



South Australian Water Corporation
Annual Report

For the year ending 30 June 2016





LETTER OF TRANSMITTAL

30 September 2016

The Honourable Ian Hunter MLC
Minister for Water and the River Murray

Parliament House
North Terrace
Adelaide SA 5000

Dear Minister

On behalf of the Board of SA Water, I am pleased to present the Corporation's Annual Report for the financial year ending 30 June 2016.

The report is submitted for your information and presentation to Parliament, in accordance with Section 33 of the Public Corporations Act 1993.

Yours sincerely



Lewis W Owens
Chair



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OUR ORGANISATION

We exist to deliver safe, sustainable and affordable water services to more than 1.6 million South Australians.

Our water quality expertise is recognised around the world and we are a leader in wastewater recycling.

SA Water is committed to delivering reliable and valued services to its customers. We exist to provide safe, clean and affordable drinking water to more than 1.6 million South Australians. Once this water has been used, the sewage is removed and treated to ensure the best environmental and health outcomes. Wholly owned by the Government of South Australia, we are focused on providing essential services that support growth and economic development throughout our state.

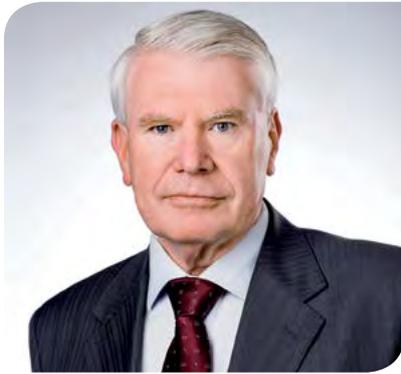
Our highly skilled and specialised people are driven to serve our customers. We have been serving the community for 160 years and manage more than \$13 billion worth of assets. Our water quality expertise is recognised around the world and we are a leader in wastewater recycling. We employ more than 1,400 people – each one looking for innovative ways to deliver efficient and responsive water and sewerage services to our customers, now and into the future.

SA Water is responsible to the Honourable Ian Hunter MLC, Minister for Water and the River Murray.

We also work closely with a number of government agencies including:

- ~ Department of the Premier and Cabinet
- ~ Department of Treasury and Finance
- ~ Department of Environment, Water and Natural Resources
- ~ SA Health
- ~ Environment Protection Authority

CHAIR'S MESSAGE



The 2015-16 year has presented some significant challenges to SA Water, not least being our ability to meet the stretching customer service targets relating to water quality and asset management. We have had to revise and upgrade our response to water main bursts and management of the customer impacts, and to recognise that customer and community expectations of us have risen to a more demanding level. We are responding to this challenge, and the necessary changes are being made, to demonstrate we remain committed to the community we have faithfully served for 160 years.

The year also saw the completion of our first regulatory period and the submission of our second regulatory proposal to the Essential Services Commission of South Australia (ESCOSA).

Regulatory Business Proposal 2016 (RBP16) set out SA Water's commitments to its customers and the South Australian community for the next four years. Most importantly, RBP16 reflected our customers' views and expectations, as well as our business needs. We used direct customer feedback from our engagement programs to inform how we will operate and invest in infrastructure and customer-focused services. ESCOSA supported our focus on the customer and our proposed efficiencies to further reduce prices.

The efficiencies we have been able to deliver over the past three years resulted in us being able to offer customers a significant reduction to the combined water and sewerage bill for financial year 2016-17. By doing so, we also have met the Government's expectation that SA Water continually strive for greater efficiency, without compromising customer service or prudent commercial principles.

We are moving the business from our previous Strategic Plan structure towards the new Outcomes for Success.

These are the eight overarching outcomes that will drive the way we work, and ensure that we operate with financial success while always delivering on customer expectations.

This year saw the completion of Chief Executive John Ringham's long and valued service with SA Water. I would like to thank John for leading SA Water during a period of substantial change as the corporation adapted to a regulated environment and prepared for greater competition in the future. John's experience in the UK's regulated water industry and his focus on achieving greater efficiency means SA Water is in a good position to deliver on its RBP16 commitments.

I would also like to welcome our new Chief Executive, Roch Cheroux. In addition to his impressive leadership experience in the water industry across many countries, Roch brings an unwavering focus on the customer.

The Board and I look forward to working with Roch, his senior leadership team and all of SA Water's staff, to ensure we deliver on our promises to customers and the wider South Australian community. By continually engaging with both our residential and business customers, we will be able to strengthen our understanding of their needs and expectations.

The health and safety of SA Water's staff and contractors remains a priority for the Board, although we did not perform to our expectations during the past year and we have more to do. We will continue to work closely with management, staff and suppliers to ensure our workplace safety performance continues to improve and that, at the end of each day, everyone returns home safely to their families.

As we begin our second regulatory period, the Board is squarely focused on ensuring SA Water continues to keep our customers at front of mind, and delivers on the new Outcomes for Success.

Finally, I would like to thank all of the Directors, managers, employees, contractors and alliance partners for their significant contribution during the past year. A quality water industry is fundamental to the future prosperity and growth of South Australia, and the ongoing commitment, dedication and innovation of all these parties will ensure this is achieved.

A handwritten signature in black ink, appearing to read 'Lewis W. Owens'.

Lewis W Owens,
Chair

CHIEF EXECUTIVE'S MESSAGE



Customers are at the heart of everything we do. As I begin my new role as Chief Executive of SA Water, it is heartening to see the efforts that are being made across the corporation to deliver services that our customers need and expect from us.

This past year we've focused on improving the assistance we offer customers and the community affected by service interruptions through our Community Support and Operational and Maintenance teams. We have also worked hard to deliver reduced pricing for our customers.

Across the organisation, we recognise the need to continually build on our foundations. As we head into our second regulatory period, we will continue to find efficiencies and deliver services in line with the changing expectations of our customers. We will ensure our workforce has the right information, tools, methods and support it needs. Ensuring we continually engage with our customers to understand their needs and expectations will be critical as we move forward.

Over the last year, we have worked hard to improve the services we offer, including ongoing enhancements to our Customer Assist Program for customers experiencing financial hardship. We have also invested in providing customers with access to SA Water at the times that suit them. Our work with the development industry has also made significant strides towards providing a smoother and more reliable process for developers.

Because affordability is a growing issue for many South Australians, we are careful with our investments, focusing only on the areas we need to. For this reason, we have worked hard to minimise price pressures for customers and we are preparing to deliver a reduced combined water and sewerage bill for 97% of our customers for 2016-17.

Our commitment to protecting the environment has also seen a number of important projects take shape. Among these are the Bolivar Energy Optimisation Project and the Glenelg Wastewater Treatment Plant Co-digestion project. Both these projects optimise environmental practices to enhance the efficiency of these plants, effectively turning waste into energy. We are also trialling two heat mitigation projects. The largest of these is at the Adelaide Airport and aims to reduce the overall temperature of an area that has historically been a huge heatsink for the western suburbs.

We are also committed to help South Australia grow by delivering the services that our residential customers expect and that our business customers need to be successful.

I would also like to thank my predecessor John Ringham for his significant contribution during his tenure in this role.

Finally, we recognise that SA Water exists for its customers. In 2016-17 we will continue to make sure we listen to them, understand them, and do our best to deliver services they expect.

A handwritten signature in black ink, appearing to read 'Roch Cheroux', enclosed within a large, horizontal, hand-drawn oval shape.

Roch Cheroux, Chief Executive

SA WATER STRATEGIC PLAN

SA Water recognises that being a successful water utility means we must consider our customers and stakeholders at every step of operating our business. There are considerable challenges and opportunities that are likely to influence the water utility sector and SA Water over coming years. Our strategy helps us to make informed decisions and will lead us to become more agile and responsive to our dynamic environment.

In 2015, we developed a refreshed strategic framework in line with our strategy principles with a significantly expanded time horizon to 2040. It considered where we are, where we want to be at a point in the future and how we will get there. We also worked with the business to develop a picture of our success. We identified eight key 'Outcomes for Success' that will be our areas of focus as we continue to play a major role in the growth, prosperity and liveability of South Australia. Our direction is focused on our customer with a clear alignment to these goals.

In 2015-16, we began transitioning from SA Water's Strategic Plan 2012-16 to the new Strategic Framework. The framework will be fully implemented from July 2016.

SA Water is clear on the outcomes that will lead us to succeed in the delivery of services to customers and the community. Our strategy can be found on our website:

<http://www.sawater.com.au/about-us/about-us/our-strategy>



A close-up photograph of a middle-aged man with grey hair, wearing a dark blue sweater over a white t-shirt. He is holding a clear glass of whisky in his right hand and looking off to the side with a slight smile. The background is a soft-focus green, suggesting an outdoor setting. In the bottom left corner, there are decorative graphic elements consisting of overlapping rounded rectangles in blue, white, and pink.

2015-16 HIGHLIGHTS

Our eight *Outcomes for Success* help to ensure the customer remains at the heart of everything we do. The *Outcomes for Success* are the stepping stones that will drive us towards where we aspire to be, and provide the clarity to achieve our goals.

Working in partnership with our customers and stakeholders, we are building on and implementing strategies that align to these outcomes. This report outlines the eight outcomes and some of the successes we have achieved over the 2015-16 financial year.

GREAT CUSTOMER EXPERIENCE

Customers value our products and service experience.

What customers are saying:

- ~ We prefer multiple channels of communication with more digital service options.
- ~ We value flexibility and assistance with our bills.
- ~ We want it to be easy and simple to deal with SA Water.

We have listened to our customer concerns and understand that they want a better experience with us. It's essential that we continually improve services to meet their expectations.

Some of our 2015-16 achievements:

- ~ We introduced a Community Support team to ensure all customers affected by a water main or sewerage incident receive the assistance they need during and after the event.
- ~ Our Customer Assist Program helped over 5,000 residential customers manage their bills.
- ~ We delivered a range of 'smart forms' to the SA Water website providing customers with improved ways of transacting with us.
- ~ A smart metering service for business customers was implemented, enabling businesses to better understand and manage their water use.
- ~ We automated the change of property details from the Land Titles Office and removed the need for conveyancers to submit these details twice.

SAFE, CLEAN WATER

To be the leading provider of safe, clean water that meets our customers' needs.

What customers are saying:

- ~ We recognise and value that you provide safe water.
- ~ We want to see improvements in the taste of tap water, in particular the taste of chlorine.
- ~ We value investments that will improve water quality in the future.

Providing safe, clean water to South Australians is essential for our customers. We are always looking at new and existing technologies to enhance the services we deliver.

Ensuring public health compliance in an ever-changing industry requires smart thinking and dedicated people. Our laboratory and field staff are experts in the challenges we face when addressing water quality issues.

Some of our 2015-16 achievements:

- ~ We introduced new technology to increase our ability to analyse source water quality – improving water safety, quality control and cost management.
- ~ We reduced costs and improved water quality through plant optimisation for six of our water treatment plants.
- ~ We conducted a total of 12,789 water tests for health-related compliance – with just five exceedances recorded.
- ~ Our blind water taste tests (Take the Tap Test) engaged with over 4,000 customers, providing valuable information on what customers think of our tap water.

RELIABLE SERVICE

To provide dependable and responsive water and sewerage services.

What customers are saying:

- ~ We value the reliability, accessibility and convenience of the water and sewerage services we receive.
- ~ We want more information about the progress of faults and service problems.
- ~ We value investment in planned pipe maintenance programs to reduce bursts and leaks.
- ~ We value investments that will improve water quality in the future.

South Australians depend on the reliability of our water and sewerage services. We understand that interruptions are disruptive to our customers. So it's essential we make informed decisions when it comes to maintenance.

By optimising the life and reliability of our water and sewerage networks, we can minimise service interruptions.

Some of our 2015-16 achievements:

- ~ We improved our faults prioritisation criteria to minimise disruption to businesses, residents and commuters.
- ~ Our Asset Management team has trialled innovative acoustic technology to detect blockages in our sewerage mains.
- ~ A hydrogeology study at Bool Lagoon identified a significant recharge zone for the South East confined aquifer.
- ~ We implemented significant system upgrades at:
 - Kangaroo Creek Dam
 - Glenelg and Murray Bridge Wastewater Treatment Plant
 - Hackney Road Trunk Main
- ~ 92.5% of connections and extensions were completed within the required timeframes.

HEALTHY ENVIRONMENT

To be leaders in protecting the environment, using resources efficiently and respecting cultural heritage.

What customers are saying:

- ~ We see water as a precious resource.
- ~ We value investment in environmental projects where value and costs are well-known.
- ~ We value initiatives that conserve or reuse water and we want SA Water to be more proactive.

The water we deliver begins in our environment and the sewage we treat is returned to the environment. Our ability to manage and care for our land and water assets has a significant impact on our ability to provide customers with safe, clean water. Furthermore we are committed to managing our land and water assets with respect for local cultural heritage.

Some of our 2015-16 achievements:

- ~ Energy efficiency at Christies Beach and Bolivar Wastewater Treatment Plants (WWTP) increased by 13% and 11%, respectively.
- ~ We improved biogas power generation at Bolivar WWTP – now 87% self-sufficient.
- ~ We are improving heat mitigation for urban areas that soak up a lot of heat. By using vegetation and recycled water, we are reducing heat in the Adelaide Parklands and at the Adelaide Airport.
- ~ We created an interpretive walk for visitors to enjoy and learn about the Noarlunga Downs Wetlands project, including the region's Kurna Aboriginal heritage.
- ~ Our greenhouse gas emissions were 20,203 tonnes below our target of 378,000 tonnes.

SOUTH AUSTRALIAN GROWTH

We are an enabler of the growth, prosperity and liveability of our state.

What customers are saying:

- ~ We believe SA Water has a key role in contributing to the economic development of South Australia.
- ~ We want simple, transparent and affordable prices to attract businesses to South Australia.
- ~ We recognise and praise elements of service delivery that are locally-based.
- ~ We want SA Water to be an active part of the community.

Access to water and sewerage services underpins many of the fundamental aspects that determine liveability. Understanding how our services support the lives of our residential customers, and success of our business customers, helps to drive the direction of our business.

SA Water contributes to the cultural and economic success of our state through education programs, community engagement, sponsorships and by sourcing products and services from South Australian companies.

Some of our 2015-16 achievements:

- ~ We delivered \$6.4 million of capital works in the APY Lands communities, including bores, security upgrades and improvements to sewage disposal.
- ~ We worked closely with the development industry to improve service delivery through a smoother and more efficient process.
- ~ Our education program worked with 6,512 school students and saw 1,697 community members through the Kauwi Interpretive Centre at the Adelaide Desalination Plant.
- ~ Our sponsorship program supported 22 community programs and events, including Surf Life Saving SA, KESAB and the SA Tourism Commission Credit Union Christmas Pageant.
- ~ We expanded our laboratory services into Victoria with a Melbourne-based lab to better service our eastern states customers.
- ~ We developed a Customer Water Use Portal to help business customers better understand how they use water and to help SA Water better understand our customer needs.

VALUE FOR MONEY

We will be recognised as an efficient business: fairly balancing price, profit and risk.

What customers are saying:

- ~ We want greater transparency around our fees and charges.
- ~ We are concerned about affordability for our homes and businesses.

As a public corporation, owned by the Government of South Australia, we are required to operate in accordance with prudent commercial principles and to use our best endeavours to achieve an appropriate level of profit.

The revenue amount is set by our regulator, the Essential Services Commission of South Australia (ESCOSA), and the dividend paid to the Government and is used to support essential services like schools, hospitals and police. To ensure we can deliver this dividend without compromising our customer service, we have efficiency programs in place aimed at reducing costs, developing better ways of working, instilling a culture of service excellence and improving the quality of our outputs.

Some of our 2015-16 achievements:

- ~ By finding efficiencies in the business in the first regulatory period and further efficiencies proposed for the second regulatory period, we were able to introduce pricing for 2016-17 that delivers a saving to 97% of our customers.
- ~ Three new gas engines installed at our Bolivar Wastewater Treatment Plant are now producing renewable electricity and heat, reducing our reliance on the electricity grid.
- ~ We have seen continued success in our innovative approach to managing energy by purchasing electricity and gas on the wholesale spot market and controlling our demand for energy in response to higher or lower market prices.

SMART INVESTMENT

Our plans are adaptable to meet the needs of current and future generations.

What customers are saying:

- ~ We expect you to embrace and lead water services in the application of innovation and technology.
- ~ We are concerned about South Australia's future economic and environmental prosperity.

For 160 years, we have invested in the assets, people, processes and natural systems required to supply reliable water and sewerage services to the people of South Australia. We strive to manage the balance between customer expectations and affordability now and into the future.

It is essential we continue to invest in the right technology, and support the research to develop predictive capabilities that help us plan and make the right investment, in the right place at the right time.

Some of our 2015-16 achievements:

- ~ We introduced 'smart ball' technology for mapping inside our pipes, providing critical data on pipe conditions faster and more reliably. This allows us to know where and when we need to upgrade infrastructure, minimising disruption to the service and the community.
- ~ We implemented a new relining technique for existing water mains. This was the largest project to use this technique in Australia. The process requires minimal excavation, reducing the impact on the community, as well as investment in laying new mains.
- ~ We trialled new technology that identifies and estimates the source of 'water hammer' events, allowing us to prevent pressure events that could lead to water main failures.

OUR VALUES, OUR PEOPLE, OUR SUCCESS

Our people are the key to our success and our values underpin what we do.

What customers are saying:

- ~ We expect you to be kind, helpful and understanding.
- ~ We want to be heard.

Our ability to deliver on our customers' expectations rests with the experience and capabilities of our people. By investing in leadership and development programs we help to ensure our people have the skills to make a positive contribution to our customers and the community. We have our sights set on a culture of service excellence and are developing plans on how this will be achieved.

Our corporate values are already well embedded in our culture and continue to drive the right behaviours for a customer-focused workforce.

Some of our 2015-16 achievements:

- ~ We saw a 64% reduction in incidents that had the potential for serious injury or fatality
- ~ A State Government audit verified we have robust safety management systems and processes in Work Health & Safety and injury management, as well as a strong safety culture.
- ~ We established a new Diversity and Inclusion Strategy to create an organisation that better reflects the broad diversity of our community, and ensures we utilise the professional and life experiences of our workforce.
- ~ We employed 12 electrical apprentices, 10 fitting and turning apprentices and eight welder/boilermaker apprentices.
- ~ Seven graduates were successful in transitioning from our Graduate Program into roles within SA Water.

