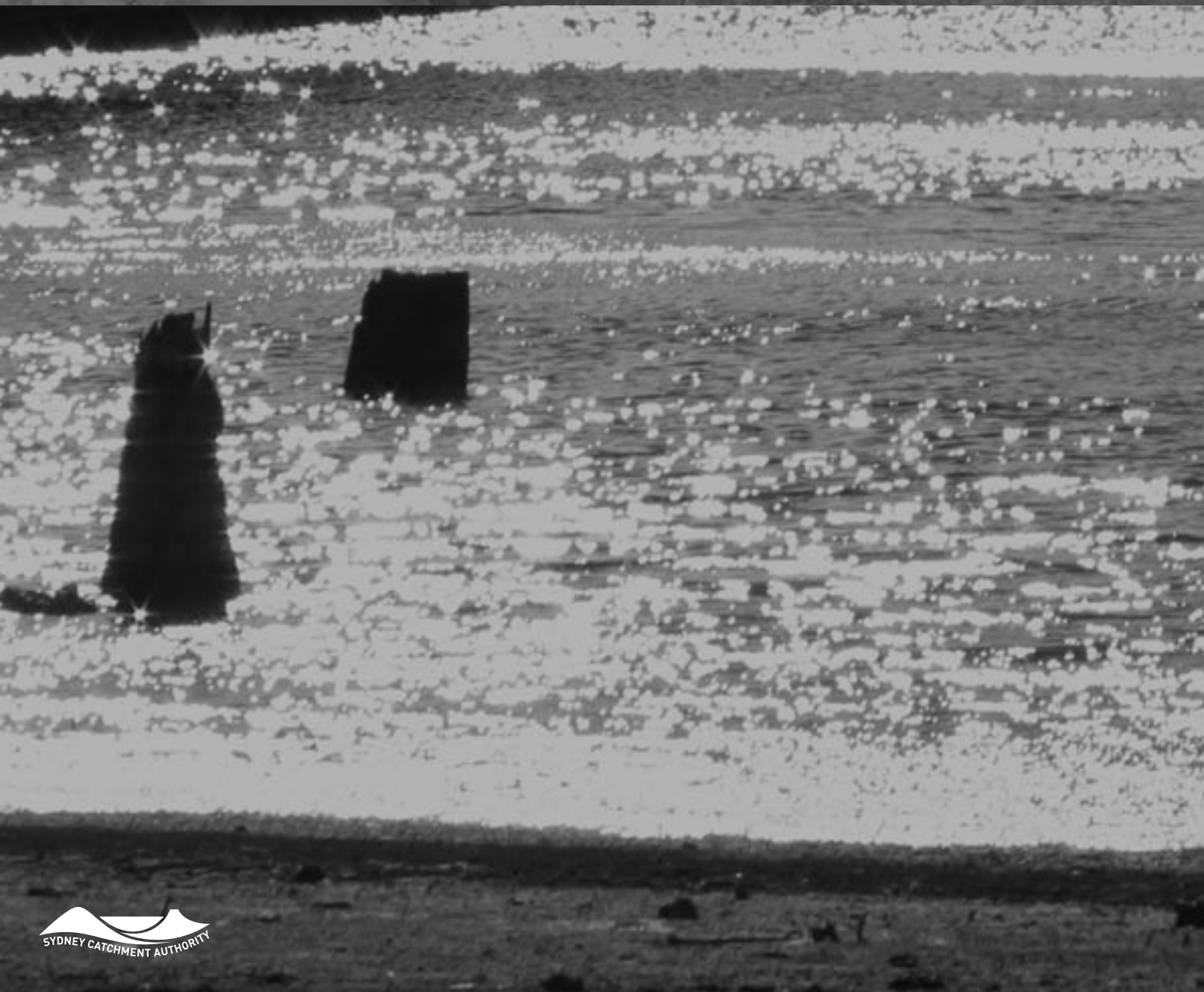


sydney catchment authority

# annual report

2003 - 2004

annual report



**Drought Reflections** - during 2003-04 the Sydney Catchment Authority has captured a unique visual record of the effects of the worsening drought on the dams and catchments. Selected images are featured throughout this report.

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# about the SCA

The Sydney Catchment Authority (SCA) was established in 1999 under the *Sydney Water Catchment Management Act 1998*. Our tasks are to protect and enhance the drinking water catchments, to manage and protect our infrastructure works including dams and pipelines, and to supply quality bulk raw water to our customers. Our customers include Sydney Water, two local councils and 60 retail customers.

The SCA collects water from five primary catchments which occupy 16,000 square kilometres. The water is stored in 21 dams with the total capacity to hold more than 2.4 million megalitres of water. Approximately 4.2 million people, about 60 per cent of NSW's population, consume water supplied by the SCA.

The SCA's functions and services are diverse and benefit the people of Sydney, Illawarra, the Blue Mountains, the Southern Highlands and others living within the SCA's catchments.

The SCA Business Plan 2002-2007 was developed by the Board and SCA Executive, and incorporates the following principles:

## Our Vision

Healthy catchments, quality water - always

## Our Role

To capture, store and supply quality bulk raw water through responsible management and partnerships with stakeholders

## Our Key Values

- Being accountable
- Caring for the environment
- Behaving ethically
- Working together
- Acting professionally
- Being respectful
- Ensuring safety

## Our Key Result Areas

- Threats to water quality minimised
- Sustainable and reliable water supply
- Commercial success
- Building and sharing knowledge
- Results through relationships
- A dynamic and supportive workplace
- Quality systems and processes



# letter to the minister

LETTER TO THE MINISTER  
LETTER TO THE MINISTER  
LETTER TO THE MINISTER  
LETTER TO THE MINISTER  
LETTER TO THE MINISTER

Sydney Catchment Authority  
311 High Street  
Penrith NSW 2750

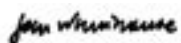
31 October 2004

The Hon Robert Debus MP  
Minister for the Environment  
Level 36 Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

Dear Minister

We have pleasure in submitting the 2003-2004 Annual Report for the Sydney Catchment Authority for presentation to the Parliament of New South Wales.

The report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, the *Annual Reports (Statutory Bodies) Regulation 1995*, the *Annual Reports (Statutory Bodies) Amendment Regulation 2003*, the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2000*.



JOHN WHITEHOUSE  
SCA Board Chairman

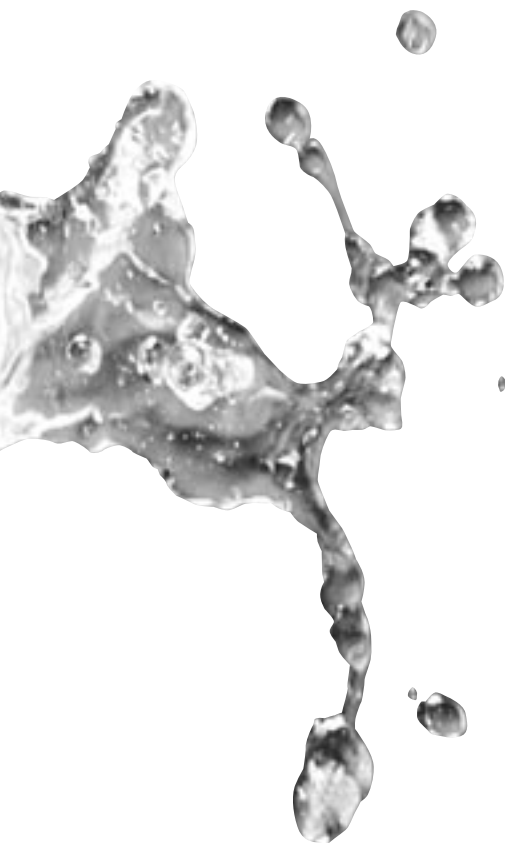


LISA CORBYN  
Chief Executive



# report from the chairman

REPORT FROM THE CHAIRMAN  
REPORT FROM THE CHAIRMAN  
REPORT FROM THE CHAIRMAN  
REPORT FROM THE CHAIRMAN



The 2003-04 year has seen a significant worsening of the drought affecting the catchments and the storages operated by the Sydney Catchment Authority (SCA). At the same time the SCA has been extensively involved with Sydney Water and other key Government agencies in developing a new long-term water strategy for Sydney as well as measures to address the immediate drought.

The twin challenges of the on-going drought and the need for a long-term sustainable water plan for Sydney have been the focus of the Board's attentions. While drought management is a separate issue in itself, it serves to highlight the need to seriously reduce the demands placed by the population of Sydney on our catchments. Such a reduction is essential to restore the long-term balance between water demand and supply.

Additionally, the reliability of the SCA's assets has been a matter receiving attention by the Board. Ensuring an appropriate and proper level of maintenance to SCA assets not only makes good economic sense, but it ensures a high level of reliability of essential public infrastructure. The SCA has commenced a major overhaul of the infrastructure at Warragamba Dam including the outlet valves and electrical facilities.

The quality of bulk water supplied received ongoing attention with the implementation of the Healthy Catchments Program and the exhibition of the draft regional plan for the catchments.

The SCA met the targets in its Statement of Financial Framework in the context of reduced revenue and additional drought pumping costs.

I wish to thank all of the staff of the SCA for their efforts and enthusiasm during the year. Without the professionalism and skill of the SCA's staff, none of our achievements would be possible. The efforts of the Chief Executive, the Managing Director and all Members of the Board, and the support of the Minister have been key factors in the SCA's successes.

John Whitehouse  
Chairman



# the year in review

(Chief Executive/Managing Director)

Ongoing drought, water restrictions and the reduction of available supply in SCA dams from 62 per cent to about 47.5 per cent have been characteristic of the past year. Despite this, the SCA has continued to make real progress in all of its key result areas. It has achieved this by focusing on activities that are vital to catchment health and the bulk water supply system.

Key issues for the Board and Executive over the past year included drought management, future long-term water strategy for Sydney, asset maintenance and management, and major investment in capital upgrades in support of the Government's commitment to upgrading its major infrastructure.

Changed arrangements in the environment portfolio saw Lisa Corbyn take on the role of the SCA Chief Executive as well as that of Director General of the Department of Environment and Conservation. The closer ties between the two agencies will have real benefits for managing the catchment lands and protecting Sydney's drinking water supply. This year has also seen an unprecedented collaborative effort between NSW Government agencies - Department of Infrastructure, Planning and Natural Resources, Department of Energy, Utilities and Sustainability, Sydney Water Corporation and the Department of Environment and Conservation in the development of a new long-term water supply strategy for Sydney.

The Chief Executive and Managing Director wish to thank the Executive and staff for their valuable contribution throughout the year and acknowledge the support of the Board and the Minister.

Reporting against the framework of the SCA Business Plan 2002-2007, achievements for 2003-04 in each key result area are highlighted below:

## Threats to water quality minimised

- Completed a draft Water Quality Risk Management Framework which provides a holistic approach to managing risks to bulk raw water quality
- Facilitated 'Sustaining the Catchments, the draft Regional Plan for the drinking water catchments of Sydney and adjacent regional centres', being placed on exhibition on 29 March 2004. The SCA played a key role in reworking the draft plan to better reflect community views and in generally supporting the exhibition. It is anticipated that the draft plan will proceed to gazettal stage during 2005
- Achieved significant progress against all seven strategies within the Healthy Catchments Program - an implementation framework that the SCA uses to protect water quality and manage catchment health in Sydney's hydrological catchments
- Received a commendation in the Planning Institute of Australia (New South Wales Division) Awards for the SCA's Development Assessment Register (DAR). The DAR is an interactive system designed to manage development proposals received by the SCA and help assess the possible impacts of particular developments on water quality.

## Sustainable and reliable water supply

- Despite another year of severe drought and water restrictions, continued to supply customers with required quantities of bulk raw water of a consistently high standard
- Played a key role in the development of the Government's long-term water supply strategy for Sydney, 'Meeting the Challenges - Securing Sydney's Water Future - The Metropolitan Water Plan'. The strategy examined the security of the water supply, possible options for alternative water supply measures, the impacts of

environmental demands on the water supply, and community awareness of the need to conserve water and manage its use effectively

- Forged ahead with the Asset Improvement and Reliability Program (AIR)(involving short and long-term asset maintenance strategies) to implement recommendations of earlier Failure Modes Effects and Criticality Analysis (FMECA) studies. The FMECA studies reviewed the condition of almost all of the SCA's mechanical and electrical water supply assets. The first phase of the AIR program focuses on upgrading water supply assets to contemporary standards. During the year, work on assessing our civil assets was largely completed
- Launched a program of capital works for Warragamba Dam that constitutes the most substantial upgrade since the dam opened in 1960. The project, valued at almost \$24.5m, supports the Government's commitment to upgrading its major infrastructure. It includes a comprehensive upgrade of outlet valves and electrical facilities.

## Commercial success

- Maintained Standard and Poors 'A' credit rating
- Achieved targets within the Statement of Financial Framework
- Contributed to IPART's review of Water Pricing Structures
- Despite drought pumping and reduced revenue due to water restrictions, the SCA met budget by carefully managing expenditure
- Finalised service level agreement with the Department of Commerce for delivery of the Bulk Water Capital Works Program.



### Building and sharing knowledge

- Contributed almost \$1m towards the \$3.5m five year collaborative research program which enables the SCA to work closely with universities and research organizations on key issues that affect drinking water quality
- Provided \$154,582 (including GST) for 23 projects under the Catchment Protection and Improvement Grants Scheme for water quality improvement projects such as pest and weed eradication and native revegetation and erosion control
- Implemented and funded the Education for Sustainability Professional Development Program which involves a partnership with educators from local government, the Hawkesbury-Nepean Catchment Management Authority and community groups to support the Government's Environmental Education Plan, Learning for Sustainability.

### Results through relationships

- Continued to participate in a raft of community consultation programs such as those relating to the Local Government Reference Panel, Regional Consultative Committee, and Peak Environment Non-Government Organisations
- Provided strong representation on a variety of strategic inter-agency forums, focusing on long-term reliability of Sydney's water supply
- Produced a wide range of publications to inform the public about the SCA's activities, responsibilities and the unique nature of the land under SCA management
- Developed Memoranda of Understanding between the SCA and the new Hawkesbury-Nepean and Southern Rivers catchment management authorities.

### Dynamic, supportive workplace

- Introduced revised training and development procedure aimed at increasing job satisfaction and work place efficiency
- Negotiated variations to the SCA Award which were subsequently approved by the Industrial Relations Commission
- Developed and launched the new STEP (Success through enhanced performance) performance management system to promote good management practice and a better working environment for all SCA employees
- Continued to support programs designed to improve and promote health and safety throughout the SCA.

### Quality systems and processes

- Achieved full to high compliance for 90 per cent of audited clauses within the SCA's Operating Licence
- Achieved costs savings of 44 per cent over the previous year due to the introduction of new procedures relating to the purchase and control of stationery and consumables
- Increased percentage of 'green' electricity purchased and consequently gained permission from the Sustainable Energy and Development Authority to use its 'Green Power Customer' logo.

### The future

The SCA is facing many challenges in the coming year. Given ongoing drought conditions, critical issues for us during the coming year include drought management, demand and supply management and providing leadership in development of long-term water management strategies.

Implementation of Sustaining the Catchments, the draft Regional Plan for the drinking water catchments of Sydney and adjacent regional centers – will also be a focus of major attention in the year ahead. Ongoing roll-out of the Healthy

Catchments Program will continue to make a valuable contribution to improving catchment health.

The SCA will continue to focus on its asset maintenance and asset management programs and will make major investment in capital upgrades in support of the Government's commitments to upgrade major infrastructure. Ongoing upgrades at Warragamba Dam, Prospect Raw Water Pumping Station and Head Office relocation are projects, which will receive major investments of capital in the coming year.

A major initiative requiring the participation of all SCA staff during the ensuing year is the implementation of our new performance management system - STEP (Success through enhanced performance). The new system is being introduced as an outcome of negotiations with staff regarding variations to the SCA Award and is designed to promote good management practice and a better working environment for all SCA employees.

The SCA looks forward to the challenges of the year ahead.



GRAEME HEAD  
Managing Director



LISA CORBYN  
Chief Executive

# the SCA board

The Sydney Catchment Authority (SCA) Board was appointed by the Minister for the Environment. Expressions of interest for board membership were sought from qualified people through advertising in the regional, metropolitan and national press.

The three-year term of the current SCA Board commenced on 4 March 2002.

On 24 September 2003, the Minister appointed Lisa Corbyn to the Board as the SCA's Chief Executive and appointed the previous Chief Executive, Graeme Head, as Managing Director. The Managing Director is a member of the Board. Lisa Corbyn has been appointed as Chief Executive for the term 24 September 2003 to 27 November 2004. Robyn Kruk resigned from the Board on 22 September 2003 to concentrate on her role in the Government's health portfolio.

## Membership of the Board at 30 June 2004

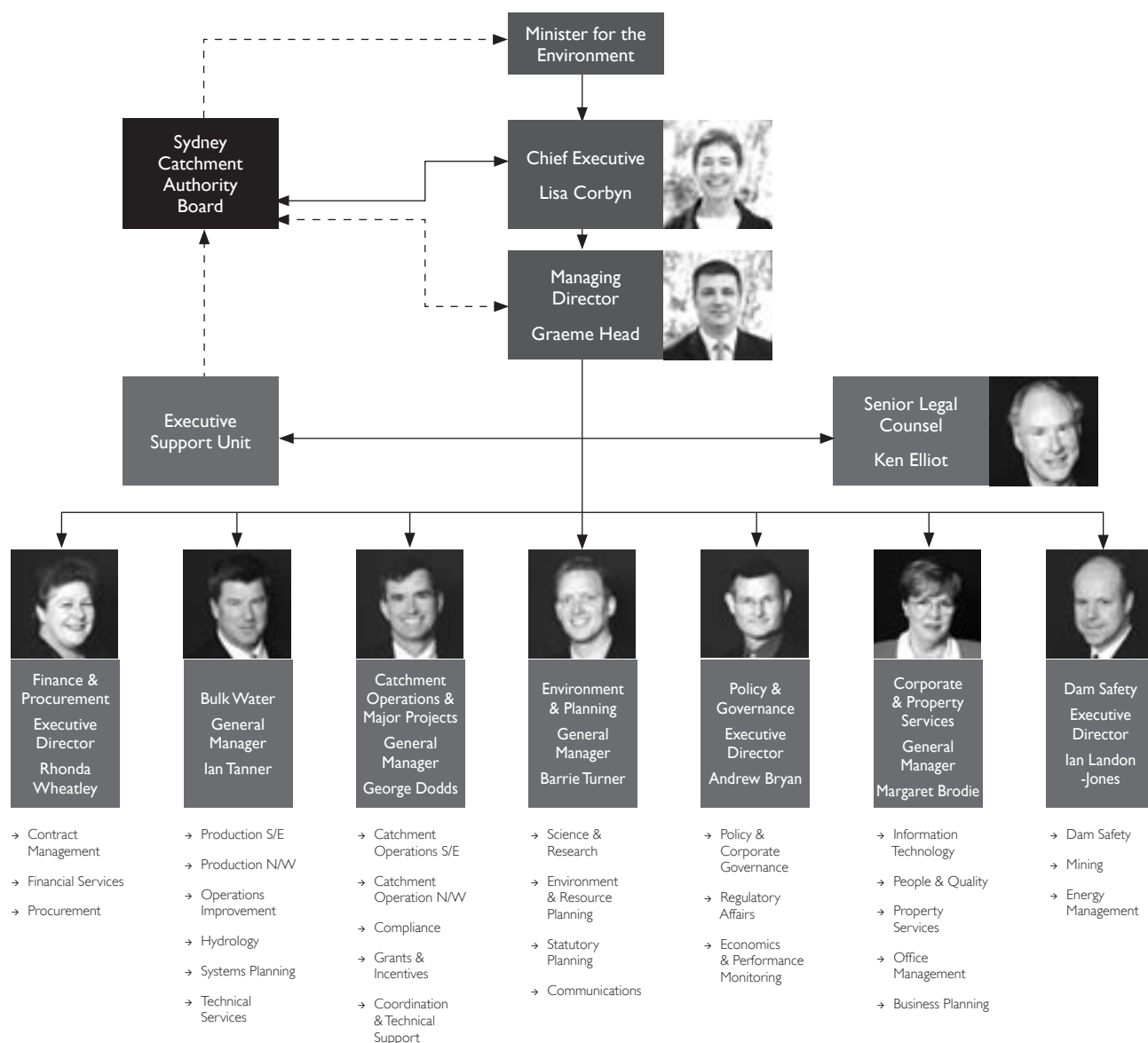
John Whitehouse (Chairman)  
Lisa Corbyn  
(Deputy Chairman and Chief Executive)  
John Asquith  
Kerry Chant  
Robert Corben  
Maggie Deahm  
Graeme Head  
(Managing Director) (Ex Officio)  
Sara Murray  
Kenneth Wheelwright

The SCA Board: (top row) John Asquith, John Whitehouse, (mid row) Graeme Head, Robert Corben, Kerry Chant, Maggie Deahm, (bottom row) Lisa Corbyn, Sara Murray, Kenneth Wheelwright. For further details about the SCA Board, see Appendix 1.



# organisational chart

ORGANISATIONAL CHART  
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ORGANISATIONAL CHART



## Changes to Internal Structure

After changes to the environment portfolio, including the creation of the Department of Environment and Conservation, Lisa Corbyn was appointed as the SCA's Chief Executive and Graeme Head was appointed Managing Director on 24 September 2003. The SCA, while remaining a separate entity, has Lisa Corbyn, Director General of the Department of Environment and Conservation, as its Chief Executive.

The SCA also underwent an internal restructure during the period. In February 2004, the Policy and Governance Division of the SCA was established. The changes allow the SCA to work more effectively under the new portfolio arrangements and support the further roll out of natural resource management reforms.

For details of SCA senior executive qualifications, see Appendix 4.

# key performance indicators

KEY PERFORMANCE INDICATORS  
KEY PERFORMANCE INDICATORS  
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KEY PERFORMANCE INDICATORS

The SCA measures its performance against key performance indicators identified in the Business Plan 2002-2007. Performance for 2003-04 is highlighted below.

| Key Performance Indicators   | Actual 2001-02 | Actual 2002-03 | Actual 2003-04    | Target |
|--|----------------|----------------|-------------------|--------|
| <b>Operational</b>   |                |                |                   |        |
| Overall compliance with Bulk Water Supply Agreement (%)                      | 97.9           | 98.5           | 94.1*             | >95    |
| Health-related compliance with Australian Drinking Water Guidelines (%)      | 100            | 100            | 100               | 100    |
| Interruption to supply (hours)   | Nil            | Nil            | Nil               | Nil    |
| Compliance with Dams Safety Committee requirements and ANCOLD guidelines (%) | 100            | 100            | 100               | 100    |
| Operating licence clauses with full to high compliance (%)                   | 91.5           | 90             | Not yet available | 100    |
| <b>Environmental</b>   |                |                |                   |        |
| Compliance with Water Management Licence for environmental releases (%)      | 99.8           | 99.8           | 98.4**            | 100    |
| Catchment management cost per Megalitre (ML) supplied                        | 38.7           | 34.7           | 35.2              | N/A    |
| <b>Social</b>  |                |                |                   |        |
| Hours lost to industrial disputes per employee                               | 0              | 0              | 0                 | 0      |
| Number of injuries leading to lost time                                      | 6              | 4              | 8                 | N/A    |
| Number of lost time days   | 241            | 140.5          | 79                | Nil    |
| Wholesale water supply customer complaints                                   | 1              | Nil            | Nil               | Nil    |
| <b>Economic</b>  |                |                |                   |        |
| Earnings before interest and tax (\$m)                                       | 37.9           | 40.3           | 37.9              | N/A    |
| Return on total assets (%)   | 5.2            | 5.6            | 5.1               | N/A    |
| Standard & Poors Credit Rating   | A              | A              | A                 | A      |

\*The below target compliance was due to increased alkalinity and hardness in the water as a result of the drought, and was not health related.

\*\*The target was not achieved due to operational error at Tallowa Dam and a malfunctioning valve at Warragamba Dam.

During 2003-04, the SCA continued to review and improve performance indicators used at the divisional level to monitor progress against strategies in the Business Plan. Improvement activities will continue throughout the life of the Business Plan with annual and mid-term reviews. The SCA continues to develop meaningful organisation level performance indicators and targets in areas such as asset maintenance.

This year the SCA has categorised its key performance indicators using a sustainability framework.

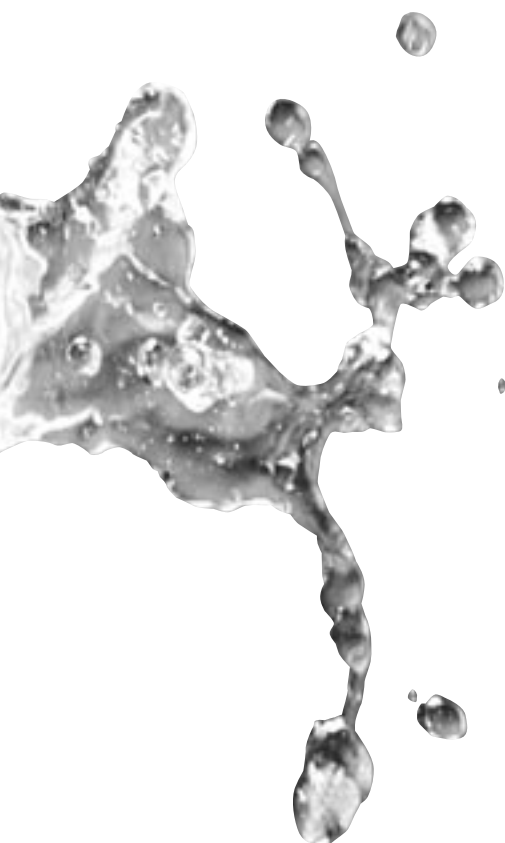






# key result area 1

KEY RESULT AREA 1  
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KEY RESULT AREA 1



## Key Result Area 1 – Threats to Water Quality Minimised

So that we continue to meet agreed water quality criteria in the short and long terms, we will achieve the following outcomes over the period 2002-2007

### Intended Outcomes

- Threats to water quality will be identified and mitigated according to risk
- Sewage discharges to catchment waters will be reduced
- The quality of stormwater and other urban run-off will be improved
- The sediment load on catchment waters will be reduced
- The risk of adverse impact of fires on water quality will be reduced
- New development will have a neutral or beneficial impact on water quality
- Storages and infrastructure will be operated to deliver water to agreed quality criteria
- Catchment health will be improved through sustainable land use and vegetation management.

Good quality water requires healthy catchments. A principal objective of the Sydney Catchment Authority (SCA) is to manage catchment lands to protect the quality of water in our rivers, creeks and storages. The Business Plan 2002-2007 sets out a diverse range of programs that focus on catchment protection.

The catchment management framework sets out the SCA's contribution to maintaining and improving catchment health to minimise threats to water quality. Identifying pollution sources and assessing their risk to water quality are key inputs for determining appropriate actions to protect and manage catchment health and water quality. Through rectification action plans, 'Sustaining the Catchments - the draft regional plan for the drinking water

catchments of Sydney and adjacent regional centres', sets priorities and identifies remedial actions across the catchments.

The Healthy Catchments Program delivers actions on the ground. The catchment audit and the programs of the SCA and other agencies regarding water quality monitoring, science and research, and environmental reporting all contribute to developing a picture of catchment health.

The SCA achieved the following results in the second year of the Business Plan 2002-2007.



## 1. Water Quality

### Water Quality Risk Management Framework

The SCA completed its draft Water Quality Risk Management Framework as required by the Minister in response to the annual review of the SCA's Operating Licence. The framework provides a holistic approach to managing risks to bulk raw water quality and is linked to other SCA management plans and programs.

The draft framework has been benchmarked against approaches taken by other water utilities in Australia and New Zealand. It complements the Sydney Water Corporation (Sydney Water) Drinking Water Quality Management Plan.

The draft framework will be reviewed by the Catchment Consultative Committee, local government, other agencies, and the community early in 2004-05.

### Lake Limnology Modelling

Limnology is the study of lakes and their processes. By June 2004, the limnology study of Lake Burragorang (Warragamba Dam) and Prospect Reservoir was nearly complete. The study, which began in mid-2001 examines the physical, chemical and biological processes that influence water quality within those reservoirs.

In 2003-04, the study validated the performance of the limnology models developed in previous years. The models address specific water quality aspects such as pathogen contamination during floods and nutrient input from long-term catchment degradation.

The limnology models provide the SCA with tools to monitor the conditions within the lakes and detect potential contamination events such as large floods. They also help to predict the behaviour of the lakes and develop contingency plans ahead of a major flood.

The total cost of the limnology modelling project, including installation and testing of the monitoring system, is \$2 million. Expenditure for 2003-04 was approximately \$400,000.

## 2. Draft Regional Plan

'Sustaining the Catchments, the draft regional plan for the drinking water catchments of Sydney and adjacent regional centres', is currently being developed. It encourages changes in land use and land management practices within the catchments and emphasises partnerships between councils, farmers and other landowners, industry, and government to achieve more sustainable land use. The regional plan will help the SCA to improve the environmental health of catchment waterways and better protect water quality in rivers and SCA water storages.

A revised draft of the plan was placed on public exhibition from 29 March to 30 July 2004.

The SCA had a major role in revising the draft plan to better reflect the views of the community. Guidelines were further developed to explain key elements of the plan and how they would be applied. The key elements of the plan are:

- strategic land and water capability assessments
- requirements for developments to have a neutral or beneficial effect on water quality
- pollution offsets
- rectification action plans.

To support the exhibition of the draft plan, the SCA produced fact sheets and a summary brochure. The material was written in plain English to help interest groups and the community better understand the content of the draft plan.

To assist with deliberations on the future of the draft plan, the SCA is preparing a report for consideration by the Minister for Infrastructure and Planning, on the issues raised in the submissions and at briefings.





# key result area 1

KEY RESULT AREA 1  
KEY RESULT AREA 1  
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KEY RESULT AREA 1



## Community Consultation Sustaining the Catchments – the draft regional plan

The SCA managed the public exhibition of the draft regional plan 'Sustaining the Catchments' from 29 March to 30 July 2004. The exhibition process was underpinned by a Communications Plan developed by the SCA in conjunction with the Department of Infrastructure, Planning and Natural Resources (DIPNR).

The approach taken to communication and community consultation on the draft plan was well received by the community. Through the consultation process, the SCA has strengthened its relationships with many individuals and organisations across the catchments.

Before the plan went on exhibition, SCA staff contacted members of key consultative groups to inform them that the new draft plan was going on exhibition and to invite them to a pre-exhibition briefing. These included the Regional Advisory (S22) Committee, the Local Government Reference Panel and five regional community groups established by DIPNR to help with the redrafting of the plan. The SCA also offered to visit and talk with councillors, council and other agency staff, and community organisations about the draft plan.

As well as the main exhibition document and maps, the SCA produced a summary brochure, fact sheets and display material to direct interested people to exhibition locations. These documents were written and designed to enhance their readability. The exhibition was extensively advertised throughout metropolitan, Sydney suburban, ethnic and regional newspapers. A 1300 enquiry number was set up at the DIPNR information centre.

The SCA also wrote to around 400 people who made submissions to the first draft plan and enclosed a copy of the summary brochure for the new draft plan. Letters and copies of the summary brochure and fact sheets were posted to all Aboriginal groups consulted in the first exhibition period in 2002 with an undertaking to meet with any groups who wanted a briefing.

Once the plan was on public exhibition, SCA and DIPNR staff were 'on the road' throughout the catchments attending meetings during the day and evening. Staff held briefings for all council staff in the catchments (except Kiama) and several groups of councillors. Briefings were also given to catchment management authorities, DIPNR, SCA and other agency staff, environmental groups, NSW Farmers, business and industry associations, and other community and landholder groups.

Instead of large public meetings, the SCA ran the briefing sessions as workshops, where all present could raise and discuss issues. An independent facilitator attended some meetings where they could add value. More complex enquiries were noted and followed up after the briefings. In total, 47 briefings were held over the four-month exhibition period.

At the conclusion of the exhibition period, the SCA provided feedback to the many stakeholders who had expressed interest in the plan and prepared a submissions report for consideration by the Minister for Infrastructure and Planning, and Natural Resources.



## Strategic Land and Water Capability Assessments

The SCA developed the Strategic Land and Water Capability Assessments (SLWCAs) project as a key strategy of the draft regional plan. SLWCAs assist the SCA and local councils to determine the potential impacts of existing and future development on water quality. A SLWCA examines the ability of a parcel of land to cater for various uses. It then ranks those uses according to the types and levels of impact they could have on water quality.

In 2003-04, the SCA completed two pilot SLWCAs. One was for the Mulwaree, Wollondilly and Upper Wollondilly river sub-catchments, and the other was for the Wingecarribee and Nattai river sub-catchments.

Wingecarribee Shire Council is reviewing its local environment plan to assess the impact of proposed zoning changes within the local government area. The Council is using the SLWCA data relating to the Wingecarribee and Nattai river sub-catchments in the review.

The cost of the SLWCA project for 2003-04 was \$250,000.



## Development Assessment Register

The Development Assessment Register (DAR) project commenced in November 2000 to help manage the development proposals received by the SCA. The DAR is an interactive system that links applications with spatial information and helps the SCA to assess the possible impact of a particular development on water quality.

As its key features, the DAR:

- electronically references and stores documents such as the SCA's advice to councils and site photographs
- tracks processing times and provides statistical analysis of processing performance
- contains site assessment and monitoring inspection records
- provides a range of search tools
- provides summary reports to support the SCA's various monitoring, audit and reporting responsibilities

- spatially represents natural resource information, including water quality and pollution sources
- contains a development assessment module to map the predicted impact of onsite effluent management systems.

Planned expansion of the DAR will provide the SCA and local councils with access to a common set of natural resource data to help with development assessment and control.

The DAR forms a key part of a catchment information system being developed by the SCA.

The SCA was commended in the Planning Institute of Australia (New South Wales Division) Awards 2003 for the DAR. The project was submitted for consideration in the category of Environmental Planning and Conservation.

In 2003-04, the SCA assessed 714 development proposals, including 575 development applications, under *State Environmental Planning Policy No 58 - Protecting Sydney's Water Supply*. The SCA referred or considered the remaining proposals under the *Environmental Planning and Assessment Act 1979*. Concurrence was withheld on two development applications due to major site constraints.

## Rectification Action Plans

If it is approved, the draft regional plan will commit the SCA to preparing and leading the implementation of Rectification Action Plans across the drinking water catchments. The plans will identify and prioritise the actions that need to be taken to repair or reduce the harmful effects of existing and past land uses and development on water quality.

By June 2004, the SCA completed a conceptual design for the decision-support system to underpin the Rectification Action Plans. Detailed development of the assessment modules within the decision-support system has now begun.



# key result area 1

KEY RESULT AREA 1  
KEY RESULT AREA 1  
KEY RESULT AREA 1

## 3. Healthy Catchments Program

The Healthy Catchments Program is an implementation framework encompassing the strategies that the SCA uses to protect water quality and manage catchment health in Sydney's water catchments.

The seven key strategies under the Healthy Catchments Program and expenditure on those strategies in 2003-04 are addressed below.

