure including system land	1,804,748
	<b>1,804,748</b>
<b>Lease liabilities related to right-of-use assets</b>	
<b>Current</b>	
Lease liabilities related to right-of-use assets	3,180
<b>Total current lease liabilities related to right-of-use assets</b>	<b>3,180</b>
<b>Non-current</b>	
Lease liabilities related to right-of-use assets	1,801,568
<b>Total non-current lease liabilities related to right-of-use assets</b>	<b>1,801,568</b>
<b>Total lease liabilities related to right-of-use assets</b>	<b>1,804,748</b>

**Increase in approved employer contributions to defined benefit superannuation schemes**

On 18 July 2023, the NSW Treasurer approved an increase to the Corporation's annual employer contributions for the defined benefit superannuation schemes. The annual employer contributions increase to \$29.512 million a year (2022: \$13.808 million). The expected employer contributions by scheme for the next reporting period is revised as below.

	SASS		SANCS		SSS		Total	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Expected employer contributions	6,492	5,403	10,624	8,406	12,396	-	29,512	13,809

**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) present fairly the Corporation's financial position as at 30 June 2023, 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 and the applicable requirements of the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2018* and the Treasurer's directions;
- (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: 23 August 2023



## 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 2023, the Statement of financial position as at 30 June 2023, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising 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), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents 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).

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

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 2023. 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. I have determined the matters described below to be the key audit matters to be communicated in my report.

Key Audit Matters	How my audit addressed the matters
<b>Fair value of system assets</b>	
<p>At 30 June 2023, the Corporation's statement of financial position reported \$19.4 billion in system assets measured at fair value. System assets are highly specialised and account for 80 per cent of the total property, plant and equipment balance.</p> <p>We consider this to be a key audit matter because:</p> <ul style="list-style-type: none"> <li>• the system assets are financially significant to the statement of financial position</li> <li>• the discounted cash flow (DCF) model used to value the system assets is complex and involves significant judgements and assumptions</li> <li>• changes in assumptions, such as the discount rate, demand growth expectations, price and cost assumptions, can significantly affect the fair value.</li> </ul> <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"> <li>• obtaining an understanding of the Corporation's approach to estimating the fair value of system assets</li> <li>• assessing whether the DCF model: <ul style="list-style-type: none"> <li>– incorporated all key assumptions and inputs relevant to valuing system assets of a water entity</li> <li>– met the requirements of Australian Accounting Standards</li> </ul> </li> <li>• assessing the competence, capability and objectivity of management's independent experts</li> <li>• reviewing the reasonableness of key assumptions and sensitivity of the conclusions to changes in the assumptions</li> <li>• reviewing the model's mathematical accuracy</li> <li>• assessing the adequacy of the financial statement disclosures against the requirements of the Australian Accounting Standards.</li> </ul>
<b>Valuing of defined benefit superannuation liabilities</b>	
<p>At 30 June 2023, the Corporation's statement of financial position reported net defined benefit superannuation liabilities totalling \$398 million. This liability balance is provided to the Corporation by the Administrator of the SAS Trustee, based on an independent actuarial assessment.</p> <p>We consider this to be a key audit matter because:</p> <ul style="list-style-type: none"> <li>• the defined benefit superannuation liability is financially significant to the statement of financial position</li> <li>• 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</li> <li>• the value of the liability is sensitive to minor changes in valuation inputs.</li> </ul> <p>Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 13.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of the processes and key controls in place supporting the: <ul style="list-style-type: none"> <li>– membership data used in the model</li> <li>– defined benefit superannuation liability calculation.</li> </ul> </li> <li>• assessing the completeness and accuracy of the membership data used in the model</li> <li>• with the assistance of actuarial experts reviewing the methodology and key assumptions for reasonableness</li> <li>• assessing qualifications, competence and objectivity of actuarial experts</li> <li>• assessing the adequacy of the financial statement disclosures against the requirements of Australian Accounting Standards and Treasurer's Directions.</li> </ul>

Key Audit Matters	How my audit addressed the matters
<b>Accrued unbilled water usage charges</b>	
<p>At 30 June 2023, the Corporation's statement of financial position reported \$198 million accrued unread revenue accrual for customer water usage. We consider this to be a key audit matter because there is significant judgement and uncertainty involved in calculating this accrual, such as the:</p> <ul style="list-style-type: none"> <li>• amount of water loss in transit between the dam and the end customer</li> <li>• different rates and product offerings for residential and commercial customers</li> <li>• complexity in estimating customer demand across a large number of customers, which can be influenced by many factors including weather and individual circumstances.</li> </ul> <p>•</p> <p>Further information on recognition and measurement for accrued unbilled water usage charges is disclosed in Note 9.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of the processes and key controls the Corporation has in place to determine the estimated unbilled usage charges</li> <li>• evaluating reasonableness of the key assumptions for water loss factors, volume and rates used to determine unbilled water usage charges</li> <li>• testing the mathematical accuracy of the calculation</li> <li>• assessing the historical accuracy of the estimate against subsequent billings.</li> </ul>

## 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 Regulation and Treasurer's Directions 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](http://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  
Delegate of the Auditor-General for New South Wales

30 August 2023  
SYDNEY

## About this report

This is Sydney Water's full Annual Report for 1 July 2022 to 30 June 2023. It covers our:

- statutory information
- financial statements
- other regulatory information.

Visit [sydneywater.com.au/annualreport](https://sydneywater.com.au/annualreport) to read the *Annual Report 2022–23* and previous reports.

If you have any comments or questions about this report, please email [annualreport@sydneywater.com.au](mailto:annualreport@sydneywater.com.au) or write to:

Sydney Water  
Annual Report Project  
Manager Customer and Stakeholder Engagement  
PO Box 399  
Parramatta NSW 2124

## Contact Us

### By telephone

#### Customer enquiries:

13 20 92 (Monday–Friday, 8 am – 5.30 pm)

#### Help with leaks and faults:

13 20 90 (24 hours every day)

#### Corruption hotline:

Freecall 1800 500 965 (24 hours every day)

**Interpreter service:** 13 14 50

#### Hearing and speech difficulties:

We offer a free teletypewriter (TTY) service for customers with hearing and speech difficulties.

Call the National Relay Service on 13 36 77 and enter the phone number 13 20 90 (24 hours every day).

### By post

Sydney Water  
PO Box 399  
Parramatta NSW 2124

### By email

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



**Website:**  
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