01

CORPORATE GOVERNANCE

Corporate governance structure diagram

Our Charter

Delegation of functions

The Board

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Directors' meetings

Organisational structure

SLT profiles

Legislation

Legislation update

Compliance with legislative requirements

Ministerial direction

Freedom of Information

Insurance and indemnification

Risk management

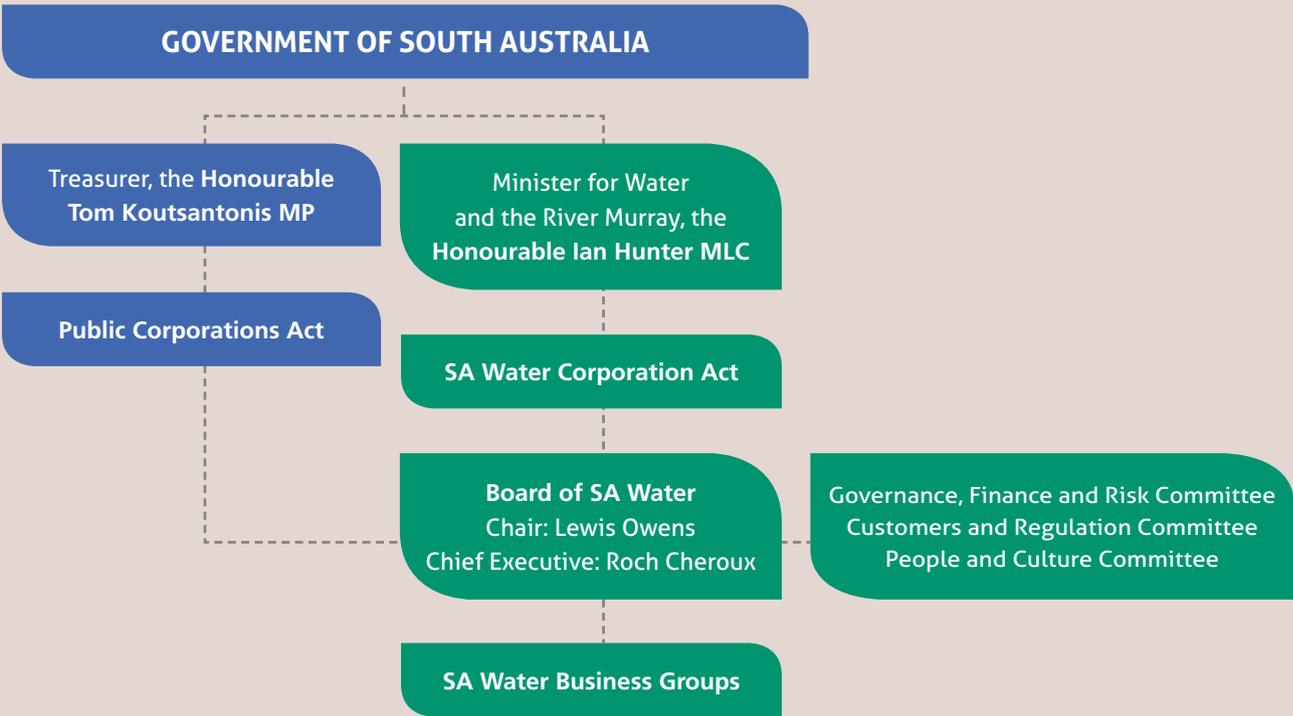
Fraud and corruption control

Policy development



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STRUCTURE DIAGRAM



OUR CHARTER

The Minister and the Treasurer, in consultation with the corporation, are required to prepare a charter for SA Water and review it annually. The charter is a statement from the government which guides the Board in pursuing its functions under the *South Australian Water Corporation Act 1994*. It seeks to balance community service with prudent commercial principles in the conduct of SA Water’s business.

The 2016 review of the charter concluded changes were not necessary. The unchanged charter which will apply in 2016-17 is available on our website and is included as an appendix to this annual report.

As required by the *Public Corporations Act 1993*, the charter will be reviewed again in 2017.

DELEGATION OF FUNCTIONS

Under section 18 of the *South Australian Water Corporation Act 1994*, the Minister may delegate any of the Minister’s powers or functions to SA Water. The Minister has delegated authority to the Board of SA Water to approve expenditure up to \$4 million on any one project.

The Board has established appropriate financial delegations to corporation officers, which are reviewed annually and approved by the Board. Officers are required to exercise these delegations in accordance with SA Water’s policies and guidelines. There are no delegations assigned to Board committees.

THE BOARD



LEWIS OWENS

BE (Hons), MSc, BA, MAICD

Chair of the Board since July 2011
Member of the Customers and Regulation Committee and People and Culture Committee

Lewis is currently the chair of Upper Spencer Gulf Common Purpose Group, a director of Australian Gas Networks Limited and a member of the City of Marion Audit Committee. He has been a Reconciliation Ambassador, promoting Aboriginal employment, since 2009.

He was previously the CEO of ETSA Utilities (now SA Power Networks), Funds SA and WorkCover Corporation, the SA Independent Industry Regulator, the chairman of the Essential Services Commission of SA and, until recently, the chair of the SA Country Arts Trust.



SYBELLA BLENOWE

BA, MTP, LLB, GDLP

Non-executive Director since July 2008
Chair of the Governance, Finance and Risk Committee

Sybella has a 25 year legal career specialising in environment, planning and local government law. She was a partner in national commercial law firms before establishing her own specialist law firm.

Additionally she was chair of the South Australian Forestry Corporation and Abalone Fisheries Management Committee, director of SAGRIC International Pty Ltd and Deputy Presiding Member of the Natural Resources Management Council. She was also Presiding Member of the City of Marion Development Assessment Panel, member of the City of Adelaide Development Assessment Panel and member of the Major Developments Panel. She is currently Deputy Presiding Member of the City of Port Adelaide Development Assessment Panel and a member of the City of Port Adelaide Enfield Development Assessment Committee.



SUE FILBY

LL.B, FAICD

Non-executive Director since July 2013
Chair of the Customers and Regulation Committee

With executive and board level experience in utilities and other large businesses in the private and public sectors, Sue has particular expertise in customer service, funding strategies and proposals, performance standards, and stakeholder engagement.

Additionally Sue has been involved in the Starlight Foundation as a member of the Advisory Board. She is currently a member of the Development Policy Advisory Committee and is a facilitator for Behind Closed Doors.



IAN STIRLING

BBus, CPA and FAICD

Non-executive Director since May 2015

Member of the Governance, Finance and Risk Committee and Customers and Regulation Committee

Ian is Executive Chairman of Stirling Advisory Pty Ltd, director of A Noble and Son Limited Group of Companies and a member of the University of Adelaide Business School Advisory Board.

He was the Chief Executive Officer of ElectraNet Pty Ltd until December 2014, when he retired after over 12 years in the role and was recently Interim Chief Executive Officer with NSW Electricity Networks Operations Pty Ltd (TransGrid) pending the arrival of the long term appointee. Ian's previous roles include chair of the Energy Supply Association of Australia (ESAA), deputy chair of Business SA and, until recently, a director of the Botanic Gardens and State Herbarium of South Australia and Adelaide Botanic Gardens Foundation Inc. Ian was also a National Director and South Australian president of the Committee for Economic Development of Australia (CEDA).



HON. CAROLYN PICKLES

Non-executive Director since July 2013

Chair of the People and Culture Committee and member of the Governance, Finance and Risk Committee

Elected to the Parliament of South Australia in 1985, Carolyn served as a Member of the Legislative Council until 2002, during which time she was Government Whip, chair of the Industries Development Committee, chair of the Social Development Committee and chair and member of several select committees. She held the position of Leader of the Opposition in the Legislative Council until her retirement. She was previously a member of the Adelaide Symphony Orchestra (ASO) Board and later elected deputy chair of the Board.

Carolyn was the chair of the Child and Youth Health Board, the Board of Children, Youth and Women's Health Service, and of the Board of the Foundation of the State Library of South Australia and a member of the Health Performance Council.



HON. KARLENE MAYWALD

Non-executive Director since August 2014

Member of the Customers and Regulation Committee and People and Culture Committee

Karlene has extensive experience in the area of water policy development and reform. She is most noted for her significant contribution to the management of the Murray Darling Basin, and setting the direction for long-term water security in South Australia. She was chair of the National Water Commission from 2012 to 2015. Previously Karlene was a member of the House of Assembly in the South Australian Parliament between 1997 and 2010. She served as a Cabinet Minister from July 2004 until March 2010. Recently Karlene was the Local Recovery Co-ordinator for the Sampson Flat Bushfire.

Karlene is currently the Managing Director of Maywald Consultants. She is also strategic advisor to the SA Department of State Development, chair of ICEWaRM, a facilitator of Behind Closed Doors, board member of the Adelaide International 3 Day event, Director for GPEx and Sturt Fleurieu Education and Training, and Advisory Council member for the Flinders University New Venture Institute.



JOHN RINGHAM

Outgoing Chief Executive

BSc (Hons), C.Eng, MBA, Dip Geotech (UK) MICE, MCIWEM, MAICD, FIEAust

John has more than 40 years of experience in the water industry and was appointed to the role of Chief Executive in December 2010. John joined SA Water in 2000 as Head of Operations and was appointed Chief Operating Officer in 2005. Prior to joining SA Water, John was General Manager of Network Services for United Utilities in the UK and he had held numerous senior roles in UK water utilities. As Chief Executive, John was also a director of SA Water and he was also a director of the Water Services Association of Australia. John's tenure as Chief Executive concluded in July 2016.



ROCH CHEROUX

Incoming Chief Executive

Roch has more than 20 years of experience in the water industry including as CEO of SUEZ – Degrémont for Australia and New Zealand. In the mid-late 2000s he was Managing Director of United Utilities Australia – a role that included the Riverland water treatment plants, now operated by TRILITY, and the Adelaide Desalination Plant project. Roch was previously the CEO and Chairman of Estonia's Tallinn Water, which owns and operates water and sewerage assets and delivers services in the country's capital. He has also served on the boards of several companies in Australia and Europe.

DIRECTORS' INTERESTS

A register of directors' interests is published with the papers for every Board and Board committee meeting. In addition, directors are invited to declare any conflicts of interest that might arise on an ad hoc basis at the commencement of all meetings. In such a circumstance, directors would absent themselves from discussion of the relevant matter and the conflict of interest would be recorded in the minutes of the meeting.

In 2015-16 no director had an interest in any contract or proposed contract with SA Water, other than contracts in the ordinary course of the organisation's business and at arm's length.

DIRECTORS' BENEFITS

In 2015-16, no contract involving directors' interests arose. No director of SA Water received, or became entitled to receive, a benefit (other than a remuneration benefit) by virtue of a contract that the director, or a firm of which the director is a member, or an entity in which the director has a substantial financial interest, has made with SA Water, other than dealings in the normal course of business as set out in the financial statements.

COMMITTEES

The Board was assisted in the discharge of its responsibilities by three standing committees throughout 2015-16. The Chief Executive was an ex-officio member of each committee.

None of the committees exercises a decision-making role, but they do report and make recommendations to the Board.

Each committee has a charter that guides its functions and duties. The charters are reviewed annually and updated charters were approved in May 2015.

Committee membership is reviewed regularly.

Customers and Regulation committee – supports and advises on matters associated with: preparing the regulatory business proposal to ESCOSA; the corporation’s assets; the maintenance, upgrading and installation of new or replacement assets; delivery of services to customers; compliance with the corporation’s licence and customer charter; issues relating to third party access to infrastructure; and the corporation’s relationship with regulators.

Members of the committee in 2015-16:

- ~ Sue Filby (chair)
- ~ Lewis Owens
- ~ Hon. Karlene Maywald
- ~ Ian Stirling.

The committee provided direction for SA Water’s regulatory submission to ESCOSA and for SA Water’s preparedness for the introduction of South Australia’s third party access regime from July 2016.

People and Culture committee – to support and advise on matters associated with the planning, remuneration and culture of the corporation’s workforce, taking into account the corporation’s strategic plan, government policy, relevant Board policies, business needs and regulatory requirements.

Members of the committee in 2015-16:

- ~ Hon. Carolyn Pickles (chair)
- ~ Hon. Karlene Maywald
- ~ Lewis Owens.

A key focus for the committee was the recruitment of the new chief executive. The committee also took particular interest in workplace health and safety, with a focus on recent legislative changes, as well as remuneration policy, culture and leadership, employee engagement and SA Water’s approach to diversity and inclusion.

Governance, Finance and Risk committee – supports and advises the Board in fulfilling its corporate governance and oversight responsibilities (audit). These relate to SA Water’s financial planning and reporting, internal control processes, risk management systems, legal compliance and the internal and external audit functions.

Members of the committee in 2015-16:

- ~ Sybella Blencowe (chair)
- ~ Hon. Carolyn Pickles
- ~ Ian Stirling.

In 2015-16, the Governance, Finance and Risk committee’s work focused on internal and external audit programs, key financial frameworks and increasing effective risk management and reporting.

DIRECTORS’ MEETINGS

During 2015-16, directors attended the following meetings of the Board and committee meetings.

	Board		Special Board		People and Culture		Customers and Regulation		Governance, Finance and Risk	
	A	B	A	B	A	B	A	B	A	B
Sybella Blencowe	11	11	2	2	-	-	-	-	5	5
Hon. Carolyn Pickles	11	9	2	2	3	3	-	-	5	5
Sue Filby	11	11	2	2	-	-	7	7	-	-
Lewis Owens	11	11	2	2	3	3	7	7	-	-
Hon. Karlene Maywald	11	8	2	2	3	3	7	7	-	-
Ian Stirling	11	10	2	2	-	-	7	6	5	5
John Ringham	11	9	2	2	3	2	7	5	5	5

A = number eligible to attend B = number attended

ORGANISATIONAL STRUCTURE AS AT 30 JUNE 2016



SLT PROFILES



JOHN RINGHAM

Outgoing Chief Executive

*BSc (Hons), C.Eng, MBA, Dip Geotech
(UK) MICE, MCIWEM, MAICD, FIEAust*

John has more than 40 years of experience in the water industry and was appointed to the role of Chief Executive in December 2010. John joined SA Water in 2000 as Head of Operations and was appointed Chief Operating Officer in 2005. Prior to joining SA Water, John was General Manager of Network Services for United Utilities in the UK and he had held numerous senior roles in UK water utilities. As Chief Executive, John was also a director of SA Water and he was also a director of the Water Services Association of Australia. John's tenure as Chief Executive concluded in July 2016.



ROCH CHEROUX

Incoming Chief Executive

Roch has more than 20 years of experience in the water industry including as CEO of SUEZ – Degremont for Australia and New Zealand. In the mid-late 2000s he was Managing Director of United Utilities Australia – a role that included the Riverland water treatment plants, now operated by TRILITY, and the Adelaide Desalination Plant project. Roch was previously the CEO and Chairman of Estonia's Tallinn Water, which owns and operates water and sewerage assets and delivers services in the country's capital. He has also served on the boards of several companies in Australia and Europe.



MARK GOBBIE

General Manager Operations and Maintenance

BE, MEngSc, FIEAust, CPEng, EngExec

Mark has more than 30 years of experience as a professional engineer, with specialist expertise in water and wastewater. Previous to this appointment, Mark was employed with Kellogg, Brown and Root (KBR), most recently as its Vice President Water in the Companies Infrastructure Business Unit. Mark has been involved in major projects in the water, transport, minerals, oil and gas, environment and buildings areas.



JAMIE HOLLAMBY

General Manager Business Services
CA

Jamie joined SA Water in September 2013 as the General Manager, Business Services and leads the finance, IT, procurement, facilities and regulation teams. He previously held senior financial and general management roles in BAE Systems including the Head of Finance, Maritime and General Manager of the Henderson shipyard. He is a Chartered Accountant with broad experience in finance, governance, project management and risk management. His previous employers include Santos, KPMG and the Australian Taxation Office. Jamie has work experience in the USA and the UK.



JOHN HOWARD

General Manager Strategy and
Planning
BSc (Hons), PhD (UK), FAICD

John has 30 years of experience in the water industry, gained in the United Kingdom, South Africa and Australia. In South Africa he was Water Quality and Environmental Manager for a regional authority providing water to over four million people.

John was the General Manager of SA Water's Australian Water Quality Centre and the Head of Water, Quality and Environment before moving to his current position. John is a foundation member of the Allwater Alliance Leadership Team and is the Deputy Chairman of Water Research Australia.



JULIE PENNETTA

Acting General Manager People
and Culture
BA

Julie has around 15 years generalist HR experience working in the United Kingdom, Melbourne and South Australia in both the public and private sectors in a range of industries. She commenced with SA Water in 2007 and in 2013 was appointed to the position of Senior Manager Human Resources responsible for the Recruitment, Payroll, Human Resources and Industrial Relations functions. She took on the role of Acting General Manager People of Culture in mid 2015.



JIM MCGUIRE

General Manager Commercial and Business Development
BEC, Grad Dip (Acc), FCIPS

Jim has extensive experience in the energy, banking and public sectors and has been a leader in procurement reform across Australia. He joined SA Water in 2011 and as Senior Manager Procurement led a significant transformation of the procurement function.

Prior to joining SA Water, he led consultancies working with private and public sector clients in Australia and New Zealand. Jim was also previously Director Contract Services within the South Australian Government leading a large team that provided procurement leadership across government.



KERRY ROWLANDS

General Manager Customer and Community Relations
BComm, CPA, GAICD

Kerry has more than 20 years of business experience holding senior commercial, customer interfacing positions within organisations such as Kimberly Clark Australia and Faulding Pharmaceutical before joining SA Water in 2004. Kerry is committed to customer service excellence and driving a customer focused organisation. Kerry is currently on the Energy & Water Ombudsman SA Board, Immanuel College Council, is part of the Allwater Alliance Leadership Team and is Chair of the Water Services Association of Australia's Customers and Community Network.



ANNE WESTLEY

Corporation Secretary (Office of the CE)
BEC, Grad Dip (Mgt), MBA

Anne has over 30 years of experience in public policy, legislative reform and corporate governance. She joined SA Water in 2006 as Principal Adviser, Policy and Governance, and was subsequently involved in key water security and economic regulation initiatives. Prior to joining SA Water, Anne held senior positions in the South Australian public sector across agriculture, transport and central government. Anne has served as a member or chair of several government and charitable boards.

LEGISLATION

SA Water's operations are guided by several pieces of legislation.

South Australian Water Corporation Act 1994 – establishes SA Water as a public corporation and sets out SA Water's primary functions, including:

- ~ supply of water by means of reticulated systems for the storage, treatment and supply of bulk water
- ~ removal and treatment of sewage by means of sewerage systems.

Public Corporations Act 1993 – requires SA Water to perform its commercial operations in accordance with prudent commercial principles and use its best endeavours to achieve a level of profit consistent with its functions.

Water Industry Act 2012 – grants a licence to SA Water to provide water and sewerage services; brings the water sector under the economic regulation framework administered by ESCOSA for water and sewerage pricing and customer service standards; establishes the role of the Technical Regulator in ensuring the safety and quality of technical and infrastructure services; and ongoing technical regulation.

Environment Protection Act 1993 – establishes the framework for the protection of South Australia's land, air and water environments and requires sewerage treatment plants and other operations to be licensed.

Safe Drinking Water Act 2011 – requires drinking water to be fit for purpose and drinking water providers to be registered.