### Stormwater Management

The SCA's Urban Stormwater Strategy will be put into action over the next three years. It identifies and implements stormwater improvement projects. The strategy includes elements of the water industry's Best Management Practice for Water Sensitive Urban Design, rehabilitation of natural stormwater passages, treatment measures, audits and feasibility studies.

In 2003-04, the first year of the strategy roll out, the SCA collected data on urban stormwater infrastructure within the catchments using its geographic information system. Development then began on a software program to identify and rank risks to water quality from urban stormwater runoff. The SCA also began developing a framework for stormwater grants, procedures and contractual work.

In addition to the stormwater strategy projects, five other stormwater projects carried over from 2002-03 were completed.

### Sewage Management

Effective management of sewage transport, treatment and disposal (or reuse) schemes is fundamental to protect waterways. The SCA's Sewage Strategy addresses sewage management issues within the catchments relating to municipal treatment plants, sewage reticulation systems and onsite management systems. The strategy also focuses on compliance of unlicensed systems within the catchments.

### Accelerated Sewerage Program

The Accelerated Sewerage Program fast-tracks upgrades to sewage treatment infrastructure within the catchments. It operates through a collaborative arrangement among local councils, the SCA and the Department of Energy, Utilities and Sustainability (DEUS). The SCA has committed \$4 million each year, over five years, to the scheme. The following milestones were reached in 2003-04.

#### *Goulburn (Greater Argyle Council)*

The effluent transfer main from the Goulburn sewage treatment plant to agricultural land was completed. This has allowed for effluent to be used to irrigate pastures instead of it being discharged into the waterways.

#### *Lithgow*

The pre-construction phase of initial upgrade works at Lithgow sewage treatment plant was well advanced by the end of the year. The design of the first stage was completed and a statement of environmental effects produced. The first stage of the upgrade will reduce the quantities of ammonia and phosphorous in effluent discharged into Farmers Creek.

#### *Bowral (Wingecarribee Council)*

The design of the upgraded trickling filter plant at Bowral sewage treatment plant was completed. Once constructed, this will allow for treated effluent to be piped to Wingecarribee River with the potential for it to irrigate agricultural land during periods of low rainfall.

#### *Taralga (Upper Lachlan Council)*

Preliminary engineering and design work was completed for a sewerage system to serve the currently unsewered township of Taralga.

#### *Kangaroo Valley (Shoalhaven Council)*

The options analysis was completed for a sewerage system at Kangaroo Valley to serve 2,000 people.

### Sewer Reticulation Assessment and Repair

The SCA is providing 50 per cent of the funds required for the first stage of Greater Argyle Council's refurbishment of degraded sewer lines under Goulburn's central business district. Some of the pipes are more than 80 years old and in urgent need of repair. The SCA gave the project priority status after sewer gauging and modelling revealed a need to reduce sewer leaks, manhole spillages and pump station overflows.

Repairing the central business district sewers is expected to take three to four years at an estimated total cost of \$1.6 million. In 2003-04, the first year of the program, more than a kilometre of sewer pipes was re-lined. The SCA's financial contribution to this project was \$150,000.

### Onsite Sewerage Systems Management

Increasing rural residential development has resulted in 18,000 onsite sewage disposal systems in the water catchments. The SCA needs to ensure that systems are appropriately designed and located to maintain or improve water quality.

In May 2003, the SCA and the Blue Mountains City Council launched a \$50,000 pilot program for onsite sewage management. The program, which continued throughout 2003-04, examined issues associated with management of onsite sewage, particularly the connection of onsite systems to the reticulated sewerage system.

The SCA provided Wollondilly Shire Council with \$40,000 to help implement its SepticSafe sewage management program. Implementation began in May 2004.

The SCA's onsite sewage management program will be expanded to other councils in 2004-05.

### Riparian Management

Riparian land is the land alongside waterways. There are approximately 110,000 kilometres of riparian land along gullies, streams, creeks and rivers within the SCA's catchments. To protect water quality,

riparian land must be properly managed to minimise the movement of sediments, nutrients and pathogens from surrounding lands into waterways. Interference with natural vegetation cover, together with inappropriate stock usage and riverbank erosion, can degrade water quality.

The roll out of the SCA's Riparian Strategy began in 2003-04, with data from across the catchments collected and fed into the geographic information system. The information is used to map important riparian areas and to compile and assess riparian issues that may affect water quality. A framework was developed to prioritise projects and some on-ground works were carried out. The analysis and mapping of riparian areas helps the SCA to better direct funds and effort towards their protection and rehabilitation.

### Coxs River Catchment

In 2003-04, the SCA provided almost \$100,000 funding for on-ground works in the Coxs River catchment. Landowners and community groups assumed responsibility for ongoing maintenance.

In the upper catchment area, the SCA progressed or expanded many projects in collaboration with community groups and local industry. Activities included removing *Salix Cinerea* willows and other weeds, revegetating with native trees, and removing rubbish.

The middle catchment project completed a further five kilometres of work, extending its achievement to 13 kilometres of completed work.

The primary treatment program for willows and other woody weeds, such as blackberry, tree of heaven and broom, was completed. Large willow trees and denser stands will be removed and burnt.

### Wingecarribee Catchment

The SCA contributed to the control of willows above and within Cecil Hoskins Nature Reserve and along other sections of the Wingecarribee River. The work above the reserve was part of the three-year *Salix*

*Cinerea* program undertaken in partnership with DIPNR and Wingecarribee Shire Council. The rest was in partnership with either the Department of Environment and Conservation (DEC) or landholders.

### Wollondilly Catchment

The SCA provided Wollondilly Shire Council with \$40,000 to assist with riparian revegetation and weed control along Werriberri Creek. Work on this project has been delayed because of the drought.

## Rural Lands Management

### Dairy Shed Waste Management

The Dairy Shed Waste Management Scheme is an SCA incentive program aimed at preventing dairy herd effluent from entering catchment waterways. Through the scheme, dairy farmers are offered effluent system plans and advice from the SCA and the Department of Primary Industries (DPI). An 80 per cent subsidy, funded by the SCA, is available to farmers who implement the plans.

In 2003-04, four more dairy farms joined the scheme, bringing the total number of participating farms to 15. All projects were completed and operating to best practice by 30 June 2004. The total volume of effluent now being recycled is 132,950 litres per day.

Other dairy farmers have delayed entering the scheme as they consider their future in the industry.

The scheme operates in the Shoalhaven, Metropolitan, Warragamba and Wingecarribee catchments and is endorsed by the DEC and the dairy industry. During 2003-04, the cost to the SCA was \$200,000.

### Household Chemical Collection

The SCA conducted a household chemical collection program during 2003-04, for communities in the SCA's drinking water catchments. The program was available free of charge to householders and was managed together with the DEC and local councils.

Old paints, gas bottles, batteries, motor oils, pool and household chemicals, solvents,

pesticides, herbicides and poisons were collected from several locations. Overall, 10,730 kilograms of chemicals were collected at five collection points located at Braidwood, Crookwell, Goulburn, Wollondilly and Lithgow.

The \$75,000 program followed the SCA's three-year hazardous material collection program which was completed 2002-03.

### Catchment Protection Scheme

The Catchment Protection Scheme is a partnership between the SCA and DIPNR to support landholders who repair historically degraded land and siltation. A significant component of the scheme is the promotion of rivercare measures and the repair and protection of riparian land.

In 2003-04, the SCA contributed \$620,000 to the scheme, which was applied directly to on-ground catchment remediation works that targeted soil erosion and sediment control projects. The projects incorporated riparian revegetation, erosion control, and dry land salinity management. Technical field days and community events heightened awareness of water quality issues.

Expressions of interest for new projects increased by 200 per cent over the previous year, exceeding the 2003-04 budget for the scheme.

## Compliance Management

To better protect the catchments and waterways, the SCA has a regulatory role under the *Sydney Water Catchment Management (Environment Protection) Regulation 2001* and the *Sydney Water Catchment Management (General) Regulation 2000*. The SCA has a compliance strategy to coordinate its regulatory work.

Compliance activity for 2003-04 focused on further developing the SCA's compliance capability and helping SCA staff to manage the Compliance Program within Special Areas and throughout the catchments. The SCA continued to identify and develop tools and processes to support compliance activities and achieved the following outcomes during the year:



# key result area 1

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## Legislation

The SCA worked with the Environmental Protection Authority (EPA) to amend the *Protection of Environment Operations Penalty Notice Regulation* to allow the SCA to issue penalty infringement notices for illegal dumping offences. The amendments were gazetted in August 2003.

## Training

Nine SCA staff members attended training for the Littering Enforcement Program. A total of 45 staff have now been trained for this program.

Thirty-four SCA staff members were trained in investigation and enforcement practices under the General Regulation.

## Investigations and Enforcement

Successful enforcement programs for the Special Areas targeted trail bike riding, pig hunting and illegal fishing.

Several issues were identified as impeding or impacting on SCA operations and regulatory function. By the end of the year, many issues, such as illegal access to the Special Areas, were being addressed.

## Special Areas and Wingecarribee Swamp

In 2003-04, the SCA contributed staff resources and funding to implement management plans for Special Areas and Wingecarribee Swamp. The SCA will submit reports on the performance of the management plans for the year ending 30 June 2004 to the Independent Pricing and Regulatory Tribunal (IPART) in September 2004.

## Special Areas

The Special Area lands that surround the storages and waterways that supply our drinking water require rigorous management to protect the quality of the water supply. In 2003-04, much of the work in these areas focused on repairing damage to fire trails and fire containment lines established or damaged during the 2001 and 2003 bushfires.

## Fire Hazard Protection

The SCA slashed approximately 100 kilometres of fire trails and SCA lands bordering neighbouring properties to protect them against fire. The slashing contributed to the SCA's overall fire hazard reduction program and provided important strategic breaks for

Table I- Compliance activity for 2002-03 and 2003-04

| Sydney Water Catchment Management (Environment Protection) Regulation* |         |         | Sydney Water Catchment Management (General) Regulation |         |         |
|--|---------|---------|--|---------|---------|
|  | 2002-03 | 2003-04 |  | 2002-03 | 2003-04 |
| Type Issued  |         |         | Type Issued  |         |         |
| Clean up notices   | 5       | 8       | Penalty infringement notices                           | 69      | 79      |
| Notices (s192) requiring information/ documents                        | 2       | 4       | Warning letters  | 41      | 69      |
| Littering reports referred to the DEC                                  | 28      | 190     | Prosecution  | —       | 1       |
| Penalty infringement notices   | 10      | 7       |  |         |         |
| Pollution prevention notices   | 1       | —       |  |         |         |

\* *Protection of the Environment Operations Act 1997*



fire control activities. Other land was prepared for hazard reduction burning and some work was completed.

### **Fire Towers**

The SCA maintains a fire tower network as a critical early detection system for bushfires during the summer. The SCA supplied \$25,000 to help fund fire tower operators who worked with the Rural Fire Service, the SCA and local councils during the 2003-04 fire season.

### **Access Control**

Strict access control is enforced over the Special Areas to protect water quality and ecology. The SCA spent \$160,000 to improve access controls along the perimeters of SCA lands. The funds were spent on locks, gates, fences and signs. Using these measures together with regular catchment patrols, the SCA reduced illegal entry into the Special Areas for 2003-04.

Surveillance flights over the Special Areas were used to detect ecological change and illegal activities in some areas. As a result, the SCA undertook joint compliance activities with NSW Police and the DEC to address these issues.

A comprehensive three-year fauna survey, due for completion in October 2004, has identified new populations of Brush-tailed Rock Wallaby in Warragamba Catchment, thriving populations of Koala in Avon and Nepean catchments and several threatened species in Joorilands Valley. The data was added to the DEC and SCA geographic information systems to make it available to a broad range of users.

The annual Pest and Weed Control Program for the Special Areas addressed the problem of noxious weeds and pest animals. In particular, it focused on the control of blackberry, serrated tussock, pampas, willows and privet and on feral goats, deer and pigs.

The Special Areas contain many important cultural sites. As custodian of the sites, the SCA has formal conservation plans to manage them. The management plan

for an important example of early settler occupation at Windmill Hill near Appin was implemented in full in 2003-04.

### **Wingecarribee Swamp and Special Area**

The SCA manages Wingecarribee Swamp and the surrounding Special Area in accordance with the Wingecarribee Swamp and Special Area Plan of Management, adopted by the Minister on 9 May 2001.

### **Weed Control**

The structural failure of Wingecarribee Swamp in August 1998 caused widespread proliferation of willows (*Salix Cinerea*) and blackberries, which impacted on the sensitive ecology of the swamp and potentially on the water quality in the reservoir. The SCA's three-year, \$1.2 million weed control program, completed in June 2003, resulted in a high kill rate of mature plants and a moderate to low kill rate of juvenile plants.

A benchmarking trial to evaluate the effectiveness of the SCA's weed control program within the swamp indicated that it is effective in controlling willow infestation.

Building on the success of the program, the SCA has put significant effort into preparing a more substantial and intensive four-year, \$5 million weed control program for the swamp. The program aims to eradicate or reduce infestations to a sustainable and manageable level. It is expected to begin in late 2004.

### **Water Quality Monitoring Program**

During 2003-04, the SCA completed a three-year program for water quality monitoring to predict the effects of flood on water quality in the Wingecarribee Swamp. The monitoring showed that water quality improves between inflow and outflow of the swamp and there are large groundwater contributions to the swamp. This information contributes to the SCA's water quality database. The SCA continues to maintain monitoring equipment on the swamp in readiness for future floods.

### **Hydro-geological Study**

The SCA has completed the first stage of a hydro-geological study of the swamp to improve knowledge of the swamp's geophysical environment and catchment area. The report substantially builds upon the results of previous investigations. It increases understanding of groundwater interaction with the swamp and identifies possible remedial options for the swamp.

### **Fox Control**

An important principle of pest control is that programs achieve better results if coordinated with neighbouring programs.

The SCA worked together with the Rural Lands Protection Board and neighbours bordering the Wingecarribee Swamp on a fox control program. Since its collapse, the Wingecarribee Swamp has provided an ideal habitat for fox breeding and as a landholder, the SCA plays a lead role in managing the species. Large fox populations degrade the catchments by spreading weeds, eating native plants and animals and disturbing the soil.

### **Field Studies Centre**

The SCA is considering the findings of a feasibility study into the establishment of a field studies centre.

### **Catchment Information**

The SCA's Catchment Information Strategy is a critical business tool for its operations throughout the catchments and for its work with other government agencies. During 2003-04, the SCA achieved significant progress on a variety of activities within the Catchment Information Strategy. Details of some of those achievements are reported under Key Result Area 4.



# key result area 1

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KEY RESULT AREA 1



## 4. Mining

Activities associated with both working and derelict mines, if not effectively controlled, can provide direct and indirect threats to water quality. They can also damage the ecological integrity and other values of catchment areas.

### Mining Working Group

In May 2003, the SCA established an internal working group, to ensure that all mining-related matters are dealt with in a way that is consistent with the *Sydney Water Catchment Management Act*, the Operating Licence and other regulatory and business instruments. In 2003-04, the group's achievements focused on the following matters.

#### Draft Coal Mining Policy

The working group is developing a policy on coal mining. It articulates the SCA's position on coal mining and associated activities that affect, or could affect, the SCA's stored waters, infrastructure and areas of operation.

#### Dendrobium Underground Coal Mine

Dendrobium Mine, which was approved in late 2001, is in the vicinity of Cordeaux and Avon dams. The SCA participated in the planning process for management of the mine. The working group reviewed the mine's subsidence environmental management plan to ensure that it reflects development consent conditions relating to the catchment and SCA infrastructure. The group is also working closely with the mine's owners and the Dams Safety Committee to ensure that the mine's asset protection plan satisfies the SCA's requirements to protect its infrastructure and stored waters.

#### Excess Mine Water Management

The working group is helping to oversee the management of excess mine waters in the Lithgow area. A proposal was made to transfer discharged water to tributaries of the Cops River. The working group has

advisory and regulatory roles to ensure that mine discharge will not adversely affect water quality.

### Southern Coalfields River Remediation Committee

The SCA is a member of the Southern Coalfields River Remediation Committee. In 2003-04, the committee continued to encourage and oversee the remediation of watercourses that have suffered subsidence damage as a result of underground coalmining.

### Derelict Mines

The SCA contributes to the rehabilitation of derelict mines by stabilising soil and controlling sediment to protect water quality. The SCA is working with the DPI to develop a three-year program to tackle derelict mines across the drinking water catchments on a priority basis. The program is likely to be jointly funded by the SCA and the DPI's Derelict Mines Fund.

#### Mt Waratah Derelict Mine

The SCA has been working with the DPI to rehabilitate the Mt Waratah Derelict Mine, located approximately 10 kilometres north west of Mittagong. Stockpiles of coal waste around the site were contributing to sedimentation in local watercourses. There was also concern that bushfires could cause the stockpiles to ignite which could lead to them slowly burning for months and the fire spreading.

In 2003-04, the SCA and the DPI developed a plan to remove the coal waste and transport it for beneficial re-use at a nearby cement works. By June 2004, the work was complete and rehabilitation of the site was under way.

#### Yerranderie Derelict Mine

The SCA is a member of the Yerranderie Derelict Mines Rehabilitation Taskforce which also includes the DPI, DEC, DIPNR and local landholders.

The 2003-04 projects included work at several

sites to protect public safety, substantial environmental assessments, site investigations and soil conservation design and operations. The work was funded by a NSW Government Environmental Trust grant.

Water quality monitoring equipment was installed and maintained at three sites on the Tonalli River at a cost of almost \$40,000. The equipment provides the SCA with water quality data and measures any changes to water quality due to the rehabilitation works. The quantity of data obtained to date has been disappointing because of the low flows in the Tonalli River.

#### Woodlawn Mine

The SCA is a member of the Annual Environmental Monitoring Report Panel which examines water issues that can arise from land use activities.

A new landfill facility at the former Woodlawn Mine site began taking waste in June 2004. During 2003-04, the SCA worked with the site owners, landfill operators, DEC, DPI, Sydney Water and others to set priorities for rehabilitating the former mine site and on proposed landfill operations relating to water quality.

### 5. Third Catchment Audit

The *Sydney Water Catchment Management Act 1998* requires independent audits of the state of the catchments to be conducted every two years.

The third catchment audit was carried out by the DEC and released by the Minister for the Environment on 22 December 2003. It demonstrated that the health of the catchments has not changed extensively over the past two years and the quality of water in the catchments and water supply dams is generally good. The audit also identified the impact that the current drought is having on the catchments.

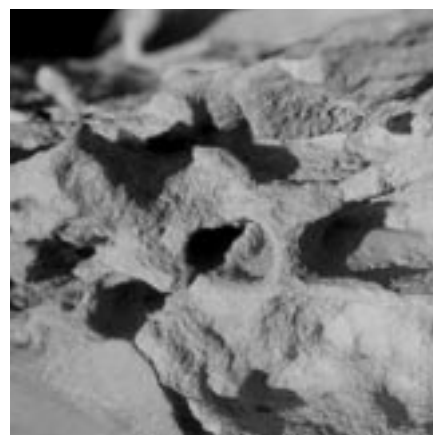
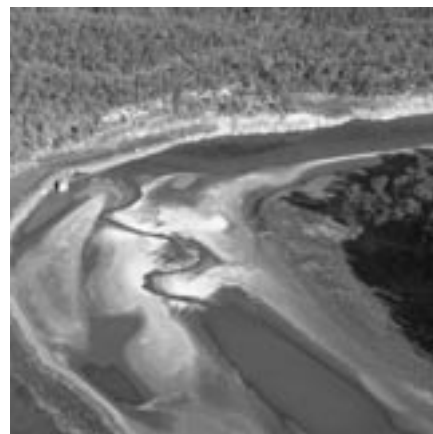
The audit highlighted the value of protecting and improving the condition of the land and maintaining the health of catchment ecosystems. It acknowledged the substantial efforts already made to protect and enhance catchment health and water quality and encouraged ongoing collaboration between the natural resource agencies and the community.

The audit made 25 recommendations for the SCA and other natural resource agencies to consider. In identifying the need for more research and monitoring, the audit recommended that the SCA conduct further studies on algal blooms which can develop in the water storages. It also recommended that the SCA map the health of vegetation along river and creek banks in all catchments.

The SCA is leading the response to the audit outcomes, together with the DEC, DIPNR, NSW Health, DPI, Sydney Water and other catchment management authorities. The SCA's Healthy Catchments Program and proposed strategies under the draft regional plan will continue to guide its work in the catchments.

The DEC has set the way for improved auditing in the future by establishing clear catchment health indicators.

The audit report is available at [www.sca.nsw.gov.au](http://www.sca.nsw.gov.au)





# key result area 2

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KEY RESULT AREA 2

## Key Result Area 2 – Sustainable and Reliable Water Supply

So that the security of supply is assured now and in the long term, we will achieve the following outcomes over the period 2002-2007

### Intended Outcomes

- Catchment strategies will be informed by an understanding of the relationship between catchment activities and yield
- Environmental flows specified in the SCA Water Management Licence will be achieved
- Agreed water deliveries will be met
- An agreed long-term demand management strategy will be in place
- Our dams and delivery systems will be efficient, safe and well maintained

The delivery of safe and reliable supplies of bulk water to our customers is one of the Sydney Catchment Authority's (SCA's) foremost responsibilities. The water is used by more than four million people in Sydney, the Blue Mountains, Illawarra, Shoalhaven City and Wingecarribee Shire.

Arguably our most precious natural resource, our water supply must be protected and conserved. The release of environmental flows downstream of our storages and the demand management of water are vital strategies to conserve water and maintain river health.

As population increases and drought conditions prevail, it is imperative that we develop innovative approaches to the water supply system and review current operating practices to maximise the water yield from the existing network of dams and transfer conduits.

The following results were achieved in the second year of the Business Plan 2002-2007.

## I. System Capacity

### Continuity of Water Supply and Drought Management

In 2003-04, the SCA managed its drought response and met its bulk raw water requirements through the effective operation and maintenance of its assets. It balanced its storage levels and met the needs of Sydney Water's multiple water filtration plants by altering the amounts of water drawn from the various dams and by transferring water from Tallowa Dam to the Warragamba and Upper Nepean storages.

Managing the Blue Mountains storages was particularly challenging as the drought caused supply from Oberon Dam to the Cascades storages near Katoomba to be reduced by 20 per cent in May 2003 and a further 20 per cent in June 2004.

Operations at Tallowa Dam included holding water on behalf of Shoalhaven City Council for release as required to help the council with its drought management program.

The day-to-day management of the drought was further complicated by essential shutdowns of the Warragamba and Fish River pipelines and the Upper Canal. Work on the water conduits required each conduit to be taken offline for a period. As the Upper Canal underwent a major refurbishment, alternative supply arrangements were made for customers who take water directly from the canal.



## Drought Response

The drought conditions experienced in 2002-03 persisted in 2003-04. The SCA and Sydney Water continued to work closely over this period to manage arrangements relating to the drought.

The SCA, along with other agencies, is a member of the two inter-departmental committees that coordinate the Government's response to drought - the Drought Executive Committee and the Drought Management Committee. The committees monitor water storage levels and provide advice on water restrictions. By 30 June 2004, total water storage levels across the supply system were 47.5 per cent of capacity and level 2 water restrictions were in place.

The SCA continued to transfer water from the Shoalhaven system to the Upper Nepean and Warragamba storages. Water transfers from the Shoalhaven are designed, in part, to limit impacts on platypus in these rivers and recent monitoring indicates numbers remain healthy.

To help with drought management, the SCA was granted minor exemptions to certain clauses of its Water Management Licence. For example, the SCA was not required to release the annual high flow release from Woronora Dam.

The SCA is participating actively in the process established by the Government to develop a long-term plan to secure Sydney's water supply.

## Drought Communication

To support the Government's drought management strategies, the SCA participated in a range of drought communication activities guided by the two drought management committees.

The SCA provided feedback to the community on the status of dam levels and the success of water restrictions. This was achieved through weekly drought advertising in metropolitan newspapers informing the community about weekly water use and target water consumption.

Other ways to inform the community about dam levels and drought included a partnership with ABC television and radio news as well as general editorial placement.

Fact sheets and other communication material about drought management and Sydney's water supply were prepared to support government announcements during 2003-04.

The SCA also developed communication materials on drought breaking flood, in close collaboration with Sydney Water and NSW Health.

## Social Research

The SCA conducted formal research into community understanding and response to weekly SCA drought advertising. The research will inform future feedback to the community as the drought continues.

The research indicated that television is the most effective medium to communicate messages about drought, dam levels and water conservation. The SCA is taking advantage of opportunities to use television to engage the community about drought and demand management issues through news and current affairs programs.

## Water Deliveries

The SCA supplied a total of 559,569 megalitres of raw bulk water to its customers during 2003-04. This compared with 636,014 megalitres in 2002-03. The reduced supply was due to water restrictions introduced on a voluntary basis in 2002-03 and on a mandatory basis on 1 October 2003 when the water level in the supply system fell to 59.9 per cent of capacity. Of the water supplied, 99.3 per cent went to Sydney Water. Shoalhaven City and Wingecarribee Shire councils accounted for 0.6 per cent, and the SCA's 60 retail customers accounted for the rest. Table 2 shows the amount of water supplied to SCA customers in 2003-04.

Table 2 - Bulk water supplies

| Customer                                 | 2002-03<br>Megalitres<br>Supplied | 2003-04<br>Megalitres<br>Supplied |
|--|-----------------------------------|-----------------------------------|
| Sydney Water                             | 631,395                           | 555,649                           |
| Wingecarribee<br>Shire Council           | 4,186                             | 3,442                             |
| Shoalhaven<br>City Council               | 91                                | 85                                |
| Direct Users<br>- Upper Canal            | 218                               | 209                               |
| Direct Users<br>- Warragamba<br>Pipeline | 74                                | 78                                |
| Others - Short-<br>term customers        | 50                                | 106                               |
| <b>TOTAL</b>                             | <b>636,014</b>                    | <b>559,569</b>                    |

## Water Quality

The quality of water supplied to SCA customers in 2003-04 was consistently high. Bulk raw water deliveries to Sydney Water fully complied with the health requirements of the SCA's Operating Licence.

Table 3 - Water quality targets and compliance

|   | Target | Actual<br>2002-03 | Actual<br>2003-04 |
|---|--------|-------------------|-------------------|
| Health-related<br>aesthetics<br>(per cent<br>compliance)                    | 100    | 100               | 100               |
| Overall<br>Compliance<br>to bulk<br>water supply<br>agreement<br>(per cent) | > 95   | 98.5              | 94.1*             |

\* Below target compliance was due to increased alkalinity and hardness in the water as a result of the drought, and was not health related.



# key result area 2

## Storage Levels

The SCA continued to meet its obligations regarding supply and the release of environmental flows to sustain river health. Table 4 shows the storage levels on 30 June 2004.

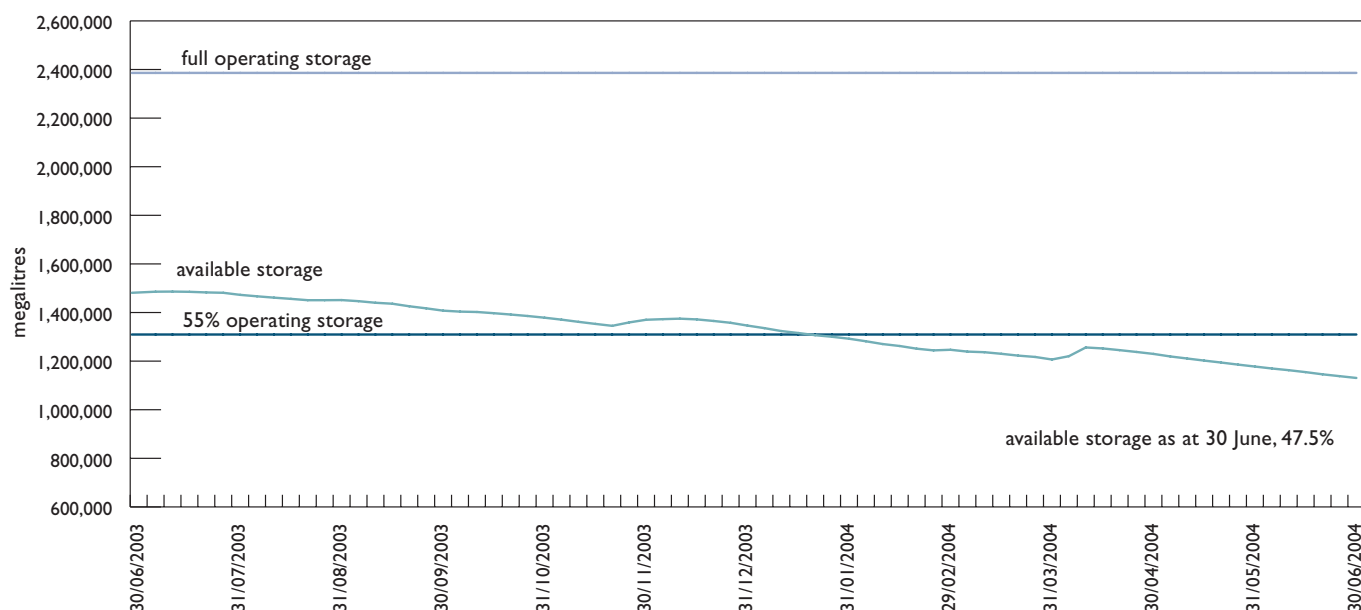
Table 4 – Water storage levels as at 30 June 2004

|                | Full operating storage (ML) | Storage level (m)* | Available storage (ML) | Available storage (%) | Net annual change (m) | Net annual change (ML) |
|----------------|-----------------------------|--------------------|------------------------|-----------------------|-----------------------|------------------------|
| Cataract       | 94,300                      | -5.12              | 56,860                 | 60.3                  | -1.86                 | -12,240                |
| Cordeaux       | 93,640                      | -4.22              | 64,770                 | 69.2                  | 2.34                  | 12,830                 |
| Avon           | 146,700                     | -7.39              | 77,470                 | 52.8                  | -1.76                 | -15,020                |
| Nepean         | 40,810                      | -4.41              | 27,520                 | 67.4                  | -1.41                 | -4,050                 |
| Woronora       | 71,790                      | -5.62              | 53,020                 | 73.9                  | -5.41                 | -17,980                |
| Warragamba     | 1,857,000                   | -16.66             | 819,560                | 44.1                  | -5.26                 | -276,010               |
| Prospect       | 8,870                       | -0.63              | 5,700                  | 64.3                  | -0.05                 | -250                   |
| Wingecarribee  | 24,100                      | -2.15              | 15,180                 | 63.0                  | -0.99                 | -3,950                 |
| Fitzroy Falls  | 10,000                      | -1.05              | 4,790                  | 47.9                  | -0.91                 | -4,520                 |
| Tallowa        | 36,000                      | -4.09              | 6,490                  | 18.0                  | -4.07                 | -29,300                |
| Blue Mountains | 2,790                       | **                 | 2,200                  | 78.9                  | **                    | -200                   |
| <b>Total</b>   | <b>2,386,000</b>            |                    | <b>1,133,560</b>       | <b>47.5</b>           |                       | <b>-350,690</b>        |

\* Metres below full storage level

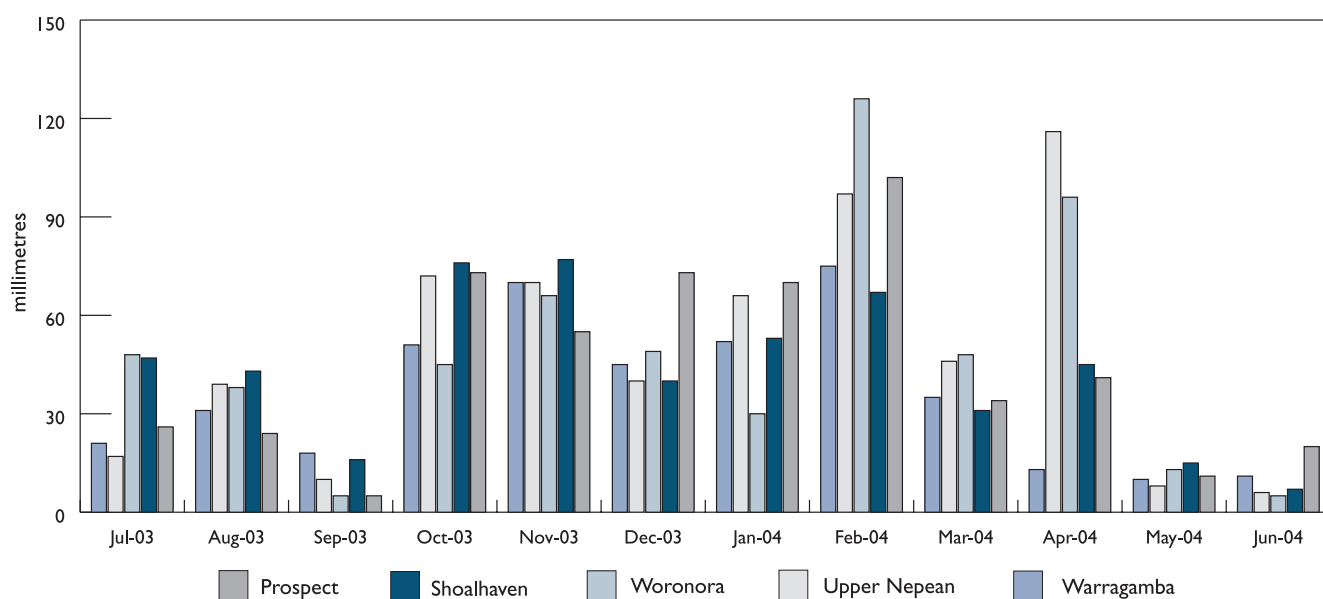
\*\* There are five Blue Mountains storages

Graph I - Movement in combined SCA's available water storages | July 2003 – 30 June 2004



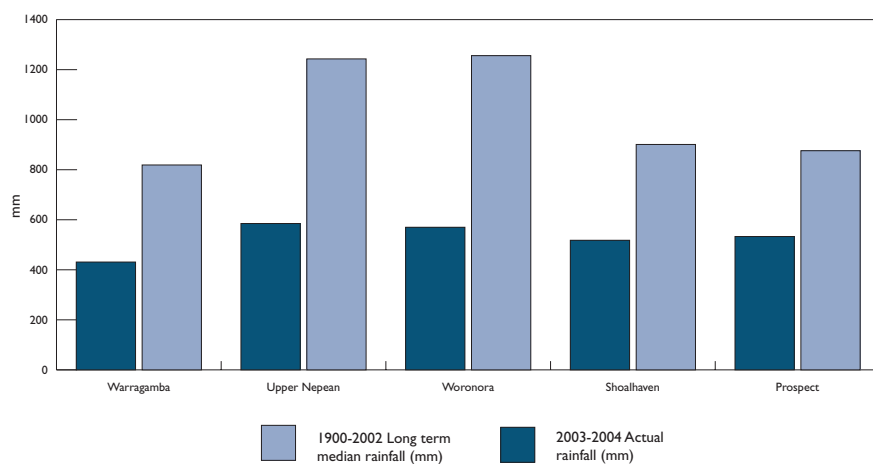
A total of 112,538 megalitres of water was transferred from the Tallowa Dam in the Shoalhaven System to the Upper Nepean and Warragamba storages during 2003-04. Since the SCA began transferring water from the Shoalhaven System in July 2002, a total of 142,043 megalitres of water had been transferred to the Sydney supply system by 30 June 2004.

Graph 2 - Catchment rainfall: July 2003 – June 2004



The graph above shows that the drought has been more severe in some catchments than in others. However, in 2003-04, all the catchments experienced the drought's intensity to some degree. Graph 3 illustrates the difference between actual rainfall in 2003-04, and expected rainfall levels if there was no drought.

Graph 3 - Long term median rainfall table





# key result area 2

## Woronora Dam Modifications

Following the Government's response to the Inquiry by the Healthy Rivers Commission into the Georges River - Botany Bay System, requirements for environmental releases from Woronora Dam have been incorporated into the SCA's Water Management Licence. The licence requires an adaptive regime for management of environmental flow releases.

The SCA began environmental flows from Woronora Dam on 27 December 2002 through temporary arrangements while a capital upgrade program for permanent modifications to the outlets was completed.

The requirement is for releases to match inflows into the dam that are up to five megalitres per day. When inflows are greater than five megalitres per day, five megalitres must be released plus a proportion of the inflows beyond that. In addition, a high-flow release of 800 megalitres per day for three days must be made each year. Low-flow releases were provided during temporary modifications to the outlet works.

The three vertical discharge valves were commissioned successfully in September 2003 but the entire outlet works were not completed until November 2003.

On Friday 21 November 2003, the SCA put the new Woronora 375 mm environmental release valve into service at 2.4 megalitres per day. This inaugural release was witnessed by the SCA Board who were visiting Woronora to inspect the newly completed environmental flow works and the commencement of refurbishment work on the SCA owned section of the Woronora Pipeline.

## 2. Asset Management

### Asset Improvement and Reliability Program

The SCA launched its Asset Improvement and Reliability (AIR) Program in 2003-04 to implement the actions from the Failure Modes Effects and Criticality Analysis (FMECA) studies conducted in 2002-03.

The studies reviewed the condition of almost all of the SCA's mechanical and electrical water supply assets. In assessing each asset's level of importance and maintenance requirements, the studies revealed shortcomings that led to recommendations for improvement.

The resulting AIR program includes short and long-term maintenance strategies. The first phase of the program to upgrade the water supply assets to contemporary standards is progressing well. The program is expected to be completed by the end of 2005.

The FMECA studies are being extended to cover the SCA's civil water supply assets and the mechanical and electrical water supply assets that were not assessed in the earlier analysis. Examples of civil assets subject to the FMECA studies are support structures for the Warragamba Pipelines, and drainage structures along the Upper Canal and McGarritys Creek bridge.

Table 5 – FMECA studies: Progress to 30 June 2004

| Risk type                      | Risk rating | No of Actions | Actions Completed to date |
|--------------------------------|-------------|---------------|---------------------------|
| Occupational Health and Safety | Extreme     | 0             | 0                         |
|                                | Major       | 0             | 0                         |
|                                | Medium      | 24            | 14                        |
|                                | Minor       | 8             | 5                         |
|                                | No rating   | 3             | 3                         |
|                                | SubTotal    | 35            | 22                        |
| Operational                    | Extreme     | 0             | 0                         |
|                                | Major       | 2             | 1                         |
|                                | Medium      | 4             | 1                         |
|                                | Minor       | 18            | 9                         |
|                                | No rating   | 1             | 1                         |
|                                | SubTotal    | 25            | 12                        |
| Maintenance                    | Extreme     | 0             | 0                         |
|                                | Major       | 0             | 0                         |
|                                | Medium      | 3             | 0                         |
|                                | Minor       | 35            | 15                        |
|                                | No rating   | 3             | 3                         |
|                                | SubTotal    | 41            | 18                        |
| <b>ACTION TOTAL</b>            |             | <b>101</b>    | <b>52</b>                 |

Note: Most of the 49 actions still outstanding are in progress. Some will be resolved as part of larger projects due for completion in 2005-06.



## Warragamba Dam Capital Improvements

The SCA has launched a program of works for Warragamba Dam that constitutes the most significant upgrade since the dam opened in 1960. Aging assets and changes in safety requirements were immediate catalysts for the program. The project, valued at almost \$24.5 million, is in line with the Government's commitment to upgrading its major infrastructure.

### Electrical Facilities

The original electrical infrastructure in Warragamba Dam was installed during the dam's construction in the 1950s. Changes in safety regulations and inefficiencies with old technology have required a total refurbishment of the facilities. The SCA will replace the equipment with modern electrical components that are better able to withstand the harsh environment. This will be particularly important in extreme circumstances such as large floods. The cost of the electrical upgrade is \$12 million.

### Outlet Valves

The contract was let to replace the original valves downstream of the dam wall. This will greatly improve operations including more efficient response under emergency conditions. Once the works are complete the outlets will be safely closed by robust 2.1 metre diameter butterfly valves installed on each of the four outlets.

The \$9.7 million project will help ensure the security of the water supply into the foreseeable future.

### Spillway Gate Stoplog Rails

The SCA is either refurbishing or replacing deteriorated stoplog guide rails for the drum and radial spillway gates. The guide rails are located on the upstream face of the dam and are used to support waterproof barriers for maintenance on the spillway gate. The current drought and resultant low level of water in Lake Burragorang has provided the opportunity to carry out this work. The drum gate guide rails were fully

upgraded in 2003-04 and initial work on the radial gates commenced. The total cost of the refurbishment is \$2.1 million.

### Lifts and Hoists

The dam's lifts and hoists have become progressively unreliable and expensive to maintain. In 2003-04, the SCA replaced the passenger lift in the valve house and refurbished the two-passenger/service lifts and the goods hoists at a cost of \$1.9 million.

### Large Crest Crane

The contract for the refurbishment of the large crane on the crest of the dam was let. The SCA will replace non-compliant equipment to bring the crane into line with contemporary standards and allow it to function for a further 40 years. The crane will be repainted as part of the work. The total cost of the work is \$1.7 million.

## Prospect Raw Water Pumping Station

In 2003-04, the SCA progressed plans for an additional raw water pumping station for Prospect Reservoir and reached several milestones, including completion of an options study. The study addressed water quality issues, environmental impact, heritage and capacity requirements.

A value management workshop was held involving the major stakeholders: the SCA, the Department of Environment and Conservation (DEC), the Department of Infrastructure, Planning and Natural Resources (DIPNR), Sydney Water Corporation (Sydney Water) and the Department of Energy, Utilities and Sustainability (DEUS). Tender proposals for the design and construction stages of the project were called for from a panel of four pre-qualified contractors. A preliminary environmental and planning overview was

## Warragamba Dam Outlet Valves

The tender (valued at around \$7.1m) for the upgrade of the Water Supply Outlets at Warragamba Dam was awarded to John Holland Pty Ltd. It is the highest value tender advertised by the SCA to date.

The work involves replacing the present needle valve and gate valve arrangement on each outlet (pictured below) with a dual butterfly valve arrangement. The valves are sourced from Erhard in Germany with the first set of valves air-freighted for installation on the No1 Outlet in September 2004.

The work, programmed over four years, is expected to be completed by the end of 2007 and will enable the outlets at Warragamba to be shut down rapidly in case of an emergency.

Hollands established themselves onsite in June 2004 to commence preliminary site works on the new valve house control room, roof sealing and water quality instrumentation.

Work to reseal the Valve House roof began in June 2004. By 30 June, outage documentation was being prepared in readiness for the first outage, which was to begin in August 2004. During the outage the three major valves in Outlet No1 were to be removed in readiness for the new ones.

Manufacture of the large 2100mm butterfly valves continues. Valve delivery is expected in September 2004.





# key result area 2

**Table 6 - Capital works expenditure for 2003 - 04**

| Project   | 2003-04 Expenditure |
|---|---------------------|
| Warragamba Spillway project                             | \$2,199,039         |
| Warragamba stop boards and screens                      | \$4,254             |
| Warragamba Dam major valve replacement                  | \$1,108,480         |
| Warragamba Dam refurbish stop logs                      | \$421,631           |
| Warragamba electrical upgrade                           | \$136,783           |
| Warragamba Dam upgrade lifts                            | \$764,296           |
| Warragamba Reservoir crane upgrade                      | \$821,829           |
| Warragamba renewal of jetties                           | \$4,377             |
| Warragamba install security system                      | \$231,945           |
| Warragamba Pipeline upgrade                             | \$4,015             |
| Warragamba Pipeline fencing                             | \$707,149           |
| Warragamba spare pipes and fittings                     | \$114,964           |
| Warragamba Pipeline projects                            | \$953,156           |
| Blue Mountains flow meters                              | \$87,853            |
| Metropolitan dams modifications for environmental flows | \$40,953            |
| Woronora Dam modifications                              | \$892,200           |
| Avon and Cordeaux upgrade town water                    | \$218,801           |
| Upper Canal refurbishment aqueduct 2                    | \$4,077,485         |
| Upper Canal stop logs, trash racks                      | \$979,671           |
| Upper Canal drainage upgrade                            | \$519,376           |
| Prospect Reservoir raw water pumping                    | \$1,125,194         |
| Prospect Reservoir upgrade scours                       | \$74,035            |
| Prospect Reservoir upgrade spillway                     | \$424,732           |
| Shoalhaven System upgrade SCADA                         | \$566,359           |
| Tallowa Dam fishway/offtake                             | \$255,204           |
| Wingecarribee Dam safety upgrade                        | \$7,384             |
| Braidwood fencing                                       | \$64,220            |
| Upgrade Warragamba catchment roads                      | \$116,011           |
| Land acquisition  | \$3,000             |
| Groundwater monitoring equipment                        | \$54,642            |
| Augment hydrometric and water quality monitoring        | \$13,800            |
| Satellite telemetry of Lake Burragorang                 | \$68,244            |
| Bulk water access road                                  | \$888,160           |
| Playgrounds upgrades at SCA sites                       | \$57,724            |
| Mini hydro generation                                   | \$83,504            |
| Site office fitouts                                     | \$4,130             |
| Office accommodation Penrith 2                          | \$89,037            |
| Upgrade dam cottages                                    | \$12,516            |
| Upgrade Braidwood cottages                              | \$1,277             |
| Penrith head office relocation                          | \$105,975           |
| Information technology system upgrades                  | \$70,475            |
| Working plant and equipment and general minor projects  | \$509,454           |
|   | <b>\$18,883,333</b> |

carried out to identify any significant environmental impacts that may result from the project.

Construction of the pumping station will commence in 2004-05. When commissioned it will increase the SCA's capacity to transfer stored water from the reservoir by 1,400 megalitres a day. The water will be transferred to Sydney Water's Prospect Water Filtration Plant.

Construction of the pumping station will commence in 2004-05, with a 2006-07 target completion date.

## Tallowa Dam Fishway and Multi-Level Offtake

In September 2003, the SCA Board approved the development of the design phase for a \$7 million fishway and multi-level offtake for the Shoalhaven River at Tallowa Dam.

Tallowa Dam currently forms a barrier to fish travel. The project will enable fish to travel from the downstream waters through Lake Yarrunga to the upper reaches of the Shoalhaven River to spawn. The fishway involves constructing an inclined travelling fish transporter to move fish up the face of the dam and into the lake. The fish are attracted to the transporter by the flowing water at the base of the dam.

The multi-level offtake will ensure that water of an appropriate temperature is selected and drawn from the lake to provide the flow needed to attract the fish into the fishway.

By the end of 2003-04, the design for the project was progressing well.

The current drought and resultant low level of water in Lake Burragorang has provided the opportunity to carry out important maintenance work.







# key result area 2

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## Southern Railway Aqueduct and Embankment

The SCA has relined and stabilised all nine of the wrought-iron aqueducts along the Upper Canal. In 2003-04, the 116-year old aqueduct over the Main Southern Railway line at Mount Annan was relined and the adjacent embankment stabilised. Two other aqueducts over creeks at Menangle and Elladale were also relined. The Upper Nepean water supply system was taken offline between February and May 2004 to complete the work. The cost of the project was \$2.4 million.

## Asset Management Benchmarking

A substantial benchmarking exercise for water supply asset management was conducted from January to June 2004. It was carried out under the auspices of the Water Services Association of Australia and involved the detailed assessment and audit of more than 900 measures. Functions covered in the exercise included corporate policy and business planning, capability planning, acquisition, operation, maintenance, rehabilitation, renewal and business support systems.

The SCA was assessed in all relevant categories as performing well against industry best practice. The exercise also identified opportunities to improve asset management practices. Future benchmarking will assess the effectiveness of the improvements.

## 3. Dam Safety

### SCA Dams

The safety of the SCA's dams is critical to the ongoing security of the water supply. The SCA, through its dam safety policies and procedures, is committed to ensuring that its dams have an acceptable level of risk. The SCA manages 21 dams that are prescribed by the NSW Dams Safety Committee under the *Dams Safety Act 1978*.

The SCA has prepared an updated five-year Dam Safety Management Program. It reflects the latest regulatory requirements and national and international good practice, which ensures the ongoing safety and risk management of the SCA's dams. The program complies with NSW Dams Safety Committee requirements and is in line with Australian National Committee on Large Dams (ANCOLD) guidelines.

In 2003-04, the Consequence Categories (a rating system for the consequences of dam failure) were reviewed for all prescribed dams following the introduction of a new system by ANCOLD and NSW Dams Safety Committee. Surveillance and monitoring practices at some dams will need to be modified as a result of the review and as a result of the implementation of new ANCOLD Guidelines on Dam Safety Management 2003. The new practices will be implemented from 30 August 2004.

All SCA dams performed satisfactorily in 2003-04 with no unacceptable safety risks identified. As required by the NSW Dams Safety Committee, the SCA prepared five-yearly surveillance reports for Fitzroy Falls and Tallowa dams and for the Glenquarry Cut Control Structure. The Dams Safety Committee reviewed the report for Tallowa Dam during 2003-04 and found that it met its requirements.

The SCA prepared or updated operation and maintenance manuals for all of its 'extreme' and 'high' consequence category dams and for five of the eight 'significant' category dams. The remaining manuals will be prepared over the next two years.

A major program of updating dam safety emergency plans for all prescribed dams has been completed by the SCA and new versions will be issued for use in September 2004. The update incorporates recently amended notification protocols agreed between the emergency management agencies.

The SCA continues to work with and provide funding assistance for research projects in the fields of dam safety and risk assessment. In particular, in 2003-04 funding



was provided for the University of NSW project titled 'Cracking of Embankment Dams under Normal Operating and Flood Conditions, and the Implications for Internal Erosion and Piping Failure'. This was the final year of the three-year project.

The SCA completed the safety review of Wingecarribee Dam and work continued during the year on the detailed risk assessment of the dam. The current focus of work relates to potential dam safety risks posed by the peat island located within the reservoir.

An external panel is helping to review the assessment and determine the extent of remedial works required. A decision on the nature of the dam upgrading works will be made mid 2004-05.

Through its involvement with similar organisations and technical committees both within Australia and internationally, the SCA is able to ensure that its practices and procedures are benchmarked against and in line with best practice.

## Survey Unit

In May 2004, the SCA established the Survey Unit to meet ongoing requirements for dam deformation surveys and monitoring of the impacts of coal mining on its infrastructure and catchment lands. Previously, the work was fully outsourced. In addition to cost savings, the change will ensure that more consistent results are achieved and survey methodologies are tailored for the particular dams.

Dam deformation surveys are required by the NSW Dams Safety Committee and are carried out on most dams on an annual or two-yearly basis.

## Mining beneath SCA Infrastructure

Mining of underground coal within the Southern Coalfields could, if not properly controlled and monitored, impact on the SCA's infrastructure and stored waters. The

SCA therefore, works collaboratively with other government agencies and the mining industry to ensure that impacts of mining are avoided.

During 2003-04, mining continued in the Appin area either beneath or adjacent to some parts of the SCA's Upper Canal assets. Extensive preventative measures and monitoring systems were installed to protect the infrastructure. Additional protective measures are programmed to be implemented in 2004-05 for key infrastructure assets of the Upper Canal system. Monitoring has demonstrated that actual subsidence and its impacts have been within predictions and the preventative measures taken have been adequate.

The SCA uses the latest computer technology and techniques to assess and interpret the impacts of mining-induced movements, to assess and quantify the risks to infrastructure, and to formulate appropriate control measures.

## 4. Demand and Supply Management

### Water Demand and Supply Strategy

The SCA provided input to the Government's Metropolitan Water Plan during 2003-04.

Ways to protect and improve the quality of supply and possible options for alternative water supply measures were closely examined. The input also focused on the impact of increased environmental demands on the water supply and on the level of customer awareness and education regarding the need to conserve water and manage its use effectively.

The plan will provide a sustainable water supply for Sydney and surrounding regions into the future.

## Hawkesbury-Nepean River Management

To improve the health of the Hawkesbury-Nepean River, the Government is determining the optimum water releases into the river from SCA dams, both in terms of amounts of water and timing of their release. These releases are known as environmental flows.

In 2003-04, the SCA continued to work closely with the Hawkesbury-Nepean River Management Forum and the Independent Expert Panel on Environmental Flows. The committees have been developing data, models and proposals to assist the Government in its deliberations. The SCA contributed to the management forum and the expert panel by providing them with flow-modelling data and other information.

The management forum submitted its final report to the Minister for the Environment and the Minister for Infrastructure and Planning, and Natural Resources in March 2004.

New environmental flows will be included in the Government's new Metropolitan Water Plan.



# key result area 3

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## Key Result Area 3 – Commercial Success

So that we fulfil our statutory, commercial and contractual obligations we will achieve the following outcomes over the period 2002-2007

### Intended Outcomes

- Targets outlined in the Statement of Financial Framework will be met
- Statutory and commercial obligations will be reflected in the actions of all staff
- Asset investments will be based on a sound economic and risk framework
- Risks will be systematically identified, assessed and managed.

The Sydney Catchment Authority (SCA) is committed to meeting the targets outlined in the Statement of Financial Framework and providing full disclosure of financial outcomes.

Commercial success is contingent upon all financial activities within appropriate governance frameworks.

The following results were achieved in the second year of the Business Plan 2002-2007.

## I. Financial Targets and Performance

### Statement of Financial Framework

The *Sydney Water Catchment Management Act 1998* requires the SCA Board to prepare a Statement of Financial Framework for adoption by the Minister and the Treasurer. The statement for 2004-05 contains details of the forecast financial position of the SCA and includes details of the SCA's financial distributions to Government. Following negotiations with NSW Treasury, the statement will be finalised and signed by the Treasurer and the Minister for the Environment.

Table 7 - Analysis of commercial success

| Financial target                            | Deliverable (Budget) \$'000 | Outcome (Actual) \$'000 | Variance \$'000 % | Reason for variance  |
|---|-----------------------------|-------------------------|-------------------|--|
| Revenue                                     | \$131,944                   | \$125,370               | -\$6,574 5%       | Lower water sales due to drought and water restrictions  |
| Operations/services expenditure +/- 5%      | \$73,949                    | 70,347                  | \$3,601 4.9%      | Reduced costs due to lower sales and cost of drought pumping   |
| Other areas of expenditure +/- 5%           | \$29,567                    | \$29,001                | \$566 1.9%        | Financial charges under budget due to lower than budgeted borrowings for capital program – insurance premiums slightly lower than budget |
| Budgeted dividend & tax equivalent payments | \$28,071                    | \$25,467                | \$2,604 9.3%      | Reduced earnings and drought pumping resulting in lower profit   |
| Dividend & tax equivalent payments          | \$28,071                    | \$25,455                | \$2,616 9.3%      | Reduced earnings and drought pumping resulting in lower profit   |
| Debt to total value ratio                   | 40.3%                       | 37.3%                   | 3.0%              | Budgeted debt levels not required  |

## Commercial Success Outcomes

The SCA's Business Plan 2002-2007 and the Statement of Financial Framework 2003-2004 both identify certain financial targets that the SCA strives to achieve. Table 7 shows the SCA's performance in relation to commercial success for 2003-04.

## Capital Expenditure

Capital expenditure during 2003-04 was some 45 per cent greater than in the previous financial year. Program expenditure continued to be below budget. The SCA continues to improve its arrangements for compiling and delivering its capital expenditure program.

The outcomes of the Water Services Association of Australia asset management benchmarking exercise are being incorporated into the measures taken to improve the agency's performance in capital expenditure delivery.

**Table 8 - Capital expenditure against budget**

| Capital Expenditure | 2000-01<br>\$'000 | 2001-02<br>\$'000 | 2002-03<br>\$'000 | 2003-04<br>\$'000 |
|---------------------|-------------------|-------------------|-------------------|-------------------|
| Budget              | \$44,355          | \$45,410          | \$23,571          | \$40,132          |
| Actual              | \$33,326          | \$16,307          | \$12,776          | \$18,833*         |

\*includes \$422,700 for replacement of mobile crane at Warragamba recovered from insurance

Table 8 shows actuals against budget for capital expenditure over the past four years. The under-expenditure in 2003-04 relates to deferral of ancillary projects related to the Warragamba Spillway and longer than expected lead times for a range of other projects. Many of these projects have now commenced and will progress during 2004-05.

## Water Pricing Structures

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is responsible for setting the prices the SCA and Sydney Water charge for the supply of water. The period covered by the current pricing determination ends on 30 June 2005. In 2003-04, IPART investigated the value of price structures as a means of reducing demand for water in the Sydney basin. The scope of the review considered the use of a step price paid by Sydney Water to the SCA for extractions above the estimated sustainable water supply yield. The SCA made a submission to the review and participated at the public hearing.

## IPART Review of Major Price Path

In September 2000, IPART established a five-year price path for the maximum amount that the SCA could charge Sydney Water, Wingecarribee Shire Council, Shoalhaven City Council and minor customers. In 2003-04, the SCA began developing its submission to IPART in relation to the next price path which will apply from 1 July 2005. The submission includes a comprehensive review of the SCA's future operating and capital expenditure requirements. The submission is due to IPART in September 2004.

## SCA's Credit Rating

Each year, the Government requires that its statutory authorities, such as the SCA, be reviewed by Standard and Poors as part of an overall assessment of the financial position of the NSW Government. In September 2003, the SCA's credit rating was re-affirmed as 'A'. The process is designed to improve the financial and economic performance of government businesses.

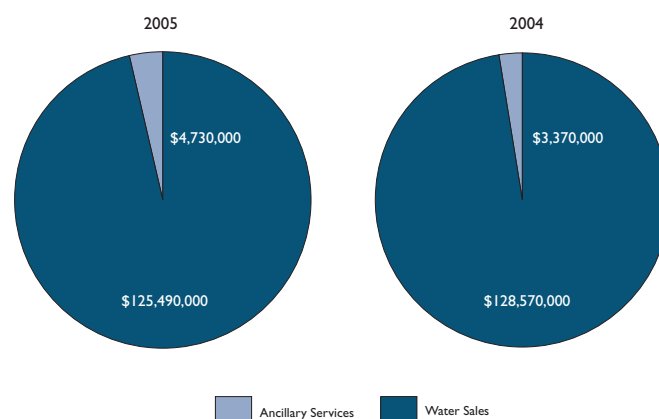
## Land Disposals

The SCA did not dispose of any lands during 2003-04.

## 2004-2005 Budget

In its budget for the 2004-05 financial year, the SCA does not anticipate any material change in total revenue and expenditure. The drought may continue to have two major effects on financial performance: lower than projected water sales and higher than expected operating costs due to the need to pump from the Shoalhaven. The SCA will continue to monitor the situation carefully.

**Graph 4 - Projected 2005 total revenue**

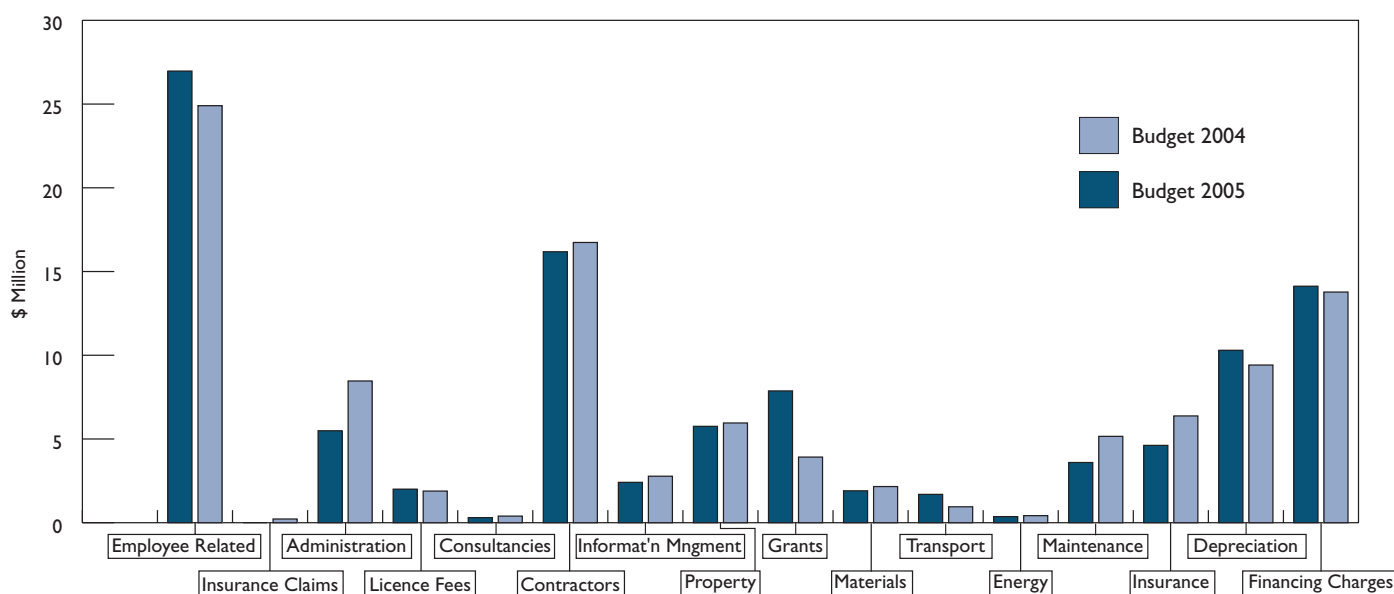




# key result area 3

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Graph 5 - Projected 2005 total expenditure budget



## 2. Finance and Finance-related Integrated Management System

The SCA continued to reform the financial management system in 2003-04. The major modules for procurement, contract management, asset management and budgeting, which were activated late in 2002-03, continued to yield significant benefits to the SCA. Full automated integration with the system, the reduced numbers of paper documents, and faster transmission of data through the use of web-based technology have contributed to the more effective use of resources.

The development of the financial fixed asset module was completed within the software program, Maximo. This gave the SCA a single fixed asset database including processes for the acquisition, revaluation, monthly depreciation and disposal of assets.

Project management accounting processes advanced through the development of fields within each transaction record in the SUN financial management system. The transaction fields are linked to similar fields in Maximo

and Cognos so that financial information can be matched to the relevant key result area in the business plan. Project accounting encompasses budgeting, forecasting and actual results on a monthly basis.

The Cognos budgeting system was expanded to accommodate monthly forecasting for both operational and capital expenditure. Each month, the financial results for the previous month are loaded into the Cognos system. Budget managers are then able to prepare forecasts for the remainder of the year and senior management can review the forecasts as necessary.

## 3. Procurement

The SCA restructured its Finance and Procurement Division during 2003-04 with an addition of seven full-time positions. The introduction of a new online management system, service level agreements and minor works panels significantly improved efficiency and timely management of contractors and accounts.

## Online Management System

The SCA introduced an online procurement, tendering and contract management system, MAXIMO, in June 2003 to streamline SCA procurement operations and make them more transparent and accountable.

The new system makes it easier to access information on the status of contracts, receipting and payments, and facilitated significant improvements to the timely payment of accounts.

MAXIMO enables successful risk management of Bank Guarantees and retention monies held on contracts being carried out across the catchment area.

## Service Level Agreements

Service Level Agreements (SLAs) better enable Government departments to share and use their expert knowledge. The SCA has entered into an SLA with the Department of Commerce to assist in the delivery of the Capital Works Program. An SLA was also established with Soil Services in 2002-03.



The SCA is currently drafting SLAs with the Roads and Traffic Authority for road maintenance, plant hire and related services, and also with Sydney Water's Telemetry Operations Group for IICATS and SCADA services to be completed in 2005.

### Minor Works Panel Contract

The SCA held open tenders and established panels of contractors to streamline procurement of services to carry out minor works and to supply certain goods, plant and equipment valued up to \$10,000 (GST exclusive).

Following the extensive tender evaluation process these panels were established on a regional basis throughout the catchment area in line with the Government's aim to promote procurement of goods and services from local communities. The panels are set up for two years with two additional one-year extensions at the discretion of the SCA.

Ninety-eight minor works contracts have been issued using the newly created panels. The minor works panels have produced tangible efficiencies for operational staff by reducing the administration work required for procurement in minor contracts situations.

## 4. Risk Management

### Corporate Risk Management Plan

During 2003-04, the SCA maintained its overall approach to risk management as outlined in the Corporate Risk Management Plan. Consistent with AS 4360 Risk Management, the plan documents the risk management framework, contains the risk register and outlines agreed treatment actions. Continuing risks of substantial significance are reported regularly.

The risk management framework is used as the reference point for initiatives such as security and business continuity planning.

### Recreational Facilities Risk Assessment

In 2003-04, as part of its commitment to providing safe recreational facilities at various locations, the SCA commissioned a formal risk assessment of its visitor sites. The results will inform future programs and strategies to ensure that SCA facilities are appropriate and safe for community use.

### Information Technology Risk Management

In 2003-04, several new information technology strategies improved the management and security of information systems and assets. Projects completed over the year included:

- a firewall and intruder detection system to increase security from external threats
- business continuity plans relating to several SCA business and operations information systems. The plans were developed, tested and reviewed
- an incident response plan for the management of SCA business records
- an assessment of the risk of threat to information technology systems. This involved reviewing information assets and identifying vulnerabilities.

Details of the SCA's insurances are contained in Appendix 6.

### Internal Audits

Towards the end of the previous reporting period, competitive tendering resulted in the appointment of PricewaterhouseCoopers as the SCA's internal auditor. In 2003-04, the auditor completed a comprehensive suite of audits across SCA business. The audits were for the following business areas:

- procurement
- treasury and cash management
- contract management
- capital program management
- information technology security
- disaster recovery (IT)
- payroll (including entitlements and attendance)
- payroll services providers
- delegations
- revenue generating services
- financial integrity control
- systems assurance testing
- SCA access to DRIVES (RTA).





# key result area 4

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## Key Result Area 4 – Building and Sharing Knowledge

So that decision making by the SCA, other public authorities and the community is based on robust scientific, ecological, socio-economic and financial knowledge and information, we will achieve the following outcomes over the period 2002-2007

### Intended Outcomes

- We will put key data sets in place relevant to the SCA's role
- Our decisions and advocacy will reflect the use of available information and knowledge
- Stakeholders will be able to readily access relevant information and its interpretation
- Communities will be able to access and provide input to our capacity building initiatives

Research and the development of innovative technologies, processes and methodologies are fundamental to the role of the Sydney Catchment Authority (SCA).

The SCA expands its knowledge through various industry and stakeholder relationships and uses it to benefit its business, operations and strategic planning. The SCA shares the knowledge to empower others, particularly those who live and work in the catchments, to manage the land and waterways in a manner that protects and improves the quality of the water supplied by the SCA to customers.

Many of the projects identified in this key result area have their outcomes in other parts of this report, particularly in key result areas one and two.

The following results were achieved in the second year of the Business Plan 2002-2007.

## I. Capacity Building

### Catchment Information Strategy

The Catchment Information Strategy is a component of the Healthy Catchments Program. The strategy encompasses several systems that help the SCA to develop, manage, apply and share catchment information and related systems.

The following six programs make up the strategy:

- Catchment Data Management Program
- Compliance and Operation Support Program
- Catchment Planning and Investment Program
- Catchment Health Program
- Internal Information Brokering Program
- Community Access to Information and Interpretation Program.

In 2003-04, the SCA made major progress with the Catchment Data Management Program, the Compliance and Operation Support Program and the Internal Information Brokering Program.

### Catchment Data Management Program

The principal achievement was the development and implementation of the corporate geodatabase. The database is the central storage location for the SCA's spatial information and provides increased flexibility and control over data integrity.

Developed inhouse, the geodatabase is the foundation for the catchment strategy's five other programs. It is the first stage of the SCA's spatial data model which will be further developed and maintained over time. Each program will include an interface with the geodatabase established on the specific needs of the program, and will be available to staff and external stakeholders, as appropriate.

### Compliance and Operation Support Program

By the end of 2003-04, development of the Compliance and Operation Support Program was approximately 50 per cent complete. The program, valued at \$177,370, integrates the SCA's Pollution Source Database into the operations component of the Compliance Program. This gives the SCA the information management tools needed to support the Environmental and Access Compliance Program and other catchment operation processes. The system will also enable the Pollution Source Database to be administered more effectively.

### Internal Information Brokering Program

The internal information brokering program bridges the gap between collecting catchment data and being able to use it effectively. In 2003-04 an intranet mapping system was developed to enable all SCA staff to gain general access to the geodatabase. A trial of the mapping system will commence in August 2004.

### Grants Program

The SCA Grants Program involves a system of direct and devolved grants for community groups and government agencies to improve the condition of the land and waterways within the catchments.

### Direct Grants

#### *Catchment Protection and Improvement Scheme*

In 2003-04, the Catchment Protection and Improvement Scheme supported 23 community groups who worked to repair degraded land and educate the community about the interdependency of a healthy environment and good water quality. Grants totalling \$154,582 were made available through the scheme.

#### *- Valley of the Waters*

Catchment Protection and Improvement projects included a visual display of the Valley of the Waters - an important water source that feeds into the Blue Mountains catchment. The display was erected by the Blue Mountains Conservation Society at the popular Conservation Hut in Wentworth Falls. It addresses water catchment values and other matters relevant to the Valley of Waters subcatchment.

#### *- Kangaroo Valley*

In Kangaroo Valley, the SCA supported four environmental groups working on separate riparian restoration projects. The work included the eradication of privet and madeira vine infestations along the Kangaroo River.

#### *- Lithgow*

The Lithgow and Community Nursery developed its greenhouses with the support of an SCA grant. The nursery is an important source of plants native to the area. The plants are used to help rehabilitate the environment which directly contributes to clean water in the rivers and creeks.

The list of Catchment Protection and Improvement grants is contained in Appendix 15.

#### *Other Grants*

Other grants were made for a variety of projects that focused on protecting the waterways.

Table 9

#### **- Other grants paid in 2003-04**

| <b>Recipient and Project</b>  | <b>Grant</b> |
|---|--------------|
| Shoalhaven City Council (administrator) - Regional Illegal Dumping Squad            | \$35,000     |
| Wollondilly Shire Council - Septicsafe Project                                      | \$40,000     |
| Wollondilly Shire Council - Riparian Project  | \$38,900     |
| NSW Rural Fire Service - Wingecarribee and Wollondilly areas                        | \$15,000     |
| Dr Dianne Johnson - Oral History of the Indigenous People of the Burragorang Valley | \$24,850     |
| Blue Mountains City Council - Employment of Weeds Officer                           | \$30,000     |
| Wingecarribee Shire Council - Willow ( <i>Salix Cinerea</i> ) Removal               | \$40,000     |
| Goulburn City Council - Sewer Gauging and Modelling                                 | \$46,000     |
| Wingecarribee Shire Council - Sewer Gauging and Modelling for Moss Vale STP         | \$46,000     |
| Jenolan Caves Trust - Sycamore Tree Eradication                                     | \$65,385     |

### Devolved Grants

Complementary to its direct grants program, the SCA has a program that offers financial assistance for specific activities through government agencies best placed to identify the need and distribute the funds. In 2003-04, funds were allocated for two devolved grant schemes.