Work, Health and Safety Act 2012 – establishes health and safety duties and provides for worker representation.

South Australian Public Health Act 2011 – sets the standards, rules and powers used to preserve, protect and promote the public's health.

LEGISLATION UPDATE

Water Industry Act 2012

A significant amendment was made to the *Water Industry Act 2012* with the insertion of Part 9A – Third party access regime, with effect from 1 July 2016. This required substantial preparatory work for SA Water in 2015-16 to ensure we comply with the new provisions from the implementation date.

Environment Protection (Water Quality) Policy 2015, under the Environment Protection Act 1993

This revises the previous policy from 2003. There is no longer a need to meet mandatory water quality criteria. Instead, the policy sets out the basis by which a 'general environmental duty' must be demonstrated through reference to the National Water Quality Guidelines. We are required to demonstrate that all reasonable and practical measures to minimise environmental harm have been taken.

Aboriginal Heritage (Miscellaneous) Amendment Act 2016

This amends the *Aboriginal Heritage Act 1988*. Key changes include the introduction of Recognised Aboriginal Representative Bodies and the formal introduction and recognition of agreement-making with these bodies in heritage matters. The Act also references Aboriginal heritage guidelines that are still to be established.

COMPLIANCE WITH LEGISLATIVE REQUIREMENTS

SA Water is committed to meeting the highest standards of compliance with all its legislative requirements. We have implemented systems to help managers monitor their compliance obligations.

Quarterly monitoring and reporting programs are in place to make sure we adhere to laws; Australian standards; Treasurer's instructions; and State Government and internal policies. We report the monitoring program's results and outcome of any matters the SA Water Senior Leadership Team and the Governance, Finance and Risk Committee. Regulatory matters are also reported to the Essential Services Commission of South Australia (ESCOSA)

MINISTERIAL DIRECTION

In accordance with section 6 of the *Public Corporations Act 1993*, ministerial directions are required to be published in SA Water's annual report.

The Minister for Water and the River Murray issued a direction to SA Water on 24 June 2016 relating to the South Australian water access regime. This regime, established under Part 9A of the *Water Industry Act 2012*, commenced on 1 July 2016.

The direction requires prices for access to infrastructure to which the access regime applies to be determined based on a 'retail minus price' methodology.

Specifically, the price for access to SA Water's infrastructure is to be determined based on SA Water's retail price for the relevant service minus avoidable costs of supplying the relevant contestable components plus costs directly attributable to facilitating access to the services.

This direction applies from the commencement of the access regime on 1 July 2016 and will remain in place until such time that as it is replaced or revoked.

The full direction appears on page 135 and 136.

FREEDOM OF INFORMATION

The *Freedom of Information Act 1991 (the FOI Act)* provides members of the public, including the media and members of Parliament, a legally enforceable right of access to information held by government, including SA Water.

The purpose of the FOI Act is to promote openness in government and accountability of ministers of the Crown and other government agencies. This will enhance respect for the law, further good government of the state, and facilitate more effective participation by members of the public in the processes involved in making and administering laws and policies.

SA Water fully supports the objectives and spirit of the FOI Act and is committed to openness, transparency and accountability, while at the same time recognising stakeholders' right of privacy.

In 2015-16 SA Water received 75 new applications for information under the FOI Act. Six applications were also carried over from 2014-15, leading to an overall total of 81 applications in 2015-16. This is a 66% increase in applications received since 2014-15.

Under the FOI Act, members of Parliament submitted 58 applications for information. The public made seven applications, the insurance industry made six applications and media organisations made five applications.

Application outcomes for those processed during 2015-16:

- ~ Access granted in full – 25
- ~ Access granted in part – 16
- ~ Applications refused – 17 (includes applications where documents were either available online or where no documents were discovered within the scope of the request).
- ~ Applications withdrawn – 4

SA Water processed one application for internal review. The South Australian Ombudsman did not review any applications processed by SA Water.

A *Freedom of Information Statement* is published on the SA Water website.

INSURANCE AND INDEMNIFICATION

Section 22 of the *Public Corporations Act 1993* provides that '... a director of a public corporation incurs no civil liability for an honest act or omission in the performance or discharge, or purported performance or discharge, of functions or duties as such a director'.

SA Water indemnifies and keeps indemnified directors of the organisation for the reporting period against all liabilities (other than to SA Water or a related body corporate) that may arise from their position as a director of the organisation, except where the liability arises out of conduct involving a lack of good faith.

SA Water has in place a directors' and officers' insurance policy. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the premium amount.

RISK MANAGEMENT

All people within SA Water (including the Senior Leadership Team, other management, employees, contractors and our key partners) play a role in identifying, assessing and managing risk.

The SA Water Risk Management Policy and Framework, as approved by the Board, formally establishes the process of assessing business risks and opportunities. It also establishes how we develop and implement strategies to manage and/or mitigate these risks in a proactive manner.

The policy is reviewed by the Board on a regular basis and is consistent with the International Standard ISO 31000 and the South Australian Government Risk Management Policy Statement 2009. The policy principles are applied across SA Water. Risk assessments are a key component of strategic and business unit planning, project management, capital and asset planning, emergency response and business continuity planning.

The Governance, Finance and Risk Committee has been delegated responsibility, via the committee's charter, to review and evaluate risk management processes within SA Water overall.

This high level focus on risk recognises the critical role risk management plays in ensuring the Board fulfils its corporate governance and supervisory responsibilities. The committee's role includes:

- ~ understanding the risks of the business
- ~ monitoring risk management activities on a six monthly basis
- ~ endorsing and contributing to the identification of SA Water's annual risk profile
- ~ endorsing SA Water's Risk Management Policy and Framework.

The Senior Manager Assurance and Risk reports via the Corporation Secretary to the Governance, Finance and Risk Committee at each of its meetings, and to the Chief Executive as required. A risk management team provides policies and procedures; systems and tools; training, coordination and facilitation services; and monitoring mechanisms related to risk management activity.

FRAUD AND CORRUPTION CONTROL

We have a code of conduct in place to inform employees and contractors of activities that might constitute fraud and to warn against committing fraud. There is also a specific Fraud and Corruption Control Policy and supporting procedure which deal with the treatment and investigation of any allegations of fraudulent misconduct. Additionally, SA Water has a Whistleblower's Procedure.

The policy and procedures are regularly reviewed, updated and communicated to employees. They take account of the obligations of the Corporation and its employees in relation to the *Independent Commissioner Against Corruption Act 2012* (the Act). The policy and procedures provided a basis for formal training about the operation of the Act and fraud control more generally.

Allegations or suspicions of fraudulent activity may be reported openly to management or anonymously to the Chief Executive in his capacity as Fraud and Corruption Control Coordinator, or his delegate. All reports are investigated promptly and the outcome of any investigation is reported to the Governance, Finance and Risk Committee. We also undertake proactive fraud detection exercises in which irregularities are identified and investigated, supplemented with a corporation wide fraud risk assessment. Suspected fraudulent activities are referred to relevant law enforcement agencies when appropriate.

As part of the annual Internal Audit Plan, data mining of accounts payable, payroll and purchase card expenditure is performed and anomalies investigated. In the year ending 30 June 2016 these exercises did not uncover any instances of fraud or corruption.

SA Water has appointed a responsible officer for the purposes of the *Whistleblowers Protection Act 1993* (WPA) pursuant to section 7 of the *Public Sector Act 2009*. There have been no instances of disclosure of public interest information to a responsible officer of SA Water under the WPA.

POLICY DEVELOPMENT

SA Water's Policy Management Framework comprises both strategic (Board approved) and management (Senior Leadership Team approved) policies that are aligned to our corporate strategic objectives. There is also a suite of associated procedures and guidelines covering a range of SA Water activities and processes including environmental responsibilities, financial management, procurement, human resource management and work health and safety issues.

The policy management system underpinning the framework emphasises consultation on draft documents along with performance indicators to measure policy effectiveness. With a view to continuous improvement practice, all policies and procedures are subject to periodic review. Policies of particular interest to our stakeholders are available on our website including Privacy, Hardship, Sponsorship, Trade Waste, Connections and Drinking Water Quality.

02

YEAR IN REVIEW

Sustainability scorecard

Great customer experience

Safe, clean water

Reliable services

Healthy environment

South Australian growth

Value for money

Smart investment

Our values, our people, our success

Operations data



YEAR IN REVIEW

At SA Water, sustainability is part of the way we do business.

We use a balanced approach where all the relevant impacts and benefits to the economy, environment, customers and community have been considered in the provision of services that are valued by our customers. We consider the long term interest of our customers, the South Australian community and future generations in everything we do.

The sustainability scorecard is an annual snapshot of our sustainability performance, and contains selected sustainable performance measures against our corporate strategic priorities; more detailed information on those targets and a range of other key strategic performance measures can be found throughout the annual report.

In 2015-16, we enhanced our Corporate Sustainability commitments and continued to further embed sustainability principles in our strategy and operational activities.

SUSTAINABILITY SCORECARD

	2015-16 Performance summary against sustainability commitments	Target	Performance		
			2013-14	2014-15	2015-16
	Great Customer Experience				
	Overall customer satisfaction with SA Water: Although the recent customer satisfaction survey has shown an overall 2% decrease in satisfaction from the previous years, we saw high satisfaction with the connections and maintenance crews. (page 16 and 17)	85% of overall satisfaction (results from customer satisfaction survey)			
	Response to customers calls: This year we again exceeded our target and continued to improve our response time to customers. Our Customer Service Centre achieved a 87% satisfaction level. (page 16)	85% of calls to customer service centre answered within 30 seconds			
	Response to written enquiries: We haven't quite reached our target but we are steadily moving towards it and continue to implement changes to increase our responsiveness to community enquiries: there was a 9% improvement compared to the previous year. (page 16)	95% response to written enquiries complaints			
	Construction/extension to water/sewer services: Performance for constructing or extending water or sewer services has improved by 2.8% from the previous year. We continue to implement initiatives to improve construction times. (page 16)	95% completed within target timeframes			
	Safe, Clean Water				
	Drinking water quality: Whilst our regional systems met the target for compliance with Australian Water Quality Guidelines, our metropolitan system just missed the target. (page 21)	Performance against drinking water regulations (100% metropolitan; 99.8% regional)			
					
	Reliable Services				
	Customer service standards: Priority 1 water supply fault bursts and leaks. We exceeded our metropolitan-based (by 4%) and regional-based targets (by 2.7%) for water service attendance and water service restoration within targeted timeframes. (page 23 and 24)	Metropolitan; 95% attended within one hour			
		95% attended within one hour Regional			
	Water mains fault: We achieved a significant improvement for regional targets compared with the previous year but our metropolitan systems performance needs improvement. (page 23 and 24)	Total number per 100km of water main metropolitan (target 21)			
		Regional (target 8)			
	Sewerage mains faults and chokes: We exceeded our performance for the regional areas but our metropolitan performance reduced. The majority of the chokes were the result of tree root intrusion exacerbated by a drier than average summer. (page 23 and 24)	Total number per 100km of sewer main (target 52)			
		Regional (target 15)			
	Water licence compliance: We continued to achieve our regulatory targets with no breaches to our licenses. (page 23)	Extraction within allocation 100%			
		Licence conditions			

	2015-16 Performance summary against sustainability commitments	Target	Performance		
			2013-14	2014-15	2015-16
	Healthy Environment				
	Environmental obligations: SA Water's environmental obligations for metropolitan and country water and wastewater treatment and other multiple licences were met. (page 27)	100% EPA licence compliance			
	Greenhouse gas emissions: We met our target for a linear reduction pathway consistent with our commitments under the Climate Change Sector agreement. (page 29 and 30)	Net GHG emission, 378,000 tonnes of CO ₂ –e			
	South Australian Growth				
	Recycled water volumes: We continue to achieve significant volumes of recycled water (over 30%) with the added benefit of reducing the use of drinking water and thereby improving the security of water supplies for metropolitan Adelaide, and supporting agricultural activities and economic growth of our state. (page 36)	Volume of recycled water (metropolitan and country)			
	Value for Money				
	Profitability: We continue to improve returns to our owner within the boundaries set by our economic regulator, ESCOSA. (page 37)	Operating profit before tax			
	Economic regulation compliance: We continue to meet our compliance targets and completed 2015-16 without breaches. (page 37)	No Material or Intermediate obligations breached			
	Smart Investment				
	Renewable energy: We exceeded our target from self-generated renewable electricity at our wastewater treatment sites, hydroelectric facilities and purchased accredited renewable energy certificates. This year, we generated in excess of 27 GWhs from biogas at Bolivar wastewater treatment plant. (page 44)	Percentage of renewable energy generated and/or purchased, 20%			
	Our Values, Our People, Our Success				
	Safety of employees and contractors: This year the number of lost time injuries further increased beyond our target. This is a disappointing result. In 2016-17, we are actively targeting specific work groups to reduce the number of incidents occurring. (page 52-54)	7 Lost Time Injuries LTI (excluding contractors)			
	Workforce diversity: SA Water has continued to meet and exceed a number of diversity targets for key groups in the business (page 51 and 52) in particular the opportunities through the Aboriginal employment program*.	Workforce diversity performance (2% Indigenous employment)			

* We protect the privacy of our employees and staff are not obliged to volunteer information about their culture.

Key	Description
	Expectations met or exceeded: performance has either met or almost met current targets or showing a positive long term trend
	Room for improvement: Performance has been mixed – current targets have not been met or improvement is required
	Action required: measures show a negative trend away from the target
N/A	Performance not measured or not able to be determined with existing information

2.1 GREAT CUSTOMER EXPERIENCE

Key Performance Outcomes	Key Performance Indicators	2015-16 Target	2015-16 Result
Achieve customer satisfaction	Customer satisfaction survey (recent contact survey)	85.0%	78.0%
	Calls to Customer Service Centre answered within 30 seconds	85.0%	85.3%
	Percentage of all routine written enquiries responded to within 10 working days	95.0%	92.3%
	Construction/extension to water/sewer services completed within target timeframes	95.0%	91.8%



On average we answered your calls in 17 seconds and our Customer Assist Program helped over 5000 customers.

CUSTOMER SERVICE CENTRE

We operate a well-resourced Adelaide-based call centre to ensure we answer customer calls quickly. In 2015-16 we received 437,345 calls, which were answered in 17 seconds on average. Call volumes decreased a little when compared with 2014-15 (a 1.3% reduction) and we continued to meet the target of 85% of calls answered within 30 seconds.

Written correspondence levels increased by 19% in 2015-16. Our performance improved (up 9% to 92.3%) in 2015-16 against an increase in volume. However, this was just below our target of responding to 95% of written correspondence within 10 working days.

We are delivering a significant digital strategy. The strategy recognises the changing expectations of customers and the need to modernise and streamline customer facing services and channels. This is expected to improve the customer experience and enhance the efficiency of our customer service centre.

CUSTOMER ASSIST PROGRAM

SA Water is committed to providing support and assistance to residential customers experiencing either temporary or permanent financial hardship. SA Water complies with the Minister for Water and the River Murray's Hardship Policy for Residential Customers and promotes the Customer Assist Program (CAP) on the SA Water website and bill.

SA Water employs an early intervention strategy aimed at engaging and helping customers most at risk before their debt becomes unmanageable. SA Water maintains strong professional relationships with relevant stakeholders and community support organisations through our outreach program and continue to be well respected and recognised by the social inclusion sector.

During 2015-16, SA Water helped over 5,000 residential customers through the CAP with 1,504 customers successfully completing the program. Customers participating in the CAP also had access to free plumbing assistance, with 241 customers receiving free water audits or emergency plumbing help in the past year.





COMMUNITY SUPPORT TEAM

In March 2016, SA Water appointed a Community Support Team. This team provides support and advice to customers and the community who are affected by service failures, whether that be property damage (major and minor), water outage requiring access to alternate water and/or timely information relating to water or sewerage incidents.

If property damage occurs, the Community Support Team case manages affected customers to ensure there is ongoing support and communication throughout this difficult and inconvenient time. Communication and support begins at the time of the event and continues until the repairs are completed and the matter finalised.

They also provide assistance to vulnerable or critical customers who may be affected by a water outage. This assistance includes on-site support to assist with alternate water supplies such as cask water, advice regarding the diversion of pipework to subsequent meters and temporary water connections (where possible).

This team has provided assistance to over 10,000 customers and members of the community since the team's inception.

CUSTOMER COMPLAINT HANDLING

We regard complaints as an opportunity to build and maintain customer confidence and trust, as well as improve our customer experience performance and operational efficiency.

In 2015-16, we registered 2.25 complaints per 1,000 customers, which has reduced from 2.43 complaints per 1,000 customers recorded in 2014-15. SA Water's result is below the national benchmark, based on 2014-15 National Performance Reporting (NPR) data for major utilities. We will continue to have a strong focus on reducing this over the coming year.

The most common complaint types relate to water quality, repairs and maintenance of infrastructure in the metropolitan area, and high water consumption. We have a comprehensive approach to dealing with complaints, which includes a focus on first contact resolution and a dedicated complaint handling team. Our Customer Dispute Resolution and Mitigation team is responsible for investigating and responding to complaints which were not able to be resolved on first contact.

In 2015-16, 420* complaints about SA Water were made to the Energy and Water Ombudsman of South Australia in a range of areas. High water use continued to top the list of concerns escalated.

* The number of Energy and Water Ombudsman of South Australia (EWOSA) complaints referred to SA Water may differ between SA Water and EWOSA due to variances in reporting practices.

CUSTOMER RESEARCH AND ENGAGEMENT

Satisfaction results

During 2015-16 we surveyed customers who had a recent service experience with us. The survey was tailored to ask questions specific to a customer's experience, including reporting a fault or a service problem, requesting a water connection or calling the Customer Service Centre with an account enquiry.

Our average customer satisfaction result over the past 12 months has decreased to 78%, two percentage points lower than last year at 80%.

OVERALL SATISFACTION WITH SA WATER

	Q1 Jul-Aug 2015	Q2 Sep-Dec 2015	Q3 Jan-Mar 2016	Q4 Apr-Jun 2016	Annual Average 2015-16	Change across 2015-16
Positive satisfaction (very satisfied, satisfied)	74%	81%	80%	76%	78%	-2%
Neutral satisfaction (neither satisfied or dissatisfied)	17%	12%	10%	14%	13%	+1%
Dissatisfaction (dissatisfied, very dissatisfied)	9%	7%	10%	9%	9%	+1%

*Caveat for the figures: Due to rounding some scores may range from 99% to 101%.

Last financial year our satisfaction results were reported internally. Our overall customer satisfaction result was reported to the SA Water Board and to the Treasurer as part of SA Water's performance statement.

We are committed to using customer insights to improve the way we work. This year, we have been working on:

- ~ new digital services, including a notification system for customers who report a fault. This will be delivered in 2016-17 and keep customers informed of a fault's progress.
- ~ improving our service on the phone and when we correspond in writing.
- ~ improving our application process for new connections and extensions.