The amount of \$620,000 was allocated and distributed through the Catchment Protection Scheme, managed by the Department of Infrastructure, Planning and Natural Resources (DIPNR).

Funds were also allocated for the Accelerated Sewerage Program, managed by the Department of Energy, Utilities and Sustainability (DEUS). These funds were not distributed due to delays in the roll out of some projects under the program. The SCA has committed \$20 million to the Accelerated Sewerage Program over five years.



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## Sponsorship

The SCA sponsors events that promote managing water as a valuable resource. Sponsorship during 2003-04 concentrated on two areas of activity:

- water industry events
- education and awareness programs.

## Support for Water Industry Events

In November 2003, water industry professionals from across Australia gathered at the Australian Water Association's Integrated Catchment Management Conference to share information pertinent to the industry. The SCA, the principal sponsor of the conference, contributed \$7,500 to the event.

The SCA also supported the 2003 Australian National Committee on Large Dams Conference which was held in Tasmania. SCA sponsorship funding was \$8,800.

## Support for Education and Awareness Programs

The National Archives of Australia will begin showcasing its Water Exhibition across Australia in 2005. The exhibition will inform large audiences about the latest water management ideas and programs. The SCA has provided \$15,000 to support the project.

The Blue Mountains Songlines 2004 Festival is a cultural event to celebrate the environment and educate the community on environmental matters. The SCA contributed \$5,000 to the festival to be held at Wentworth Falls in September 2004.

## Education

In August 2003, the Board approved the SCA Education Strategy 2003-2006 which directly responds to the NSW Environmental Education Plan and the SCA Business Plan 2002-2007 and links outcomes to SCA key result areas.

During 2003-04, education outcomes related to the Education Strategy included:

- conducting workshops with SCA staff to increase the SCA's ability to integrate environmental education into other environmental management tools, such as the Healthy Catchments Program
- funding and implementing the Education for Sustainability Professional Development Program which involves a partnership with educators from local government, the Hawkesbury-Nepean Catchment Management Authority and community groups (see case study)
- participating in the statewide Environmental Education Coordinating Network (EECN) of government agencies
- chairing the EECN Water Education Group
- delivering presentations to approximately 8,000 participants in the Warragamba Education Program as well as providing support to teachers in the delivery of environmental programs
- collaborating with the Department of Environment and Conservation (DEC) to research environmental activities and attitudes of people from non-English speaking backgrounds
- delivering, in partnership with Sydney Water, community education relating to the drought and water restrictions. The project researched community views about sustainable water resources
- training for SCA and DEC operations staff to enforce regulatory powers in the Special Areas
- delivering the Streamwatch program to encourage communities to participate in water quality and catchment health improvement.



## Education for Sustainability Professional Development

The Education for Sustainability Professional Development Program aims to build the capacity of environmental educators to incorporate sustainability principles within their education and community engagement programs.

The SCA funded program localises a statewide Our Environment, It's A Living Thing professional development initiative sponsored by the DEC.

It draws on an accredited and highly respected Macquarie University Graduate School of the Environment course and is led by Associate Professor Daniella Tilbury, an internationally recognised leader in education for sustainability.

The SCA commissioned the program to support the objectives of the NSW Government's Environmental Education Plan Learning for Sustainability and the SCA Education Strategy 2003-2006. These key drivers place high importance on partnerships with other organisations and professional development of environmental educators to help build coordinated and far-reaching education programs within the community.

The SCA invited local councils, other government agencies and catchment management authority staff from the

SCA's area of operations to the four-day intensive program at Warragamba Conference Centre. The course attracted representatives from 10 of the 13 local government areas in the SCA catchments, and key partner agencies.

Most of the participants felt the workshop either met or exceeded their expectations. One participant commented: 'It has made me reassess my educational program in terms of participation, critical thinking, and values clarification. The individuals in the community group(s) will have the opportunity to become further involved rather than simply being presented with information and raising awareness'.

The program includes an ongoing workplace mentoring component which maximises the impact of the course by helping participants apply their learning to a practical educational program they currently manage. Eight out of 23 course participants are actively involved in the mentoring program.

The SCA's leadership of this innovative program is consistent with our commitment to increasing the reach and effectiveness of sustainability education to help achieve key water quality and environmental objectives within our catchments.

## 2. Science and Research

The SCA's Science and Research Program continues to improve understanding of water quality and catchment health and ensure that the SCA's decision making is based on broad and robust science. Specific research questions are investigated either directly or through consultants. Longer-term strategic research issues are studied through collaboration with external research partners.

### Collaborative Research Program

The SCA's Collaborative Research Program enables the SCA to work closely with leading researchers in universities and research organisations on key issues that affect drinking water quality. The program, which began in 2002-03, builds on prior studies and involves full-scale experimental work in the catchments. The SCA has allocated approximately \$3.5 million over three years to the program. Some collaborators have been successful in attracting additional research funds from Commonwealth grants.

Fourteen collaborative projects commenced in 2002-03 as shown in Table 10. They cover the themes: pathogens, nutrients, sediment, fire and catastrophic events, climate and flow variability, and best management practices.

In 2003-04, the SCA contributed \$933,500 to the program.

### Streamwatch

The Streamwatch program is one way the SCA works with communities and other government agencies to deliver education programs with practical on-ground outcomes. The Megalong Valley Local Residents' Streamwatch Group provides an example.

Each month, the group monitors the water quality of five streams in the Megalong Valley, Blue Mountains. The streams run through properties owned by members of the group. Given the number of onsite sewerage systems and land uses within the area, the objective in monitoring water quality is to determine the suitability of

the streams as sources of drinking water and for swimming. The Megalong Valley Local Residents Streamwatch Group was highly commended for 'Excellence in Water Quality Monitoring' at the 2003 Streamwatch Awards.

### Water Quality Database

The water quality database was further refined to enable its integration with other SCA systems. It was expanded with extensive data on algal and cyanobacterial species and effects. A plan to enable external stakeholders, including other government agencies, to access data will be developed in the coming year.





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Table 10  
– SCA collaborative research projects commenced in 2002-03

| Project   | Research Centre                 |
|---|---------------------------------|
| <b>Pathogens</b>  |                                 |
| Pathogen budgeting to prioritise land uses and rectification actions to reduce public health risks from pathogens   | University of New South Wales   |
| Molecular methods to trace faecal bacteria and bacteriophages in the catchment  | University of New South Wales   |
| Molecular methods to trace faecal viruses in the catchment  | University of New South Wales   |
| Native animals as potential sources of human pathogens in SCA catchments  | Macquarie University            |
| Prevalence of <i>Cryptosporidium</i> oocysts and anti- <i>Cryptosporidium</i> antibodies in animals in SCA catchments   | Macquarie University            |
| <i>Cryptosporidium</i> in the Warragamba catchment - genotypes and cell culture infectivity   | Macquarie University            |
| <b>Nutrients and sediments</b>  |                                 |
| Sediment budgeting: Metropolitan catchments   | University of Wollongong        |
| Nutrient budgeting: Evaluate and enhance tools for nutrient budget construction and prioritisation of land uses and abatement actions to reduce nutrient loadings | University of Western Sydney    |
| Identification of major sediment and nutrient sources in Sydney's drinking water catchments   | CSIRO                           |
| <b>Fire and catastrophic events</b>   |                                 |
| Impact on water quality of post-wildfire erosion and nutrient release   | CSIRO                           |
| Catastrophic events and holocene sedimentation through the Special Areas  | Macquarie University            |
| <b>Climate forecasting</b>  |                                 |
| Climate forecasting – multi-site probabilistic forecasting for the SCA water supply catchments and its use in reservoir operations                                | University of New South Wales   |
| Methods of forecasting SCA Inflows on multiple timescales using simple indices of climate   | University of Newcastle         |
| <b>Best management practices</b>  |                                 |
| Integrated water quality planning - least cost pollution control  | University of Technology Sydney |

## National Research Partnerships

The SCA works with and supports research institutions, educators and industry in national research programs.

### Cooperative Research Centre for Water Quality and Treatment

In 2003-04, three projects were initiated and another completed under the Catchment Program of the Cooperative Research Centre for Water Quality and Treatment. The SCA has a lead role in these projects.

#### *Cryptosporidium Parvum* Isolates

The completed project evaluated a range of available molecular tools for genotyping *Cryptosporidium parvum* isolates by sending standardised DNA samples to various analytical research laboratories. The outcome of the work contributes to the identification and prioritisation of *Cryptosporidium parvum* threats to water quality. It is also an objective assessment of the discriminative ability of the available methods. Melbourne Water, Monash University and National Public Health Service (UK) were the partners in the work.

#### Impacts of Recreational Access

This project focuses on impacts of recreational access on drinking water catchments and storages. The principal objective is to establish an appropriate decision-making framework and support systems for water supply agencies. This will enable agencies to better manage recreational access in their catchments and storages to ensure sustainability. The Victorian Department of Human Services, University of New South Wales and water authorities from South East Queensland, South Australia, Melbourne, Western Australia and Northern Territory are working with the SCA on this project.

#### Source Water Protection

This project on source water protection details the processes of catchment risk management as a tool to structure source water protection. A guideline will be developed for application to catchments

varying in size, landscape and information coverage. The partners in this project are South East Queensland Water, Cooperative Research Centre for Freshwater Ecology, South Australian Environmental Protection Authority, Melbourne Water, and Western Australian Water Corporation.

#### ***Iron and Manganese in Lake Burragorang***

This project studies the generation, chemistry and transformation of iron and manganese in Lake Burragorang to understand the presence of those elements in raw water. The outcome of the research will enable the water treatment process to cope with high levels of dissolved iron and manganese in raw water which lead to discoloured water in the distribution system. The partners in this project are the University of New South Wales and Sydney Water.

#### **Cooperative Research Centre for Freshwater Ecology**

During 2003-04, the Cooperative Research Centre for Freshwater Ecology progressed research in areas relevant to the SCA, including:

- aquatic biodiversity
- environmental flows
- riparian vegetation
- invasive species
- connectivity and dispersal of aquatic animals
- ecological risk assessment
- salinity
- stormwater.

The SCA has representatives on the research centre's four program advisory committees which support research progress.

#### **Other Research Projects**

Other research projects with outcomes addressed in other key result areas of this report are:

- the three-year research project into onsite sewage management, completed as an SCA funded PhD program and costing \$835,000
- ongoing research relating to the plans of management for the Special Areas and Wingecarribee Swamp, undertaken in partnership with the DEC with an SCA budget of approximately \$1 million per year. The program examines ecological processes, flora and fauna, biodiversity, ecological integrity and heritage issues
- the three-year limnological study of Lake Burragorang and Prospect Reservoir at a total cost of \$2 million to the SCA.

#### **International Research Partnerships**

Two major projects on pathogens made significant progress in 2003-04. These international research partnerships are funded through the American Water Works Association Research Foundation and the Cooperative Research Centre for Water Quality and Treatment (Salsbury, SA).

#### **Fate and Transport of Surface Water Pathogens in Watersheds**

This three-year project has increased our understanding of the sources, fate and transport of pathogens in the water supply catchments. Melbourne Water, the SCA and the Water Services Association of Australia contributed to this \$1.1 million project and the SCA manages the project within its catchments. The project is scheduled for completion in August 2004.

#### **Hydrodynamic Distribution of Pathogens in Reservoirs**

The objective of this project is to develop, test, and verify techniques to help monitor and predict the dynamic and varied distribution of pathogens in lakes and reservoirs. Between them, Melbourne Water and the SCA are contributing \$960,000 to fund this project.

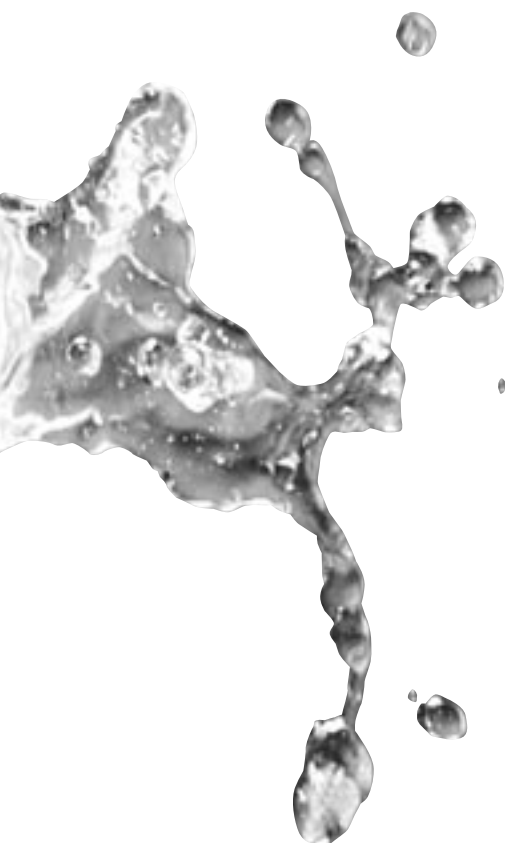
The work is undertaken by the SCA, Melbourne Water, Gutteridge Haskins & Davey Pty Limited and the Centre for Water Research (University of Western Australia). Lake Burragorang is one of two reservoirs being modelled as part of this project. The intended completion date of this project is July 2005.





# key result area 5

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## Key Result Area 5 – Results Through Relationships

So that we collaborate effectively and creatively with our partners, customers and the wider community we will achieve the following outcomes over the period 2002-2007

### Intended Outcomes

- Agreed outcomes and targets of joint projects will be achieved
- Customer service agreements will be to the satisfaction of the SCA and our customers
- Relevant decisions and work planning will be informed by community views
- SCA and government partners will have agreed priorities and responsibilities for delivering outcomes

The Sydney Catchment Authority (SCA) has a wide area of responsibility and works with many groups. Achieving SCA objectives requires regular contact with these organisations and the community in general.

The following results were achieved in the second year of the Business Plan 2002-2007.

terms of reference were developed and the members of the merged committees were appointed to the new committee for a further two years.

To date the committee has focused on the SCA's Healthy Catchments Program, the SCA's emerging catchment information system, the development of the revised draft regional plan, and the Rectification Action Plans.

## I. Consultation and Liaison

Consulting with the community on matters relating to SCA operations helps ensure the SCA remains transparent and accountable. It also ensures that individuals and groups with special expertise or interest in catchment management matters have input to our operations.

### Regional Consultative Committee

The Regional Consultative Committee provides feedback and information to the SCA about how the agency fulfils its obligations under the Operating Licence. The committee includes representatives from several interest groups drawn from across the catchment area.

The northern and southern regional consultative committees were merged in 2003-04 to streamline their contribution to catchment management issues. New

### Peak Environment Non-Government Organisations

The SCA's two-year contract with Peak Environment Non-Government Organisations (PENGOs) was extended by 12 months to enable the group to further advise the SCA on environmental matters.

The Extended Sydney Catchment Project focused on emerging and future environmental issues within the catchments. The advice assists the SCA in its strategic planning.

### Local Government Reference Panel

Most of the 13 local councils within the catchments are represented on the Local Government Reference Panel. Chaired by the SCA, the panel continued to meet throughout 2003-04 to advise the SCA on the implementation of its Operating Licence as it relates to local government. Issues discussed included:



- progress on the draft regional plan
- proposed SCA Rectification Action Plans for the catchments
- SCA Development Assessment Register
- SCA Education Strategy
- SCA Healthy Catchments Program
- SCA Compliance Program
- review of the Operating Licence
- findings of the 2002-03 Operating Licence audit
- findings of the 2002-03 Catchment audit
- review of the *Sydney Water Catchment Management Act 1998*.

## 2. Inter-Agency Liaison

### Memoranda of Understanding

As required by the Operating Licence, the SCA has a memorandum of understanding (MOU) with NSW Health, the Department of Infrastructure, Planning and Natural Resources (DIPNR) and the Department of Environment and Conservation (DEC). Under the MOUs, the agencies consider issues of common interest to coordinate policy more effectively and achieve better outcomes. To meet their obligations under the MOUs, the respective inter-agency strategic liaison groups considered the following matters:

- protection of public health in relation to water quality
- implication to public health of alternative water servicing solutions
- management of risk and incident response
- agenda for research regarding water quality
- water storage and water quality management
- sewage management

- mining
- public education strategy
- development of the draft regional plan
- compliance enforcement in the catchment.

Agency representation on strategic liaison group committees is at senior management level and above and supported by officer level forums.

### Subsidence Management Plan Review Committee

In 2003-04, the Department of Primary Industries (DPI) established the Interagency Subsidence Management Plan Review Committee as part of a new approval process for underground coal mining. The new process requires approval of a subsidence management plan involving significantly broader and more extensive public and agency consultation at an earlier stage in the overall process. The committee will review draft subsidence management plans, advise on conditions for approval, and participate in ongoing monitoring of subsidence management. The SCA is represented on the committee.

### Water Chief Executive Officers

The SCA chairs and has a representative on the Water Chief Executive Officers Committee. The chief executive officers meet several times a year to consider and advise on matters relating to the management of NSW water resources. In 2003-04, the agenda items most pertinent to the SCA included:

- development of the Sydney Metropolitan Water Plan
- progress reports on environmental flows from the Hawkesbury-Nepean Forum and the Expert Panel assisting the forum
- Healthy River Catchment audits of the Hawkesbury-Nepean River and Shoalhaven River statements of intent

- demand management of Sydney's water supply
- fully integrated water management for Sydney
- draft Riverine Corridor Policy
- cold water pollution.

### Building Relationships

A major component of the SCA's Compliance Program has been the building of relationships with other regulators, including the DEC, DIPNR and local councils within the catchments. The aim is to identify gaps in existing programs and develop joint compliance programs. In 2003-04 the SCA:

- worked with Greater Argyle Council to develop a compliance network with council and DIPNR staff to address land clearing within the local government area and explore training assistance for council staff
- provided funds of \$4,000 to NSW Police to train two officers for trail bike squad duties within the Special Areas
- worked with local councils on specific issues of sewage, stormwater, waste and illegal land clearing
- began drafting an MOU with the newly established Hawkesbury-Nepean and Southern Rivers catchment management authorities. The MOU will facilitate cooperation to improve and maintain catchment health while avoiding duplication of efforts and resources.

## 3. External Communication

### Media

Communication with the media is important to help the SCA communicate its role and objectives to the broader community. A key focus for the organisation in 2003-04 was the ongoing drought. The SCA responded to more than 250 media enquiries from 45 media organisations. Media reporting about



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the SCA had a heavy focus on drought, demand management and dam levels.

Other issues reported in the media included catchment health, weed and feral pest management, bushfires, sewage management and water quality.

Several important metropolitan newspaper articles appeared during the year, which served to educate the community about water quality issues, as well as improving people's awareness of the SCA's role in managing the drinking water catchments. The articles included discussion on illegal access issues, catchment management, scientific research, and natural resource management.

## Public Affairs

To maximise the effectiveness of the Government's communication strategies, the SCA continued to work with other water-related agencies to collate and deliver information to the community. Subjects included drought and water restrictions, the characteristics and implications of possible drought-breaking flood, and the exhibition of the draft regional plan.

The SCA delivered feedback to the community on the success of water restrictions for Sydney and the Blue Mountains through paid advertising. This included information about dam levels and weekly water consumption.

Recently developed protocols to manage water quality incidents guide the SCA, Sydney Water and NSW Health when responding to the media. A crisis communication manual was completed and tested in an incident scenario involving the SCA, Sydney Water and NSW Health.

Other communication strategies relating to drought management and the water supply included the preparation or update of fact sheets and website information in partnership with Sydney Water.

To help as many people as possible respond to the draft regional plan, advertisements in the languages of several non-English speaking minority groups were placed with relevant newspapers.

## Publications

The SCA produces a range of publications to inform the public about its activities, responsibilities and the unique nature of the lands under SCA management. The publications are distributed by staff throughout the catchments, at events and through the visitors and education facilities at Warragamba Dam.

A new Special Areas brochure was released in 2003-04 which includes a detailed map of the Special Areas and information about access and activities for the public. The brochure is a key component of the SCA compliance strategy to inform the community about access restrictions and penalties. More than 10,000 copies of the brochure have been distributed by the SCA and through local councils and tourist information centres.

Along with its three major annual reports, the SCA continues to develop and refine its publication range. A new series of fact sheets on the Healthy Catchments Program strategies will be published in early 2004-05, and work is under way on publications to support education components of the Healthy Catchments Program.

During the year, the SCA also managed the production and distribution of publications supporting the re-exhibition of the draft regional plan (see Case Study p 14).

A full list of SCA publications is featured in Appendix 24. SCA publications are available by contacting our offices or by visiting the website at [www.sca.nsw.gov.au](http://www.sca.nsw.gov.au).

## Website

Visitors to the SCA website increased by 155 per cent to 164,331 in 2003-04 from 64,427 in the previous year. As well as information about the catchments and educational resources, the website features information about dam levels which is updated weekly.

A review of website content was undertaken during 2003-04 and new content including a photographic gallery and enhancements to the education section of the site will be added in 2004-05.

The SCA improved accessibility to its website for disadvantaged users by adding text-only and print-friendly versioning.

Work continued on a new Special Areas website to be launched during 2004-05. The new website will be a joint production by the SCA and the National Parks and Wildlife Service, part of the DEC.

Table 11 - Website visits

| Year    | Number of visits |
|---------|------------------|
| 2001-02 | 56,708           |
| 2002-03 | 64,427           |
| 2003-04 | 164,331          |

## Photography

The SCA commissioned photographic shoots to capture a unique visual record of the drought and its effects on the catchments and storages. A selection of the photographs will be displayed at SCA facilities, on our website, and are featured throughout the 2003-04 suite of annual reports.

## 4. Customer Feedback

The SCA seeks to provide high quality services to the community and others interested in our work. To help to achieve this goal, the SCA encourages feedback on the quality of its facilities and operations and has a system to record comments. Feedback helps the SCA to better understand what it is doing well and to identify areas for improvement.

The SCA received positive feedback in a number of areas in 2003-04. The feedback largely focused on the initiatives of individual programs and projects and on the community's interaction with staff, which was generally described as being informative, helpful and supportive. In particular, positive feedback was received about the Household Chemical Collection Program, the Dairy Shed Waste Management Program, the Warragamba Education Program, and various land care projects.

### Complaints

The SCA dealt with 24 complaints in the reporting period - seven unresolved complaints carried forward from 2002-03, and 17 new complaints received in 2003-04.

Of the small number of complaints received, the main issue of concern was with our picnic facilities. In response, the SCA is developing a strategic plan for visitor sites including picnic areas. The plan will assess the expectations of visitors who use the sites and options for improved management.

Table 12 - Complaints carried forward from 2002-03

| Complaint No. | Category                     | Received | Resolved | Type      |
|---------------|------------------------------|----------|----------|-----------|
| 4209          | Liability Claim – Damage     | 04-04-02 | 13-08-03 | Community |
| 4218          | Liability Claim – Damage     | 08-05-02 | Open     | Community |
| 4253          | Development Application      | 10-10-02 | 07-01-04 | Community |
| 4259          | Flood                        | 20-11-02 | 02-0-03  | Community |
| 4269          | Staff/Contractors            | 01-05-03 | 03-07-03 | Community |
| 4270          | Picnic Area Facilities       | 05-05-03 | 10-2-03  | Community |
| 4274          | Catchment Use - Recreational | 19-06-03 | 18-08-03 | Community |

The SCA recorded 17 new complaints for the 2003-04 period. One complaint was from a retail customer and the others were from members of the community. All complaints received in 2003-04 have been resolved. As at 1 July 2004, only one complaint remained unresolved from the 2002-03 period.

Table 13 - Complaints received in 2003-04

| Complaint No. | Category                          | Received | Resolved | Source    |
|---------------|-----------------------------------|----------|----------|-----------|
| 4275          | Picnic Area Facilities            | 18-08-03 | 20-08-03 | Community |
| 4276          | Picnic Area Facilities            | 24-09-03 | 25-09-03 | Community |
| 4277          | Picnic Area Facilities            | 28-09-03 | 13-10-03 | Community |
| 4278          | Environmental and Heritage Issues | 28-10-03 | 10-11-03 | Community |
| 4279          | Web Site Details                  | 10-11-03 | 17-11-03 | Community |
| 4280          | Warning Letters and Fines         | 25-11-03 | 29-06-04 | Community |
| 4281          | Environmental and Heritage Issues | 23-12-03 | 31-01-04 | Customer  |
| 4282          | Picnic Area Facilities            | 05-01-04 | 29-03-04 | Community |
| 4283          | Picnic Area Facilities            | 05-01-04 | 05-01-04 | Community |
| 4284          | Duplicate of 4283                 |          |          |           |
| 4285          | Staff/Contractors                 | 08-01-04 | 16-03-04 | Community |
| 4286          | Other                             | 21-01-04 | 21-01-04 | Community |
| 4287          | Other                             | 29-02-04 | 01-03-04 | Community |
| 4288          | Noise                             | 06-05-04 | 22-06-04 | Community |
| 4289          | Duplicate of 4290                 |          |          |           |
| 4290          | Warning Letters and Fines         | 18-05-04 | 09-06-04 | Community |
| 4291          | Picnic Area Facilities            | 03-06-04 | 07-06-04 | Community |
| 4292          | Other                             | 15-06-04 | 16-06-04 | Community |
| 4293          | Other                             | 17-06-04 | 20-06-04 | Community |



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Below is a summary of the status of all complaints, as at 30 June 2004.

Table 14 - Complaints according to categories

| Complaint Category           | Complaints carried forward from 2002-03 | Complaints received 2003-04 | Total complaints for 2003-04 |
|------------------------------|---|-----------------------------|------------------------------|
| Noise                        | 0                                       | 1                           | 1                            |
| Liability Claims - Damage    | 2                                       | 0                           | 2                            |
| Web Site Details             | 0                                       | 1                           | 1                            |
| Catchment Use - Recreational | 1                                       | 0                           | 1                            |
| Environment and Heritage     | 0                                       | 2                           | 2                            |
| Staff/Contractors            | 1                                       | 1                           | 2                            |
| Flood                        | 1                                       | 0                           | 1                            |
| Picnic Area Facilities       | 1                                       | 6                           | 7                            |
| Warning Letters and Fines    | 0                                       | 2                           | 2                            |
| Development Application      | 1                                       | 0                           | 1                            |
| Other                        | 0                                       | 4                           | 4                            |
| <b>TOTAL</b>                 | <b>7</b>                                | <b>17</b>                   | <b>24</b>                    |







# key result area 6

KEY RESULT AREA 6  
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KEY RESULT AREA 6

## Key Result Area 6 – Dynamic, Supportive Workplace

So that we are able to meet the challenges facing the organisation, both now and in the future, we will achieve the following outcomes over the period 2002-2007

### Intended Outcomes

- The SCA will provide a safe, healthy workplace and facilities
- Comprehensive workforce planning and management will support the SCA
- SCA staff will contribute to and work within the business planning framework
- The SCA will be a fair and equitable workplace that reflects our values

The Sydney Catchment Authority (SCA) continually supports its people with special emphasis on safety and educational programs.

The following results were achieved in the second year of the Business Plan 2002-2007.

## I. Occupational Health, Safety and Rehabilitation

### Lost Time Injuries

In 2003-04, nine Occupational Health, Safety and Rehabilitation (OHS&R) incidents resulted in either lost time, expenses of more than \$500 to the SCA, or both. As a result, the SCA lost a total of 79 work days.

The main category of the OHS&R incidents was 'manual-handling'. Four injuries were recorded resulting in a total of nine lost workdays. The SCA has put in place a manual-handling training program and a manual-handling awareness program for all field and office staff involved in manual-handling activities.

The remaining five OHS&R incidents included one hand injury (twenty-nine days lost) and one work-related stress incident (thirty-six days lost). Three others were car accidents (five days lost).

The SCA lost a total of 204.5 days as a result of all OHS&R incidents in 2003-04.

Eight of the nine injuries that resulted in lost time or expenses of more than \$500 were finalised by 30 June 2004 and one remained under review. A tenth injury has not been assessed by the SCA's insurer.

No contractors reported serious injuries during the year.

### OHS&R Training

In addition to manual-handling training, an extensive program of other OHS&R awareness training was conducted for most staff. Further training is planned for 2004-05 for new staff and for staff who were unable to attend last year's training.

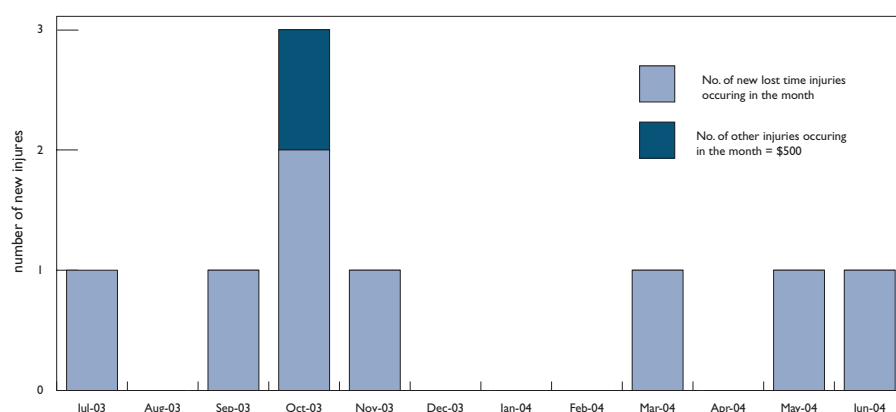
The SCA conducts several OHS&R training programs on an annual basis. Programs include training for fire wardens and for staff members who enter confined spaces, first aid training, and emergency response training.

During 2003-04, the SCA continued its Driver Safety Training Program with 42 additional staff being trained. The program aims to minimise the frequency and severity of motor vehicle accidents involving SCA staff.

### Staff Consultation about OHS&R

The SCA reviewed its OHS&R management structure in 2003-04. The review included revising the OHS&R Committee Charter and the OHS&R manual as well as changes to the OHS&R committee structure. The new structure includes two executive members, two senior managers and an elected member from each of the SCA's seven divisions. The

**Graph 6 - Number of injuries to SCA employees resulting in lost time**



\*\* Graph does not include injury sustained in late June 2004.

new arrangements will increase the number of senior managers taking an active role in OHS&R consultation matters.

The new committee was elected in June 2004 for a two-year period.

## OHS&R Audits

In 2003-04, a Level 2 WorkCover Premium Discount Scheme audit was conducted; the second of a series of four audits against the requirements of WorkCover's recommended OHS&R management system. The SCA achieved all the audit benchmarks. This resulted in a \$50,000, or 10 per cent, reduction in Workers Compensation premium, in addition to the \$75,000 discount granted in the previous year based on the Level 1 audit.

## Health Monitoring and Promotions

The SCA continued its Health Monitoring and Promotions Program throughout 2003-04. Initiatives for the year included:

- approximately 60 fitness tests for staff members who fight bushfires or enter confined spaces

- pre-employment medical screening for all new staff
- an influenza vaccination program available to all staff in time for the 2004 winter
- approximately 20 individual ergonomic assessments and workstation adjustments to reduce the potential for injuries to staff through overuse
- participation in Sydney Water's annual first aid competition, held at Warragamba Dam.

## 2. Developing and Involving our People

### Business Planning

In 2003-04 the annual review of the business plan emphasised performance indicators and targets with some changes to be made. Key indicators and targets are reported on page 10. A section on SCA business planning was included in the Orientation Program for new staff.

## Joint Consultative Committee

The SCA's Joint Consultative Committee provides the forum for discussion between the SCA, the Australian Services Union and the Association of Professional Engineers, Scientists and Managers Australia. During 2003-04, the committee contributed to negotiations towards the development of significant variations to the SCA Award. It met regularly to discuss the various SCA policies and procedures that impact on the working conditions of staff.

## Variation to the SCA Award

On 9 September 2003, the Industrial Relations Commission approved pay increases for all SCA award staff. The pay increases recognised the commitment to implementing workplace reform.

The framework of reform included a revised pay structure and classification system. A performance management system links business requirements to performance based rewards. The Industrial Relations Commission approved the variations to the SCA Award 2002 on 2 August 2004.

## Job Evaluation System

The SCA began implementing the Cullen Egan Dell job evaluation system. The SCA Job Evaluation Policy and Procedure will be the basis for future job evaluation.

## Spokeswomen's Program

The SCA further developed and supported the Spokeswomen's Program throughout 2003-04. As part of the broader NSW Government Spokeswomen's Program, SCA women participated in information days in Wollongong and Sydney, and at the annual Spokeswomen's Conference in Sydney. During the year, several internal networking opportunities were made available. New SCA Spokeswomen commenced duties in April 2004.

## Training and Development

The SCA completed a revised policy and procedure for training and development in





# key result area 6

KEY RESULT AREA 6  
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2003-04. It addresses the skill requirements of staff and meets the SCA's business needs. The aim is to increase job satisfaction and workplace efficiency. Equity of access to training and development and a commitment to life-long learning are fundamental principles.

Various courses, conferences and seminars were made available to staff. The categories of training and development together with staff participation numbers are contained in Appendix 17.

The SCA continued to participate in the University of Western Sydney's industry-based program for undergraduates, employing four more students to undertake projects that reflected their studies. The SCA was presented with the 'Excellence in Partnership (Other Government Organisation)' award by the University of Western Sydney Cooperative Programs Team.

Professional development through engaging in higher duties was offered to 106 staff members during the year. Study time and financial support was provided for 13 staff members engaged in tertiary studies with outcomes that were compatible with SCA objectives.

## 3. Equal Employment Opportunity (EEO)

Human resources projects have an impact on all staff and on EEO groups in particular. The revised industrial award includes the following provisions:

- family and community services leave
- a staff member's right to return to her own position, part-time, following maternity leave
- access to the rostered days off system for part time staff
- community language allowance.

### EEO Programs

The SCA is a partner agency in the National Resource Cadetship Program for

Aboriginal and Torres Strait Islanders. The program provides for a 12-week placement with the SCA for an Aboriginal or Torres Strait Islander, with a view to permanent employment. In 2003-04, the SCA employed one of the first cadets to graduate under the program. The agency also hosted one undergraduate cadet for a 12-week placement.

The SCA participates in the Department of Education and Training programs: the Skilled Migrant Placement Program and the Skilled Migrant Career Development Program.

All vacant positions open to external applicants are advertised on the SCA website and in various general and specialist publications, including newspapers. If appropriate, vacant positions may be advertised in the Koori Mail, an Aboriginal and Torres Strait Islander publication.

### EEO Awareness Training

EEO matters are integrated into relevant training and development courses. Staff training in recruitment and selection procedures contains a component devoted to EEO and anti-discrimination. The SCA's Orientation Program, developed in 2003-04, includes a module on EEO principles, practices and awareness, and ethics.

### EEO Recruitment

The SCA was established in July 1999. During its formative years, the SCA undertook significant recruitment to provide the broad skill base necessary for it to function effectively. By 2003-04, the SCA's need to increase the skill base had stabilised and, consequently, light recruitment was undertaken.

In 2003-04, many of the appointments were internal appointments as a result of internal restructuring within the SCA.

Table 15 represents the percentage of staff, over three years, who were externally recruited by the SCA and identified themselves as belonging to an EEO Group.

### Disability Action Plan

The notable achievements of the Disability Action Plan 2002-03 continued during 2003-04. They included:

- access to buildings and recreational facilities provided for people with a disability
- work adjustments for permanent and temporary staff in terms of reasonable adjustment both in the physical work location and work performed - four work adjustments were made during 2003-04
- improved accessibility for users of the 'text only' version of the SCA website and intranet, especially for people who use braille equivalent screen readers.

The SCA continues to review all sites, including visitor sites, taking into consideration accessibility issues for people with disability.

During the year, the SCA also provided a three-week work-training opportunity for a person registered with CRS Australia, a vocational rehabilitation service for Australian citizens and other residents who have an injury, disability or health condition.

While the SCA takes positive steps to offer employment to people with disabilities, the opportunities are limited given the size of the organisation, the diversity of work site locations and the nature of the work. This is reflected by the percentage of people with disabilities who are employed by the SCA remaining relatively low at four per cent. However, 10 per cent of staff recruited externally during the year 2003-04 identified themselves as having a disability.

### Ethnic Affairs Priority Statement (EAPS)

The SCA recognises that decision making benefits from diversity of input. The outcome is improved service and a more effective workplace.

In 2003-04, the SCA ensured that its decision making bodies either represented people



from culturally and linguistically diverse backgrounds who are Australian Citizens, or were responsible for ensuring that people from culturally and linguistically diverse backgrounds were properly considered. The following initiatives were designed to support and promote cultural diversity:

- information on EAPS was included in the Induction and Orientation Program
- cross-cultural awareness training was made available to staff
- the negotiating team for the SCA Award variations comprised staff from both genders and a person from a non-English speaking background
- all meetings between the unions and the Joint Consultative Committee were attended by at least one woman and one person from a non-English speaking background.

The SCA's human resources policies and procedures are non-discriminatory and contribute to EEO and EAPS outcomes. They are progressively reviewed to ensure they comply with legislation and SCA requirements, including those that relate to EAPS values.

## NESB Environmental Awareness Research

In conjunction with the Department of Environment and Conservation (DEC) and other government agencies, the SCA conducted research into Non-English Speaking Background (NESB) householder knowledge, attitudes and behaviour regarding environmental issues, including water. The results of the research were reported at the end of the financial year. They will inform the SCA's future communication and engagement with NESB communities, particularly in relation to communicating drought and water conservation messages.

**Table 15 - External appointments**

| Category  | 2001-02 |     | 2002-03 |     | 2003-04 |     |
|---|---------|-----|---------|-----|---------|-----|
| New employees <sup>1</sup>  | 44      |     | 53      |     | 52      |     |
| EEO questionnaires received   | 27      |     | 48      |     | 45      |     |
| Women   | 20      | 45% | 30      | 56% | 21      | 40% |
| Aboriginal and Torres Strait Islanders <sup>2</sup>                         | 0       | 0%  | 0       | 0%  | 3       | 6%  |
| People from a non-English speaking background <sup>2</sup>                  | 6       | 22% | 7       | 14% | 11      | 24% |
| People with a disability <sup>2</sup>                                       | 0       | 0%  | 4       | 8%  | 5       | 11% |
| People from a racial, ethnic or ethno-religious minority group <sup>2</sup> | 8       | 29% | 7       | 14% | 12      | 26% |

<sup>1</sup> Reductions have not been made for terminations.

<sup>2</sup> Percentages based on the number of EEO questionnaires received

**Table 16 - Trends in the representation of EEO groups**

| EEO Group  | % of total staff    |      |      |      |      |
|--|---------------------|------|------|------|------|
|  | Benchmark or Target | 2001 | 2002 | 2003 | 2004 |
| Women  | 50%                 | 33%  | 35%  | 38%  | 38%  |
| Aboriginal people and Torres Strait Islanders              | 2%                  | 0.9% | 0.7% | 1.0% | 2.1% |
| People whose first language was not English                | 20%                 | 12%  | 14%  | 13%  | 16%  |
| People with a disability                                   | 12%                 | 7%   | 5%   | 4%   | 4%   |
| People with a disability requiring work-related adjustment | 7%                  | 0.9% | 0.8% | 1.0% | 1.2% |

**Table 17 - Trends in the distribution of EEO groups**

| EEO Group  | Distribution index  |      |      |      |      |
|--|---------------------|------|------|------|------|
|  | Benchmark or Target | 2001 | 2002 | 2003 | 2004 |
| Women  | 100                 | 86   | 84   | 87   | 88   |
| Aboriginal people and Torres Strait Islanders              | 100                 | n/a  | n/a  | n/a  | n/a  |
| People whose first language was not English                | 100                 | 110  | 109  | 109  | 109  |
| People with a disability                                   | 100                 | n/a  | n/a  | n/a  | n/a  |
| People with a disability requiring work-related adjustment | 100                 | n/a  | n/a  | n/a  | n/a  |

Notes:

1. Staff numbers are as at 30 June 2004

2. Excludes casual staff

3. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by ODEOPE

4. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.



# key result area 7

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KEY AREA 7

## Key Result Area 7 – Quality Systems and Processes

'So that we get it right the first time' we will achieve the following outcomes over the period 2002-2007

### Intended Outcomes

- The SCA will comply with relevant statutory and regulatory requirements
- An agreed corporate governance framework will inform decision making within the SCA
- The SCA will consistently apply standardised business processes

### Introduction

The Sydney Catchment Authority (SCA) continually aims for efficiency and effectiveness of our quality systems. Meeting these obligations requires continued support from our people.

The following results were achieved in the second year of the Business Plan 2002-2007.

## I. Environmental Performance

### Environment Plan 2000-2005

The SCA continues to implement its Environment Plan 2000-2005. The plan identifies the SCA's 10 environmental objectives and its Environment Policy, together with the strategies and targets it is implementing to progress towards sustainability. Many of the initiatives contributing to the plan are reported elsewhere in this annual report. These include the Healthy Catchments Program, environmental flows, heritage conservation and asset management. A full account of progress against the plan targets and deliverables for 2003-2004 will be reported in the SCA's Annual Environment Report 2003-2004.

The mid-term review of the Environment Plan 2000-2005 concluded during the year. The review recognised that the SCA's environment and business plans provide a sound framework for sustainable management.

It also pointed out potential opportunities for fine-tuning and integrating reporting. The SCA is exploring these opportunities as part of its ongoing review processes.

### Energy Achievements

The five-year Energy Management Plan 2001-2006 was updated in 2003-04 to reflect progress made during the first three years of the plan and additional initiatives that have been identified.

In 2003-04, the SCA again reported on its energy consumption levels to the Department of Energy, Utilities and Sustainability (DEUS). The result compared favourably against average industry benchmarks.

Significant achievements for 2003-04 included:

- The purchase of 'green' electricity increased from nine per cent to 10 per cent of total electricity consumption (excluding Shoalhaven pumping). The SCA gained the Sustainable Energy and Development Authority's permission to use its 'Green Power Customer Logo'.
- A new energy management software system was installed and customised to suit SCA's business activities. Using the new system to manage energy usage will allow greater integrity of data, improved reporting and auditing capabilities and cost savings.
- The SCA signed up all of its 89 operational vehicles to the Greenfleet Australia program. To offset greenhouse gas emissions, the program plants 17 trees for each vehicle participating in the scheme.

- The ongoing trial of an LPG fuelled vehicle continued to prove successful and, in line with latest government policy on energy, the SCA will look at increasing its LPG fuelled vehicles in 2004-05.
- The SCA replaced wood with electric barbeques at most of its picnic grounds in 2002-03. This reduced the percentage of SCA's greenhouse gas emissions due to wood from 31 per cent in 2002-03 to 0.3 per cent in 2003-04.

## Energy Management Benchmark

Each year the SCA conducts an energy audit as part of its Energy Management Plan 2001-2006. It includes a review of the SCA's energy management practices and an assessment of the energy management plan.

Performance is rated on a scale from one to five stars. In 2003-04, the SCA's overall result was a four-star rating. This was equivalent to national best practice and a 75 per cent achievement of world's best practice. This was an improvement for the SCA which had achieved a 45 per cent world's best practice rating in 2002 and a 38 per cent rating in 2001.

The audit results place the SCA in the top three per cent of the 1,044 international database sites generally, and in the top six per cent of the 33 international database sites for the water industry.

## Mini Hydro Electricity Plants

Hydro electricity plants generate green electricity and reduce green house gas emissions. An amendment to the *Sydney Water Catchment Management Act 1998* in November 2003 clarified the ability of the SCA to engage in the development of mini-hydro electricity plants at suitable dams.

The SCA also conducted a detailed technical feasibility study and financial assessment regarding the possible development of mini-hydro plants at Tallowa, Warragamba, Cataract, Cordeaux and Nepean dams.

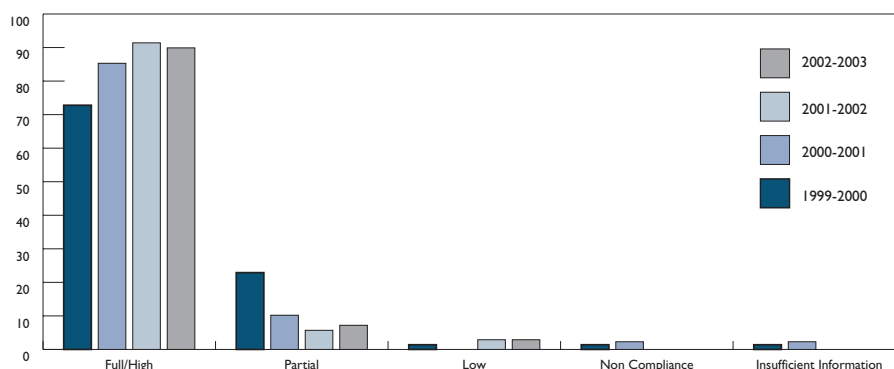
## Energy Statistics

Table 18 – Electricity consumption per usage sector

|                             | Electricity use kilowatt hours |                  |                         |                          |
|-----------------------------|--------------------------------|------------------|-------------------------|--------------------------|
|                             | 2000-01                        | 2001-02          | 2002-03                 | 2003-04                  |
| Office buildings            | 540,853                        | 626,812          | 704,206                 | 675,927                  |
| Public buildings            | 211,617                        | 215,579          | 201,103                 | 147,979                  |
| Other facilities            | 136,320                        | 153,429          | 129,831                 | 134,469                  |
| Water supply infrastructure | 4,932,694                      | 4,395,608        | 60,388,630 <sup>1</sup> | 192,519,927 <sup>1</sup> |
| Roadways infrastructure     | Data not reported              | 30,950           | 21,395                  | 21,587                   |
| <b>Total Electricity</b>    | <b>5,821,484</b>               | <b>5,422,378</b> | <b>61,445,165</b>       | <b>193,589,889</b>       |

<sup>1</sup> Related to pumping water from the Shoalhaven System

Graph 7 - Percentage compliance with Operating Licence clauses



## 2. Legislative Framework

### Operating Licence Audit

The annual audit of the Operating Licence showed that the SCA continues to perform well in matters of compliance. The audit found compliance to be 'high' or 'full' for 90 per cent of audited clauses. There were five 'partial-compliances' and two 'low-compliances', with no areas of 'non-compliance' identified.

### Privacy Management

Working with the community and other stakeholders is an important feature of SCA operations. Information supplied to the SCA by individuals and organisations

helps us provide superior services and promote a healthy environment now and in the future. The *Privacy and Personal Information Protection Act 1998* ensures that the information supplied to the SCA is used in accordance with strict guidelines.

In 2003-04, there were no internal reviews conducted under Section 53 of the Privacy Act.

### Freedom of Information

The SCA is committed to the principles of transparency and public access to its documents.

The SCA received 10 requests for documents under the *Freedom of Information Act* in 2003-04, up from two applications in the



# key result area 7

KEY RESULT AREA 7  
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previous year. Of the 10 applications, four were granted in full, four were granted in part and two were refused. Of the two refused, one application was incomplete and the other was not accompanied by the required fee. Attempts to negotiate with the applicants on these shortcomings were unsuccessful.

Four applications took fewer than 21 days to process and six took between 22 and 35 days to process, reflecting the size and complexity of some applications.

A full account of Freedom of Information requests is contained in Appendix 9.

## 3. Process Improvement

The SCA continues to review its processes to ensure they remain relevant to its business and operational needs.

### Business Management System

During 2003-04, the SCA reassessed its objectives in developing a business management system. Initially, the system was to be developed based solely on the requirements of three Australian/international standards: AS/NZS ISO 9001:2000, Quality Management System; AS/NZS ISO 14001:1996, Environmental Management Systems; and AS/NZS ISO 4801:2001, Occupational Health and Safety Management Systems.

In re-assessing its objectives, the SCA considered that it would be more appropriate to develop a business management system that responded more widely to the entire business. The draft Business Management System caters for all SCA processes from human resource and financial management to the needs of the operational areas of the business.

The Intranet continues to be the principal medium through which the SCA communicates its policies and procedures to staff.

### Quality Management System

The SCA's contractual obligations for dam safety activities require the SCA's Dam Safety Division to have quality certification to the international standard, AS/NZS ISO 9001:2000. The new Quality Management System was developed to ISO 9001:2000 certification in September 2003. The system was developed in line with the principles of the SCA Business Management System.

### Incident Management

The SCA responded to various minor incidents during 2003-04. It continued to improve its ability to respond to incidents through better staff training, procedures and resources. Many of the incident management activities were concerned with preparing for drought-breaking rain.

Media relations play a key part in incident management. The SCA has worked closely with Sydney Water and NSW Health to develop protocols and communication plans to manage incidents, particularly those associated with water quality events. These plans and protocols, including the SCA's crisis communications manual, continue to be tested in cross agency incident scenarios.

### Property Management

The SCA continued to manage its land and buildings. Office accommodation matters included lease renewals, new leases and associated fitouts and property management issues. Land matters included subdivisions, easements, and the acquisition and disposal of land. Matters relating to structures included asset management and maintenance, construction and asset disposals.

### Office Accommodation

In 2003-04, projects included redesign and refurbishment tasks associated with office accommodation at various locations. Office accommodation for SCA head office staff is spread over three buildings in Penrith which continued to create operational problems. The SCA began working with the Department of Commerce to consolidate its head office into one building.

### Land and Structures

Beginning with its leased properties, the SCA is reviewing the use and management of its lands. The outcome of the first stage of the review has been to offer a portion of its agricultural properties in the Braidwood area to the market for long-term leasing. The land will be available in early 2004-05 and leasing arrangements will have a strong focus on water quality as a result of good farm management practices.

During 2003-04, the SCA continued to work with Sydney Water to complete all the land transactions required to transfer land to the SCA. The SCA began work to transfer land surrounding the metropolitan dams to the Department of Environment and Conservation. The transfers will take place in 2005.

### Office Management

The SCA's office management section services a variety of office systems including reception, workplace security, office equipment, consumables, the SCA's complaints handling system and telecommunications. In 2003-04, new procedures for purchasing and controlling stationery and consumables saved the SCA \$140,000 or 44 per cent of expenditure compared to 2002-03.

A restructure of the section included improvements to SCA vehicle fleet management to operate the fleet more economically.

### Information Technology Management

The SCA has reviewed its wide area network services (WAN) and engaged a new service provider, resulting in reduced WAN operational costs and improved services to remote offices.

### Science Management

An independent review of the SCA's management and delivery of science has resulted in new management and structure of science in the SCA.



*sydney catchment authority*

# financial statements

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GPO BOX 12  
SYDNEY NSW 2001

## **INDEPENDENT AUDIT REPORT**

### **SYDNEY CATCHMENT AUTHORITY**

To Members of the New South Wales Parliament

#### **Audit Opinion**

In my opinion, the financial report of the Sydney Catchment Authority:

- (a) presents fairly the Authority's financial position as at 30 June 2004 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

The opinion should be read in conjunction with the rest of this report.

#### **The Board's Role**

The financial report is the responsibility of the members of the Board of the Sydney Catchment Authority. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

#### **The Auditor's Role and the Audit Scope**

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had not fulfilled in their reporting obligations.

My opinion does not provide assurance:

- about the future viability of the Authority,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

#### Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

*P.K. Brown*

P K BROWN FCPA  
Director of Audit

SYDNEY  
18 October 2004

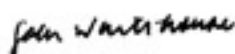
In the opinion of the Board Members of Sydney Catchment Authority

a) The Financial Statements:

- i) exhibit a true and fair view of the financial position of the Authority as at 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date.
- ii) comply with applicable Accounting Standards, Urgent Issues Group Consensus Views, the Public Finance and Audit Act 1983 and the associated requirements of the Public Finance and Audit Regulation 2000, the Treasurer's Direction and other mandatory professional and statutory requirements where applicable.

b) The undersigned are not aware of any circumstances that would render any particulars in the Financial Statements to be misleading or inaccurate.

Signed in accordance with a resolution of Board Members:



John Whitehouse  
Chairperson



Lisa Corbyn  
Chief Executive



**SYDNEY CATCHMENT AUTHORITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2004**

|   | Note   | 2004<br>\$'000 | 2003<br>\$'000 |
|---|--------|----------------|----------------|
| Revenues from ordinary activities   | 2      | 125,370        | 130,959        |
| Expenses from ordinary activities, excluding borrowing costs expenses                                     | 3      | 86,309         | 89,895         |
| Borrowing costs expenses  | 4      | 13,039         | 12,798         |
| <b>Surplus from ordinary activities before income tax expense</b>   |        | <b>26,022</b>  | <b>28,266</b>  |
| Income tax expense relating to ordinary activities  | 5(a)   | 7,101          | 8,805          |
| Surplus from ordinary activities after related income tax expenses  | 19, 21 | 18,921         | 19,461         |
| <b>NON-OWNER TRANSACTION CHANGES IN EQUITY</b>  |        |                |                |
| Net Increase in asset revaluation reserve   | 8      | -              | 241            |
| <b>TOTAL REVENUES, EXPENSES AND VALUATION<br/>ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY</b>               | 21     | -              | 241            |
| <b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE<br/>RESULTING FROM TRANSACTIONS WITH OWNERS AS<br/>OWNERS</b> | 21     | <b>18,921</b>  | <b>19,702</b>  |

[The accompanying notes form part of these financial statements]

**SYDNEY CATCHMENT AUTHORITY  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2004**

|  | Note  | 2004<br>\$'000 | 2003<br>\$'000 |
|--|-------|----------------|----------------|
| <b>Current assets</b>                        |       |                |                |
| Cash assets                                  | 6     | 31,256         | 31,646         |
| Receivables                                  | 7     | 13,845         | 13,256         |
| Other assets                                 | 9     | 1,787          | 993            |
| Tax asset                                    | 5(b)  | -              | 158            |
| <b>Total current assets</b>                  |       | <b>46,888</b>  | <b>46,053</b>  |
| <b>Non current assets</b>                    |       |                |                |
| Property, plant and equipment                | 10    | 696,497        | 687,744        |
| Tax asset                                    |       | 2,343          | 2,147          |
| <b>Total non current assets</b>              |       | <b>698,840</b> | <b>689,891</b> |
| <b>TOTAL ASSETS</b>                          |       | <b>745,728</b> | <b>735,944</b> |
| <b>Current liabilities</b>                   |       |                |                |
| Payables                                     | 11    | 28,340         | 32,965         |
| Interest-bearing liabilities                 | 12(a) | 8,810          | 27,840         |
| Provisions, excluding income tax liabilities | 13(a) | 21,226         | 21,659         |
| Tax liabilities                              | 5(b)  | 1,507          | -              |
| <b>Total current liabilities</b>             |       | <b>59,883</b>  | <b>82,464</b>  |
| <b>Non current liabilities</b>               |       |                |                |
| Interest-bearing liabilities                 | 12(b) | 177,500        | 146,749        |
| Provisions, excluding income tax liabilities | 13(b) | 7,820          | 7,027          |
| Tax liabilities                              |       | 436            | 182            |
| <b>Total non current liabilities</b>         |       | <b>185,756</b> | <b>153,958</b> |
| <b>TOTAL LIABILITIES</b>                     |       | <b>245,639</b> | <b>236,422</b> |
| <b>NET ASSETS</b>                            |       | <b>500,089</b> | <b>499,522</b> |
| <b>EQUITY</b>                                |       |                |                |
| Accumulated Funds                            | 21    | 500,089        | 499,522        |
| <b>TOTAL EQUITY</b>                          |       | <b>500,089</b> | <b>499,522</b> |

[The accompanying notes form part of these financial statements]

**SYDNEY CATCHMENT AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2004**

|  | Note      | 2004<br>\$'000   | 2003<br>\$'000  |
|--|-----------|------------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>      |           |                  |                 |
| <b>Inflows</b>                                   |           |                  |                 |
| Cash receipts Sydney Water Corporation           |           | 121,524          | 126,172         |
| Cash Receipts Insurance Claims                   |           | 325              | 2,329           |
| Cash receipts other                              |           | 7,575            | 9,412           |
| Interest received                                |           | 1,112            | 792             |
|  |           | <b>130,536</b>   | <b>138,705</b>  |
| <b>Outflows</b>                                  |           |                  |                 |
| Payments to suppliers and employees              |           | (86,507)         | (76,406)        |
| Borrowing costs                                  |           | (12,998)         | (12,575)        |
| Insurance claims expenditure                     |           | (159)            | (1,632)         |
| Income tax                                       |           | (5,379)          | (8,645)         |
|  |           | <b>(105,043)</b> | <b>(99,258)</b> |
| <b>Net cash provided by operating activities</b> | <b>19</b> | <b>25,493</b>    | <b>39,447</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>      |           |                  |                 |
| <b>Outflows</b>                                  |           |                  |                 |
| Purchases of property, plant and equipment       |           | (18,726)         | (12,457)        |
| <b>Net cash used in investing activities</b>     |           | <b>(18,726)</b>  | <b>(12,457)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>      |           |                  |                 |
| <b>Inflows</b>                                   |           |                  |                 |
| Proceeds from borrowings                         |           | 50,453           | 38,799          |
| <b>Outflows</b>                                  |           |                  |                 |
| Dividends  |           | (18,877)         | (18,500)        |
| Repayment of borrowings                          |           | (38,733)         | (24,111)        |
| <b>Net cash used in financing activities</b>     |           | <b>(7,157)</b>   | <b>(3,812)</b>  |
| <b>Net increase/(decrease) in cash held</b>      |           | <b>(390)</b>     | <b>23,178</b>   |
| Opening cash and cash equivalents                |           | 31,646           | 8,468           |
| <b>CLOSING CASH AND CASH EQUIVALENTS</b>         | <b>6</b>  | <b>31,256</b>    | <b>31,646</b>   |

[The accompanying notes form part of these financial statements]

**SYDNEY CATCHMENT AUTHORITY**  
**NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**PRINCIPAL ACTIVITIES**

Sydney Catchment Authority (the SCA) is a NSW statutory body constituted under the *Sydney Water Catchment Management Act 1998*.

The Act conferred and imposed upon the SCA certain functions with respect to the protection and management of certain catchment areas, with respect to the supply of water to Sydney Water Corporation and other bodies, and with respect to other matters; it made provision for the protection of public health and public safety and for the protection of the environment; it made consequential amendments to the *Water Board (Corporatisation) Act 1994* and certain other acts. It was assented to on 14 December 1998.

The parts of the Act that concern the setting up of the SCA came into effect on 8 January 1999. The setting up of the SCA was conducted under the auspices of The Cabinet Office and reported in its financial statements for the year 1998-1999 as "Administered Activities".

The operations of the SCA are not considered to have started until the transfer of assets, liabilities and staff from Sydney Water Corporation. This took place on 2 July 1999.

The *Sydney Water Catchment Management Amendment Act 2001* (the Amendment Act) that was passed by the NSW Parliament and received Royal Assent on 25 October 2001 amended the *Sydney Water Catchment Management Act 1998*. As per s2 of the Amendment Act, the Amendment Act is taken to have commenced on 8 January 1999.

The Amendment Act clarified the financial powers of the SCA by creating a Catchment Management Fund and identifying those items for which the SCA could receive and spend monies. The financial statements referred to in these Notes are the financial statements of the Sydney Catchment Authority Catchment Management Fund.

A further amendment to the Act has been made, known as the *Sydney Water Catchment Management Amendment Act 2003 No 70* which received assent and was effective from 20 November 2003. This amendment:

- extended the definition of *catchment infrastructure works* in s3 to include hydro-electric plants or associated infrastructure or works,
- Included as *special functions* in s16 to generate and supply hydro-electricity and undertake any associated activities, whether on the Authority's own account or with others, and
- extended the *Payments into Fund* in s24B to include any money received by the Authority from the generation and supply of hydro-electricity

This amendment provided for the possibility of the SCA building small hydro-electricity plants as part of its catchment infrastructure works, to generate and supply green power and receive money for the sale of any surplus capacity to the SCA.



## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### a) Reporting Entity

The SCA is a separate reporting entity. There are no entities under its control.

### b) Basis of Accounting

The SCA's financial statements are a general financial report which has been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Consensus Views, and the requirements of the *Public Finance and Audit Act 1983* (as amended) and the *Public Finance and Audit Regulation, 2000*. Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, or other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

The financial statements are prepared in accordance with the historical cost convention, except for certain non-current assets that are recorded at fair value. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

### c) Employee Benefits

#### (i) Wages and Salaries, Compensated Absences and On-Costs

Liabilities for wages, salaries and compensated absences such as annual leave are recognised and measured at their nominal values using the remuneration rate expected to apply at the time of settlement, regardless of whether they are expected to be settled within 12 months of the reporting date.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the entitlements accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and superannuation, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

#### (ii) Long Service Leave

Long service leave is measured at its present value in accordance with the requirements of the revised AASB1028 "Employee Benefits". In May 2002, the NSW Government Actuary established the present value of long service leave entitlements as at 30 June 2002, using the following methodology:

*For each future year the amounts of long service leave entitlements paid in service and on termination of employment were determined assuming rates of taking leave in service, rates of death, disablement, retirement and resignation, and rates of salary escalation. These future cash flows were then converted to a present value by discounting from the expected date of payment to the valuation date at the assumed interest rate. This has determined the total liability for existing employees.*

*The discount rate has been taken as the market yield on ten year Commonwealth bonds, which is currently about 6.3%. Salary increases have been assumed at a level that is 2.5% below the ten year bond rate.*

The Actuary has provided a formula for estimating employee benefits in a three-year cycle. This formula will be applied annually until 30 June 2004.

Outstanding amounts for payroll tax, workers compensation insurance premiums and superannuation, which are consequential to employment, have been recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised in accordance with the requirements of the revised standard.

### **(iii) Superannuation**

Calculations in respect of the total liability for superannuation are based on actuarial advice with the exception of the First State Superannuation which is calculated at a percentage of salaries. The superannuation unfunded liability recorded in the Statement of Financial Position is determined as the difference between the gross liability actuarially calculated and the reserve (ie amount funded) in the respective defined benefit schemes. Details of the current status of the defined benefits superannuation funds are provided in Note 16.

### **d) Insurance**

The Insurance Brokers, Marsh Pty. Limited who were appointed in March 2003, have placed the SCA's insurance coverage with various domestic, London, European and North American Underwriters.

The majority of the SCA's insurances were renewed by Marsh Pty Limited as at 31 May 2004 for the year to 31 May 2005, except where other periods are stated below, and provide insurance coverage in relation to the following matters:

- Industrial Special Risks;
- Public and Product Liability;
- Professional Indemnity;
- Directors and Officers Liability and Company Reimbursement including Employment Practices Liability;
- Directors and Officers Supplementary Legal Expenses;
- Aircraft Non-Owned Liability;
- Principal Controlled Liability – (only for contracts entered into prior to 31 May 2003);
- Corporate Travel – Personal Accident and Sickness;
- Comprehensive Motor Vehicle;
- Workers Compensation (ACT, NT, TAS and WA);
- Personal Accident Employees and Invitees of the SCA;
- Personal Accident Voluntary Workers.

The insurance policies listed below have different renewal dates:

- Statutory Liability (31 December 2004);
- Fine Arts (30 June 2004);
- Workers Compensation.

The SCA's Workers Compensation Insurance has been placed with QBE and was renewed as at 28 March 2004 for a period of one year.

The risks associated with the construction of the Warragamba Dam Auxiliary Spillway (the Spillway) were covered by two stand-alone policies for contract works and principal controlled liability insurance. The contract works insurance will expire on 14 June 2004 being the conclusion of the two-year defects liability period. The principal controlled liability insurance expired on 1 February 2004. These insurance policies will not be renewed. The Spillway is insured under the Industrial Special Risks policy.

#### **e) Inventories**

The SCA has adopted the policy of expensing low value items used in maintenance and the operation of the conference centre at Warragamba Dam. High volume chemicals used in the preliminary treatment of water are also expensed.

#### **f) Investments**

Investments comprise funds held with the Treasury Corporation's "Hour-Glass" Facility. All investments are made in accordance with Part 1, Schedule 4, of the *Public Authorities (Financial Arrangements) Act, 1987 as amended*. All investments are recorded at market value. Changes in market value during the reporting period are brought to account in the Statement of Financial Performance.

#### **g) Property, Plant and Equipment**

##### **(i) Acquisition and Capitalisation**

All items of property, plant and equipment are recorded initially at the cost of acquisition. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. Items costing \$300 or more individually are capitalised.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

In respect of system assets constructed by the SCA, cost includes materials used in construction, direct labour and an appropriate proportion of overheads. These assets are capitalised as completed assets as they become operational and available for use.

##### **(ii) Asset Valuation**

Assets valued at \$647 million were transferred from Sydney Water Corporation to the SCA on 2 July 1999. The value of \$647 million was agreed to by PricewaterhouseCoopers, IPART, and Sydney Water Corporation. The value fell between the historical net book value of \$480 million and the revaluation net book value of \$1,653 million. The carrying amounts of categories of property, plant and equipment do not exceed recoverable amount of \$767.064 million as at 30 June 2004. The recoverable amount is determined using relevant cash flows discounted to their present value.

The SCA's asset project involving the determination of asset values on a segmented basis was completed in June 2001. During the 2002 year, a new class of asset was created to



cater for the segmentation of Furniture and Fittings from Leasehold Improvements. Asset classes and effective lives based on a condition assessment have been identified, and depreciation rates have been based on the effective life of the respective assets, refer Note 1(i).

In accordance with the Minister's direction and subsequent to the Gazettal of 25 October 2002, the SCA transferred lands at Braidwood to National Parks and Wildlife Service at no value to form the Nadgigomar Nature Reserve. As a result of the requirements of AASB 1041 "Revaluation of Non-Current Assets" and Treasurer's Circular TC01/11 these lands were revalued at the date of transfer being 21 October 2002. This revaluation resulted in the creation of an Asset Revaluation Reserve in the amount of \$0.241 million within the asset class of land. The transfer also resulted in a reduction of \$1.143 million equity transfer (net effect with revaluation \$0.902 million as *Transfers to Owners as Owners* refer Notes 8 and 21).

Each class of physical non-current assets is revalued every five years and with sufficient regularity to ensure that the carrying value of each asset in the class does not differ materially from its fair value at reporting date.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

Otherwise, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus/deficit, the increment is recognised immediately as revenue in the surplus/deficit.

Revaluation decrements are recognised immediately as expenses in the surplus/deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has been previously revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

### **(iii) Assets under Construction**

Interest costs on borrowings specifically financing assets under construction are capitalised up to the date of completion of each asset to the extent those costs are recoverable.



## h) Interest Bearing Liabilities

The SCA borrows through the NSW Treasury Corporation in the form of liquid and marketable TCorp stocks. As part of its debt management activities, the SCA buys back its debt and refinances with NSW Treasury Corporation debt. The gains and losses arising from substituting the prepaid debt with new debt are included in the Statement of Financial Performance (refer Note 4). Discount and premium on loans are in the nature of an adjustment to the cost of borrowing. Any discount or premium is amortised over the term of the loans, with the amount applicable to each year being included in the Statement of Financial Performance as part of the SCA's financing charges for that year. The borrowings amount appearing in the Statement of Financial Position is net of amortisation, refer Note 12.

## i) Depreciation of Non-Current Assets

Depreciation is provided for on a straight-line basis against all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the SCA.

| Non-Current Asset Classification | Life in Years  |
|----------------------------------|--|
| Dams                             | 100 to 150   |
| Reservoirs                       | 75 to 100  |
| Canals & Tunnels                 | 100  |
| Major Pipelines (above ground)   | 150  |
| Weirs                            | 100  |
| Water Mains                      | 50   |
| System Buildings                 | 40 to 100  |
| Water Pumping Stations           | 45   |
| Water Treatment Plants           | 45   |
| Working Plant & Equipment        | 2 to 14  |
| Operating Equipment              | 3 to 20  |
| Motor Vehicles                   | 7  |
| Office Equipment                 | 4 to 10  |
| Computer Equipment               | 5  |
| Furniture and Fittings           | 5  |
| Office Amenities                 | 7 to 20  |
| Leasehold Improvements           | Over the remaining period of the lease or life of the improvements whichever is shorter. |

The segmentation of assets project which was completed in June 2001 showed that the depreciation charge for 1999-2000 was understated by \$1.436 million. As required by the Australian Accounting Standards, this additional expense will be accounted for over an expected period of benefit, being a five year period. Therefore, in this the fourth year and for the next year, the depreciation charge will include an additional amount of \$0.287 million.

## j) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.

**k) Maintenance and Repairs**

The costs of maintenance and repairs are charged as expenses as incurred except where they relate to the replacement of a component of an asset in which case the costs are capitalised and depreciated.

During the 2004 financial year, the SCA has reviewed its policy and procedures relating to the creation of assets and guidelines for identifying Maintenance Expenditure on assets.

**l) Financial Instruments**

Financial instruments give rise to positions that are financial assets or liabilities (or equity instruments) of either the SCA or its counterparties. These include Cash, Hour Glass Investment Facilities, Receivables, Bank Overdraft, Payables and Interest Bearing Liabilities. Classes of instruments are recorded at cost and are carried at net fair value.

**(i) Cash**

Cash comprises cash on hand and bank balances with a commercial bank. Interest has been earned at the prevailing rates.

**(ii) Hour-Glass Investment Facilities**

The SCA has investments in TCorp's "Hour-Glass" facilities. The SCA's investments are represented by a number of units of a managed investment pool, with each particular pool having different investment horizons and being comprised of a mix of asset classes appropriate to that investment horizon. TCorp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines.

**(iii) Receivables**

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales of bulk water to Sydney Water are made on 21 day terms, all other sales are made on 30 day terms.

**(iv) Bank Overdraft**

The SCA does not have any bank overdraft.

**(v) Payables**

Liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out by Treasury. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice

or a statement is received. Government guidelines allow for the Chief Executive or delegate to award interest for late payment.