Customer Advisory Groups

Our Residential and Business Customer Advisory Groups were established in 2012 to increase interaction between SA Water and representative customer groups. We convened our Customer Advisory Groups four times during the year to share information and seek their views on SA Water's services, initiatives and policies. The groups provide valuable customer insights and assist in disseminating information to our customers.

The Customer Advisory Groups are made up of representatives from the following organisations:

RESIDENTIAL CUSTOMER ADVISORY GROUP

- ~ Consumers SA
- ~ Council of the Ageing SA
- ~ Multicultural Communities Council of SA
- ~ Regional Communities
- ~ SA Federation of Residents and Ratepayers Association Inc
- ~ South Australia Council of Social Service

BUSINESS CUSTOMER ADVISORY GROUP

- ~ Australian Industry Group
- ~ Business SA
- ~ Property Council of Australia (SA Branch)
- ~ Primary Producers SA
- ~ Urban Development Institute of Australia



MEDIA AND COMMUNICATIONS

We are committed to delivering open, timely and accurate information to the media, customers and community. We produce a range of communication materials to keep customers informed of both critical and useful information from across our business. We also produce a number of reports required by law. We manage content for a range of channels including social media (Twitter/YouTube/Flickr) and our website. We support the organisation to deliver consistent messaging to stakeholders through the development of communication materials, presentations, digital content for events, operational and business activity communications as well as community programs.

We also managed a number of activities with highlights being:

- ~ Water Wise Measures campaign
- ~ Focus on extensive communications around community relations events such as SA Water Across the State, Clare Peak Water Transportation Scheme, pricing announcement and the Regulatory Business Proposal 2016

This year we have continued to engage and build positive relationships with media across the state.

In 2015-16, we managed more than 700 media enquiries with around 300 of these occurring between March and May 2016 following the Paradise burst water main incident in metropolitan Adelaide.

In response to this incident, we are continuing to improve the way we communicate with customers and community to ensure they have the information they require when they need it.



DISABILITY ACTION PLAN

In accordance with a decision of the South Australian Government, Disability Access and Inclusion Plans (DAIPs) are being introduced across government. This accords with a recommendation of the report *Strong Voices: A Blueprint to Enhance Life and Claim the Rights of People with Disability in South Australia (2012-2020)*. The initiative also aligns with the principles and intent of the United Nations Convention on the Rights of Persons with Disabilities and the National Disability Strategy 2010-2020.

DAIPs provide an opportunity to identify and seek solutions to overcome social, attitudinal, economic and cultural barriers that limit participation for both customers and employees with disability.

As part of the process and as a first step SA Water has been developing a diversity and inclusion strategy and plan of action to encourage a more diverse and inclusive workforce, which will ultimately lead to improved customer services.

2.2 SAFE, CLEAN WATER

Key Performance Outcomes	Key Performance Indicators	2015-16 Target	2015-16 Result
	Drinking Water Standards: Compliance with drinking water regulations <ul style="list-style-type: none"> ~ Metropolitan ~ Regional 	100.0% 99.8%	99.96% 99.83%



SA Water demonstrated continued strong compliance with drinking water regulations including the *Safe Drinking Water Act (2011)*. Australian Drinking Water Guidelines (ADWG) compliance was above target for regional systems with 99.83% and slightly below the 100% target for metropolitan systems. These results include performance against *E. coli*. The ADWG recognise that occasional detections may occur. In accordance with the guidelines, any detections were immediately investigated and corrective action implemented as agreed with SA Health.

DRINKING WATER QUALITY REPORT

In addition to the Annual Report, SA Water publishes an annual Drinking Water Quality Report. This report focuses on the many water quality initiatives and research activities SA Water undertakes each year and shows performance against the ADWG. The most recent copy can be found on our website: www.sawater.com.au.

DRINKING WATER QUALITY MANAGEMENT

SA Water's drinking water supply systems are managed in accordance with our Drinking Water Quality Management System. This system is based on the Australian Drinking Water Guidelines (ADWG), which is endorsed by the National Health and Medical Research Council and provides water quality guidelines and values for a structured and systematic approach to managing drinking water quality from catchment to the customer's tap.

We assess our progress on implementing the ADWG framework using AQUALITY, an implementation measurement and evaluation tool developed by the Water Services Association of Australia. During 2015-16 we improved our AQUALITY score from 93.6% (2014-15) to 94.3%, exceeding our target of 94.0%.

Some improvements leading to the increase included:

- ~ A second external *Safe Drinking Water Act* audit was completed with successful results.
- ~ All Water Quality Safety Plans continued to be maintained. These ensure that operations personnel have up-to-date information to manage water quality from catchment to tap.
- ~ Additional water quality standards, guidelines and operational procedures were developed by Operations and Water Quality and Treatment Strategy personnel to address potential water quality risks.
- ~ Representatives from Water Quality and Treatment Strategy; Water Quality and Treatment Performance and Optimisation; Water Treatment and Network Quality; and Security and Emergency Management undertook emergency scenarios and testing. Debriefs were conducted and emergency plans updated.
- ~ A new three year Drinking Water Quality Management System internal audit program was developed for all systems including remote communities.



WATER QUALITY IMPROVEMENT

A number of water quality improvement projects were initiated or completed during the 2015-16 financial year:

- ~ Plant monitoring and control upgrades continued at a number of water treatment plants, including filter and plant control upgrades at Little Para and Myponga. The water treatment plants now have an enhanced capability to be optimised, thereby reducing costs and improving treated water quality.
- ~ The Hope Valley, Happy Valley, Anstey Hill, Morgan and Mount Pleasant water treatment plants were optimised to reduce costs; improve treated water quality; and operate in accordance with recognised best practices.
- ~ An automated coagulation control system was initiated at the Barossa, Myponga, Anstey Hill Hope Valley, Happy Valley and Little Para water treatment plants as part of monitoring upgrades.
- ~ Planning commenced for a new storage and disinfection control project at the Morgan Water Treatment Plant. This will enhance plant resilience in the face of raw source water challenges.
- ~ The Barossa filters, along with new filter valves, were refurbished to improve plant control and treated water quality.
- ~ Health-based target assessments were performed on all surface water treatment plants to identify opportunities for improvement and prepare for impending incorporation of these assessments into the ADWG.
- ~ Trials of alternative coagulants were undertaken at the Mount Pleasant and Middle River water treatment plants to enhance process resilience and improve water quality at reduced cost.
- ~ Membrane plant operation was optimised at plants along the River Murray for more efficient operation.
- ~ Network modifications were made to improve chlorine residuals in the Lower Lakes pipelines.

2.3 RELIABLE SERVICES

Key Performance Outcomes	Key Performance Indicators	2015-16 Target	2015-16 Result
Achieve customer satisfaction	Customer Service Standards: Priority 1 water supply faults, bursts & leaks – attended within 1 hour		
	~ Metropolitan	95.0%	99.0%
	~ Regional	95.0%	97.8%
	Category 1 unplanned water interruption – restored within 5 hours		
	~ Metropolitan	90.0%	87.5%
	~ Regional	95.0%	100.0%
	Sewer overflow inside a building – attended within 1 hour		
	~ Metropolitan	95.0%	99.1%
	~ Regional	99.0%	100.0%
	Sewer overflow inside a building – cleaned up within 4 hours		
~ Metropolitan	95.0%	96.9%	
~ Regional	99.0%	100.0%	
Water main faults (total number per 100km of water main)			
~ Metropolitan	≤ 21.0	21.4	
~ Regional	≤ 8.0	10.4	
Sewerage mains faults and chokes (total number per 100km of sewer main)			
~ Metropolitan	≤ 52.0	57.0	
~ Regional	≤ 15.0	11.8	
Water Licence Compliance – extraction within allocation		100.0%	100.0%
Water Licence Compliance – licence conditions		100.0%	100.0%

OPERATIONS AND MAINTENANCE – SERVICE DELIVERY

In relation to SA Water's annual performance against regulatory targets, SA Water has performed well for key water and wastewater activities across both its metropolitan and regional customers.



REGIONAL SERVICE DELIVERY

SA Water has performed well against regulatory targets for key water and sewerage activities in our Regional Operations. Regional Operations met all 15 of the regulated wastewater targets, and all but one of its 14 regulated water targets. The missed target in the water area is currently in discussion with Essential Services Commission of South Australia (ESCOSA) under the best endeavours test. This test can be applied where best endeavours were used in an attempt to meet the target. Key achievements in the Regional operations have been the improvement in service delivery through continued workgroup amalgamations coinciding with the rollout of new tools to improve efficiency and Work Health and Safety outcomes. We continued to receive good customer feedback on performance by our Regional Crews (through quarterly survey). The 2015-16 year also saw major pumping costs (per unit) well below target considering that the dry year led to high pumping volumes.

METROPOLITAN SERVICE DELIVERY

Of the 14 regulated water targets, 11 were achieved in the metropolitan area. Two of the missed targets are under discussion through the best endeavours test. The one missed target was a complex water restoration with minimal immediate customer impact. Metropolitan services are delivered through the Adelaide Services Alliance. Other key achievements delivered by the Alliance during the year have been the total reportable injury frequency rate (TRIFR) reduced from 4.78 (2014-15) to 3.57 (2015-16), reflecting a strong commitment to employee health and safety. Continued focus on optimising the operation of our metropolitan treatment plants was evidenced by increases in energy efficiency at Christies Beach and Bolivar WWTPs of 13% and 11% respectively. In addition, the Alliance improved filtration performance at Little Para, Anstey Hill and Happy Valley Water Treatment Plants which resulted in improved efficiency and water quality from those facilities.

TRADE WASTE

Trade waste is wastewater from commercial, industrial, business, trade or manufacturing activity produced by approximately 9,000 businesses across South Australia. This waste is either discharged to the SA Water sewerage network or deposited at one of our nine hauled waste receiving stations across the state. Maintaining quality and quantity of trade waste discharge is critical to protect the sewerage network, treatment processes, staff working on these assets and waste disposal mechanisms, including recycling.

Over 2015-16, 906 trade waste applications were received and 100% were processed within 10 working days.

In addition to having a highly successful year with respect to improved 'business as usual' performance, the Trade Waste and Networks group has been involved with capital and operational projects. The group supported key areas such as treatment and networks planning; asset management; strategy and planning; and many others.

We compared SA Water and interstate water utilities' trade waste policies, trade waste charges and acceptance standards. As a result of this benchmarking program, opportunities have arisen to refine key policies, reduce service delivery unit costs and increase standardisation and optimisation across the business. These will all contribute to improving customer experience.

In 2015-16, the Honourable Ian Hunter MLC, Minister for Water and the River Murray announced a \$5.29 million Trade Waste initiative to help South Australian industry improve its trade waste systems. SA Water contributed to the development the initiative which follows last year's Trade Waste 90-Day project for the food and beverage industry. The initiative is being implemented by the Office of Green Industries SA (GISA) in collaboration with SA Water by means of the Resource Productivity Assessment grant program and the Food and Beverage Implementation Grants. The first round of funding has opened for resource productivity assessments.

ENERGY MANAGEMENT

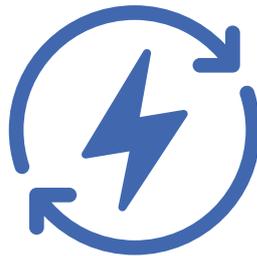
We rely on energy supplies to deliver safe, clean water and to treat sewage and it represents substantial operating costs and associated carbon emissions. Our innovative approach to managing energy has moved from traditional retail contracting to purchasing electricity and gas on the wholesale spot market. We optimise business outcomes by:

- ~ controlling our demand for energy in response to higher or lower market prices
- ~ self-generating electricity
- ~ using financial products to manage price risk.

With increasing electricity pricing, this approach has significantly reduced our operating costs. These savings are passed on to our customers and contribute to a healthier environment. Importing electricity from the grid is our biggest single source of carbon emissions. Our major pumping is targeted at periods of low-priced electricity, which generally occurs when the most renewable energy is produced in South Australia.

We maximise self-generation at our wastewater treatment plants to coincide with high electricity price events. This strategic energy management approach enhances our corporate energy objectives and supports South Australia's strategic plans.

We have a history of generating renewable energy and it is a capability we continue to invest in, consistent with the energy objectives in our strategy for 2016-24. Biogas created from our sewage treatment process is used to fuel combined heat and power plants, providing renewable electricity and process heat. Three new gas engines installed at our Bolivar wastewater treatment plant produce renewable electricity and heat required by the site. This reduces our reliance on imported electricity, secures energy supplies at our critical sites, minimises carbon emissions and drives costs down. To further increase biogas production we utilise a co-digestion facility at Glenelg wastewater treatment plant. This receives high strength and quality organic waste products from industry that would have otherwise gone to landfill. The Glenelg site has increased its renewable energy self-sufficiency from 74% to 89% in the past two years, contributing to our renewable energy target achievements.



The Glenelg WWTP increased its renewable energy from 74% to 89%.

We work closely with water utilities across Australia and globally to share technical expertise and benchmark energy performance. With our contractors and alliance partners, we responsibly manage energy throughout the Adelaide metropolitan area which includes our largest water and sewage treatment assets. Energy efficiency and energy recovery opportunities are identified and implemented where economically viable. Aeration systems consume about 50% of our wastewater treatment plant energy demand. We have reviewed state-of-the-art energy efficient micro and nano-bubble aeration systems and further investigations are underway to assess advanced aeration control technologies. A diffuser replacement project and a vortex grit removal project completed at Bolivar wastewater treatment plant has reduced our energy consumption and improved asset performance.

We operate our power stations in compliance with ESCOSA's power generation licences and have registered power stations with the Clean Energy Regulator to create Renewable Energy Certificates. Through our joint venture this year, we recorded our highest generation output after 14 years of operating the Hope Valley Terminal Storage mini-hydroelectric system. Our annual Energy Awards recognise and actively promote energy excellence and this year's nominations demonstrated innovative energy performance improvements at our sites across the state.

REMOTE COMMUNITIES

SA Water's Remote Communities Group works with federal and state agencies, Aboriginal land holding authorities and communities in the provision of water and sewage services to 18 designated Aboriginal communities in South Australia.

The water and sewage management framework developed for these communities follows a risk analysis approach to guide the asset management program.

Annual service delivery in the order of \$4.5 million includes: asset management, routine preventative maintenance, response to emergency breakdowns, aquifer performance monitoring, regular water quality and sewage sampling analysis, and the employment of local Community Water Services Officers.

The Remote Communities Group work closely with other State Government agencies with a range of inter-government and coordination related activities including:

- ~ data evaluation and preparation of a sustainability report for ground water supplies
- ~ Indigenous Community Housing Coordinating Committee
- ~ new housing developments and sub-divisional requirements
- ~ DPTI APY Lands Coordination Committee
- ~ Aboriginal community cadastre project
- ~ natural resource management.

The Remote Communities Group project manages new infrastructure initiatives and the current delivery schedule includes a capital works program.

Recently completed and current projects with a total value in the order of \$6.4 million include:

- ~ a water search and bore drilling program at several APY communities
- ~ water security upgrades at Indulkana, Mimili and Kaltjiti
- ~ water security upgrades at Pipalyatjara, Umuwa, Pukatja and Amata
- ~ a water security upgrade at Yalata
- ~ sewage disposal upgrades at Amata and Indulkana.

WATER SECURITY

SA Water continues to make sure our current and future customers have a secure water supply. We work closely with other government departments (e.g. Department of Environment, Water and Natural Resources) to support their decision-making across the state. This includes work implementing the Basin Plan in the Murray Darling Basin, supporting water resource management on the Eyre Peninsula and assisting with the cost benefit analysis on the Adelaide Desalination Plant.

Our work supported the sustainable operation of wellfields in the Eyre Peninsula and South East, with new operating plans developed during the year. These plans will support ongoing sustainable extraction from our wells.

We completed a comprehensive study of the hydrogeology in the Bool Lagoon area in 2015-16. During the study we identified a significant recharge zone for the South East confined aquifer – this significantly enhanced our knowledge of the region.

We have made significant progress in redeveloping a number of tools required for the long term planning of our water resources. In particular, we have delivered innovative demand models for water supply systems across regional South Australia. These models consider the impacts of climate variability, pricing, and other demographic factors and forecast likely local water resource demands. Activities to enhance water security in the South East have been included on our forward capital plan as a result of the Water Security Plan that was developed using these models. A new modelling tool has also helped us investigate how demand for water from our customers has changed since the millennium drought.

2.4 HEALTHY ENVIRONMENT

Key Performance Outcomes	Key Performance Indicators	2015-16 Target	2015-16 Result
	Environmental Obligations:		
	EPA licence compliance	100%	100%
	Net greenhouse gas emissions CO ₂ -e	378,000t	357,797t

SA Water develops and integrates robust frameworks with strategic planning to make sure our land, including supply catchments, is managed effectively to provide sound water quality and environmental outcomes.



MANAGING OUR NATURAL ASSETS – SUPPLY CATCHMENTS, LAND AND NATURAL RESOURCES

SA Water develops and integrates robust frameworks with strategic planning to make sure our land, including supply catchments, is managed effectively to provide sound water quality and environmental outcomes. We played a significant role in collaborative planning efforts across different land tenures, including development of the Adelaide and Mt Lofty Ranges Bushfire Management Area Plan and South Para Collaborative Fire Management Plan. SA Water also delivered a comprehensive prescribed burn program as part of cross government cooperative arrangements for fire management on public land. We continued to participate in interagency bushfire and natural hazard management arrangements, and provided extensive support and resources to a number of fire events, including the Pinery Fires.

SA Water faces unique challenges in managing the quality and supply of source water to our water treatment plants prior to its treatment and distribution as safe drinking water. The first physical ‘barrier’ to pollutants is provided by sound land management practices in the catchments. Most of the inflows into the supply catchments cross privately-owned land. This land is often intensively developed and used in a number of ways, including for grazing, horticulture, forestry, urban and rural living. It is not under our direct management control.

We take a collaborative approach to managing the drinking water supply catchments and works closely with a number of natural resources management agencies and organisations to achieve positive water quality outcomes that benefit our customers. In 2015-16, we were active in ongoing investigations into the sources and mitigation of pathogens in our supply catchments (*Cryptosporidium* risk management strategy). This helped refine and improve our approach to catchment management.

SA Water continued to update our catchment barrier condition assessments and review and advance our risk assessment methods. We also routinely monitored the water quality and recorded flow measurements in our primary supply catchments in the Mount Lofty Ranges via real time data, from strategically placed automated composite water quality sampling stations throughout the watershed. We continuously strive for innovative solutions to efficiently monitor the status of our catchments. Sound knowledge of our catchments and its pollution abatement measures ultimately assists with designing the most cost effective water treatment across all water quality protection ‘barriers’.



SOURCE WATER QUALITY MANAGEMENT

Initiatives and improvements to manage source water quality have a catchment-to-tap focus. They aim to take advantage of new and existing technology to provide services to the community at the lowest possible cost.