Interest in the amount of four thousand eight hundred and fifty dollars has been awarded in the 2004 year relating to the settlement of accounts outside their payment terms. 94.7% of the interest awarded was paid to the Office of State Revenue as a result of the SCA's self disclosure of an amended payroll tax return for the 2002 financial year.

On 2 June 2003 an electronic procurement system was introduced, has proven to facilitate the prompt processing of creditors accounts by operational staff when compared to previous years results. The SCA's creditors payment performance is reviewed by the Executive and Board on a monthly basis to promote continuous improvement within this area.

#### **(vi) Interest Bearing Liabilities**

Details of the SCA's borrowings from the New South Wales Treasury Corporation are disclosed at Note 20.

### **m) Revenue Recognition**

Revenue is recognised when the SCA has passed control of, or the right to receive, the goods and services to the buyer, and the amount of revenue can be reliably measured.

#### **(i) Bulk Water Sales and Ancillary Services**

Revenue from the sale of goods (bulk water) is recognised when the SCA has passed control of the goods to the buyer. Revenue from ancillary services is recognised when there is a valid claim against external parties.

#### **(ii) Investment income**

Interest revenue is recognised as it accrues.

#### **(iii) Rent Revenue**

Rent revenue is recognised in accordance with AAS 17 "Accounting for Leases".

### **n) Taxation**

An "equivalent" or "notional income tax" is payable to the NSW Government through the Office of State Revenue. Taxation liability is assessed according to the Tax Equivalent Regime of the NSW Treasury, which proposes as far as practicable the adoption of the Commonwealth Income Tax Assessment Act 1936 (as amended) as the basis for determining taxation liability and, therefore, the adoption of tax-effect accounting, refer Note 5.

Income tax expense is calculated on the operating profit adjusted for permanent differences between taxable income and accounting profit. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax. Future income tax benefits are not brought to account unless realisation of the asset is certain.



From 1 July 2001, the State Tax Equivalent Regime was replaced by the National Tax Equivalent Regime (NTER). During the current financial year, the requirements of the NTER prevailed.

**(o) Dividend payable to State Government**

The Dividend payable to the State Government is established in the SCA's Statement of Financial Framework. The dividend payable to the State Government is negotiated by reference to the after tax earnings of the SCA in the context of the financial health of the SCA and capital expenditure requirements.

The 2003–2004 dividend has been calculated on the basis of 97% of profit after tax, refer Note 13(a).

**p) Accounting for Goods and Services Tax**

In relation to the Goods and Services Tax (GST), revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred by the SCA as a purchaser is not recoverable from the Australian Taxation Office. In such cases, the GST is recognised as part of the acquisition of an asset or as part of an item of expense. Accrued receivables and payables are stated inclusive of GST.

**q) Bushfire Insurance Claim**

The SCA suffered losses predominantly to its Warragamba site, during the bushfire incident which occurred in the December 2001/January 2002 period.

Whilst insurance coverage was sufficient to cover the loss of both assets and equipment, additional operating expenditure mainly in the area of additional employee-related and incident management costs which occurred as a result of the declaration of a S44 Incident by the Rural Fire Service, were recovered under the provisions of the *Rural Fires Act, 1997*.

A summary of the identified financial losses, additional operational costs, plans for reinstatement or replacement of assets and recoverable amounts from both insurance and legislative provisions are shown in Note 14.

During December 2002/January 2003, the SCA responded to the Rural Fire Service for assistance in controlling bushfires within the SCA catchment lands. The SCA did not incur loss of property during these fires. Additional operational expenditure (Incident management and employee-related costs) was incurred as a result of the declaration of two S44 Incidents by the Rural Fire Service relating to these fires. The additional costs were recovered under the provisions of the *Rural Fires Act, 1997*.

**r) Reclassification of Expenses**

To allow for the presentation of more relevant financial information the following reclassifications of expenditure have been made:

- Energy – drought pumping expenses specifically relating to energy costs incurred as a result of pumping water from the Shoalhaven system to augment supply through the current drought, and previously classified as Energy, refer Note 3 d), has been reviewed. 2003 comparative data has been reclassified for completeness.



- Employment Specialist Services – expenses related to specialist services such as the SCA's Employee Assistance Program, Payroll Processing and Occupational Health Safety & Rehabilitation are now classified as Employment Specialist Services within Contractors General, refer Note 3 b). 2003 comparative data has been reclassified for completeness.
- Transferred Lands Management Grants - expenses relating to the management of the special areas lands transferred to the National Parks and Wildlife Service has now been classified as a grant. This expenditure was previously classified as Contractors Expenses, refer Note 3 b) and is now classified as Other Operating Expenses, refer Note 3 d). 2003 comparative data has been reclassified for completeness.
- There have also been some minor reclassification of expenses resulting in some restatement of the 2003 comparative figures. As a result there has not been a material effect on the presentation of the financial statements.

#### s) International Financial Reporting Standards

The SCA will apply the Australian equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

The SCA is managing the transition to the new standards by allocating internal resources and external consultants to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise the agency has taken the following steps to manage the transition to the new standards:

- SCA's Executive Committee is responsible for oversight of the transition. The AIFRS project team which comprises a full time internal project manager, supported by external consultants, is responsible for the project and reports regularly to the Committee on progress against a plan.
- The following phases that need to be undertaken have been identified:

**Assessment and Planning phase (Stage 1):** Analysis of the pending standards to identify key areas of impact upon policies, procedures, systems and potential financial impacts affected by the transition. The completion of this stage involved the establishment of an action plan for Stage 2.

**Design phase & Implementation phase (Stage 2):** Design of new policies, processes, systems and models and integration into the SCA way of business. This includes training and education of staff and liaison with other departments, such as T-Corp and State Actuaries, for the provision of required AIFRS balances. The implementation involves preparation of transition date balances, capture of comparative balances and test runs to ensure the policies and processes will work effectively on an ongoing basis.

The Assessment and Planning stage is largely complete and Stage 2 is underway. The Design component of Stage 2 is expected to be completed by December 2004 with the implementation Stage substantially completed by 31 March 2005.

NSW Treasury is assisting SCA to manage the transition by developing policies, including mandates of options, presenting training seminars to all agencies, providing a web site with up to date information to keep agencies informed of any new developments; and establishing an IAS Agency Reference Panel to facilitate a collaborative approach to manage the change.

### **Impact of conversion to AIFRS**

The following areas have been identified as being significant to SCA in its adoption of AIFRS. Some of these differences arise because AIFRS requirements are different to existing AASB requirements. Other differences could arise from the options in AIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised SCA of options that it is likely to mandate, and will confirm these during 2004/05. This disclosure reflects those likely mandates.

SCA's accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics ("GFS"). This standard is likely to change the impacts of AIFRS and significantly affect the presentation of the income statement. However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005/06.

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- **AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*** requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, **AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*** requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements which require such changes to be recognised in the current period through profit or loss, unless a new standard mandates otherwise.

This may result in a change to accumulated funds as at transition date for the net impact of adoption of AIFRS for the first time.

- **AASB 110 *Events after the balance sheet date*** states that only dividends "declared" or appropriately "authorised" before the reporting date can be recognised. This is more restrictive than the current approach which is based on "valid expectations". However, this change is not expected to impact on dividend recognition as the signing of the Statement of Financial Framework before the reporting date to which it relates, "authorises" the dividend and any change in the amount of the dividend after the reporting date constitutes an "adjusting event after the reporting date".

However, the amount of the dividend may be affected by other AIFRS, such as **AASB 139 *Financial Instrument Recognition and Measurement*** and **AASB 119 *Employee Benefits*** (refer below) as these standards may impact on retained earnings (on first adoption) and the amount and volatility of profit/loss.

- **AASB 112 *Income Taxes*** requires a balance sheet approach where the entity must identify differences between the accounting and tax value of assets and liabilities. The previous approach was to account for tax by adjusting accounting profit for temporary and permanent differences to derive taxable income. The AASB 112 approach may alter the quantum of tax assets and liabilities recognised.



In addition, the income tax expense and deferred tax assets and liabilities may be affected by other AIFRS to the extent that they impact on the balance sheet and profit or loss.

This may result in new tax assets and liabilities being recognised at transition (against accumulated funds) and on an ongoing basis (against income tax expense). The net impact (directional or value) at transition and in the future is not capable of being determined until all AIFRS adjustments are finalised.

- AASB 116 *Property, Plant and Equipment* requires the cost and fair value of property, plant and equipment to be increased to include restoration costs, where restoration provisions are recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Major inspection costs must be capitalised and this will require the fair value and depreciation of the related asset to be re-allocated.

*For-profit entities* must account for asset revaluation increments and decrements on an individual asset basis, rather than on a class basis.

There may be some transition date adjustments to carrying values as fair value is reassessed. This will be recognised against accumulated funds. Carrying values may also increase for any capitalised restoration costs and inspection costs. This will be recognised against accumulated funds. The requirement to recognise fair value adjustments on an asset basis may result in a decrease in accumulated funds and earnings in future periods.

- AASB 117 *Leases* introduces more subjective guidance in relation to classifying leases as operating or finance in nature. This may, particularly in relation to leases with longer terms, result in an increased number of finance leases being recognised under AIFRS.
- AASB 119 *Employee Benefits* requires the superannuation defined benefit obligation to be discounted using the government bond rate as at each reporting date rather than the long-term expected rate of return on plan assets. Where the unfunded superannuation liability is not assumed by the Crown, this will increase the amount and the future volatility of the unfunded superannuation liability and the volatility of the employee benefit expense. Any initial adjustment will be made retrospectively against accumulated funds and will be based on actuarial calculations at 1 July 2004. After the transitional adjustment, further movements in the net position of the plan will be recognised in the income statement each period.
- AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* applies to *for-profit entities* only. Entities will either apply the current AASB 120 or early adopt a revised AASB 120, based on the grant requirements in AASB 141 *Agriculture*. The current AASB 120 spreads the recognition of the grant over the period necessary to match related costs. A revised AASB 120 based on AASB 141 is likely to require recognition when conditions are satisfied. Both of these alternatives may have the effect of delaying recognition.
- AASB 136 *Impairment of Assets* requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the entity must estimate the recoverable amount. However, the effect of this Standard should be minimal because all the substantive principles in AASB 136 are already incorporated in Treasury's policy *Valuation of Physical Non-Current Assets at Fair Value*.

- AASB 138 *Intangibles* requires that all research costs must be expensed and provides stricter rules with respect to the capitalisation of development costs. At transition, some previously recognised internally generated intangible assets may need to be derecognised. Similarly some development costs previously recognised in the income statement may be capable of capitalisation under AIFRS.

Further, intangibles assets can only be revalued where there is an active market, which is unlikely to occur. This is not expected to impact SCA.

- AASB 139 *Financial Instrument Recognition and Measurement* results in the recognition of financial instruments that were previously off balance sheet, including derivatives. The standard adopts a mixed measurement model and requires financial instruments held for trading and available for sale to be measured at fair value and valuation changes to be recognised in profit or loss or equity, respectively. Previously they were recognised at cost. This may increase the volatility of the operating result and balance sheet.

The standard also includes stricter rules for the adoption of hedge accounting, and where these are not satisfied, movements in fair value will impact the income statement.

To achieve full harmonisation with GFS, entities would need to designate all financial instruments at fair value through profit or loss. However, at this stage it is unclear whether this option will be available under the standard and, if available, whether Treasury will mandate this option for all agencies.

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**2. REVENUES FROM ORDINARY ACTIVITIES**

|   | <b>2004</b>    | <b>2003</b>    |
|---|----------------|----------------|
|   | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>a) Revenue from Core Activities</b>                          |                |                |
| Bulk Water Sales to Sydney Water Corporation at Fixed Prices    | 62,880         | 60,984         |
| Rebate of operating costs allowed to Sydney Water Corporation   | (1,200)        | (1,200)        |
| Bulk Water Sales to Sydney Water Corporation at Variable Prices | 63,075         | 69,537         |
| Sydney Water Corporation – Water Quality Rebate                 | (3,200)        | (3,046)        |
| Other Bulk Water Sales  | 618            | 631            |
| <b>Revenue from Core Activities</b>                             | <b>122,173</b> | <b>126,906</b> |
| <b>b) Revenue from other than Core Operating Activities</b>     |                |                |
| Contracting Out   | 713            | 592            |
| Rental Income   | 472            | 453            |
| Conference Centre hire  | 182            | 200            |
| Gross Insurance Recoveries                                      | 609            | 1,910          |
| Other   | 108            | 106            |
| Interest Income   | 1,113          | 792            |
| <b>Revenue from other than Core Operating Activities</b>        | <b>3,197</b>   | <b>4,053</b>   |
| <b>Revenues from Ordinary Activities</b>                        | <b>125,370</b> | <b>130,959</b> |

**3. EXPENSES FROM ORDINARY ACTIVITIES, EXCLUDING BORROWING COSTS EXPENSE**

|  | <b>2004</b>   | <b>2003</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>a) Employee Related Expenses</b>                            |               |               |
| Salary and Wages (including recreation leave and redundancies) | 19,111        | 15,760        |
| Superannuation   | 803           | 3,321         |
| Long Service Leave   | 1,020         | 586           |
| Workers Compensation Insurance                                 | 337           | 610           |
| Payroll Tax and Fringe Benefits Tax                            | 1,501         | 1,168         |
| <b>Employee Related Expenses</b>                               | <b>22,772</b> | <b>21,445</b> |
| <b>b) Contractors Expenses</b>                                 |               |               |
| Agency hire of staff   | 2,274         | 2,935         |
| Employment Specialist Services                                 | 230           | 246           |
| Water Quality and Monitoring                                   | 6,808         | 7,017         |
| Environmental Planning and Management                          | 3,378         | 3,228         |
| Dam Safety and Mining Protection                               | 842           | 577           |
| Operating Licence Compliance                                   | 173           | 24            |
| Bulk Water Purchases   | 1,305         | 1,820         |
| Integrated Management Systems                                  | 536           | 3,951         |
| Contractors – general  | 840           | 636           |
| <b>Contractors Expenses</b>                                    | <b>16,386</b> | <b>20,434</b> |
| <b>c) Property and Materials Expenses</b>                      |               |               |
| Repairs and Maintenance – Buildings                            | 981           | 878           |
| Grounds Maintenance  | 1,059         | 1,253         |
| Security   | 2,219         | 2,121         |
| Materials  | 404           | 838           |
| Rent & Rates   | 1,141         | 1,048         |
| Other  | 2             | 23            |
| <b>Property and Materials Expenses</b>                         | <b>5,806</b>  | <b>6,161</b>  |

### 3. EXPENSES FROM ORDINARY ACTIVITIES, EXCLUDING BORROWING COSTS EXPENSE (CONTINUED)

|   | 2004          | 2003          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| <b>d) Other Operating Expenses</b>                      |               |               |
| Advertising   | 747           | 220           |
| Auditor's Remuneration                                  | 145           | 138           |
| Internal & Other Audit Fees                             | 170           | 148           |
| Insurance Claims Expenditure – Gross                    | 159           | 1,400         |
| Committee Fees and Expenses                             | 332           | 1,230         |
| Consultancies   | 85            | 63            |
| Research and Development                                | 1,138         | 1,260         |
| Energy  | 276           | 346           |
| Energy – drought pumping                                | 6,298         | 1,729         |
| Maintenance on Assets and Equipment                     | 3,713         | 4,914         |
| Grants and Sponsorships                                 | 3,585         | 3,452         |
| Country Towns Water Supply and Sewerage Program Grant * | -             | 4,000         |
| Information Management                                  | 2,096         | 1,510         |
| Insurance Premiums                                      | 5,988         | 4,859         |
| Memberships and Subscriptions                           | 742           | 897           |
| Telephone and Fax                                       | 540           | 521           |
| Transport   | 1,531         | 1,402         |
| Preparation of plans and reports                        | 745           | 959           |
| Printing and Stationery                                 | 238           | 343           |
| Training Courses  | 292           | 349           |
| Other   | 825           | 877           |
| <b>Other Operating Expenses</b>                         | <b>29,645</b> | <b>30,617</b> |

\* 2004 grant deferred due to reclassification of grant payments to calendar year end rather than financial year end basis with Department of Energy, Utilities & Sustainability.

**3. EXPENSES FROM ORDINARY ACTIVITIES, EXCLUDING BORROWING COSTS  
EXPENSE (CONTINUED)**

|  | 2004          | 2003          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| <b>e) Depreciation Expense</b>   |               |               |
| Facility Assets  | 8,526         | 8,432         |
| Buildings  | 104           | 102           |
| Operational Equipment  | 269           | 243           |
| Furniture & Fittings   | 252           | 232           |
| Motor Vehicles   | 147           | 129           |
| Office Equipment   | 71            | 53            |
| Computer Hardware  | 74            | 73            |
| Office Amenities   | 12            | 8             |
| Leasehold Improvements   | 519           | 368           |
| <b>Depreciation Expense</b>  | <b>9,974</b>  | <b>9,640</b>  |
| <b>f) Licence Fees</b>   | <b>1,726</b>  | <b>1,591</b>  |
| <b>g) Loss on sale/write off on non-current assets</b>                     | <b>-</b>      | <b>7</b>      |
| <b>Expenses from ordinary activities excluding borrowing costs expense</b> | <b>86,309</b> | <b>89,895</b> |

**4. BORROWING COSTS EXPENSES**

|  | 2004          | 2003          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| Interest Expense                                 | 12,328        | 11,981        |
| Amortisation of premium/discount                 | (273)         | (287)         |
| Interest Differential – Government Guarantee Fee | 938           | 1,023         |
| Other  | 46            | 81            |
| <b>Borrowing Cost Expense</b>                    | <b>13,039</b> | <b>12,798</b> |



**5. INCOME TAX**

|   | <b>2004</b>   | <b>2003</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| <b>a) Income Tax Expense</b>  |               |               |
| Prima Facie Income Tax Expense (30% of profit from ordinary activities) | 7,807         | 8,480         |
| Permanent Differences   |               |               |
| Prior Year Adjustment   | (361)         | (73)          |
| Superannuation Liability (defined benefits)                             | (96)          | 547           |
| Research & Development Concession                                       | (249)         | (149)         |
| <b>Total Income Tax Expense</b>   | <b>7,101</b>  | <b>8,805</b>  |
| <b>b) Provision for Income Tax</b>                                      |               |               |
| Opening Balance of Tax Provision  | (158)         | (347)         |
| Income Tax Provided for the Year  | 7,415         | 8,916         |
| Tax Refunds   | 839           | -             |
| Prior year adjustments  | (370)         | (82)          |
| Payment – Instalments   | (6,219)       | (8,645)       |
| <b>Provision for Income Tax at Year End</b>                             | <b>1,507</b>  | <b>(158)</b>  |

**6. CASH ASSETS**

|                           | <b>2004</b>   | <b>2003</b>   |
|---------------------------|---------------|---------------|
|                           | <b>\$'000</b> | <b>\$'000</b> |
| Cash                      | 173           | 1,824         |
| TCorp Hour-Glass Facility | 31,083        | 29,822        |
| <b>Cash Assets</b>        | <b>31,256</b> | <b>31,646</b> |

**7. RECEIVABLES**

|   | <b>2004</b>   | <b>2003</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| Trade Debtors – Net of Provision for Doubtful Debts | 10,526        | 10,408        |
| Other Debtors                                       | 3,319         | 2,848         |
| <b>Receivables</b>                                  | <b>13,845</b> | <b>13,256</b> |

**8. LANDS TRANSFERRED TO OWNERS AS OWNERS**

|   | <b>2004</b>   | <b>2003</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| Revaluation of Land to Fair value                     | -             | 241           |
| Land transferred to National Parks & Wildlife Service | -             | (1,143)       |
| <b>Total Lands Transferred to Owners as Owners</b>    | <b>-</b>      | <b>(902)</b>  |

**9. OTHER ASSETS**

|                                  | 2004         | 2003       |
|----------------------------------|--------------|------------|
|                                  | \$'000       | \$'000     |
| Prepaid Superannuation (Note 16) | 581          | 315        |
| Insurance Claims                 | 282          | 40         |
| Prepaid Insurance Premiums       | 594          | 410        |
| Other                            | 330          | 228        |
| <b>Other Assets</b>              | <b>1,787</b> | <b>993</b> |

**10. PROPERTY, PLANT & EQUIPMENT**

|   | 2004           | 2003           |
|---|----------------|----------------|
|   | \$'000         | \$'000         |
| <b>a) Facility Assets</b>                             |                |                |
| Opening balance at cost                               | 587,186        | 567,392        |
| Assets capitalised                                    | 6,440          | 19,349         |
| Asset Replacement re Bush Fires                       | 443            | 445            |
| Accumulated depreciation                              | (36,999)       | (28,473)       |
| <b>Net book value</b>                                 | <b>557,070</b> | <b>558,713</b> |
| <b>b) Work in Progress at cost</b>                    |                |                |
| Warragamba Dam Spillway Upgrade                       | 7,940          | 5,741          |
| Warragamba Dam General Upgrade                        | 4,486          | 960            |
| Warragamba Pipelines Upgrade                          | 3,841          | 2,062          |
| Blue Mountains System Upgrade                         | 88             | -              |
| Metropolitan Dams Upgrade                             | 284            | 2,106          |
| Upper Canal Upgrade                                   | 4,772          | 2,482          |
| Prospect Reservoir Upgrade                            | 2,525          | 900            |
| Shoalhaven System Upgrade                             | 1,849          | 1,093          |
| Catchments Upgrade                                    | 430            | 246            |
| General Upgrades                                      | 3,230          | 2,839          |
| <b>Work in Progress</b>                               | <b>29,445</b>  | <b>18,429</b>  |
| <b>c) Land</b>  |                |                |
| Opening balance at cost                               | 102,456        | 102,881        |
| Land capitalised                                      | -              | 477            |
| Revaluation of Land to Fair value                     | -              | 241            |
| Land transferred to National Parks & Wildlife Service | -              | (1,143)        |
| <b>Net Book Value</b>                                 | <b>102,456</b> | <b>102,456</b> |

**10. PROPERTY, PLANT & EQUIPMENT (Continued)**

|  | <b>2004</b>   | <b>2003</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>d) Buildings</b>                                  |               |               |
| Opening balance at cost                              | 4,772         | 4,736         |
| Buildings capitalised                                | 3             | -             |
| Asset Replacement re: Bush Fires                     | -             | 36            |
| Accumulated depreciation                             | (512)         | (407)         |
| Net Book Value                                       | <b>4,263</b>  | <b>4,365</b>  |
| <b>e) Operational Equipment</b>                      |               |               |
| Opening balance at cost                              | 1,913         | 1,075         |
| Equipment capitalised                                | 91            | 574           |
| Asset Replacement re: Bush Fires                     | 9             | 273           |
| Accumulated depreciation                             | (675)         | (412)         |
| Assets written off at cost re: Bush Fires            | -             | (10)          |
| Accumulated depreciation written back re: Bush Fires | -             | 4             |
| Net Book Value                                       | <b>1,338</b>  | <b>1,504</b>  |
| <b>f) Motor Vehicles</b>                             |               |               |
| Opening balance at cost                              | 890           | 759           |
| Motor vehicles capitalised                           | -             | 131           |
| Accumulated depreciation                             | (420)         | (273)         |
| Net Book Value                                       | <b>470</b>    | <b>617</b>    |
| <b>g) Office Equipment</b>                           |               |               |
| Opening balance at cost                              | 434           | 332           |
| Office Equipment capitalised                         | 97            | 59            |
| Asset replacement re: Bush Fires                     | -             | 45            |
| Assets written off re: Bush Fires                    | -             | (4)           |
| Accumulated depreciation written back re: Bush Fires | -             | 2             |
| Accumulated depreciation                             | (188)         | (117)         |
| Net Book Value                                       | <b>343</b>    | <b>317</b>    |

**10. PROPERTY, PLANT & EQUIPMENT (Continued)**

|                                      | <b>2004</b>    | <b>2003</b>    |
|--------------------------------------|----------------|----------------|
|                                      | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>h) Computer Equipment</b>         |                |                |
| Opening balance at cost              | 432            | 313            |
| Computer equipment capitalised       | -              | 78             |
| Asset replacement re: Bush Fires     | -              | 41             |
| Accumulated depreciation             | (314)          | (240)          |
| Net Book Value                       | <b>118</b>     | <b>192</b>     |
| <b>i) Office Amenities</b>           |                |                |
| Opening balance at cost              | 96             | 67             |
| Office amenities capitalised         | 19             | 28             |
| Accumulated depreciation             | (31)           | (18)           |
| Net Book Value                       | <b>84</b>      | <b>77</b>      |
| <b>j) Furniture and Fittings</b>     |                |                |
| Opening balance at cost              | 1,111          | 1,034          |
| Improvements capitalised             | 87             | -              |
| Asset Replacement re: Bush Fires     | -              | 77             |
| Accumulated depreciation             | (772)          | (520)          |
| Net Book Value                       | <b>426</b>     | <b>591</b>     |
| <b>k) Leasehold Improvements</b>     |                |                |
| Opening balance at cost              | 1,260          | 1,260          |
| Improvements capitalised             | 520            | -              |
| Accumulated depreciation             | (1,296)        | (777)          |
| Net Book Value                       | <b>484</b>     | <b>483</b>     |
| <b>Property, Plant and Equipment</b> | <b>696,497</b> | <b>687,744</b> |



**11. PAYABLES**

|                                      | <b>2004</b>   | <b>2003</b>   |
|--------------------------------------|---------------|---------------|
|                                      | <b>\$'000</b> | <b>\$'000</b> |
| Creditors                            | 4,998         | 6,789         |
| Accrued charges                      | 23,112        | 25,907        |
| Accrued salaries, wages and on-costs | 230           | 269           |
| <b>Payables</b>                      | <b>28,340</b> | <b>32,965</b> |

**12. INTEREST-BEARING LIABILITIES**

|  | <b>2004</b>   | <b>2003</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>a) Short Term</b>                                 |               |               |
| Call Loans   | 9,164         | -             |
| Fixed Interest Loans (TCorp)                         | -             | 28,099        |
| Futures  | (354)         | (325)         |
| Premium / (discount) on loans                        | -             | 66            |
| <b>Total Short Term Interest Bearing Liabilities</b> | <b>8,810</b>  | <b>27,840</b> |

In November 2003 \$12.0 million in short term debt was drawn down from TCorp and by February 2004 had been progressively reduced to \$1.720 million through conversion to long term loans. In April 2004, one long term loan matured, increasing short term debt to \$19.453 million. In June the balance of short term loans was reduced to \$9.164 million with the creation of three new long term loans.

**b) Long Term**

|   |                |                |
|---|----------------|----------------|
| Fixed Interest Loans (TCorp)                        | 176,122        | 144,878        |
| Premium/ (discount) on loans                        | 1,378          | 1,871          |
| <b>Total Long Term Interest-Bearing Liabilities</b> | <b>177,500</b> | <b>146,749</b> |

During the year two long term loans matured totalling \$28.099 million. Eight new long term loans have been created from a combination of new debt drawn down and the maturing long term loans. The total value of new loans is \$31.244 million.

**13. PROVISIONS, EXCLUDING INCOME TAX LIABILITIES**

|   | 2004<br>\$'000 | 2003<br>\$'000 |
|---|----------------|----------------|
| <b>a) Current</b>                                       |                |                |
| Provisions for Taxes                                    | 66             | 87             |
| Provisions for Dividends                                | 18,354         | 18,877         |
| Provisions for Employee Benefits                        | 2,806          | 2,695          |
| Current Provisions, excluding tax liabilities           | <b>21,226</b>  | <b>21,659</b>  |
| <b>b) Non Current</b>                                   |                |                |
| Unfunded Superannuation Liability (Note 16)             | 3,143          | 3,197          |
| Provisions for Employee Benefits                        | 4,677          | 3,830          |
| Non Current Provisions, excluding tax liabilities       | <b>7,820</b>   | <b>7,027</b>   |
| <b>Aggregate employee benefits and related on-costs</b> |                |                |
| Provisions – current                                    | 2,806          | 2,695          |
| Provisions – non-current                                | 7,820          | 7,027          |
| Accrued salaries, wages and on-costs (Note 11)          | 230            | 269            |
|   | <b>10,856</b>  | <b>9,991</b>   |

**14. INSURANCE RECOVERIES FROM BUSH FIRES**

The Statement of Financial Performance contains gross revenue of \$0.609 million (\$1.910 million, 2003). It also contains gross operational expenditure of \$0.16 million (\$1.400 million, 2003) representing the costs of restoration work and excess labour costs in relation to the s44 *Rural Fires Act 1997* claims.

\$0.325 million (\$0.402 million, 2003) represents the funding recovered for the replacement of assets, principally the purchase of a replacement mobile crane for use at the Warragamba site.

The Statement of Financial Position includes fixed assets of \$0.451 million (\$0.914 million, 2003) within Property, Plant and Equipment.

**15. STATEMENT OF OPERATIONS OF SEGMENTS**

The economic entity operates predominately in the water industry in the one geographical area of New South Wales in Australia. Its area of operations is wholly within New South Wales.

**16. SUPERANNUATION**

| <b>2004</b>                              | <b>SASS</b> | <b>SANCS</b> | <b>SSS</b> | <b>Total</b> |
|--|-------------|--------------|------------|--------------|
| Contributors                             | 53          | 87           | 34         | 174          |
| Pensioners                               | -           | -            | 9          | 9            |
| <b>Monetary Value in \$'000</b>          |             |              |            |              |
| Accrued Liability                        | (5,637)     | (1,986)      | (13,936)   | (21,559)     |
| Less Estimated Reserve Account           |             |              |            |              |
| Closing Balance as at 30 June 2004       | 6,218       | 1,943        | 10,836     | 18,997       |
| Prepaid Contributions as at 30 June 2004 | 581         | -            | -          | 581          |
| Unfunded Liability as at 30 June 2004    | -           | (43)         | (3,100)    | (3,143)      |
| <b>2003</b>                              |             |              |            |              |
|  | <b>SASS</b> | <b>SANCS</b> | <b>SSS</b> | <b>Total</b> |
| Contributors                             | 51          | 83           | 32         | 166          |
| Pensioners                               | 0           | 0            | 7          | 7            |
| <b>Monetary Value in \$'000</b>          |             |              |            |              |
| Accrued Liability                        | (4,711)     | (1,583)      | (11,582)   | (17,876)     |
| Less Estimated Reserve Account           |             |              |            |              |
| Closing Balance as at 30 June 2003       | 5,022       | 1,587        | 8,385      | 14,994       |
| Prepaid Contributions as at 30 June 2003 | 311         | 4            | -          | 315          |
| Unfunded Liability as at 30 June 2003    | -           | -            | (3,197)    | (3,197)      |

The SCA's gross superannuation liability for employees in the above three schemes as at 30 June 2004 was calculated using the assumptions with regard to rates of mortality, resignation, retirement and other demographics as those to be used for the 2003 triennial valuation.

The calculations of SSS, SASS and SANCS liabilities is based on the requirements of AAS25. The financial assumptions that have been applied for the calculations are:

|                           | <b>2003/04</b> | <b>2004/05</b> | <b>2005/06 &amp; thereafter</b> |
|---------------------------|----------------|----------------|---------------------------------|
| Rate of investment return | 7.0            | 7.0            | 7.0                             |
| Rate of salary increase   | 4.0            | 4.0            | 4.0                             |
| Rate of increase in CPI   | 2.5            | 2.5            | 2.5                             |

The assessment is based on membership data as at 31 March 2004 and neither assets nor liabilities have been adjusted to reflect any changes to the SCA since that date.

The summary statement above includes the estimated number of members in each membership category and the net funding position as at 30 June 2004.

The estimated reserve account balance as to 30 June 2004 comprises the actual June 2004 reserve account balance, which includes all transactions for the year (other than June's interest), plus an estimate of the interest applicable to the reserve for the month of June.

**17. COMMITMENTS****Goods and Services Tax (GST)**

All commitments include the Goods and Services Tax (GST) where applicable. The SCA is registered for GST and claims back from the Australian Taxation Office all GST paid on business expenditure as Input Tax Credits. The SCA collects taxes on taxable supplies also where applicable.

**a) Capital Commitments**

|  | <b>2004</b>   | <b>2003</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Capital commitments contracted for at balance date but not provided for: |               |               |
| Not later than 1 year  | 12,276        | 5,016         |
| Later than 1 year but not later than 5 years                             | 4,176         | 539           |
| <b>Capital Commitments</b>   | <b>16,452</b> | <b>5,555</b>  |

**b) Other Expenditure Commitments**

|  | <b>2004</b>   | <b>2003</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Other expenditure commitments contracted for at balance date but not provided for: |               |               |
| Not later than 1 year  | 22,790        | 19,602        |
| Later than 1 year but not later than 5 years                                       | 14,249        | 17,359        |
| <b>Other Expenditure Commitments</b>   | <b>37,039</b> | <b>36,961</b> |

**c) Lease Commitments**

|  | <b>2004</b>   | <b>2003</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Operating lease expenditure contracted for at balance date but not provided for: |               |               |
| Not later than 1 year  | 2,497         | 2,674         |
| Later than 1 year but not later than 5 years                                     | 2,350         | 1,690         |
| <b>Lease Commitments</b>   | <b>4,847</b>  | <b>4,364</b>  |



## 18. CONTINGENT LIABILITIES

Other than commitments mentioned elsewhere in these notes, the SCA is not aware of any contingent liabilities associated with its operations.

### a) Native Title Claims

In 2003 the SCA reported two contingent liability claims involving native title claims made by the Gundungurra people. The first of these claims involves lands that have been transferred to the National Parks Estate. The Department of Environment and Conservation now has the carriage of this matter. The status of the other native title claim, involving land under the stored waters of Warragamba Dam is as follows:

#### **Gundungurra Native Title Claim – Land Under Stored Waters – Warragamba Dam**

On 15 March 2002 at the court proceedings involving the Gundungurra Native Title claim over the special areas the SCA became aware of another matter in the Court List involving another claim by the Gundungurra People over the land under the stored waters in the Warragamba Dam. As a result of legal advice, it has been established that this is a separate claim to that regarding the Warragamba Special Area lands.

The interests of the Crown were represented by the Crown Solicitor's Office appearing at the direction for the Minister for Land and Water Conservation.

This matter was again before the Federal Court on 20 September 2002. The legal representatives of the claimants stated that their clients wanted recognition of their historical role in the area. The legal representatives for the State claimed that Native Title had been extinguished and that nothing more could be done.

On 11 April 2003 this matter was again before the Federal Court for directions. On the basis of the recent High Court decision in the Yorta Yorta matter, it is anticipated that this native title claim will be discontinued. The native title claimants must establish that the group's claim and interests are linked to an unbroken chain of connection to the land and that traditional laws and customs relating to the connection have been followed.

It is the view of the Department of Lands that the land covered by this claim is statutory freehold and therefore native title is extinguished over that freehold. A decision on whether to make application to the Court to have this claim struck out is being held in abeyance until the likely outcome of the native title claim over the special area lands is known.

### b) The Warragamba Dam Auxiliary Spillway Project

#### i) Folly Creek Claim

The Sydney Catchment Authority (SCA) is in receipt of a claim from Abigroup Contractors Pty. Limited (Abigroup) that seeks \$14.5 million for alleged breaches of the Fair Trading Act 1987 and warranty provisions in the contract for the construction of the Warragamba Dam Auxiliary Spillway. This claim was lodged in the Supreme Court by Abigroup on 28 September 2001.