Reservoirs

REAL-TIME WATER QUALITY MONITORING

Access to real-time water quality data is essential to respond effectively to risks associated with algal blooms and reservoir inflows. Vertical water quality profiling systems, located at strategic reservoirs, provide real-time data for temperature, turbidity, total cyanobacteria, chlorophyll, pH, conductivity and dissolved oxygen. The information gathered enables water quality managers to:

- ~ track the flow of water which has the potential to carry catchment-derived pollutants into reservoirs
- ~ identify where the best water quality is located within a reservoir's vertical profile
- ~ manipulate the water quality supplied to water treatment plants through the use of multiple offtakes, ensuring the best possible water quality is selected
- ~ reduce reliance on algaecides as a method for managing algal blooms
- ~ optimise the effectiveness of algaecide treatment
- ~ optimise water treatment processes for the removal of cyanobacteria-derived taste and odour compounds.

MANAGEMENT OF CYANOBACTERIA IN RESERVOIRS

Controlling certain types of cyanobacteria in reservoirs is an ongoing operational issue for water utilities worldwide, who rely on algaecides. Where possible, SA Water continued to manage cyanobacterial blooms without applying algaecides. This was achieved through an alternative management strategy which includes *in situ* field measurements of key water quality parameters; optimised management of multiple offtakes; and enhanced water treatment plant processes. These include applying powdered activated carbon to remove cyanobacteria-derived taste and odour compounds.

Although the use of copper-based algaecides is safe, it is not always effective and it is expensive. Investigations have identified stabilised hydrogen peroxide as a potential alternative, and an application trial is in progress.

River Murray

WATER QUALITY MONITORING

SA Water has the ability to immediately identify situations requiring action through its use of a customised monitoring program and an automated reporting mechanism. Data gathered as part of this program enables the treatment processes to be enhanced, making sure that water quality meets ADWG and water quality aesthetic meets customer expectations.

GREENHOUSE INVENTORY

SA Water has been measuring greenhouse gas emissions since 2003. We compile an inventory of emissions for reporting to the Commonwealth Government under the National Greenhouse and Energy Reporting System and meeting the Climate Change Sector Agreement targets. It also helps us identify opportunities to reduce operational costs and manage financial and regulatory risk.

The majority of our emissions are from the electricity used to pump water long distances and direct emissions of methane and nitrous oxide from our wastewater treatment plants. In 2015-16, SA Water was responsible for gross total emissions of 408,471 tonnes of carbon dioxide equivalents (CO₂-e). We offset some of these emissions through the purchase of renewable energy certificates and our biosequestration plantings, to achieve net emissions of 357,797 tCO₂-e. This increased by 25% since the previous year, mainly due to major pumping.

SA WATER'S 2015-16 GREENHOUSE GAS INVENTORY

Facility greenhouse gas emissions	Scope 1	Scope 2	Scope 3	Total emissions (CO ₂ -e)
SA Water corporate and aggregates	9,133	2,145	1,321	12,599
Country water pumping and networks	3,547	194,661	38,419	236,627
Country wastewater treatment plants	6,543	5,879	3,227	15,649
Metropolitan water treatment and networks	56	15,069	2,987	18,112
Bolivar wastewater treatment plant	43,467	6,487	2,386	52,340
Glenelg wastewater treatment plant	9,828	2,849	676	13,353
Christies Beach wastewater treatment plant	10,588	5,785	1,153	17,526
Aldinga wastewater treatment plant	714	737	145	1,596
Adelaide Desalination Plant (ADP) electricity emissions*	0	0	23,283	23,283
ADP non-electricity emissions#	0	0	1,814	1,814
Chemical usage	0	0	6,048	6,048
Country outsourced facilities^	0	0	5,646	5,646
River Murray facilities^	0	0	3,878	3,878
Gross emissions (tonnes CO₂-e)	83,876	233,612	90,983	408,471
Biosequestration plantings				- 8,188
Accredited Renewable Energy Certificates				- 40,672
Carbon offsets				- 1,814
Equivalent net emissions (tonnes CO₂-e)				357,797

* The ADP operational emissions for electricity consumed are offset by accredited Renewable Energy Certificates (RECs) and are accounted for as zero emissions.

SA Water has committed to offsetting all ADP emissions until 2016. This includes non-electricity related emissions from fuel use, chemical use, waste, etc.

^ These facilities are not in SA Water's operational control and therefore emissions are recorded as Scope 3.

Notes:

1. The inventory is based on financial year performance and includes some estimates.
2. The inventory is based on facilities that align with the National Greenhouse and Energy Reporting System.
3. Scope 1 emissions refer to direct emissions from fuel use and fugitive emission sources.
4. Scope 2 emissions acknowledge emissions caused indirectly through the consumption of electricity.
5. Scope 3 emissions acknowledge other indirect emissions caused in relation to SA Water's activities, such as electricity transmission losses, some outsourced activities and emissions embodied in the products and services that SA Water purchases.
6. Carbon biosequestration represents the annual sequestration of carbon from our revegetation plantings.

OFFSETTING THE ADELAIDE DESALINATION PLANT GREENHOUSE GAS EMISSIONS

SA Water has offset the greenhouse emissions associated with the Adelaide Desalination Plant (ADP) during 2015-16. This includes emissions from activities occurring during the construction of the plant since 2009, such as electricity, fuel use and the embedded carbon in construction materials. The emissions associated with plant operation are mainly from the electricity used to treat water. A small amount of emissions are from fuels, embedded carbon in water treatment chemicals, waste disposal, staff travel and office emissions. All electricity emissions from the operation of the plant are offset with accredited Renewable Energy Certificates generated within South Australia. All other emissions are covered by accredited carbon offsets sourced from projects that divert waste from landfill in South Australia.

FINES AND SANCTIONS

Compliance with Environment Protection Authority (EPA) licence conditions 2015-16

Measures	Target	Result	Assessment
Metropolitan and country sewage treatment EPA licences	100%	100%	Achieved target
Abrasive blasting EPA licences	100%	100%	Achieved target
Treated water transfer EPA licence	100%	100%	Achieved target
Production and disposal of listed waste EPA licences	100%	100%	Achieved target
Discharge of stormwater to underground aquifers EPA licences	100%	100%	Achieved target

Environment Protection Orders

Nil Environment Protection Orders (EPOs) were issued to SA Water between 1 July 2015 and 30 June 2016.

Legal actions

In February 2016, SA Water negotiated a civil penalty of \$2,079 with the EPA for an incident that occurred at the Anstey Hill water treatment plant in November 2014. A breach in pipework resulted in the discharge of wastewater to a nearby watercourse.

Significant spills

There have been no significant spills in 2015-16 that have resulted in regulatory action.

ENVIRONMENTAL INCIDENTS

An environmental incident is an accident, spill, emergency or a near miss that causes or threatens to cause environmental harm.

An environmental incident may be classified as a Type 1, Type 2 or Type 3.

Type 1 Environmental Incidents are incidents that cause or threaten to cause serious or material environmental harm.

Type 2 Environmental Incidents are incidents that cause or could cause environmental harm but are not of high impact or on a wide scale.

Type 3 environmental incidents have potential to cause environmental nuisance but are minor in nature and require no or minimal remedial action to be taken. Type 3 incidents are not required to be reported to EPA.

Type 1 and 2 incidents are reportable to EPA.

The majority of environmental incidents are caused by:

- ~ accidental spillages from the sewerage system that impact on water courses; or
- ~ the uncontrolled discharge of chlorinated water that impact on water courses.

There are a range of criteria that differentiate Type 1 and Type 2 incidents that are agreed by EPA and Department of Health and Ageing. Typical criteria include:

- ~ Wastewater Type 1 Incident – Discharge of >1ML of wastewater as a result of failure within a wastewater network system.
- ~ Wastewater Type 2 Incident – Discharge of <1 ML of wastewater to a water course.
- ~ Treated Water Type 1 Incident – Discharge of >1ML of treated water to a water course
- ~ Treated Water Type 2 Incident – Discharge of >50kL, >1ML of treated water to a water course

Total type 1 and 2 environmental incidents over the past five years

	2011-12	2012-13	2013-14	2014-15	2015-16
Total type 1 environmental incidents	18	7	10	7	6
Total type 2 environmental incidents	80	74	84	94	149



Environmental incidents that result in emissions to the environment

When mains and pump stations fail or are blocked, treated water or untreated effluent may enter stormwater and/or watercourses causing environmental harm. Environmental incidents of this nature are recorded and reported to the EPA where required. Details of these incidents can be seen in the tables below.

Environmental sewage incident type	Result 2012-13	Result 2013-14	Result 2014-15	Result 2015-16
Sewerage network overflows and spills entering water courses or stormwater systems (including sewage pumping stations)	51	69	78	111
Overflows from sewage pumping stations in Adelaide (including SA Power Network failures)	6	6	2	9
Overflows from sewage pumping stations in country (including SA Power Network failures)	2	3	1	4
Environmental water incident type				
Mains water discharges (unplanned) (types 1 and 2)	15	18	14	35

In 2015-16 there was a substantial increase in EPA reportable incidents. The increase is attributed to improved environmental awareness training amongst operational staff to ensure the identification and reporting of environmental incidents is correct. Wastewater overflows that enter the stormwater system, but not necessarily a creek or river are now classified as environmental incidents, when previously they were not. This has resulted in the increase in reportable incidents.

2.5 SOUTH AUSTRALIAN GROWTH

COMMUNITY ENGAGEMENT

We understand that community engagement is essential to understand the needs of our customers. The Community Relations team facilitated a suite of community engagement events and activities during the year. These were designed to understand issues important to the community and showcase SA Water's contribution to the community.



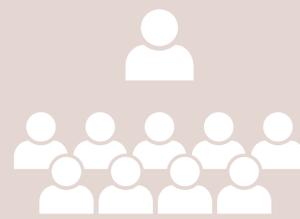
Kauwi Interpretive Centre

Community interest in the Kauwi Interpretive Centre remains strong. In 2015-16, Community Relations facilitated presentations and tours to 1,697 members of the community at the Adelaide Desalination Plant and Kauwi Interpretive Centre (2,652 including students who attended as part of the Brainwave Learning Program).



SA Water across the state

SA Water staff engaged with regional communities through a range of local forums in 2015-16. Events were held in the South East, Upper North and Eyre Peninsula. The events involved meetings with key stakeholders, historical displays in local libraries and student education activities, including tours and presentations of regional SA Water treatment plants.



Tours and presentations

321 community members undertook tours of SA Water treatment plants and 207 attended presentations (excluding ADP).



Take the Tap Test

Take the Tap Test is an activity delivered by SA Water's Community Relations and Research and Innovation teams. It is a blind taste test where SA Water samples from separate sources across the state are compared with purchased bottled water and satisfaction surveyed.



Community Events

A number of events were held throughout the year including: regional field days, Royal Adelaide Show 2015, Autumn Garden Festival (Clare) and Science Alive.



Quench Bench

SA Water's three mobile water stations were placed at community events across the state. More than 700,000 people attended these events.

SPONSORSHIPS AND PARTNERSHIPS

SA Water's sponsorship program promotes our role in water delivery and sewage management while also strengthening our relationship with the community.

Twenty two community programs and events were sponsored in 2015-16 including:

- ~ **Surf Life Saving SA – BeachSAFE Education Partner.** Programs included Surf Babies and Little Lifesavers, Surf Ed for school students and On the Same Wave – a program for people from culturally and linguistically diverse backgrounds
- ~ **Port Lincoln High School – Tod Reservoir Fishing Project.** This was a three year project investigating the viability of the Tod Reservoir for stocking with a suitable recreational fishing species.
- ~ **KESAB environmental solutions – Source to Tap.** Through this partnership we visited five communities on the APY Lands to deliver education to upper primary and senior students on water quality. The five communities visited were Pipalyatjara, Amata, Ernabella, Fregon and Indulkana.
- ~ **SA Tourism Commission Credit Union Christmas Pageant.** We distributed 20,000 specially designed Captain Plop drink bottles at six water refill stations along the pageant route.

SCHOOL EDUCATION PROGRAM

The SA Water Brainwave Learning Program was attended by 6,512 primary and secondary students throughout the state.

The Brainwave Learning Program is a series of events and learning resources available to school students and teachers in metropolitan and regional South Australia. The program supports the Australian Curriculum in three main areas: geography, science and sustainability. Programs include incursions and excursions; tours of the Adelaide Desalination Plant, water and waste water treatment plants; science labs; workshops; presentations; and online learning tools.

The entire suite of programs and resources were provided free of charge and travel reimbursements were offered to disadvantaged schools.

The program is designed to increase knowledge and awareness of SA Water, our services and the complexities of water and sewage treatment processes.

The Living Loans incursion program was increasingly popular during 2015-16, with 2,866 participants. Through the program, schools can 'borrow' an SA Water staff member and discover a wealth of knowledge about a range of topics, including water and sewage treatment; desalination; the water cycle and conservation; the River Murray and salinity issues; and careers in the water industry.

BUSINESS RELATIONS

SA Water supported businesses in expanding and improving their operations by providing additional water and/or sewage and trade waste services throughout 2015-16. SA Water's Business Relations team supports our major customers by providing a central point of contact for all SA Water related enquiries. The Business Relations team also provides technical support to help major customers improve the way they use water and manage trade waste.

The team provides technical support through services such as trade waste advice, cleaner production advice, smart metering leak analysis, water use profiling and irrigation advice. Customers have advised that they value the service provided by the team.

All customers are different and have unique requirements. Through regular contact, the Business Relations team takes time to understand our customer's business and what is important to them. Key customer drivers include reliability of supply, flow rates, trade waste and pricing. We can use our understanding of future consumption trends or potential demand fluctuations to act and work with customers to meet their requirements.

KEY STAKEHOLDER RELATIONSHIPS / MANAGEMENT

We maintained regular contact with our key stakeholders, including councils, across the state throughout 2015-16 and shared information as we plan for the future.

Our Key Stakeholder Management Plan ensured a formal approach was used to engage key stakeholders. The plan integrates stakeholder engagement principles to support the flow of information and to build better working relationships between SA Water and our key stakeholders.

STAKEHOLDER ENGAGEMENT

The Stakeholder Engagement team worked on a number of high profile projects throughout year, with a view to managing impacts on the community and adding value to project delivery. This included upfront and ongoing engagement with local residents, businesses and other key external stakeholders to help the community to understand and accept the importance of projects, while identifying and managing project risks. Key activities are listed below.

Regulatory determination for the 2016-2020: The regulatory determination process was the most significant engagement processes SA Water carried out during 2015-16. Commenced in 2014 with SA Water's largest customer engagement program in its history, Your Say, the Regulatory Business Proposal (RBP 2016) was developed in line with customer feedback and what customers told us they were willing to pay for. During this process SA Water engaged regularly with ESCOSA and other industry regulators including the Environment Protection Authority (EPA), Health SA, DEWNR and the Office of the Technical Regulator.

Prior to finalising RBP 2016 for submission to ESCOSA, SA Water re-engaged with all industry regulators and key external stakeholders including customers and customer representative groups. Stakeholder consultation was an integral part of the ESCOSA regulatory determination process.

ESCOSA also considered the results of SA Water's customer engagement as part of the determination process, including for capital expenditure to improve water quality in regional areas.

Hackney Road Trunk Main: SA Water continued to work closely with a number of key external interest groups throughout the year, which saw the renewal of 2.2 kilometres of 92 year old water main located beneath Hackney Road. In particular, consultation with the National Wine Centre, Adelaide City Council, the Botanic Gardens and the Parklands Authority helped to inform decisions around the timing of work and water outages to minimise disruptions to business and the community. It also helped us to manage some more unique project aspects, like working around the root zones of significant trees in Botanic Park and protecting grape vines along parking areas. Communications were coordinated with the Department of Planning, Transport, and Infrastructure to address traffic management issues and collaboratively plan construction activities across multiple government projects in the area, including the O'Bahn Tunnel.

Hallett Cove Wastewater Network Upgrade:

Engaging with residents, a community tennis club and the City of Marion to identify preferred landscaping plans and other opportunities for the project to leave a positive legacy in the community.

Kangaroo Creek Dam Safety Upgrade: Continued engagement with local government, community groups, nearby property owners and government agencies helped to identify potential issues early in the lead up to construction. SA Water worked closely with local landowners to keep them updated on construction activities, manage the impact of road closures and appropriately influence the timing of works. We also worked closely with our contractor to develop the construction schedule to ensure community events that were identified during the consultation process, such as the Tour Down Under and a charity bike ride, could pass the project site without disruption.

Murray Bridge Wastewater Treatment Plant Upgrade:

Ongoing discussions with local landowners, council and businesses informed the site selection process for the new plant. The community was kept informed of progress and key issues through newsletters and an open day, which was held to give interested community members the opportunity to learn more about the project. A number of one-on-one meetings were held with local landowners in potential site areas to provide project updates, discuss issues and help to identify a site that was acceptable to the community. Meetings with the Community Reference Group, which was comprised of local community members, businesses, council and Regional Development Australia, were held at key project milestones to make sure information was exchanged.

Northern Adelaide Irrigation System:

Engagement with the Northern Adelaide Plains community began in July 2015 and included briefings to key industry groups and government agencies, as well as a series of community information sessions to discuss concerns relating to recycled water storage. Following the information sessions, a Community Committee for Recycled Water Storage was established comprising representatives from industry groups, horticultural irrigators, residents and local government. With their input, SA Water developed a draft *SA Water Guidelines for Recycled Water Storage in the Northern Adelaide Plains* for wider community consultation, in order to ensure concerns were adequately addressed and the community had a better understanding of the process.

North Adelaide Tank Site Upgrade: Work with the Adelaide City Council and Adelaide Park Land Authority was particularly important in order to manage the sensitivities and associated risks of undertaking works within the Adelaide Park Lands. Alternative solutions were developed collaboratively with key stakeholders to alleviate concerns with the original scope, which had held up the project in the past.

Sandy Creek Pressure Reducing Tank Upgrade: After the Pressure Reducing Tank upgrade was complete, we worked with the local community to further address noise concerns through community meetings and other communications, with the community invited to contribute to the design of the approved noise mitigation solution and landscaping plan.

Torrens to Torrens (T2T) Road Upgrade: Communications were coordinated and a good working relationship was developed with the T2T Alliance to ensure residents and local businesses understood and accepted the program to re-align water and wastewater pipes to allow for the road upgrade. This also helped to manage negative reactions to anticipated disruptions for the future rail upgrade. Ongoing management of subcontractors, such as traffic management crews, was also important in mitigating stress for local residents.

Water Main Relays: Early and ongoing engagement with residents, businesses, local councils and the Department of Planning, Transport and Infrastructure during the program of works saw the successful completion of over 50km of water main relays throughout metropolitan Adelaide. In addition to the scheduled program of works, eight additional emergency relays were completed with both successful and positive community engagement.

LAND DEVELOPMENT AND CONNECTIONS

During the year, several process changes were made as part of our better connections continuous improvement project, with a large focus on improving customer experience. We've reduced the average time to advise or invoice a customer from the date of their application by 50%. We've achieved this by changing the way work is scheduled and handled and freeing up capacity through proactive communication.

AVERAGE DAYS TO RESPOND TO CUSTOMER FROM APPLICATION DATE 2015-16



Overall performance also rose as a result of improvement initiatives, with connection timeliness up almost 3% from 2014-15. Activity levels were higher in 2015-16 than 2014-15, with a 3% increase in the number of connections installed. In 2015-16, 92.5% of connections were completed within our target timeframes.

2.6 VALUE FOR MONEY

Key Performance Outcomes	Key Performance Indicators	2015-16 Target	2015-16 Result
	Operating Profit Before Tax	\$246.4m	\$301.4m
	Economic regulation compliance (no Type 1 or Type 2 obligations breached)	No breaches	No breaches



The average metropolitan residential bill will be reduced by \$87.

ECONOMIC REGULATION

Economic regulation of SA Water commenced on 1 January 2013 in line with the requirements of the *Water Industry Act 2012*. Economic regulation ensures water and sewerage customers receive value for money services.

The Essential Services Commission of South Australia (ESCOSA) is the independent regulator responsible for protecting the long term interests of customers with respect to price and service. During 2015-16, SA Water has performed satisfactorily under the economic regulatory regime. It has worked hard to deliver against its service standards and the requirements under the regulatory framework.

On 31 August 2015, SA Water submitted its Regulatory Business Proposal (RBP 2016) which sets out its proposed levels of service and expenditure. This is part of the revenue setting process which determines how much revenue SA Water can recover from customers for the regulatory period 2016-2020 (second regulatory period). RBP 2016 proposed price reductions for customers.

These were based on savings SA Water had delivered through increased efficiency in the first regulatory period and further savings proposed for the second regulatory period.

In June 2016, ESCOSA made a final determination on the maximum revenue to be recovered from water and sewerage customers. This was closely aligned with SA Water's proposal and resulted in an \$87, or 6.7%, reduction to the average metropolitan residential customer's combined water and sewerage bill in 2016-17.

SA Water will continue to work hard over this regulatory period to deliver the commitments it made in RBP 2016 and improve its services to customers.

WATER AND SEWERAGE PRICING

The *Water Industry Act 2012* established the legislative framework for ESCOSA to be SA Water's economic regulator from 1 January 2013. ESCOSA's first revenue determination of SA Water's maximum allowable revenue was for the period 1 July 2013 to 30 June 2016. SA Water set prices each year in line with the maximum allowable revenue.

Prices for customers receiving drinking water increased by 1.3% on average in 2015-16. This was equivalent to inflation. Sewerage prices increased on average by 1.3% for metropolitan customers and 1.8% for country customers.

Water and sewerage prices support the ongoing operation and maintenance of our existing supply networks.

Residential charges

	2014-15	2015-16
Water		
Usage charge		
~ Tier 1 (0 to 30 kL quarterly threshold)	\$2.32/kL	\$2.35/kL
~ Tier 2 (30 to 130 kL quarterly threshold)	\$3.32/kL	\$3.36/kL
~ Tier 3 (Above 130 kL quarterly threshold)	\$3.59/kL	\$3.63/kL
Annual supply charge	\$282.80	\$286.40
Sewerage		
Property rate in the dollar (charge per \$1,000 of property value)		
~ Metropolitan*	\$1.271	\$1.251
~ Country	\$1.701	\$1.708
Annual minimum charge	\$351.40	\$355.80

* The property rate in the dollar takes account movements in property values to ensure the maximum allowable revenue is achieved. In 2015-16, the residential metropolitan rate in the dollar fell to achieve the average price increase of 1.3%.

Non-residential and commercial charges

	2014-15	2015-16
Water		
Usage charge – single tier	\$3.32/kL	\$3.36/kL
Non-residential annual supply charge	\$282.80	\$286.40
Commercial annual supply charge:		
~ Property rate in the dollar (charge per \$1,000 of property value)	\$0.713	\$0.710
~ Minimum commercial supply charge	\$282.80	\$286.40
Sewerage		
Property rate in the dollar (charge per \$1,000 of property value):		
~ Metropolitan	\$1.423	\$1.433
~ Country	\$1.996	\$2.010
Annual minimum charge	\$351.40	\$355.80

BUSINESS TRANSFORMATION

In mid-2012, SA Water embarked on a Business Transformation (BT) project. This project focused on ways of improving our customers' experience and ensuring more efficient operations and effective investment for the future. The program consisted of several key elements, including a new organisational structure, transformation initiatives and end-to-end process improvement.

The three-year BT program has achieved significant efficiencies (approximately \$84m). We now have new ways of working across the business that streamline and improve our service delivery for customers.

Improved end-to-end processes are driving improved customer experiences and measurable efficiencies in a number of areas.

Practical and effective change management approaches and expertise have been put into place so that we are clear on the people, process and technology impacts of the changes we make.

SA Water will continue to transform. Our focus on continuous improvement will make sure we keep our customer at the heart of everything we do, further simplify the way we work, and deliver on our organisation goals – our Outcomes for Success.

COMMERCIAL AND BUSINESS DEVELOPMENT

Clare Peak Water Transportation Scheme

The Clare Peak Water Transportation Scheme commenced on 1 December 2015 with the execution of 54 water transportation agreements between SA Water and existing Clare Valley Water Supply Scheme irrigation customers. The amount of water consumed during the transportation period (1 December 2015 to 30 March 2016) was 69% greater than the same period of the previous season. The Clare Region Wine Grapegrowers Association indicated that the scheme contributed a yield increase of around 20%, across a wide variety of grapes, and that the grapes were of high quality. The association also indicated that the majority of customers have realised a saving of about one third of their typical water bill over the transportation period. SA Water will work closely with the association to refine the product for the second trial period and improve on these results.

Barossa Infrastructure Limited capacity upgrade

We completed an infrastructure upgrade in our Barossa system in November 2015. This increased the capacity of the Barossa Infrastructure Limited (BIL) raw water transportation scheme by one gigalitre. The upgrade was achieved through a co-investment by SA Water and BIL. SA Water and BIL have a cooperative relationship, working collaboratively to meet growing demand for irrigation water from BIL's Barossa Valley customers.

The BIL scheme represents a great example of SA Water working with the private sector to provide an affordable, fit-for-purpose product. The scheme supports the growth of the economically valuable and high profile premium wine industry in South Australia.

Development Industry Report

SA Water commissioned a Development Industry Report as part of our commitment to deliver appropriate, cost-effective services that balance the needs of all customers. The report sought feedback from industry and identified a number of key areas for improvement. This resulted in the Enhance Major Development project, which aims to improve customer experience by implementing an account management approach to service delivery. The Major Development team was successfully restructured and a new service model is being implemented. A new Manager Major Development and two new account managers were recently recruited. The account managers will be working collaboratively with the development industry to progress their projects and realise SA Water's goal as an enabler of urban development in South Australia.

CAPITAL PROJECTS

SA Water worked on a range of water, sewerage and recycled water projects during the year, with an overall capital expenditure of \$319.5m. The year's highlights of work either commenced, under way or completed are summarised in the following sections.

Glenelg Wastewater Treatment Plant work program

The Glenelg Wastewater Treatment Plant (GWWTP) serves over 200,000 customers and is the second largest wastewater treatment plant in Adelaide. In 2015-16, many assets were upgraded through projects including: a major construction project, two significant rehabilitation projects and six smaller upgrade or renewal projects. The suite of projects was carefully managed to ensure Glenelg WWTP remained operational at all times.

UPGRADE OF INLET SCREENS AND ANDERSON AVENUE WASTEWATER PUMP STATION (WWPS)

A \$24.1m project to upgrade the Anderson Avenue WWPS and construct new inlet works at GWWTP was undertaken in 2015-16. Anderson Avenue WWPS and the inlet transfer sewage from the network into the GWWTP and are critical assets in the sewerage system. The project aimed to minimise the risk of a sewage overflow; provide more effective odour control; meet Environmental Protection Authority guidelines; and improve workplace healthy and safety.

This work was originally planned to be completed over two projects, but these were merged into a single project to improve delivery efficiency, reduce expenditure and minimise interdependency risks. Work commenced in May 2015 and is due for completion in August 2016. Major work undertaken in the 2015-16 financial year included:

- ~ construction and commissioning of a new stand-alone inlet works at GWWTP
- ~ installation of four new pumps and the replacement of mechanical and electrical infrastructure at Anderson Avenue WWPS
- ~ decommissioning the old inlet works.

PRIMARY SEDIMENTATION TANK REHABILITATION

A \$7.9m project was undertaken to rehabilitate deteriorating concrete in the GWWTP primary sedimentation tanks, before the concrete reached a stage where rehabilitation is no longer possible. Mechanical equipment within the tanks was also in an advanced state of disrepair, so there was a high risk of process failure.

The project commenced in June 2015 and we expect it to be completed in December 2016. Major work undertaken in the 2015-16 financial year included:

- ~ assessing the concrete deterioration levels by water-blasting the tank surfaces
- ~ detailed project design, including repair methods for areas with extensive concrete degradation
- ~ structural and concrete repairs as well as mechanical and electrical installation works on five of the seven tanks.

GLENELG WWTP HAZARDOUS AREAS UPGRADE

A \$4.9m project was undertaken to upgrade infrastructure used to process and condition biogas (60% methane). Biogas is produced from the plant's five anaerobic digesters and is used as fuel for heat and to generate electrical power. The infrastructure that carries this potentially explosive gas, and its surrounding areas, were considered hazardous zones. Work was undertaken to rehabilitate the site, reduce the risk of explosion or fire, and improve site safety for employees, contractors and visitors. Work commenced in October 2015 and was completed in June 2016. The work included installing a range of gas detection, ventilation, instrumentation, lighting, labelling and fire safety systems.

These projects help to provide dependable services by optimising asset life and reliability, and preventing service disruptions for our customers. The work program efficiently delivered capital works and provided value for money as well as a safer working environment for employees and contractors.

Bolivar Wastewater Treatment Plant work program

The Bolivar Wastewater Treatment Plant (BWWTP) is a critical piece of infrastructure. In 2015-16, a number of projects were undertaken concurrently to ensure capital funds were invested wisely to optimise the lifespans of BWWTP assets and make sure the plant can accommodate increases in sewage flow due to population growth. There were many interdependency project risks and the plant had to remain operational at all times. The projects were successful due to close collaboration between employees and contractors, and an ongoing commitment by all parties to innovation and business improvement.

BOLIVAR SCADA CONTROLS SYSTEMS UPGRADE

This upgrade involved a \$5.8m work program to upgrade Supervisory Control and Data Acquisition (SCADA) and control systems. These systems monitor, control and optimise the performance of the primary effluent pump station and activated sludge reactor plant. The project works began in February 2015 and were completed in June 2016. This program helps to deliver reliable services by preventing service interruptions and reduce safety risks to operational staff.

BOLIVAR WASTEWATER TREATMENT PLANT (BWWTP) ENERGY UTILISATION OPTIMISATION

This was a \$25.8m project to connect and install new infrastructure to create electricity from the biogas created as a by-product of the sewage treatment process. The electrical arrangements were modified to allow excess electricity to be exported into the National Electricity Market from January 2015.

The project has reduced greenhouse gas emissions by more than 11,000 tonnes of CO₂ annually. It has also increased the reliability and security of energy supplied to the Bolivar Wastewater Treatment Plant, and made sure that any biogas generated is used as efficiently as possible.

GRIT REMOVAL, PRE-AERATION AND PRIMARY SEDIMENTATION TANK REHABILITATION

A \$34.9m project was undertaken to rehabilitate concrete in the 50-year-old sedimentation tanks; increase flow capacity; and introduce a more energy-efficient method of grit removal. This work would also provide confidence in the plant's ability to reliably handle catchment growth and the predicted increased sewage stream through to the year 2050.

Work commenced onsite in March 2014 and the project was completed in April 2016. It was a complex project as two specialty engineering disciplines were needed to rehabilitate the concrete. Mechanical and electrical works were also needed for the grit removal process. Major work undertaken in the 2015-16 financial year included:

- ~ construction work on the eastern side of the plant, including the eastern grit vortex
- ~ commissioning and handover of the eastern side of the plant.

The new grit removal process is more energy efficient as it uses gravity and rotational forces to remove non-biological solids from the sewage. Trials are underway to use recovered grit in bitumen production so it is recycled rather than wasted.

A concurrent project was undertaken to rehabilitate the corroded concrete in the high salinity plant anoxic tanks.

These projects help to achieve the corporate objectives of smart investment. They plan for demographic changes and provide dependable sewerage services by optimising asset life spans.

Other key projects

HACKNEY NORTH EAST ROAD TRUNK WATER MAIN RENEWAL

This project upgraded two 92-year-old trunk water mains, one under Hackney Road and one under North East Road/Lyons Road. The project has a forecast cost of \$17m.

During 2015-16:

- ~ a major order for the contract scope was issued (July 2015)
- ~ the upgrade of the 750mm diameter trunk main section of pipe under Hackney Road was successfully completed (January 2016). This involved replacing some sections of the old pipe and relining other sections
- ~ work began to decommission the old 750-900mm trunk main under North East Road and Lyons Road. Decommissioning involves transferring all of the functions of the old trunk main to a newer, adjacent main under North East Road. This work is 90% complete and should be finished by mid-August 2016
- ~ the work was completed with no problems, concerns or issues raised by the numerous stakeholders involved. The work on North East Rd was done at night with no significant disruption to traffic.

Work still to be completed on Hackney Road involves the crossing of the River Torrens via the new pedestrian bridge being erected as part of the O'Bahn City Access project. The Department of Planning, Transport, and Infrastructure (DPTI) has agreed to allow the SA Water trunk main to cross the River Torrens via this pedestrian bridge. The bridge is expected to be completed during August-September 2016, which would allow work to recommence on the Hackney Road project in September 2016.

VICTOR HARBOR WASTEWATER NETWORK (WWN) UPGRADE – STAGE 3

This \$9.8m project will upgrade the Victor Harbor network so it can manage an increasing quantity of sewage. Sewage generation is increasing as the population grows and several proposed developments are also planned, including a new Aquatic and Health Centre (due for completion in December 2016), and new residential housing. The existing wastewater network is currently running near capacity.

Key achievements in 2015-16 included:

- ~ project approval in February 2016
- ~ continued collaboration with the residents, councils, developers and project designers
- ~ commencement of major works in April, with early progress on schedule
- ~ awarding of design work to the major contractor, which was subsequently completed and optimised for improved serviceability and additional requirements that arose
- ~ completion of early works in the vicinity of Ocean Road in May 2016 so that the City of Victor Harbor could reconstruct Ocean Road for the new Fleurieu Aquatic Centre.

KANGAROO CREEK DAM SAFETY INVESTIGATION/UPGRADE

This \$94.655m project will see a major upgrade to Kangaroo Creek Dam completed by early 2018. The scope includes widening the spillway, increasing the embankment height and strengthening the concrete structures.

The project will make sure that the dam will meet Australian National Committee on Large Dams (ANCOLD) guidelines in regards to flooding (bypassing the probable maximum flood) and seismic resistance (withstanding the design earthquake load without uncontrolled water release or major damage).

Major work this year included:

- ~ awarding the civil construction contract to a local South Australian contractor in November 2015
- ~ mobilising the contractor to site in January 2016. All site mobilisation and access road work has been completed
- ~ commencing stabilisation of the steep rock slopes to make the work area safe
- ~ commencing spillway excavation. Approximately 40,000m³ of weathered rock has been excavated from a total volume of approximately 300,000 m³ rock to be removed.

HALLETT COVE WASTEWATER NETWORK UPGRADES

The Hallett Cove Wastewater Network was identified as a network with one of the highest wastewater overflow risks. To reduce these risks the sewage pumping stations at Capella Drive and Reliance Road needed to be upgraded, along with some of the existing sewerage network.

This \$10.795m project to build two new pump stations (including storage, power supply, mechanical and electrical equipment, odour control and surge mitigation) at Capella Drive and Reliance Road addresses capacity issues and allows for future growth. The project was approved in December 2015, and subsequent major work has included:

- ~ placing the design and construct contract with managing contractor in January 2016
- ~ completing detail and design
- ~ completing Capella Drive and Reliance Road wet wells
- ~ conducting mechanical/electrical fitouts of pumping stations
- ~ upgrading the gravity network.

Work is scheduled to be completed in February 2017.

MOUNT BARKER DEVELOPMENT WATER AND SEWERAGE SERVICES

To support the State Government's 30 Year Plan for Greater Adelaide, we investigated expanding the existing water and sewerage supply networks to facilitate the projected growth and development of the Mount Barker region.

Working closely with developers, the networks are being augmented in line with the development rate and a revised concept plan for the area.

HOPE VALLEY AND HAPPY VALLEY WATER TREATMENT PLANT (WTP) UPGRADES

This four year project involved a \$23.125m upgrade of the Hope Valley and Happy Valley Water Treatment Plants to improve pathogen management, especially *Cryptosporidium*. This included refurbishing filters at each plant and upgrading the monitoring and controls equipment.

As at the end of 2015-16:

- ~ all filters at Hope Valley and Happy Valley were refurbished, commissioned and handed over to operations
- ~ all filter controls were commissioned at Hope Valley and Happy Valley
- ~ the contractor had installed and commissioned all instrumentation.

Operational handover is almost complete, with the final 'process optimisation' continuing into 2017. This will lead to further improvements as nominated by a joint SA Water/ Allwater Technical Review Group.

HAPPY VALLEY OUTFALL CHANNEL UPGRADE

This is a \$5.8m project to upgrade the Happy Valley outfall channel to Australian National Committee on Large Dams (ANCOLD) standards of dam safety by:

- ~ clearing trees with potential to block the channel
- ~ stabilising the channel erosion by excavating banks
- ~ in-filling voids with concrete
- ~ constructing a concrete lining, incorporating drop structures to dissipate energy
- ~ re-vegetating the banks of the channel.

Practical completion on major works was achieved in December 2014 and mulching and revegetation of the southern bank was completed in 2015-16. After the first winter rains we identified a need for additional drainage swales on the southern bank. These were completed in July 2016.

TELEMETRY AND RADIO EQUIPMENT REPLACEMENT: METROPOLITAN AND OUTER METROPOLITAN REGIONS

This \$20.3m upgrade will improve system reliability and functionality to the existing SCADA telemetry. This involved replacing 525 remote telemetry units (RTUs) at 500 SA Water sites and replacing the associated analogue radio communications network at these sites with a digital radio network and digital radio repeater sites where required. This upgrade will eliminate interruption to vital communications and system monitoring of services in the metropolitan and outer metropolitan regions.

The project commenced in December 2013 and continues over a four year period with an expected completion date of June 2017.