## 18. CONTINGENT LIABILITIES (Continued)

The claim involves an allegation that the SCA made a representation during the tender process that no plans existed of a drainage pipe constructed about the time that construction of the Warragamba Dam was completed in 1960. Abigroup says that the representations applied to other plans of the drainage in Folly Creek that were in existence in the early 1950's and came to light after the contract was awarded.

The hearing of the matter commenced on Monday 17 June 2002, before Mr Morton Rolfe, the court appointed Referee, and concluded on Friday 12 July 2002.

On 8 August 2002 the Referee delivered his report in the matter. The Referee found in favour of the SCA.

Prior to the Referee's Report becoming a Judgement of the Supreme Court, it is required to be adopted by the Court. When the matter was again before the Court on 6 September 2002, Abigroup opposed the adoption of the Referee's Report.

On 23 July 2003, the Supreme Court delivered a Judgement in favour of the SCA. The Referee's report then became a judgement of the Supreme Court in favour of the SCA. Formal orders in favour of SCA, including an award of costs, were made on 13 August 2003.

Abigroup appealed to the Court of Appeal, arguing that the findings of the Referee were in error and not supported by any evidence. It was further argued by Abigroup that the Trial Judge, Nicholas J, was bound to correct the Referee's errors. The appeal was heard on 29 and 30 March 2004.

The Court of Appeal handed down its judgement on 9 August 2004 and made Orders in favour of Abigroup. One of these Orders was that the Referee's Report be "rejected". The Court of Appeal remitted the matter back to the Supreme Court for rehearing before the Trial Judge.

The SCA is in receipt of advice from Senior Counsel that it has reasonable prospects for success when the matter again comes before the Court.

The SCA has sought clarification from the Court of Appeal on the correct interpretation of the word "rejected" on whether it applies to the Referee's Report in whole or in part. The matter is listed before the Court of Appeal in October 2004. As at the date of this report, no decision has been made.

Should the matter be determined against the SCA, the SCA would as a result of the collapse of two of its insurers post the events of 11 September 2001, bear a maximum of 40% of the cost of any award made between \$5 million and \$20 million.

**18. CONTINGENT LIABILITIES (Continued)****ii) Contractual Disputes**

On 3 October 2003, Abigroup filed a Summons in the Technology and Construction List of the Equity Division of the Supreme Court, commencing proceedings against the SCA with regard to outstanding contract disputes involving the construction of the Warragamba Dam Auxiliary Spillway and strengthening works undertaken to the dam.

The Summons claimed an amount of \$6,231,219 for damages and declarations in relation to the Date of Practical Completion, interest and costs.

Six significant issues are in dispute between the Parties. The matters came before the Supreme Court on 27 August 2004 for directions. At this time it was anticipated that the matter would be referred out to a Referee for hearing as occurred in the Folly Creek litigation.

After having regard to Counsel's advice and the strengths and weaknesses of the SCA position on various components of this matter, on 2 September 2004 a *without prejudice* offer of settlement in the amount of \$688,800 of all claims including legal costs and interest, was made to Abigroup.

The matter is set down in the Supreme Court for a three week hearing commencing the week beginning 14 February 2005.

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## 19. RECONCILIATION OF SURPLUS FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES

|  | 2004          | 2003          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| Operating Surplus after Income Tax               | 18,921        | 19,461        |
| <b>Add:</b>                                      |               |               |
| Non cash items                                   |               |               |
| Depreciation and assets written off              | 9,974         | 9,647         |
| Assets charged to expenditure                    | -             | 569           |
| <b>Add/(Subtract):</b>                           |               |               |
| Net Movement applicable to operating activities  |               |               |
| Suppliers and Employees                          | (4,576)       | 10,119        |
| Borrowing costs                                  | 41            | 222           |
| Receivables                                      | (589)         | (731)         |
| Income Tax                                       | 1,722         | 160           |
| <b>Net Cash provided by Operating Activities</b> | <b>25,493</b> | <b>39,447</b> |

## 20. FINANCIAL INSTRUMENTS

### a) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The SCA's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrecognised, at the Statement of Financial Position date are as follows:

2004

|                                    | Non Interest Bearing | Floating Rate <1 yr | Fixed Rate 1-5 Yrs | Fixed Rate Yrs >5 | Total          | Annualised Client Rtn |
|------------------------------------|----------------------|---------------------|--------------------|-------------------|----------------|-----------------------|
|                                    | \$'000               | \$'000              | \$'000             | \$'000            | \$'000         |                       |
| <b>Financial Assets</b>            |                      |                     |                    |                   |                |                       |
| Cash                               | 4                    | 169                 | -                  | -                 | 173            | 5.03%                 |
| Treasury Corporation               | -                    | 31,083              | -                  | -                 | 31,083         | 5.52%                 |
| Receivables                        | 13,845               | -                   | -                  | -                 | 13,845         | N/A                   |
| <b>Total Financial Assets</b>      | <b>13,849</b>        | <b>31,252</b>       | <b>-</b>           | <b>-</b>          | <b>45,101</b>  |                       |
|                                    |                      |                     |                    |                   |                |                       |
|                                    | Non Interest Bearing | Fixed Rate <1 yr    | Fixed Rate 1-5 Yrs | Fixed Rate Yrs >5 | Total          | Annualised Client Rtn |
|                                    | \$'000               | \$'000              | \$'000             | \$'000            | \$'000         |                       |
| <b>Financial Liabilities</b>       |                      |                     |                    |                   |                |                       |
| Borrowings (TCorp)                 | -                    | 9,164               | 84,981             | 91,141            | 185,286        | 6.56%                 |
| Accounts Payable                   | 28,340               | -                   | -                  | -                 | 28,340         | N/A                   |
| <b>Total Financial Liabilities</b> | <b>28,340</b>        | <b>9,164</b>        | <b>84,981</b>      | <b>91,141</b>     | <b>213,626</b> |                       |



**20. FINANCIAL INSTRUMENTS (CONTINUED)****2003**

2009

|                               | Non Interest Bearing | Floating Rate <1 yr | Fixed Rate 1-5 Yrs | Fixed Rate Yrs >5 | Total         | Annualised Client Rtn |
|-------------------------------|----------------------|---------------------|--------------------|-------------------|---------------|-----------------------|
| Financial Assets              | \$'000               | \$'000              | \$'000             | \$'000            | \$'000        |                       |
| Cash                          | 5                    | 1,819               | -                  | -                 | 1,824         | 4.30%                 |
| Treasury Corporation          | -                    | 29,822              | -                  | -                 | 29,822        | 4.77%                 |
| Receivables                   | 13,256               | -                   | -                  | -                 | 13,256        | N/A                   |
| <b>Total Financial Assets</b> | <b>13,261</b>        | <b>31,641</b>       | <b>-</b>           | <b>-</b>          | <b>44,902</b> |                       |

|                                    | Non Interest Bearing | Fixed Rate <1 yr | Fixed Rate 1-5 Yrs | Fixed Rate Yrs >5 | Total          | Annualised Client Rtn |
|------------------------------------|----------------------|------------------|--------------------|-------------------|----------------|-----------------------|
| Financial Liabilities              | \$'000               | \$'000           | \$'000             | \$'000            | \$'000         |                       |
| Borrowings (TCorp)                 | -                    | 27,840           | 81,482             | 65,267            | 174,589        | 6.68%                 |
| Accounts Payable                   | 32,965               | -                | -                  | -                 | 32,965         | N/A                   |
| <b>Total Financial Liabilities</b> | <b>32,965</b>        | <b>27,840</b>    | <b>81,482</b>      | <b>65,267</b>     | <b>207,554</b> |                       |

**b) Credit Risk**

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation thereunder. The Sydney Catchment Authority's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Statement of Financial Position.

|             | Government<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
|-------------|----------------------|-----------------|-----------------|
| <b>2004</b> |                      |                 |                 |
| Receivables | 13,306               | 539             | 13,845          |
|             |                      |                 |                 |
|             | Government<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
| <b>2003</b> |                      |                 |                 |
| Receivables | 12,457               | 799             | 13,256          |

**c) Net Fair Value**

All financial instruments are carried at Net Fair Value, the values of which are reported in the Statement of Financial Position.

**20. FINANCIAL INSTRUMENTS (CONTINUED)****d) Derivatives**

The SCA uses TCorp as a Debt Portfolio Manager. TCorp uses a small percentage of loans in Derivatives to maximise the portfolio performance.

|                      |               |             |                      |               |
|----------------------|---------------|-------------|----------------------|---------------|
| 2004                 |               |             |                      |               |
| Non Interest Bearing | Face Value:   | \$NIL       |                      | Coupon: %     |
| Futures Related      |               |             |                      |               |
| Futures Position     | Bought/(sold) | Total value | Per 0.01%            | Per 0.01%     |
|                      |               | (\$'000)    | Risk \$ Per Contract | Total Risk \$ |
| 30 June 2004         |               |             |                      |               |
| 3 year bonds         | -             | -           | -                    | -             |
| 10 year bonds        | -             | -           | -                    | -             |
| 2003                 |               |             |                      |               |
| Non Interest Bearing | Face Value:   | (\$282,741) |                      | Coupon: 4.75% |
| Futures Related      |               |             |                      |               |
| Futures Position     | Bought/(sold) | Total value | Per 0.01%            | Per 0.01%     |
|                      |               | (\$'000)    | Risk \$ Per Contract | Total Risk \$ |
| 30 June 03           |               |             |                      |               |
| 3 year bonds         | (24)          | (2,400)     | (28.43)              | 682.32        |
| 10 year bonds        | (14)          | (1,400)     | (81.32)              | 1,138.48      |

**21. ACCUMULATED FUNDS**

|   | Accumulated Funds |                | Asset Revaluation Reserve |                | Total Equity   |                |
|---|-------------------|----------------|---------------------------|----------------|----------------|----------------|
|   | 2004<br>\$'000    | 2003<br>\$'000 | 2004<br>\$'000            | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| Balance at the beginning of the financial year  | 499,522           | 499,840        | -                         | -              | 499,522        | 499,840        |
| <b>Changes in equity – transactions with owners as owners</b>                           |                   |                |                           |                |                |                |
| Increase/decrease in net assets from equity transfers                                   |                   |                |                           |                |                |                |
| - Transfer of Land to National Park & Wildlife  | -                 | (1,143)        | -                         | -              | -              | (1,143)        |
| <b>Total</b>  | -                 | (1,143)        | -                         | -              | -              | (1,143)        |
| <b>Changes in equity – other than transactions with owners as owners</b>                |                   |                |                           |                |                |                |
| Surplus for the year  | 18,921            | 19,461         | -                         | -              | 18,921         | 19,461         |
| Increment on revaluation of Land and Buildings  | -                 | -              | -                         | 241            | -              | 241            |
| Dividend paid from Accumulated Funds  | (18,354)          | (18,877)       | -                         | -              | (18,354)       | (18,877)       |
| <b>Total</b>  | <b>567</b>        | <b>584</b>     | <b>-</b>                  | <b>241</b>     | <b>567</b>     | <b>825</b>     |
| <b>Transfers within equity</b>  |                   |                |                           |                |                |                |
| Asset revaluation reserve balance transferred to accumulated funds on disposal of asset | -                 | 241            | -                         | (241)          | -              | -              |
| <b>Total</b>  | -                 | 241            | -                         | (241)          | -              | -              |
| <b>Balance at the end of the financial year</b>   | <b>500,089</b>    | <b>499,522</b> | <b>-</b>                  | <b>-</b>       | <b>500,089</b> | <b>499,522</b> |

**22. POST BALANCE DATE EVENTS**

There were no post balance date events, except as stated elsewhere in this report.

(End of Audited Financial Statements)

sydney catchment authority

# appendices

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# appendices

## I. Names and Qualifications of Board Members

The Board's membership changed during 2003-04. The Minister appointed Lisa Corbyn to the Board as the Sydney Catchment Authority's (SCA) Chief Executive and appointed the previous Chief Executive, Graeme Head, as Managing Director. Robyn Kruk resigned from the board. The three-year term of the current SCA Board continued throughout 2003-04 with the following members.

### Board Members

#### John Whitehouse, Chairman

John Whitehouse has had an extensive career in law and public service. He is a partner with the law firm Minter Ellison, where he is Practice Head, Planning and Environment Law. He is a Fellow in Environmental Studies at Macquarie University and an Honorary Professorial Fellow in the School of Law at Wollongong University. His previous positions include:

- Partner, Dunhill Madden Butler
- Director, NSW National Parks and Wildlife Service (NPWS)
- Assistant Director, NSW Department of Environment and Planning
- Director, Sydney Water Corporation.

Mr Whitehouse holds degrees in arts and law from the University of Sydney, a Bachelor of Science from Macquarie University, and a Diploma in Legal Practice from the University of Technology Sydney.

#### Lisa Corbyn, Deputy Chairman

Lisa Corbyn has been the Chief Executive of the SCA since September 2003. She is also the Director General of the Department of Environment and Conservation (DEC). She previously held the position of Director General of the NSW Environment Protection Authority (EPA) from November 2000 to September 2003, having held

executive positions with the EPA since its inception. Prior to this, she held senior positions with the Ministry for the Environment, AWA Limited, Sydney Water Board and the Department of Planning. She also worked for over 10 years with the US Environmental Protection Agency.

Ms Corbyn holds a Masters degree in Public Administration.

The Minister appointed Ms Corbyn as a member of the Board on 24 September 2003.

#### John Asquith

John Asquith is the Board nominee from the Nature Conservation Council of NSW. He is the Honorary Secretary of that organisation and Chairman of the Central Coast Community Environment Network. He has been a trustee of the NSW Environmental Trust and a member of the NSW Bushfire Coordinating Committee. Mr Asquith has recently been appointed to the Hunter-Central Rivers Catchment Management Authority.

Mr Asquith holds Bachelor of Engineering and Master of Arts degrees, and is a conjoint lecturer in the School of Applied Science, Sustainable Resource Management at the University of Newcastle.

#### Kerry Chant, Chairman, Corporate Governance Committee

Kerry Chant is Director, Public Health Unit, South Western Sydney Area Health Service. Her areas of responsibility include the prevention and control of infectious diseases, and environmental health.

Dr Chant holds a medical degree and Masters degrees in Health Administration, and Public Health. She is a member of the Royal Australian College of Physicians, Faculty of Public Health.

#### Robert (Bob) Corben

Robert Corben is a Fellow of the Australian Society of Certified Public Accountants and a Registered Company Auditor. Mr Corben has been in public accountancy practice for 28 years. His practice specialises in ongoing

financial advisory services and he acts as consultant to a number of state and federal government departments. Accounting and financial services are provided to a diverse client base drawn from both the private and public sectors, including funded organisations. Mr Corben is a Board member of the NSW Legal Aid Commission and holds a number of directorships in industry. He has also acted as administrator for 10 cooperatives. Prior to entering public practice he held a number of senior financial positions in commerce and industry.

#### Maggie Deahm

Maggie Deahm has spent most of her working life in the NSW Public Service, including nine years with the Ministry for the Arts and 12 years with the NSW Agent General's Office, London. Ms Deahm has lived in the Blue Mountains since 1987 and was elected to Blue Mountains City Council in 1991. She served as the Federal Member for Macquarie, 1993-96. From 1996-2000, she served both as a member and Chairman of the Western Sydney Waste Board. She has held positions as Deputy Chairman of the Board of the Jenolan Caves Reserve Trust and an assessor to the Local Government Remuneration Tribunal.

#### Graeme Head

Graeme Head is the Managing Director of the SCA and is responsible for its day-to-day management. He held the position of SCA's Chief Executive from late 2001 to September 2003. Mr Head previously worked for 12 years at the NSW EPA and its predecessor, the State Pollution Control Commission. Over that time, he held the positions of Assistant Director General, and Director Education and Community Programs. Before working at the EPA, Mr Head worked for many years in health and human services, including as an Assistant Director, NSW Centre for Education and Information on Drugs and Alcohol.

The Minister appointed Graeme Head as Managing Director of the SCA on 24 September 2003.

# appendices

## Robyn Kruk

Robyn Kruk is the Director General of NSW Health. Prior to this appointment, she was Deputy Director General at the NSW Premier's Department, Director General at the NSW NPWS and Deputy Director General at the Cabinet Office. Ms Kruk has significant experience in the resolution of natural resource conflicts. She has represented NSW in negotiations of significant Commonwealth and State agreements, including the Intergovernmental Agreement on the Environment, National Forestry Policy, and the National Biodiversity Strategy. Ms Kruk chaired the CSIRO Biodiversity Sector Advisory Committee and led the secretariat supporting Peter McClellan QC in the conduct of the inquiry into Sydney's water supply, which recommended the establishment of the SCA.

Robyn Kruk resigned from the Board on 22 September 2003

## Sara Murray

Sara Murray has been a councillor for Wingecarribee Shire Council for 11 years, including four years as mayor and a year as deputy mayor. Dr Murray is President of the NSW Local Government Association, and previously held the position of Deputy President. She has also served on a number of inter-government committees and has a strong interest and involvement in environmental and water-related issues.

Dr Murray is a psychologist in private practice. She holds a Bachelor of Arts degree from the Australian National University and doctorate in psychology from the University of Sydney. She has held various research and university teaching positions.

## Kenneth Wheelwright, Chairman Audit Committee

Kenneth Wheelwright is the NSW Farmers Association nominee to the SCA Board and has recently been appointed to the Board of the Hawkesbury-Nepean Catchment Management Authority. He manages a grazing property situated in the catchment on

the upper reaches of the Wollondilly River. He has an active interest in developing sustainable and profitable farm management practices.

Mr Wheelwright holds a degree in Rural Science, University of New England, and is involved with tertiary education of agricultural students. More recently, he obtained a Bachelor of Business, Charles Sturt University, and training in Holistic Management.

## 2. SCA Board Attendances at Meetings

The Board generally meets 11 times each year – from February to December. When necessary, the Board also considers matters out of session. In 2003-04, the Board met 11 times.

**Table A1 -  
SCA Board meeting attendances,  
1 July 2003 – 30 June 2004**

| Board member        | Meetings held during member's term | Meetings attended |
|---------------------|------------------------------------|-------------------|
| John Whitehouse     | 11                                 | 11                |
| Lisa Corbyn         | 8                                  | 7                 |
| Graeme Head         | 9                                  | 9                 |
| John Asquith        | 11                                 | 10                |
| Kerry Chant         | 11                                 | 10                |
| Robert Corben       | 11                                 | 10                |
| Maggie Deahm        | 11                                 | 10                |
| Robyn Kruk          | 3                                  | 1                 |
| Sara Murray         | 11                                 | 10                |
| Kenneth Wheelwright | 11                                 | 11                |

## 3. Standing Committees

The Board continues to operate through two standing committees: the Audit Committee and the Corporate Governance Committee.

## Audit Committee

The Audit Committee is responsible for ensuring the effectiveness of the SCA's internal and external audit processes and giving careful consideration to issues raised by the auditors.

The Committee is also responsible for ensuring that the SCA's accounting policies and principles are in accordance with the stated financial reporting framework. It must ensure that the Board is informed of significant issues raised by the auditors, management or committee members.

**Table A2 - Audit Committee  
Meeting Attendances,  
1 July 2003 – 30 June 2004**

| Committee members              | Meetings held during member's term | Meetings attended |
|--------------------------------|------------------------------------|-------------------|
| Kenneth Wheelwright (Chairman) | 5                                  | 5                 |
| Lisa Corbyn                    | 5                                  | 4                 |
| Graeme Head                    | 4                                  | 4                 |
| John Asquith                   | 5                                  | 3                 |
| Robert Corben                  | 5                                  | 5                 |

## Corporate Governance Committee

The Corporate Governance Committee is responsible for ensuring that the SCA meets all of its statutory reporting requirements. It monitors the SCA's performance by overseeing the development of quarterly reports to the Board on matters that include the Business Plan 2002-2007, the Statement of Financial Framework and the Capital Works Program.

The Committee also oversees the development of quarterly reports to the Board relating to SCA licences. The reports identify the SCA's level of compliance with the licences and any remedial action taken following audits.

The Committee is also responsible for developing policies for the Board to consider.

**Table A3 -  
Corporate Governance  
Committee Attendances,  
1 July 2003–30 June 2004**

| <b>Committee members</b> | <b>Meetings held during member's term</b> | <b>Meetings attended</b> |
|--------------------------|---|--------------------------|
| Kerry Chant (Chairman)   | 3   | 3                        |
| Lisa Corbyn              | 1   | 0                        |
| Graeme Head              | 3   | 3                        |
| John Whitehouse          | 3   | 3                        |
| Maggie Deahm             | 3   | 2                        |
| Robyn Kruk               | 1   | 0                        |
| Sara Murray              | 3   | 1                        |

Some matters usually delegated by the Board to the Corporate Governance Committee were dealt with by the full Board in 2003-04.

## 4. Senior Executive Qualifications

Margaret Brodie, BA, Dip Social Studies, Dip Strategic Marketing, General Manager Corporate & Property Services

Andrew Bryan, BA (Hons), MTCP, MPIA, Executive Director Policy and Governance (acting)

George Dodds, Dip Civ Eng, M Eng Sc (Env Eng), General Manager, Catchment Operations and Major Projects

Kenneth Elliott, BA LLB, Senior Legal Counsel

Ian Landon-Jones, BE (Civil), M Eng Sc, Executive Director Dam Safety

Ian Tanner, BSc (Civil Eng), General Manager Bulk Water

Barrie Turner, BSc (Hons) (Town Planning), Dip Town Planning, MPIA, General Manager Environment and Planning

Rhonda Wheatley, BBus (Acc/Law) Grad Cert Pub Sect Mgmt, FCPA, FAICD, Executive Director Finance and Procurement

## 5. Principal Legislation and Regulation

The SCA has regulatory tools to manage activities that are likely to impact on catchment lands and water quality. The tools consist of regulations made under the *Sydney Water Catchment Management Act 1998*, and planning instruments made under the *Environmental Planning and Assessment Act 1979*.

### Principal Regulation

The SCA manages activities that are likely to impact on water quality and the catchments. It does this through regulations made under the *Sydney Water Catchment Management Act 1998* and planning instruments made under the *Environmental Planning and Assessment Act 1979*.

### Sydney Water Catchment Management (General Regulation) 2000

This regulation enables the SCA to regulate access, activities and behaviour in controlled and special areas. Controlled areas are tracts of land where the SCA's works are located. Special Areas are large tracts of land surrounding the SCA's water storages.

### Sydney Water Catchment Management (Environment Protection) Regulation 2001

To protect water quality and manage the catchments, this regulation enables the SCA to exercise certain regulatory functions under the *Protection of the Environment Operations Act 1997* with regard to non-scheduled premises and activities. These are premises and activities that have not been licensed by the DEC.

### Operating Licence

On 2 July 1999, the Governor of NSW granted the SCA an operating licence under section 25 of the *Sydney Water Catchment Management Act 1998*. The licence was amended under section 27 of the Act, effective 19 April 2000. The licence enables

the SCA to exercise any function conferred or imposed on it by the *Sydney Water Catchment Management Act 1998* or by any other Act within and beyond the SCA's area of operations.

The SCA is authorised and obliged by its operating licence to provide, construct, operate, manage and maintain efficient systems for the supply of bulk water. The SCA is also obliged to ensure that its works comply with the quality and performance standards required by the licence.

The SCA's performance against the terms of its operating licence is subject to audit every 12 months. The audit is by a licensed auditor, appointed by the Independent Pricing and Regulatory Tribunal (IPART).

The operating licence is subject to a mid-term review and an end-of-term review by IPART. This is to determine whether or not the licence is fulfilling its objectives. The reviews also cater for any other issues that need to be considered.

### Water Management Licence

On 23 April 2001, the Water Administration Ministerial Corporation (the Department of Infrastructure, Planning and Natural Resources (DIPNR)) granted the SCA a water management licence, pursuant to Part 9 of the *Water Act 1912*.

The licence is for a term of 20 years. It was required to be reviewed within six months of the date of issue and, thereafter, before the end of each five-year period for the term of the licence.

The objective of the water management licence is to manage the SCA's access to water resources within its area of operations. This must be done according to the principles of ecologically sustainable development as described in section 6(2) of the *Protection of the Environment Administration Act 1991*.

The licence authorises the SCA to take and use water from water sources and water management works, as specified in the licence. It also specifies the amount of water that the SCA must make available for environmental flows.

# appendices

The SCA is required by the licence to pay a licence fee for water management charges and for costs incurred by the Ministerial Corporation in administering the licence.

## Memoranda of Understanding

The SCA is required, under Section 36 of the *Sydney Water Catchment Management Act 1998*, to enter into memoranda of understanding (MOU) with the regulatory agencies listed in Section 35(a) of the Act. The agencies are:

- Director General of NSW Health
- Water Administration Ministerial Corporation
- Department of Environment and Conservation (DEC).

In 2002-03, the SCA began negotiations to revise the MOUs with each of these agencies. The revised MOUs with the Director General of NSW Health and with the DEC were finalised and have continued to be effective throughout 2003-04.

Due to changes in government structure over the past two years, the revised MOU with the Water Administration Ministerial Corporation could not be finalised.

## Special Areas Strategic Plan of Management

Section 49 of the *Sydney Water Catchment Management Act 1998* identifies strategies for the management of Special Area lands. The purpose is to maintain ecological integrity and protect water quality. Special Areas are the lands adjacent to the SCA's water storages. The SCA and the DEC jointly developed and continue to implement the Special Areas Strategic Plan of Management.

## Pricing

The Premier, in an order made under Section 4 of the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act), declared that the following services supplied by the SCA are government monopoly services:

- water supply services
- ancillary and miscellaneous services for which no alternative supply exists and which relate to the supply of those services.

The effect of the order is that, being government monopoly services, IPART will determine the price that the SCA is able to charge for the services.

IPART invites submissions and holds public hearings prior to determining the price that the SCA is able to charge its customers. The SCA's customers are Sydney Water, Shoalhaven City Council, Wingecarribee Shire Council and 60 retail customers.

## Planning Instruments

### State Environmental Planning Policy No. 58

*State Environmental Planning Policy No 58* (SEPP 58) – *Protecting Sydney's Water Supply* – took effect on 1 February 1999. The policy requires new developments within catchments to be assessed for potential impacts on water quality. A consent authority is required by SEPP 58 to notify the SCA or to seek the SCA's agreement (or both) in relation to certain developments.

### Draft Regional Plan

Under Section 53 of the *Sydney Water Catchment Management Act 1998*, all the land within the catchment area is subject to a regional plan. See key result area 1 for information on progress of the draft plan.

### Directions under Section of Environmental Planning and Assessment Act 1979

Under section 117 of the Act, the SCA is able to influence the development and amendment of local environmental plans to ensure that the plans contain adequate measures to protect catchments and water quality.

## 6. Insurance

The SCA insurance policies have been placed with various domestic, London and

European underwriters. Most policies were due for renewal as at 31 May 2004.

The cost of insurance has been reduced by approximately \$1.1 million, in part due to a recovery in the insurance industry and the SCA's approach to asset management.

The major insurance policies renewed during 2003-04 were: Industrial Special Risks (Property), Combined Public and Product Liability, Professional Indemnity, and Directors and Officers Liability Insurance.

The insurance coverage has been tailored to meet the SCA's business and asset management requirements.

## 7. Legal Change

### Amendments to the Sydney Water Catchment Management Act 1998

The *Sydney Water Catchment Management Amendment Act 2003* was assented to on 20 November 2003 and commenced on that date. The Act amended the *Sydney Water Catchment Management Act 1998* to enable the SCA to engage in the generation and supply of hydro electricity and to receive monies from this activity.

The *Statute Law (Miscellaneous Provisions) Act (No. 2) 2003* amended the *Sydney Water Catchment Management Act 1998* to provide for the appointment of the Managing Director to the Board of the SCA.

## 8. Current Legal Matters

As at 30 June 2004, the SCA had carriage of the following legal matters:

- Gundungurra – Native Title Claim – Land in Special Areas
- Gundungurra Native Title Claim – Land Under Stored Waters – Warragamba Dam
- Intervention by the SCA in matter of Smith & Sonter versus Wollondilly Shire Council







# appendices

- Warragamba Dam Auxillary Spillway Project – Folly Creek Claim
- Warragamba Dam Auxillary Spillway Project – Contractual Disputes Notified to the Superintendent

Information on the status of these matters is discussed in the Financial Statement: Note 18 – Contingent Liabilities.

## 9. Freedom of Information Applications and Status

Freedom of Information (FOI) statistics for 2003–04 are shown below, together with statistics for the two preceding years. The SCA received 10 new FOI requests for documents during the year. No requests were brought forward from 2002–03. No Ministerial Certificates specifying that a document is a restricted document were issued.

The SCA is committed to the principle of transparency of decision-making and public access to its documents. Key documents are available to the public through the SCA's website and through its communications section.

Ten FOI applications were completed during 2003–04.

Four applications were granted in full. Four applications were granted in part. For the applications granted in part, access was refused to a small number of documents under the exemption provisions of the *Freedom of Information Act 1998*. Documents were released with the exempt material deleted. As an example, the SCA deletes details of security arrangements to ensure Sydney's essential drinking water infrastructure is protected.

Two of the completed applications were refused. One was refused because the applicant failed to pay the required advanced deposit; the second was refused because the application did not include all details as required by Part 3, Section 17 of the FOI Act, and the application fee did not accompany the application. An unsuccessful attempt was made by the FOI coordinator to secure all necessary information and payment.

Six applications took between 22 and 35 days to process, reflecting the SCA's commitment to consulting with third parties to applications. It also reflects the size and complexity of some applications.

Many FOI applications received by the SCA in the past year have been broad and complex, requiring discussion with applicants to refine the applications to identifiable documents and a manageable scope. This process may be time-consuming and the time spent is not subject to FOI processing charges as it is offered as part of the SCA's commitment to quality service.

One internal review was completed in the reporting year, relating to one FOI application. That determination was upheld.

Table A4 - Freedom of Information statistics

| Requests   | 2000-01  | 2002-03  | 2003-04   |
|--|----------|----------|-----------|
| <b>FOI requests received:</b>  |          |          |           |
| New (including transferred in)   | 1        | 2        | 10        |
| Brought forward from previous period   | 0        | 0        | 0         |
| <b>Total to be processed</b>   | <b>1</b> | <b>2</b> | <b>10</b> |
| Completed requests   | 1        | 2        | 10        |
| Requests transferred out   | 0        | 0        | 0         |
| Withdrawn requests   | 0        | 0        | 0         |
| <b>Total processed</b>   | <b>1</b> | <b>2</b> | <b>10</b> |
| <b>Unfinished requests (carried forward)</b>   | <b>0</b> | <b>0</b> | <b>0</b>  |
| <b>Result of FOI requests:</b>   |          |          |           |
| Granted in full  | 0        | 0        | 4         |
| Granted in part  | 1        | 1        | 4         |
| Refused  | 0        | 1        | 2         |
| Deferred   | 0        | 0        | 0         |
| Requests requiring formal consultation   | 1        | 1        | 5         |
| <b>Total consultations</b>   | <b>3</b> | <b>1</b> | <b>11</b> |
| <b>Requests granted in part or refused—basis of disallowing or restricting access:</b> |          |          |           |
| s.19 application incomplete, wrongly directed  | 0        | 0        | 1         |
| s.22 deposit not paid  | 0        | 0        | 1         |
| s.25(1)(a) diversion of resources  | 0        | 0        | 0         |
| s.25(1)(a) exempt  | 1        | 1        | 4         |
| s.25(1)(b), (c), (d) otherwise available   | 0        | 0        | 0         |
| s.28(1)(b) documents not held  | 0        | 1        | 0         |
| s.24(2) deemed refused, over 21 days   | 0        | 0        | 0         |
| s.31(4) released to medical practitioner   | 0        | 0        | 0         |
| <b>Total</b>   | <b>1</b> | <b>2</b> | <b>6</b>  |
| <b>Costs and fees of requests processed:</b>   |          |          |           |
| Assessed costs   | \$90     | \$60     | \$420     |
| Fees received  | \$30     | \$60     | \$270*    |
| <b>Discounts allowed:</b>  |          |          |           |
| Public interest  | 0        | 0        | 1         |
| Financial hardship: pensioner/child  | 0        | 0        | 0         |
| Financial hardship: non-profit organisation  | 0        | 0        | 0         |
| <b>Total</b>   | <b>0</b> | <b>0</b> | <b>1</b>  |

Table A4 - Freedom of Information statistics cont.

|   |          |          |           |
|---|----------|----------|-----------|
| <b>Days to process:</b>                                     |          |          |           |
| 0–21 days   | 1        | 2        | 4         |
| 22–35 days  | 0        | 0        | 6         |
| Over 35 days  | 0        | 0        | 0         |
| <b>Total processed</b>                                      | <b>1</b> | <b>2</b> | <b>10</b> |
| <b>Processing time:</b>                                     |          |          |           |
| 0–10 hours  | 1        | 2        | 8         |
| 11–20 hours   | 0        | 0        | 2         |
| 21–40 hours   | 0        | 0        | 0         |
| Over 40 hours   | 0        | 0        | 0         |
| <b>Total processed</b>                                      | <b>1</b> | <b>2</b> | <b>10</b> |
| <b>Reviews and appeals finalised:</b>                       |          |          |           |
| Internal reviews  | 1        | 0        | 1         |
| Ombudsman's reviews   | 1        | 0        | 0**       |
| Administrative Decisions Tribunal appeals                   | 0        | 0        | 0         |
| <b>Internal review details – grounds on which requested</b> |          |          |           |
| <b>Upheld:</b>  |          |          |           |
| Access refused  | 0        | 0        | 0         |
| Exempt matter   | 1        | 0        | 1         |
| Unreasonable charges  | 0        | 0        | 0         |
| Charge unreasonably incurred                                | 0        | 0        | 0         |
| <b>Total upheld</b>   | <b>1</b> | <b>0</b> | <b>1</b>  |
| <b>Varied:</b>  |          |          |           |
| Access refused  | 0        | 0        | 0         |
| Exempt matter   | 0        | 0        | 0         |
| Unreasonable charges  | 0        | 0        | 0         |
| Charges unreasonably incurred                               | 0        | 0        | 0         |
| <b>Total varied</b>   | <b>0</b> | <b>0</b> | <b>0</b>  |
| <b>Total</b>  | <b>1</b> | <b>0</b> | <b>1</b>  |

\* One applicant failed to pay the initial application fee.

\*\* At time of print, one matter was the subject of enquiries from the Ombudsman's office. These enquiries were incomplete at the time of printing.

## 10. Summary of Affairs

### Section 1 – Statement of Affairs

The SCA's most recent Statement of Affairs is available on the SCA's website. Copies of the Statement of Affairs are held in the SCA's library and are available for inspection. Copies of the Statement of Affairs can be obtained by contacting the SCA's FOI Coordinator at the address shown below.

The Statement of Affairs provides information about:

- the structure and functions of the SCA
- how the functions of the SCA affect members of the public
- how the public can participate in the SCA's policy making and functions
- the various types of documents usually held by the SCA
- procedural arrangements for public access to the SCA's documents
- provisions for the amendment of the SCA's records concerning the personal affairs of a member of the public.