Major work undertaken in 2015-16 included:

- ~ commencement of site construction work on an additional 76 RTU sites and two radio repeater sites. This resulted in a total of 324 site upgrades and five new operational radio repeater sites
- ~ development of design and tender documents for the remaining 176 RTU sites in progress
- ~ continued implementation of lessons learned during delivery of the first sites.

UPPER PASKEVILLE 100 ML EARTH BANK STORAGE (EBS) RENEWAL

This \$5.4m project involved relining an existing earth bank storage reservoir, with an associated valves and controls upgrade. The project significantly reduced the risk of interruptions to water services and the risk of treated overflows to the environment.

A major order for site works was approved in July 2015. This work included removing the existing liner; installing underdrain pumps and piping; backfilling; installing geotextiles and a new liner; testing; and commissioning. The project was completed in June 2016 and the storage is now operating.

BAROSSA VALLEY WATER TREATMENT PLANT FILTER REFURBISHMENT

The Barossa Water Treatment Plant was commissioned in 1982 and was the third filtered water treatment plant in Adelaide. The filters are now over 30 years old and this \$5m project addressed filter deterioration risks by refurbishing all eight filters and making sure the plant complies fully with the *Safe Drinking Water Act 2011 (SA)* and the Australian Drinking Water Guidelines 2011.

A contract was awarded in August 2015 and the following work was completed in 2015-16:

- ~ detailed design.
- ~ all major equipment procured and delivered.
- ~ demolition of existing underdrains and installation of new underdrain systems. Completed for all eight of the filter cells.
- ~ all ancillary equipment fabricated and delivered for final installation.
- ~ all media delivered and placed in filter cells, except for the last two units.
- ~ six filter cells completely commissioned and placed back into service.

Media placement and backwashing still needs to be completed on the final two filter cells. Disinfection of the filter cells will occur in July 2016 and the project is due to be completed in August 2016.

2.7 SMART INVESTMENT



CLIMATE CHANGE STRATEGY

SA Water must ensure that we are prepared for, and can adapt to, continuing changes in our climate to maintain and provide a sustainable water supply for the state.

SA Water will be impacted by climate change in many ways. It is very likely that we will experience a decline in the average availability of source water, due to decreasing precipitation and increasing evapotranspiration. The risks to our assets resulting from sea level rise, storm surge, heavy rainfall and flooding, temperature extremes and bushfires are also very likely to increase. Impacts will be borne out by increased growth of cyanobacteria; increased extreme flows transporting greater concentrations of pathogens; and impacts of temperature on soil organic matter solubility.

Our Climate Change Strategy outlines our response to climate change and sets out our commitment to climate change adaptation and mitigation, as well as our support for relevant research in this field. We are currently revising the strategy to ensure we are managing the risks and taking advantage of the opportunities that climate change presents.

CLIMATE CHANGE SECTOR AGREEMENT

Our Climate Change Sector Agreement with the SA Government formalises our ongoing commitment to respond to the challenges of climate change. A key commitment in the agreement is to progress climate change adaptation, both for SA Water and the South Australian community. SA Water has been working with local councils and other key stakeholders to progress regional adaptation plans. We've been looking at the climate risks relating to our service delivery and at the opportunities to contribute further to liveability of the state, such as providing recycled water for state growth.

We continue to meet our annual greenhouse gas reduction targets. These track how we are progressing toward our long term target of 'emissions no greater than 40% of 1990 levels by 2050'. We continue to achieve the target of 20% renewable energy from self-generated and purchased accredited renewable energy sources. We are currently reviewing our greenhouse gas targets in light of the state government target of zero net emissions by 2050.

We continue to achieve our renewable energy target of 20%.

We have remained focused on reducing our greenhouse gas emissions through a number of initiatives including:

- ~ energy efficiency measures
- ~ increasing renewable energy generation from hydro-electric plants and biogas combustion
- ~ sequestering carbon through our biosequestration plantings.

We are also exploring ways to participate in the Emissions Reduction Fund administered by the Clean Energy Regulator, through opportunities for biodiverse carbon plantings and energy management.

The Climate Change Sector Agreement can be viewed at www.sa.gov.au.

SUPPORTING CLIMATE CHANGE RESEARCH

In 2015-16 we were involved in a number of research projects and activities to enable SA Water to improve climate change mitigation and adaptation responses. Key initiatives included:

- ~ assessing the beneficial impacts related to mitigating urban heat island effects through irrigating vegetation with recycled water at the Adelaide southern parklands and the Adelaide airport. The Adelaide airport project is also assessing the subsequent reduction in energy use of the airport terminal cooling towers if the entire airside area of the airport was to be irrigated. Other benefits include the cooling of the residential area around the airport, and the potential reduction in fuel use during aircraft take-off. These two novel projects are the first in Australia at this scale, and, if successful, could lead to significant community benefits and a reduction in our wastewater discharge of up to 3 GL per year
- ~ the Greening the City project with Adelaide City Council. This project enhances tree canopy and vegetation to reduce air temperature during the hotter months of the year. Trials are being conducted to determine the best method of planting to protect SA Water's underground assets. So far this year there have been a number of rain gardens installed, along with median strip plantings in Gouger Street and Wakefield Street. These aim to improve tree canopy to gain all the possible related benefits of street tree plantings
- ~ commencing research on a glasshouse property on the Northern Adelaide Plains. This research will help the grower to design and establish vegetation around the property with a view to enhance glasshouse cooling and improve energy and water efficiency. This will enable a guideline to be developed to encourage green infrastructure to be implemented in the region (using drainage water from the glasshouse); contribute to an improving productivity; and reducing peak temperatures during summer for the region
- ~ contributing to the validation of the SA Climate Ready downscaled climate change projections. The projections were used to assess the direct climate impacts on reservoir water quality available for potable water production in Mount Bold Reservoir. This work was presented at national and international symposia on water research and management
- ~ evaluating carbon capture in seagrass habitat to determine the benefits of restoration programs and its potential economic value in offsetting emissions. We are also working with the Commonwealth Department of Environment on an Emission Reduction Fund (ERF) method for 'blue carbon' to create carbon offsets
- ~ completing research into the application of granular sludge to improve capacity and performance of the sewage treatment process, including energy reduction. This was expanded to a full-scale trial now underway at Port Pirie wastewater treatment plant
- ~ completing research into the application of side-stream Anammox. This demonstrated the process can significantly reduce nitrogen and greenhouse gas emissions and improve energy efficiency. We are now extending this to investigate mainstream Anammox with the MERINO project (Maximising Energy Recovery using Innovative Nitrogen removal)
- ~ participating in the Cooperative Research Centre (CRC) for Low Carbon Living projects
 - researching the beneficial reuse of biosolids from wastewater treatment plants, including determining the carbon sequestration potential of biosolids applied to land
 - energy benchmarking for sewage reuse schemes.

We will continue to address priority areas for research on climate change adaptation and mitigation.

We will collaborate with other government agencies and research organisations to identify knowledge gaps to prioritise our research.

RESEARCH AND INNOVATION

SA Water has a focus on Smart Investment to deliver value for money for customers and meet the needs of current and future generations of South Australians. Investment in research and innovation is at the core of Smart Investment. This allows SA Water to monitor and respond to the trends shaping the world, our natural environment and the water industry.

Focused research drives efficiencies, allowing SA Water to do things 'better, faster and cheaper'. Another important reason for doing research is to better understand and cost-effectively control risks. These can be risks to the systems used to deliver water and sewerage services, or risks that adversely affect public health or the environment. All of this research supports Smart Investment, providing new knowledge and technologies that allow SA Water to make wise investment decisions with an eye on the future, including best practice for managing assets, workforce and technology.

SA Water's research program is delivered by the Research and Innovation Services (R&IS) group and is nationally and internationally recognised for excellence. The research is supported using internal funds that are leveraged to win competitively funded grants from bodies including the Australian Research Council, Water Research Australia and the Water Research Foundation (USA). This approach reduces the cost of research and benefits customers. SA Water has strong relationships with institutes, universities and water utilities in Australia and internationally, ensuring that SA Water invests in research wisely by building on existing knowledge and not duplicating efforts.

In 2015-16, over 5,000 customers took the Take the Tap Test – only 30% could tell the difference between tap water and bottled water.

Research project highlights for 2015-16 include:

- ~ **Customer perceptions.** In partnership with Customer and Community Relations, R&IS continued to roll out the *Take the Tap Test*. This test directly engages with customers and builds recognition of SA Water's products and water quality improvement efforts. It is estimated that over 5,000 customers participated in this program in the last year, with very favourable feedback. The test and community presence has also had a positive response from the media. Only 30% of people can tell the difference between tap water and bottled water.
- ~ **Value of research outcomes.** Successful research projects can reduce the operational costs of producing drinking water or treating wastewater. They can also reduce, defer or avoid the capital costs of building or upgrading the infrastructure needed for treating water and wastewater. A number of projects were evaluated and were found to have deferred or avoided an estimated \$11.4m in capital expenditure as well as saving or avoiding \$1.6m in operational expenses.
- ~ **Blue-green algal control.** Blue-green algae causes problems in drinking water storages, wastewater systems and recreational waters such as the River Torrens. Control of the algae using chemicals like copper sulphate is expensive and presents environmental risks. A new algaecide, sodium percarbonate, is cheaper and more environmentally friendly. Preliminary field testing of this new algaecide is very promising and work is ongoing to complete field testing and obtain licences to use the product.

USE OF CONSULTANTS

There were three consultancies with expenditure less than \$10,000 in 2015-16.

The total expenditure for these consultancies was \$12,020.

There were five consultancies with expenditure between \$10,000 and \$50,000 in 2015-16.

The total expenditure for these consultancies was \$139,293.

Consultancies with expenditure between \$10,000 and \$50,000

Name of business	Description of work
PricewaterhouseCoopers	Review of RBP 2016 Proposal Review of Treasury Risk Management Policy
MWH Australia Pty Ltd	Update Original Benefits Realisation Report
CQ Partners Pty Ltd	Energy Consultancy Services
Samantha Wilkinson HR Consulting	HR Strategic Project Support
Michael Boswell & Associates Pty Ltd	Allwater Contract Incentivisation Review

There were four consultancies with expenditure greater than \$50,000 in 2015-16.

The total expenditure for these consultancies was \$360,595.

Consultancies with expenditure greater than \$50,000

Name of business	Description of work
KPMG	Independent Review of SA Water's Regulatory Expenditure Models Seasonal Water Allocations
Mercer (Australia) Pty Ltd	General Remuneration Advice SA Water's Workforce Planning and Training
SMS Management & Technology	HRIS Process Mapping Support Services
Frontier Economics Pty Ltd	Third Party Access (TPA) Retail Minus Price Methodology

The overall total expenditure on all consultancies by SA Water in 2015-16 was \$511,908.

EMPLOYEE OVERSEAS TRAVEL

Overseas travel information can be found on the SA Water website sawater.com.au



2.8 OUR VALUES, OUR PEOPLE, OUR SUCCESS

Key Performance Outcomes	Key Performance Indicators	2015-16 Target	2015-16 Result
Ensure safety in the workforce	Lost Time Injuries (excl contractors)	≤ 5	9

EMPLOYMENT SUMMARY

Employee numbers, gender and status

	2011-12	2012-13	2013-14	2014-15	2015-16
Total employees (people)	1,640	1,579	1,448	1,480	1,501
Male	1,194	1,155	1,058	1,071	1,078
Female	446	424	390	409	423
Total full time employees	1,593.00	1,534.52	1,407.85	1,433.71	1,452.67
Total male	1189.50	1,148.36	1,050.66	1,066.70	1,074.83
% male	74.67	74.83	74.63	74.40	73.99
Total female	403.50	386.16	357.19	367.01	377.84
% female	25.33	25.17	25.37	25.60	26.01
Number of people separated from the organisation	176	203	244	134	126
Number of people recruited to the organisation	254	147	99	178	140
Excluded employees: people on leave without pay as at 30 June *exceeding 22 days	22	27	13	25	18

Attracting and retaining skilled people

Having a culture of service excellence is critical for delivering SA Water's Outcomes for Success. A culture of service excellence is about taking a customer-focused approach to achieving excellence in both what we do and how we do it. It is characterised by constructive behaviours that engage and support all of our people to grow and realise their potential. This, combined with a strong employee value proposition, will continue to attract and retain the best people at SA Water.

Using a number of measurement and diagnostic tools we are developing a picture of our current culture and engagement within the business. As we implement targeted change initiatives, we are embedding the desired constructive behaviours, processes, structures, and skills to arrive at SA Water's preferred culture.

Leave management – including the average number of days of sick leave and carers leave per full time employee (FTE)

	2011-12	2012-13	2013-14	2014-15	2015-16
Sick leave days taken	7.36	7.15	6.93	7.33	7.64
Family carers leave taken	1.19	1.39	1.70	1.53	1.41
Special leave with pay	0.63	0.46	1.09	0.62	0.39
Total average days taken per FTE employee	9.18	9.00	9.72	9.48	9.44

Unions and enterprise agreements

SA Water employees are currently represented by five unions. These unions are closely involved in enterprise agreement negotiations and workplace changes.

The SA Water Corporation Enterprise Agreement 2016 covers approximately 77% of employees at SA Water and has a nominal expiry date of 30 June 2017.

Performance development

Authentic, genuine and constructive conversations are at the centre of our performance management process. The SA Water Performance Achievement and Development Plan (PADP) specifies two formal conversations throughout the year. The conversation regarding the end of year appraisal and start discussing goals for the new PADP cycle year occur around July/August. We also undertake a formal mid-year review in February/March. The entire process is underpinned by frequent one on one conversations between the Manager and the employee.

Leadership development

Building our leadership capability is an important focus as we move towards SA Water's preferred culture of service excellence. Leadership has a significant impact on culture through personal style, behaviour, thinking, leadership strategies and management approaches.

SA Water's Leadership Framework outlines what leadership means for SA Water. It exists to guide us towards SA Water's objective to build constructive, diverse and inclusive leadership. We want everyone to lead in shaping South Australia's future by capturing the hearts and minds of our people and inspiring an engaged workforce, customers and community. We created the Leadership Framework to create more effective leaders and improve SA Water's overall performance by:

- ~ embedding a consistent leadership language – our LEAD Behaviours
- ~ assessing and building capability through regular development conversations
- ~ applying data and feedback to inform employee development
- ~ aligning with our People systems (e.g. performance management, recruitment, career development, succession planning).

Leadership is a skill that can be improved like any other and we are committed to supporting our people to realise their potential. Our leadership development offerings are delivered by the 70:20:10 (70% experience: 20% exposure: 10% education) principle. This reinforces the idea that leaders can grow in many ways, not just through instructor-led training or programs.

Executives by classification, gender, contract status and rights to ongoing employment

SA Water executives are classified in the SA Water Single Classification Structure (denoted SW in brackets beside previous class).

Class	Ongoing		Contract tenured		Contract untenured		Other (casual)		Total	
	M	F	M	F	M	F	M	F	M	F
EX A (SW10)					17	7			17	7
EX B (SW11)					1				1	
EX C (SW12)					5	3			5	3
EX D (SW13)										
EX E (SW14)					2				2	

NOTE: The above figures include two additional Executive Positions (SW12, SW14) due to short term employee transition periods.

GROWING OUR CAPABILITY

Our workforce development programs are designed to ensure we have the right skills, in the right place, at the right time to deliver essential services to our customers. This includes delivering compliance training, technical training and skills development for all employees.

We launched a new training calendar at the start of the financial year to make sure managers and employees can easily access the courses and training they need.

Graduate Program

We have continued to support workforce planning through our Graduate Program. The program places graduates across a variety of disciplines including engineering, science, environment, finance, and information technology.

Seven graduates were successful in transitioning from the program into roles within SA Water in 2015-16. These graduates are now working in core roles such as Capital Delivery, Asset Management, Research and Innovation, Engineering Services and Operations and Maintenance. Towards the end of the year, 19 graduates were placed within a range of business areas.

Trainees and apprentices

SA Water's Water Industry Trainee Program re-commenced in 2015 with a new two-year structure. In 2015-16, five water industry trainees started the program, with four working in our Network Operations area and one in our Wastewater team. These traineeships will support workforce planning in Operations and Maintenance in the next five years.

SA Water employs apprentices in three vocations:

- ~ electrical (Certificate III in ElectroTechnology)
- ~ fitting and turning (Certificate III in Engineering Trades – Mechanical)
- ~ welder/boilermaker (Certificate III in Engineering Trades – Fabrication).

SA Water employed 12 electrical apprentices, 10 fitting and turning apprentices and eight welder/boilermaker apprentices in 2015-16. Four successfully won ongoing roles in the business.

Cadetships

SA Water's technical cadetships support the replenishment of para-professionals in our workforce, particularly in regional operations. Cadets were employed in engineering, wastewater and laboratory areas during 2015-16.

We recruited one Technical Engineering Cadet at Mount Gambier during 2015-16, bringing the total number of technical cadets to four.

Scholarships

Our Scholarship Program has continued to support the education of young South Australians and help them forge employment pathways into SA Water's workforce and the broader community.

We awarded 43 scholarships in 2015-16. In the future, our scholarships will focus on helping disadvantaged youths and link to existing workforce sustainability initiatives and programs.

Accredited training by classification			
Training package	Number completed	Classification level	Total
Cert III Water Industry	2	SAW 2	4
	1	SAW 5	
	1	Trainee	
Certificate in Project Management	7	SAW4	9
	1	SAW5	
	1	SAW8	
Diploma in Project Management	2	SAW2	12
	3	SAW5	
	3	SAW6	
	3	SAW7	
	1	SAW8	
Cert III in Business Studies	1	Trainee	1
Cert III Engineering T/P (Electrical)	4	Apprentice	4
Cert III Engineering T/P (Mech)	2	Apprentice	2

Training and development expenditure type	2015-16 expenditure	Per cent of total SA Water salaries
Technical, compliance, professional, commercial and technology	\$1,715,117	1.06%
Leadership and management	\$291,359	0.18%

INCLUSION AND DIVERSITY

SA Water's vision for Inclusion and Diversity is a diverse and inclusive business that reflects the community we serve and embrace differences.

To achieve our vision, SA Water has drafted an Inclusion and Diversity policy 2016 and plans to assist the organisation to become a more inclusive and diverse workplace that enables individuals to achieve their full potential and overcome the associated workplace barriers.

This policy is seeking to ensure our plans, projects and actions are the best they can be for South Australians and will help achieve our Outcomes for Success, especially with regards to Our Values, Our People, Our Success and Great Customer Experience. SA Water's approach is to include the South Australian Government's Seven Strategic Priorities. These being: people with a disability, older South Australians, youth employment participation, Indigenous employment, Regional engagement, women and LGBTIQ.

Actions include: creation of a vision for Inclusion and Diversity at SA Water, the establishment of an ongoing Inclusion and Diversity Network consisting of a Committee and a broader Champion Network, Diversity and Inclusion is measured in our employee engagement surveys, we have conducted a baseline survey ('I belong @ SA Water') to identify and understand the level of inclusion at SA Water and to inform the development of our five year plan and associated one year action plan.