### Section 2 - Policy Documents

The SCA holds the following policies and procedures that may be accessed for information.

SCA Business Plan 2002-2007

Access to Published Information Policy

Bushfire Operations Plan

Catchment Protection Scheme

Code of Conduct

Complaints Handling Policy and Procedure

Corporate Incident Management Policy

Cultural Heritage Policy

Debt Management Policy

Education Strategy 2003-2006

Energy Management Policy

Environment Plan 2000-2005

Environment Policy

Environmental Education Policy

Environmental Impact Assessment Policy

Equal Employment Opportunity Management Plan 2002-2003

Ethnic Affairs Priority Statement 2001-2003

Expert Reference Panel – Charter and Procedures

Healthy Catchments Program

Local Government Reference Panel – Charter and Procedures

# appendices

Media Relations Policy  
Occupational Health, Safety and Rehabilitation Policies and Procedures  
Pollution Source Risk Management Plan  
Privacy and Personal Information Policy  
Privacy Management Plan  
Recruitment Policy  
Regional Consultative Committee – Charter and Procedures  
Risk Management Policy  
SCA Facilities Centre Conference/Accommodation Utilisation Policy  
Special Areas Strategic Plan of Management  
Spillage Contingency Plan  
Waste Reduction and Purchasing Policy  
Wingecarribee Swamp and Special Area Plan of Management  
Work Experience Policy

## Section 3: Contact Arrangements

All applications for access to documents in the possession of the SCA (other than policy documents) must be made in writing and should be accompanied by an application fee of \$30 and marked to the attention of the FOI Coordinator.

The application should be addressed to:

The FOI Coordinator  
Sydney Catchment Authority  
PO Box 323  
PENRITH NSW 2751

Access to policy documents, unless otherwise stated, is free of charge and can be arranged by contacting the FOI Coordinator on telephone number (02) 4725 2103, facsimile (02) 4725 2520, by email to [hotmail@sca.nsw.gov.au](mailto:hotmail@sca.nsw.gov.au), or in person at the address below between the hours of 8.30am and 5.00pm, Monday to Friday.

Sydney Catchment Authority  
Level 2, 311 High Street  
PENRITH NSW 2750

## 11. Schedule of Charges for Regulated Water Supply Services

Table A5 -  
SCA pricing schedule 2003-04

|  | Charge for 2003-04                          |
|--|---|
| <b>Sydney Water Corporation</b>  |   |
| Fixed availability charge per calendar month                                 | \$5.240 million                             |
| Volumetric charge per megalitre  | \$113.53                                    |
| <b>Wingecarribee Shire Council</b>   |   |
| Volumetric charge per megalitre  | \$93.90                                     |
| <b>Shoalhaven City Council</b>   |   |
| Volumetric charge per megalitre  | \$93.90                                     |
| <b>Retail Customers</b>  |   |
| Annual service charge (unfiltered water) for connection of nominal diameter: |   |
| 20mm   | \$75.00                                     |
| 25mm   | \$117.20                                    |
| 30mm   | \$168.75                                    |
| 32mm   | \$192.00                                    |
| 40mm   | \$300.00                                    |
| 50mm   | \$468.75                                    |
| 80mm   | \$1,200.00                                  |
| 100mm  | \$1,875.00                                  |
| 150mm  | \$4,218.75                                  |
| 200mm  | \$7,500.00                                  |
| larger than 200mm  | (nominal diameter) <sup>2</sup> *<br>75/400 |
| Volumetric charge (unfiltered water – per kilolitre                          | \$0.751                                     |
| Volumetric charge raw water – per kilolitre                                  | \$0.44                                      |

## Schedule of Charges for Regulated Water Supply Services for 2004-05

On 12 September 2000, IPART determined a medium term price path for the SCA covering the period from 1 October 2000 to 30 June 2005. On 23 May 2003, IPART released its mid-term review of these prices. The review maintained the September 2000 price path.

The determination provided for increases in certain charges to be linked to the movement in the Consumer Price Index (CPI). Accordingly, IPART has allowed a 2.4 per cent CPI adjustment and the SCA will apply the increased charges, effective from 1 July 2004.

## 12. Credit Card Usage

### Credit Card Certification

The SCA operates Mastercard credit card facilities with the Westpac Bank. Credit card expenditure is paid by electronic funds transfer directly from the SCA's bank account on the second day of each month. All expenditure is verified by card holders (SCA Executive) by the fifteenth day of the month when payments are made.

One credit card is used as a corporate credit card with a credit limit of \$10,000. All other credit cards have a credit limit of \$2,000.

Expenditure via the corporate credit card occurs through the SCA's electronic procurement system. The SCA limits the establishment of vendor accounts by using corporate credit card facilities.

Expenditure on credit cards issued to the Executive is certified by the cardholder and independently verified by the cardholder's supervisor. Authorisation of payment is undertaken on a monthly basis by the Executive Director Finance and Procurement.

During 2004 all Mastercard credit card payments were made on time and no interest charges were incurred.



### 13. Engagement of Consultants

During the 2003-04 financial year, the SCA incurred \$85,340 (net of GST) in expenditure relating to the engagement of two consultants.

#### Consultancies less than \$30,000

One consultant provided services under \$30,000 relating to a feasibility study for a Field Study Centre at Robertson (Southern Highlands).

#### Consultancies equal to or more than \$30,000

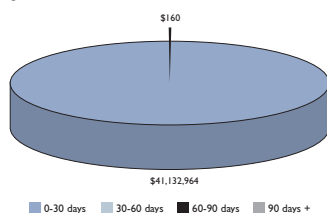
Details of expenditure on consultants over \$30,000 are as follows:

Name: Pacific Road Corporate Finance Pty. Ltd.  
Title of Project: Review of the SCA Operating/Capital Expenditure for IPART Pricing Submission

Actual Cost: \$74,620

|  |         |
|--|---------|
| Interest incurred on late Payroll Tax (self disclosure by SCA) | \$4,590 |
| Interest incurred on late payment of Cabcharge account         | \$121   |
| Interest in Council rates and Other payments                   | \$139   |

**Graph A1 - Aged analysis accounts payable in dollars at 30 June 2004**

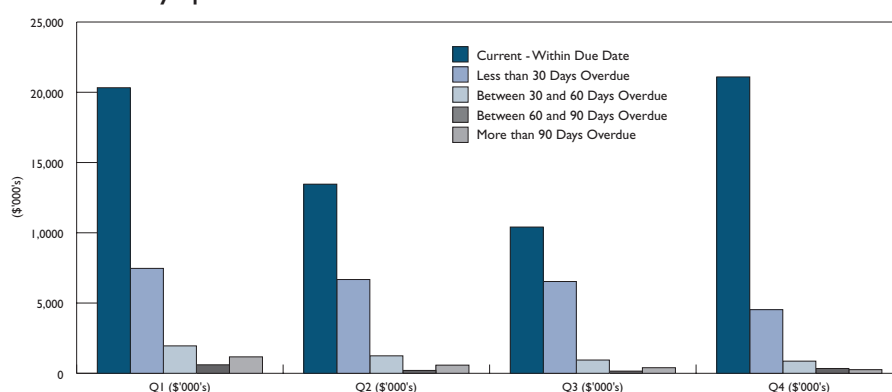


### Payment Performance over the 2004 year

Since the introduction of the electronic finance and finance related management systems in 2003, the SCA has improved its payment performance. This is expected to continue to improve during the 2005 year.

During 2004-05, the SCA will review its creditor payment terms in accordance with payment terms stated on the invoices to ensure consistency with the creditor master files in the SCA's SUN financial management system. This review will improve the accuracy of the data within the master files and the quality of information produced.

**Graph A2 - Creditors payment summary by dollars - 2003-04 by quarter**



### 14. Payment of Accounts

Performance continued to improve during 2003-04, largely due to the computerised finance management system that was introduced towards the end of 2002-03.

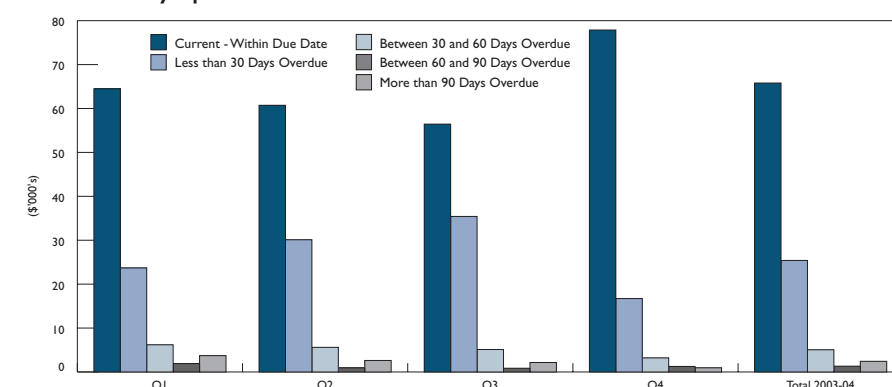
#### Payment of Accounts

Graph A1 shows aged analysis of accounts payable at 30 June 2004. The graph shows that with the exception of \$160 held in dispute (shown as 60 – 90 days), all other accounts payable fall within the 30 days range. The SCA's target is to settle all accounts payable within 30 days trading terms or in accordance with the terms specified on the vendor's invoice.

#### Interest Awarded

During 2004, \$4,850 interest was incurred on overdue accounts as follows:

**Graph A3 - Creditors payment summary by percentage - 2003-04 by quarter**



# appendices

## 15. Grants and Incentives

The SCA developed a framework for the delivery of its grants and incentives programs. It sets out the procedures that the SCA uses to manage grants, sponsorships and devolved funding. The framework brings consistency to SCA grants activities and focuses on:

- decision making processes
- the role and composition of the Grants and Incentives committee
- authorisations
- grant agreement and reporting requirements
- grant payments.

SCA policy to support the framework will be developed in 2004-05.

## Catchment Protection and Improvement Scheme Grants

A total expenditure of \$154,582 (including GST) was provided for 23 projects, under the scheme. There were two rounds of grants in 2003-04, closing in June 2003 and May 2004.

## 16. Overseas Visits by Staff

**Name:** Ian Landon-Jones,  
Executive Director Dam Safety

**Dates of visit:** 15 – 30 May 2004

**Destination:** Seoul, South Korea

**Congress:** International Commission on Large Dams (ICOLD) 2004. Also attended a symposium, workshop and study tour and participated in two ICOLD Technical Committee meetings.

**Name:** Simone Greenaway,  
Manager Policy and Corporate Governance

**Dates of visit:** 27 June – 2 July 2004

**Destination:** Wellington, New Zealand

**Course:** Australian and New Zealand School of Government as part of Executive Master in Public Administration Program.

**Table A6 - Catchment Protection and Improvement Grants Scheme for 2003-04**

| Grant No. | Applicant   | Description  | Amount Provided |
|-----------|---|--|-----------------|
| 80        | Werriberri Landcare Inc   | Towards the cost of a weed eradication project<br>Administering body: Wollondilly Shire Council  | \$3,520         |
| 81        | Zig Zag Railway Co-op Ltd   | Towards the cost of bush regeneration along a section of railway line  | \$1,616         |
| 82        | Lithgow and District Community Nursery  | Towards the cost of polyhouses cover kits for greenhouse   | \$2,500         |
| 83        | Mount Gibraltar Landcare and Bushcare   | Towards the cost of noxious weed control, bush regeneration and maintenance. Administering body: Wingecarribee Shire Council   | \$8,000         |
| 84        | Goulburn City Landcare Group  | Riparian revegetation of the mid and upper banks of Marsden Weir. Administering Body: Goulburn City Council  | \$5,100         |
| 85        | Krawaree Wild Dog Association   | Towards the cost of a large-scale pig eradication program  | \$9,580         |
| 86        | Jacqua Creek Landcare Group   | Towards the cost of fencing the creek to stop stock access and developing an alternative water supply  | \$6,455         |
| 87        | Heffernans Creek Catchment Landcare Group Inc   | Towards the cost of a community nursery of local native plants   | \$4,377         |
| 88        | Kangaroo Valley Environment Group Inc   | Riparian restoration of sites at Kangaroo Valley village   | \$9,080         |
| 89        | Sydney Bushwalkers Inc  | Towards the cost of weed control and bank stabilisation by planting native species on riparian land  | \$4,500         |
| 90        | Upper Kangaroo Valley Bushcare Group  | Removal of Madeira vine infestations and restoration of endemic vegetation in riparian areas of upper Kangaroo River and its tributaries in the Upper Kangaroo Valley below Budderoo National Park | \$8,000         |
| 91        | Inverary Creek Land Care Group Inc  | Towards native revegetation and erosion control  | \$6,474         |
| 92        | Kangaroo Valley Landowners in conjunction with Shoalhaven City Council, Brogers Creek Landcare Inc and the Friends of the Brush Tailed Rock Wallaby | Towards the cost of a trial of several approaches to privet removal and replanting with native species   | \$8,000         |
| 93        | Basket Creek Landcare Group   | Towards the cost of a storage facility for tools and chemicals   | \$8,000         |
| 94        | Bowral Landcare Group Inc   | Constructing streambed controls and associated revegetation at Mittagong Creek   | \$9,468         |
| 95        | Mt Gibraltar Landcare and Bushcare  | Bush regeneration work at Mt Gibraltar   | \$8,000         |
| 96        | Wollondilly Landcare Coordinators Committee   | Training landcare members in catchment and land management   | \$3,000         |
| 97        | Leura Park Bushcare/Leura Environment Enhancement & Protection Association  | Riparian repair and revegetation of the Leura Creek Environment  | \$7,950         |
| 98        | Oberon High Country Landcare Group  | Enhancing riparian vegetation and the creating wildlife corridors to connect remnant vegetation in the Upper Hollanders River Catchment  | \$8,000         |
| 99        | Mt Kanimbla Landcare Group  | Protecting and revegetating riparian zones and Cullenbenong wetlands in the Hartley and Kanimbla valleys   | \$7,380         |
| 100       | Yerranderie Landcare Group Inc  | Continuing weed reduction work in the Yerranderie area   | \$8,000         |
| 101       | Kangaroo Valley Environment Group Inc   | Continuing riparian restoration work at Kangaroo River and around the township of Kangaroo Valley  | \$9,584         |
| 102       | Upper Kangaroo Valley Bushcare Group  | Continuing weed reduction work along the upper Kangaroo River  | \$8,000         |

Note: Unincorporated bodies are paid through legal entities, such as local councils

## 17. Equal Opportunity, Training and Development for Staff

Table A7 - Staff by category over four years

| Category                       | 2000-01      | 2001-02      | 2002-03                | 2003-04                |
|--------------------------------|--------------|--------------|------------------------|------------------------|
| Managing Director              | 1            | 1            | 1                      | 1                      |
| Senior Executives <sup>1</sup> | 13           | 14           | 8 <sup>2</sup>         | 8 <sup>2</sup>         |
| Contract staff                 | 22           | 26           | 39 <sup>3</sup>        | 40 <sup>3</sup>        |
| Award staff                    | 165          | 189          | 207                    | 237                    |
| <b>Total numbers</b>           | <b>201</b>   | <b>230</b>   | <b>255<sup>4</sup></b> | <b>286<sup>4</sup></b> |
| <b>Total FTE numbers</b>       | <b>187.4</b> | <b>215.2</b> | <b>239.7</b>           | <b>266.78</b>          |

<sup>1</sup> The category 'Senior Executives' for the year 2001-02 includes staff whose total remuneration package is equivalent to Senior Executive Service (SES) Level 1 and above. The same category for the years 2002-03 and 2003-04 only includes staff who are members of the SCA Executive.

<sup>2</sup> Figure includes two women.

<sup>3</sup> Figure includes 11 women and one temporary staff member.

<sup>4</sup> Figure includes 40 award staff with a full time equivalent (FTE) of 20.87 staff and one senior manager/specialist staff member with a FTE of 0.91.

## Training and Development

Table A8 - Staff participation and areas of training and development for 2003-04.

| Area of training                        | Attendee numbers |
|---|------------------|
| Orientation                             | 12               |
| Communications                          | 73               |
| Computer education                      | 154              |
| Staff relations                         | 24               |
| Engineering/Technical/Para-Professional | 68               |
| Environment                             | 92               |
| Incident management                     | 17               |
| • AllIMS five-day course                | 58               |
| • AllIMS awareness course               |                  |
| Leadership                              | 3                |
| Management                              | 194              |
| Contracts management                    | 88               |
| • contract shells                       | 30               |
| • project management                    |                  |
| Office management                       | 1                |
| OHS&R                                   | 297              |
| Operations                              | 227              |
| Personal development                    | 9                |
| Quality                                 | 10               |
| Staff acting in higher duties           | 106              |
| SCA supported study                     | 9                |
| • Business related                      | 3                |
| • Environment related                   | 1                |
| • Public policy related                 |                  |
| <b>Total</b>                            | <b>1,476</b>     |

## 18. Significant Committees Established/Abolished

Significant committees are defined as those established by the SCA Board or under memoranda of understanding between the SCA and other agencies. No committees were established or abolished during the reporting period.

## 19. Staff Above SES Level 5

The SCA had two staff members above SES level 5 during 2003-04. The details are set out below.

**Name, position and level:**  
**Lisa Corbyn, Chief Executive**  
**SES Level 8**

*Remuneration package:* Ms Corbyn, Director General, Department of Environment and Conservation (DEC), receives \$10,000 per annum salary supplement for fulfilling her functions as Chief Executive, SCA.

*Period in position:* 24 September 2003 – 30 June 2004

*Results:* Since her appointment, Ms Corbyn has provided strong leadership to the SCA through her active participation on the SCA Board and Audit Committee and by providing strategic guidance on major issues.

In her dual capacity as Chief Executive SCA and Director General DEC, she has provided strong links to environmental matters before the SCA, particularly in managing water quantity and quality and catchment health.

As Chair of the Water Chief Executive Officers, she has brought very broad perspectives to SCA water management issues, especially in water demand and supply. As well, she has ensured that SCA views are injected into wider national and state water management frameworks. During the year, this unique role has brought important SCA outcomes to the forefront in the development of the Government's Metropolitan Water Strategy.

**Name, position and level:**  
**Graeme Head, Chief Executive**  
**and Managing Director**  
**SES 6**

*Remuneration package:* \$247,100

*Period in position:* Chief Executive 1 July 2003 – 23 September 2003, Managing Director 24 September 2003 – 30 June 2004

*Results:* As well as providing strategic direction for the SCA and fulfilling his

# appendices

functions as an SCA Board and Audit Committee member, Mr Head was responsible for the day-to-day management of the SCA.

Key achievements for Mr Head over the reporting period included:

- Consolidating SCA management systems
- Completing industrial award amendment negotiations, which are supporting significant corporate cultural change
- Completing procurement reforms, which improve the SCA's ability to manage contract risks
- Instigating asset creation capital expenditure program reforms that provide clearer understanding of the purpose, direction and content of the program, including scheduling of capital works
- Expanding SCA asset management improvements, including project management systems, strategic asset capability assessments, risk management and due diligence
- Improving operational performance to give confidence in bulk raw drinking water quality, conformance with guidelines, meeting audit requirements
- Reviewing the Finance and Procurement and Bulk Water divisions which will lead to significant management improvements and operating efficiencies
- Leading the SCA's involvement in the public release and consultation on the draft regional plan for the drinking water catchments of Sydney and adjacent regional centres
- Finalising and implementing the SCA's Healthy Catchments Program to deliver positive catchment improvement outcomes
- Establishing a strong compliance program with very good working relationships with catchment councils and the DEC

- Taking a collaborative, but leading, role in the policy development on Sydney's water supply and demand strategy and drought management strategy
- Developing and delivering effective SCA Board processes, which provide strong and timely corporate governance and operational policy guidance.

## 20. Waste Reduction and Purchasing Plan Implementation

### 1. Reducing the generation of waste

The SCA promotes the use of electronic documents, double-sided printing, email and recycled paper.

In 2003-04, the number of A4/A3 reams purchased was reduced by 1,078.

The SCA used 187 toner cartridges which was a 72 per cent increase over the 166 cartridges purchased in 2002-03. Contributing factors were new printers and photocopiers and additional staff.

### 2. Resource recovery

All used toner cartridges are returned to the manufacturer and all SCA staff have access to paper and cardboard recycling services. Annual internal waste audits

estimate 6,581 kilograms of print writing paper is recovered from head office each year (accounting for 81.5 per cent of staff). Contractors and staff are required to recycle or divert waste wherever practical.

### 3. The use of recycled material

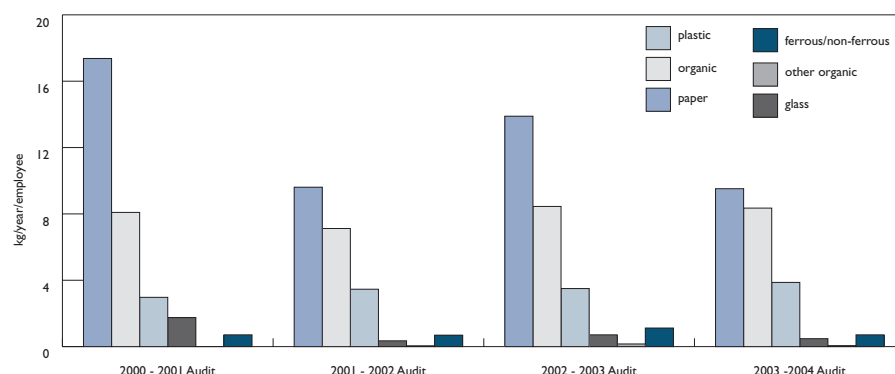
It is SCA policy to promote the purchase of recycled or environmentally responsible materials.

- A minimum of 60 per cent recycled content paper is purchased for approximately 90.4 per cent of SCA office paper needs
- An estimated 90 per cent of externally printed documents are printed on paper containing a minimum of 60 per cent recycled content paper
- The SCA's Annual Report, Annual Environment Report, Environment Plan, and Annual Water Quality Monitoring Report are printed on recycled paper.

## 21. Guarantee of Service

As required by Section 22 of the *Sydney Water Catchment Management Act 1998*, the SCA and Sydney Water have entered into an agreement for the supply of bulk water to Sydney Water. The initial agreement between the parties was amended, effective from 21 August 2002. The current agreement will continue until December.

**Graph A4 – Volume and type of waste sent to landfill from SCA audit sites (kg/year/employee)**





The agreement specifies the water quantity and quality criteria for each supply point. It also requires an undertaking by each party to exchange information, billing and payment arrangements. The agreement provides for charges and adjustments to charges to be made where the supply of water varies in quality from that specified in the agreement.

Negotiations regarding supply agreements with Wingecarribee Shire Council and Shoalhaven City Council are continuing. A supply agreement with one retail customer was signed. There are now supply agreements in place between the SCA and its 60 retail customers.

## 22. Cost of Annual Report

The number of stakeholders preferring to receive the SCA annual report and other reports, online, continues to grow. This year, fewer copies of the annual report have been printed than last year, reducing costs and the amount of paper used in production. The estimated external production cost of the 2003-2004 Annual Report was \$25,350.

The report is available online at [www.sca.nsw.gov.au](http://www.sca.nsw.gov.au)

## 23. Cultural Heritage Assets

The SCA is responsible for managing cultural heritage items including dams and associated infrastructure, weirs, homesteads, mining infrastructure, walking tracks, bridges and innumerable sites of significance to Indigenous communities.

The SCA and the DEC jointly manage cultural heritage within the Special Areas. The SCA and Sydney Water jointly operate the Historical Research and Archive Facility, which provides an important resource to both agencies and the public.

Table A9 - Listings on draft SCA Heritage and Conservation Register

| Heritage items                                  | Condition   |
|---|---|
| <b>Engineering heritage</b>                     |   |
| <b>Warragamba supply system</b>                 |   |
| Warragamba Dam                                  | Good  |
| • Crest gantry crane                            | Good - major upgrade works commenced  |
| • Crest gates                                   | Good  |
| • Dam outlets                                   | Good  |
| • 18 ton Cableway (Upper Tail Tower)            | Fair  |
| • Haviland Park, Warragamba Dam                 | Fair - Landscape Plan is being revised  |
| • Main dam wall                                 | Good - drum gate stop log rails were removed and replaced   |
| • Suspension Bridge                             | Very poor - decision on long-term future is pending   |
| • Megarrity's Bridge                            | Good  |
| • Valve House                                   | Good - undergoing upgrade   |
| Warragamba-Prospect Pipelines 1 & 2             | Good  |
| Warragamba Emergency Scheme                     |   |
| • Warragamba Emergency Pumping Station No. 9    | Fair  |
| • Warragamba Weir                               | Good  |
| <b>Upper Nepean and Woronora supply systems</b> |   |
| Avon Dam  | Good  |
| Cataract Dam                                    | Good  |
| Cordeaux Dam                                    | Good  |
| Hudson's Emergency Scheme                       | Poor  |
| Nepean Dam                                      | Good  |
| Prospect Reservoir and surrounding area         | Good - spillway upgrade complete.   |
| • Prospect Reservoir Valve House                | Good - further investigation needed to assess condition of outlet lines and brick lining of tunnel seal |
| Upper Canal System                              | Fair to Good - upgrade underway   |
| • Broughton's Pass Weir                         | Fair to Good  |
| • Nepean Tunnel                                 | Good  |
| • Pheasants Nest Weir                           | Good  |
| Upper Cordeaux Dam No. 1                        | Fair to Good  |
| Upper Cordeaux Dam No. 2                        | Fair to Good  |
| • Cordeaux Manor                                | Good  |
| Woronora Dam                                    | Good  |
| Woronora-Penshurst Pipeline                     | Good  |

| Heritage items                      | Condition  |
|-------------------------------------|--|
| <b>Blue Mountains supply system</b> |  |
| Cascades Dams                       | Good   |
| Greaves Dam                         | Good   |
| Medlow Bath Dam                     | Good   |
| Woodford Creek Dam                  | Good   |
| Brownlow Weir                       | Good   |
| Cobbitty Village Weir               | Partially demolished   |
| Menangle Weir                       | Good   |
| Mt Hunter Rivulet Weir              | Good   |
| Thurns Weir                         | Good   |
| Wallacia Weir                       | Good   |
| Wallacia Weir                       | Good   |
| <b>Historic buildings</b>           |  |
| Arnprior                            | Poor to Fair   |
| Barrallier                          | Poor   |
| Bowmans Hill                        | Fair - assessed for future transfer to NPWS  |
| Cookanulla                          | Poor to Fair   |
| Glen D'Or                           | Poor to Fair   |
| Joe Deacon's Hut                    | Poor   |
| Kedumba Slab Hut                    | Poor - cataloguing/storage of loose items and structural stabilisation and water proofing works undertaken |
| Khama Lee                           | Poor to fair   |
| La Vista                            | Poor   |
| Mayfield                            | Fair to good   |
| Ooranook                            | Fair   |
| St Senan's Church                   | Good   |
| Steven's property ruins             | Good - conservation works complete   |
| Virginia                            | Fair - conducted regular inspections   |
| Walker's Homestead                  | Fair   |
| Windmill Hill                       | Good - conservation works complete   |
| Yerranderie Court House             | Good   |
| Yerranderie Police Station          | Good   |
| <b>Landscape items</b>              |  |
| Wingecarribee Swamp                 | Poor - plan of management being implemented  |

### Notes

- 1 Non-Indigenous cultural heritage only
- 2 Condition descriptors:  
 Good = Currently fit-for-purpose (operational) and/or generally intact.  
 Fair = Not currently fit-for-purpose (operational), but stable and requiring only moderate repairs.  
 Poor = Not fit-for-purpose (operational), unstable and requiring extensive restoration works.

# appendices

## 24. Publications

The SCA produces brochures, fact sheets, reports and other material about the SCA and its activities in printed and electronic formats. Publications are available by contacting the SCA Publications Officer at Level 2, 311 High Street Penrith, or by phoning 02 4725 2516. Publications are available to download from our website [www.sca.nsw.gov.au](http://www.sca.nsw.gov.au)

### Publications Produced in 2003-04

Annual Report 2002-2003

Annual Environment Report 2002-2003

Annual Water Quality Monitoring Report 2002-2003

Special Areas Brochure 'What you can and can't do in the Sydney Water Supply Catchments'

### Other Available Publications

#### Brochures

SCA corporate brochure

Healthy Catchments, Quality Water

Dams of Greater Sydney and Surrounds

Warragamba

Upper Nepean

Shoalhaven

Woronora

Blue Mountains

How to Make a Complaint or Offer a Compliment

Privacy Laws, the Sydney Catchment Authority, and You

Catching the Cleanest Water

#### Fact Sheets

HSC education series

SCA general information series

#### Videos

A Safe Dam – A Sure Supply

The Warragamba Story

Warragamba Dam Auxiliary Spillway

#### Reports

SCA Annual Reports

SCA Annual Environment Reports

SCA Annual Environment Compliance Reports

Audits of the Hydrological Catchments Managed by the SCA

#### Other

SCA Business Plan 2002-2007

SCA Environment Plan 2000-2005

Energy Management Plan 2001-2006

Bulk Raw Water Quality Management Plan

Special Areas Strategic Plan of Management (SASPoM) – Background

Special Areas Strategic Plan of Management (SASPoM)

Annual Report on Implementation of SASPoM

Wingecarribee Swamp and Special Area Plan of Management (WSSAPoM)

Annual Report on Implementation of WSSAPoM

Sydney Catchment Authority Operating Licence

Memoranda of Understanding - NSW Health, EPA, DLWC

Sydney Catchment Authority Statement of Affairs

Sydney Catchment Authority Summary of Affairs

Expert Reference Panel – Charter and Procedures

Local Government Reference Panel – Charter and Procedures

Southern Regional Consultative Committee – Charter and Procedures

Northern Regional Consultative Committee – Charter and Procedures

Hawkesbury-Nepean Experimental Environmental Flow Strategy

Pollution Source Risk Management Plan

#### Joint Projects

Guide for New Residents – DIPNR and SCA

Catchment Protection Scheme – DIPNR and SCA

Feral Animals – RLPB, National Parks and Wildlife Service and SCA

Weeds – DIPNR and SCA

'Sustaining the Catchments: The Regional Plan for the drinking water catchments of Sydney and adjacent regional centres' – draft document, summary brochure and fact sheets printed for public exhibition period – DIPNR and SCA







# glossary of terms

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|                             |  |
|-----------------------------|--|
| Catchment                   | An area where water is collected by the natural landscape. In a catchment, all rain and runoff water eventually flows into a creek, river, lake or ocean or into the groundwater system.   |
| Environmental flows         | A release of water from storages to provide a flow of water in a river, stream or other natural waterway that mimics natural seasonal flows and restores and maintains the ecology of the waterway.  |
| Land                        | Land includes rivers, streams and other watercourses.  |
| Limnology                   | The study of bodies of fresh water with reference to their physical, geographical, biological and other features.  |
| Megalitre (ML)              | Measurement of volume equal to one million litres.   |
| Operating storage           | The amount of water the SCA can extract during its operations from the dams when they are full.  |
| Pathogens                   | Micro-organisms that can be found in water and which can sometimes cause illness in humans.  |
| Unfiltered water            | Water that has been disinfected by chlorination.   |
| Raw water                   | Water that has not been subjected to any form of treatment.  |
| Special Areas               | Land, mostly around drinking water storages, that was originally set aside for the protection of drinking water quality.   |
| Water storages              | The SCA's dam walls, pumps and other works used in the process of extracting and storing: <ul style="list-style-type: none"> <li>• water in rivers and lakes</li> <li>• water occurring naturally on the surface of the ground</li> <li>• sub-surface waters.</li> </ul> |
| Water supply infrastructure | Infrastructure including the SCA's water storages, pipelines or connected or associated works, and monitoring devices.   |
| Yield                       | The amount of water that can be withdrawn from a reservoir on an ongoing basis with an acceptably small risk of reducing the reservoir storage to zero (Nevada Division of Water Planning USA).  |



# list of acronyms

|        |  |
|--------|--|
| AIR    | Asset Improvement and Reliability program                        |
| ANCOLD | Australian National Committee on Large Dams                      |
| CPI    | Consumer Price Index   |
| DAR    | Development Assessment Register                                  |
| DEC    | Department of Environment and Conservation                       |
| DEUS   | Department of Energy, Utilities and Sustainability               |
| DIPNR  | Department of Infrastructure, Planning and Natural Resources     |
| DLWC   | Department of Land, Water and Conservation                       |
| DPI    | Department of Primary Industries                                 |
| DRIVES | DRiver and VEhicle System  |
| EAPS   | Ethnic Affairs Priority Statement                                |
| EECN   | Environment Education Coordinating Network                       |
| EEO    | Equal Employment Opportunity                                     |
| EPA    | Environment Protection Agency                                    |
| FMECA  | Failure Mode Effects and Criticality Analysis                    |
| FOI    | Freedom of Information   |
| GST    | Goods and Services Tax   |
| ICOLD  | International Commission on Large Dams                           |
| IICATS | Integrated Instrumentation, Control, Automation Telemetry System |
| IPART  | Independent Pricing and Regulatory Tribunal of NSW               |
| LPG    | Liquid Petroleum Gas   |

|              |  |
|--------------|--|
| MOU          | Memorandum of Understanding  |
| NESB         | Non-English Speaking Background                                      |
| NPWS         | National Parks and Wildlife Service                                  |
| ODEOPE       | Office of the Director of Equal Opportunity in Public Employment     |
| OHS&R        | Occupational Health, Safety and Rehabilitation                       |
| PENGOS       | Peak Environment Non-Government Organisations                        |
| RLPB         | Rural Lands Protection Board   |
| RTA          | Roads and Traffic Authority  |
| SASPOM       | Special Areas Strategic Plan of Management                           |
| SCA          | Sydney Catchment Authority   |
| SCADA        | Supervisory Control and Data Acquisition                             |
| SEPP         | State Environmental Planning Policy                                  |
| SES          | Senior Executive Service   |
| SLA          | Service Level Agreement  |
| SLWCA        | Strategic Land and Water Capability Assessment                       |
| STEP         | Success through enhanced performance – performance management system |
| Sydney Water | Sydney Water Corporation   |
| WAN          | Wide area network  |
| WSSAPOM      | Wingecarribee Swamp and Special Area Strategic Plan of Management    |

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Website: [www.sca.nsw.gov.au](http://www.sca.nsw.gov.au)

Email: [info@sca.nsw.gov.au](mailto:info@sca.nsw.gov.au)

**Visitor Information**

**Warragamba Dam Visitor Centre**

Phone: (02) 4720 0349

Hours: 10am to 4pm every day  
except Christmas Day  
and Good Friday

**All other dams, reservoirs  
and camping grounds**

Phone: (02) 4640 1200

Hours: 9am to 5pm daily  
Monday to Friday

**Emergency Reporting**

(24 hours)

Fires, chemical spills

Phone: (02) 9751 1988

Fax: (02) 4842 9402

**Field Office Locations**

**Goulburn Office**

Suite 5, Newo House

23-25 Montague Street

Goulburn NSW 2580

Phone: (02) 4823 4200

Fax: (02) 4822 9422

Hours: 8am to 4pm  
Wednesday and Thursday

**Operational offices**

Cordeaux Dam

Warragamba Dam

Kenny Hill

Burrawang

Blue Mountains