WORKFORCE DIVERSITY INFORMATION

Employees by age bracket and gender

Age bracket	Male	Female	Total	Per cent of total	2014 workforce benchmark (%)
15-19	13	1	14	0.92	5.50
20-24	54	20	74	4.87	9.70
25-29	100	41	141	9.28	11.20
30-34	137	82	219	14.42	10.70
35-39	140	75	215	14.15	9.60
40-44	123	56	179	11.79	11.40
45-49	154	52	206	13.56	11.10
50-54	119	48	167	10.99	11.40
55-59	125	40	165	10.86	9.10
60-64	85	17	102	6.72	6.70
65+	35	2	37	2.44	3.60
Total	1,085	434	1,519	100.00	100.00

Percentage of women by classification levels (%)

	2015-16
SAW1	20.00%
SAW2	24.64%
SAW3	31.29%
SAW4	31.63%
SAW5	32.34%
SAW6	28.18%
SAW7	29.73%
SAW8	27.39%
SAW9	29.63%
SW10	29.17%
SW11	0.00%
SW12	37.50%
SW14	0.00%
Trainees	0.00%

We respect employee privacy and staff are not obliged to volunteer information about their culture. The following information about Aboriginal people employed, cultural diversity and disability is based on information employees have disclosed.

Number of employees with disabilities*

Male	Female	Total	% of SA Water
12	6	18	1.18%

* According to Commonwealth Disability Discrimination Act definition
No data is recorded for employees with disabilities that require workplace adaptation.

Disability action plan

Our Inclusion and Diversity Action plan is aligned with the South Australian Government, Disability Access and Inclusion Plans (DAIPs). SA Water commits to an understanding and demonstration that everyone is entitled to their rights and freedom without distinction of any kind and irrespective of any past, present or future disability.

Our actions are guided by the 6 key outcomes:

1. Inclusive and Accessible Communities
2. Economic Security & Employment
3. Rights, Protection, Justice and Legislation
4. Personal and Community Support
5. Learning and Skills
6. Health and Wellbeing.

Actions taken include:

- ~ SA Water policy prohibits discrimination on the basis of disability with regard to all matters concerning all forms of employment, including conditions of recruitment, hiring and employment, continuance of employment, career advancement and safe and healthy working conditions
- ~ SA Water actively supports our people with disabilities with regard to access and physical environment
- ~ SA Water has a comprehensive Health and Wellbeing Program focussed on healthy living and supporting inclusion
- ~ SA Water's Inclusion and Diversity baseline has highlighted areas for improvement to be incorporated into our Inclusion and Diversity plan

Our Inclusion and Diversity plan has a number of actions planned aimed at removing attitudinal and environmental barriers that may hinder full and effective participation in the workplace. This includes raising awareness in the workplace on fostering respect for the rights and dignity of people with disabilities, to combat stereotypes prejudices and harmful practices relating to persons with disabilities and challenge unconscious bias, and to promote awareness of the capabilities and contributions of persons with disabilities.

Further work is underway to broaden our Disability Access and Inclusion Plan aligned with the 6 outcomes to include the communities in which we operate.

Aboriginal and/or Torres Strait Islander employees

Position status	Male	Female	Total	% of SA Water
Casual	-	1	1	
Fixed term	5	3	8	
Ongoing	15	4	19	
	20	8	28	1.84%

Reconciliation Action Plan

SA Water's Reconciliation Action Plan (RAP) provides a public statement of SA Water's commitment to reconciliation and outlines actions, including providing opportunities for Aboriginal and Torres Strait Islander people with SA Water and our contractors.

As we continue to deliver on the 2015-16 RAP, planning is already underway for a new three-year plan to start in January 2017.

Since its first RAP in 2011, SA Water has continued its strong commitment to Aboriginal employment and initiatives throughout South Australia. We are working to close the gaps between Aboriginal and Torres Strait Islander peoples and other Australians.

The RAP Committee includes representatives from all areas of SA Water.

Some of our recent initiatives include:

- ~ developing an SA Water Aboriginal Collective for all Aboriginal and Torres Strait Islander staff
- ~ continuing support of National Reconciliation and NAIDOC weeks
- ~ engaging with local Aboriginal communities on projects that will protect Aboriginal heritage and culture
- ~ continuing employment, scholarships and work experience opportunities for Aboriginal and Torres Strait Islander people
- ~ continuing cultural awareness training for SA Water staff.

WORK HEALTH AND SAFETY AND INJURY MANAGEMENT

Safety leadership

SA Water's core value is to 'put safety above all else' and this underpins our decisions at all levels. The Board, Chief Executive and the Senior Leadership Team have all delivered a clear message that no job is too important to compromise safety to make sure that everybody is safe on every job, every day.

The recent Audit and Verification System (AVS) audit commended SA Water for our high level of commitment and involvement from senior leadership, and our clearly articulated safety vision and strong safety culture. Nevertheless, we acknowledge that our lag indicators are not where we want them to be and we will continue to strive to achieve our targets.

While a safety survey was not completed in 2015-16, 93% of employees exiting the company agreed that SA Water was actively engaged and concerned about employee safety and welfare.

In October 2015, SA Water was successful in winning the National Safety Council of Australia (NSCA) award for the 'Best Continuous Improvement of a Safety Management System'.

This reflected not only the systems and processes in place, but also the safety leadership and culture of the organisation.

Wellbeing and engagement

SA Water is committed to supporting employee wellbeing. The organisation delivers two key programs:

1. Mind Your Health – a resource that delivers a number of health promotion and coaching initiatives.
2. Employee Assistance Program (EAP) – delivered by an external supplier.

In 2015-16, the Mind Your Health program recorded 1,576 touch points across the business. It was able to reduce 33 employee-related health risks through the health coaching program. The EAP service was used by 5.2% of employees compared to the industry average of 4.1%.

New initiatives were delivered to support employee mental wellbeing. In addition to promoting the 'R U OK?' campaign, a new resilience program was piloted in one Business Group. Another initiative focusing on mental toughness will be trialled in 2016-17.

Risk Management

SA Water's risk management approach and process is clearly defined. The WHS risk management profile drives preventive programs for high risk hazards. Programs delivered this year included chemical safety in the laboratories, boating safety, driving, and asbestos respiratory fit testing. We have also initiated programs to address fatigue and exposures through hazardous manual tasks.

Contractor management is a key focus. SA Water has initiated a Capital Delivery WHS Executive Steering Committee, comprising relevant SA Water General Managers and their equivalent from construction panel members, to work together and improve safety through the supply chain. We are also exploring an opportunity with SafeWork SA in line with their new mobile education program for small to medium enterprises.

A pilot program was conducted in the Riverland to build capability in SA Water and embed 'on-the-job' preventive hazard management to make sure it is sustained. The AVS auditors commented that workers clearly understood the value of the process. They were confident that the culture created by their involvement would contribute to its success. This program will now be rolled out across SA Water.

Performance measurement

Safety measures are a mix of lead and lag indicators. While most of the lead indicators exceeded our target, all lag indicators were unfavourable to our target and results from 2014-15. Most injuries were strains and sprains caused through hazardous manual tasks (42%) or as a result of slip, trip or falls (14%). We have begun a major project to minimise this exposure.

The number of incidents that had the potential for serious injury or fatality was reduced (64%) and we achieved all SA Government 'building safety excellence targets'.

Consultative arrangements

We have directly involved impacted workers in new WHS initiatives and we have a strong network of WHS committees and health and safety representatives. The Audit Verification System (AVS) auditor commented that "consultation is genuine, inclusive and embedded in everyday business practices" and that this extends to contractors and other Persons Conducting a Business or Undertaking (PCBUs) with shared responsibilities.

Performance Indicators

WORK HEALTH AND SAFETY PROSECUTION, NOTICES AND CORRECTIVE ACTION

Number of notifiable occurrences pursuant to WHS Act Part 3	5
Number of notices served pursuant to WHS Act Section 90, Section 191 and Section 195 (<i>provisional improvement, improvement and prohibition notices</i>)	1
Number of prosecutions pursuant to WHS Act Part 2 Division 5	0
Number of enforceable undertakings pursuant to WHS Act Part 11	0

SA WATER WORK HEALTH AND SAFETY PERFORMANCE INDICATORS

Key outcome	2014-15		2015-16	
	Target	Actual	Target	Actual
Significant injury frequency rate*	9.61	8.84	7.96	14.63
Severity rate	4.30	16.00	4.30	14.10
Lost time injury frequency rate^	2.51	3.37	2.10	3.56

NOTE:

* The significant injury frequency rate includes the combined number of medical treatment injuries and lost time injuries, reported as a frequency rate based on number of these incidents per million hours worked.

^ The lost time injury frequency are work related injuries or diseases that resulted in a fatality, permanent disability or time lost from work of one full shift or more, reported as a frequency rate based on number of these incidents per million hours worked.

WORK HEALTH AND SAFETY PERFORMANCE (BUILDING SAFETY EXCELLENCE TARGETS)

	Target	Actual
Total workplace injury claims	47.23	41.00
Significant injuries where lost time exceeds one working week (expressed as frequency rate per 1,000 FTE)	5.47	5.44
Significant musculoskeletal injuries where lost time exceeds one working week (expressed as frequency rate per 1,000 FTE)	3.91	3.41
Significant psychological injuries where lost time exceeds one working week (expressed as frequency rate per 1,000 FTE)	0.78	0.68

WORKERS COMPENSATION GROSS EXPENDITURE OR 2015-16 COMPARED WITH 2014-15

Expenditure	2015-16 (\$)	2014-15 (\$)	Variation (\$)+ (-)	% Change + (-)
Income Support	212,964	145,971	+66,993	+31%
Hospital	67,446	26,468	+40,978	+61%
Medical	158,605	167,335	-8,730	-6%
Rehabilitation/return to work	8,654	280	+8,374	+97%
Investigations	2,451	698	+1,753	+72%
Legal expenses	125,424	117,590	+7,834	+6%
Lump Sums	622,716	516,871	+105,845	+17%
Travel	12,097	7,733	+4,364	+36%
Other	9,286	7,296	+1,990	+21%
Total Claims Expenditure	1,219,643	990,241	+229,402	+19%

Claim performance and early intervention

Claim costs were 19% higher in 2015-16 than 2014-15. The higher costs were attributable to a:

- ~ \$105,000 increase in lump sum payments. This was driven by redemption payments to long term claimants that were settled prior to the introduction of the new legislation in July 2015
- ~ higher number of injured workers requiring surgery. In 2015-16, 10 workers had surgery compared to only four in 2014-15. This increased the hospital and associated medical costs, as well as income support payments due to additional time off work required to recover from surgery.

Early intervention continues to be key strategy to support employees who have incurred both work and non-work related injuries or illness. The initiative was commended by the AVS audit team who noted:

SA Water's Early Intervention initiative is impressive and the organisation should be proud of its achievements in this area. The time, resources and commitment demonstrated to not only achieving excellent early intervention outcomes through proactive strategies (e.g. contact with workers sustaining injury within approx. 4 hours of notification), but to looking more broadly at how it can be further improved, is to be commended.

Audit verification system (AVS)

SA Water achieved the highest rating of 'strong' in the AVS audit for both safety and injury management, with two moderate and four minor risk opportunities for improvement. This is an encouraging result and reflects the continuous improvement of WHS systems and employee culture since the WorkCover audit was undertaken three years ago. The auditors stated that SA Water was a leading organisation in WHS and injury management in the government sector.

Internal audit findings

We completed a number of internal audits throughout the year and took opportunities to improve. Internal and external audits found contractor management to be a key focus. We developed a clear strategy, allocated resources, and determined both short and long term actions to cover the contractor engagement life cycle.

2.9 OPERATIONS DATA

	2015-16
Length of mains (km)	
Total length of water mains	26,899
~ Metropolitan	9,266
~ Country	17,633
Major pipeline lengths (km)	
Murray Bridge to Onkaparinga	50
Morgan/Whyalla no 1 via Port Augusta	358
Morgan/Whyalla no 2 undersea from Baroota	286
Mannum Adelaide	87
Swan Reach/Paskeville	189
Tailem Bend Keith	132
Lincoln Gap/Kimba	970
Length of sewers (km)	
Total length of sewers	8,901
~ Metropolitan	7,419
~ Country	1,482
Length of recycled water mains (km)	
~ Metropolitan	194
~ Country	24
Accounts	
Accounts billed	759,323
Number of water treatment plants	
~ Metropolitan	6
~ Country	36
Number wastewater treatment plants	
~ Metropolitan	6
~ Country	19
% Sewage reuse	
~ Metropolitan	33.4
~ Country	25.8
Population served water supply (at 30 June)	
~ Estimated population supplied metropolitan	1,194,000
~ Estimated population served country	490,000
Total	1,684,000
Population served sewerage (at June 30)	
~ Estimated population served metropolitan	1,133,000
~ Estimated population served country	191,000
Total	1,324,000

	2015-16
Average volume water delivered statewide for past five years (ML)	
~ Metropolitan	144,223
~ Country	74,231
Statewide water consumption facts	
Total volume delivered (ML)	227,830
Average residential consumption per household (kL)	199.1
Highest daily consumption recorded in 24 hours to 8am (ML)	823.4
Metropolitan water consumption facts	
Total volume delivered (ML)	152,033
Average residential consumption per household (kL)	205.2
Country water consumption facts	
Total volume delivered (ML)	75,797
Average residential consumption per household (kL)	179.8
Water sources	
Total water (ML)	227,830
% provided by River Murray	83.1%
% provided by surface water	8.0%
% provided by ground water	5.5%
% provided by sea water	3.4%

Five year comparisons 2011-2016

	2011-12	2012-13	2013-14	2014-15	2015-16
Water supply					
Adelaide					
Volume delivered (ML)	135,276	146,657	141,789	145,358	152,033
Average daily volume delivered (ML)	370	402	388	398	417
Average daily per capita consumption, including commercial, industrial and residential (L)	323	346	331	337	349
Estimated population served	1,149,000	1,162,000	1,173,000	1,180,000	1,194,000
Length of mains (km)	8,997	9,047	9,190	9,223	9,266
Country					
Volume delivered (ML)	72,868	76,826	72,137	73,621	75,797
Estimated population served	427,000	430,000	432,000	484,000	490,000
Length of mains (km)	17,594	17,627	17,582	17,613	17,633
Sewerage					
Adelaide					
Estimated population served	1,087,000	1,102,000	1,113,000	1,120,000	1,133,000
Length of sewers (km)	7,267	7,309	7,337	7,375	7,419
Length of recycled sewage supply main (km)	168	189	188	218	194

	2011-12	2012-13	2013-14	2014-15	2015-16
Country					
Estimated population served	167,000	168,000	168,000	189,000	191,000
Length of sewers	1,436	1,458	1,470	1,478	1,482
Length of recycled sewage supply main (km)	12	23	24	24	24
Water sources					
Total water (ML)	208,144	223,483	213,926	218,979	227,830
% provided by River Murray	45.6	55	36.2	50.2	83.1
% provided by surface water	46.6	23	29.7	34.0	8.0
% provided by ground water	6	6	5.6	5.4	5.5
% provided by sea water	1.8	16	28.5	10.4	3.4
% Sewage re-use					
Metropolitan	-	-	-	33.7	33.4
Country	-	-	-	22.1	25.8
Finance					
Revenue					
Water sales and rates	646,718	840,872	747,584	798,044	860,500
Sewerage rates	325,636	339,015	349,167	359,080	368,372
Contributions and grants	63,995	50,361	56,223	48,351	49,520
CSO funding	153,274	106,773	125,751	128,001	130,423
Sundries	81,599	99,560	102,853	94,474	101,447
Total revenue	1,271,222	1,436,581	1,381,578	1,427,950	1,510,262
Operating expenditure					
Operations and services	479,743	549,923	554,200	524,001	554,181
Interest	228,586	233,873	225,325	313,707	336,278
Depreciation	245,514	290,080	318,195	311,481	318,395
Total operating expenditure	953,843	1,073,876	1,097,720	1,149,189	1,208,854
Capital expenditure					
Water supply	469,636	278,562	167,461	114,749	153,254
Sewerage	98,667	110,109	98,307	99,586	122,474
Other	35,155	45,648	30,814	28,836	43,788
Total capital expenditure	603,458	434,319	296,582	243,171	319,516
Water/sewerage services					
Total expenses per customer \$	1,289	1,356	1,369	1,434	1,495
Expenses recovery					
Revenue as a % of expenses	133	134	126	124	125
Major Development – Land Developer Agreements					
% of developer contracts prepared within 90 days of invoice	100	100	100	100	100

	2011-12	2012-13	2013-14	2014-15	2015-16
Water supply performance					
Metropolitan					
Service calls per 1,000 customers	86.6	83.9	81.5	80.46	74.96
Number of priority calls, bursts, leaks per 1,000 customers	3	2.4	1.8	2.29	2.26
Service interruptions restored in 5 hours (target 80%)	91.3	89	86	82	82
Water quality complaints per 1,000 customers	1.23	1.18	1.32	1.08	1.07
% of samples free from <i>E. coli</i>	100	99.96	99.98	100	99.97
Total expenses per customer (\$)	299	393	413	358	369
Country					
Mainbreaks per 1,000 properties	9	9	8	9	9.2
Mainbreaks per 100km of main	10	10	9	11	11.3
% interruptions responded to within 1 hour	97	96	94	95	98
% of samples free from <i>E. coli</i>	99.94	99.91	100	100	99.95
Total expenses per customer (\$)	676	633	686	663	723
Sewerage services performance					
Metropolitan					
Chokes in sewer mains per 100km of main	39	57	52	54.74	58.2
Chokes in sewer mains per 1,000 properties	6	8	7	7.73	8.2
Chokes in property connections per 1,000 properties	35	38	31	31.14	33.9
Restoration of service, mains and connections (full loss of service) restored within 5 hours (target >75%)	90	90	89	87	84
Restoration of service, mains and connections (partial loss of service) restored within 18 hours (target >90%)	84	91	91	88	88
Sewage overflows reported, % attended within 4 hours	92	99	100	100	100
Treated sewage total BOD – Christies Beach, Glenelg, Bolivar HS – mg/L (target <20)	3.0	3.0	4	3.2	7.1
Treated sewage soluble BOD – activated sludge plant – Bolivar – mg/L (target <10)	2.1	2.0	3	2.3	2
Treated sewage suspended solids / Bolivar High Salinity, Glenelg, Christies Beach	4.0	7.0	8	5.8	4.4
Treated sewage % compliance with internal targets	-	-	-	94	99
Treated sewage % compliance with EPA targets	100	100	100	100	100
Total expenses per customer (\$)	156	224	187	195	207
Country					
Chokes in connections per 1,000 properties	19	20	18	15.55	17.0
Chokes in sewers per 100km of sewer	15	15	15	14.82	12.7
% internal overflows responded to within one hour	96	100	100	95	100
Treated sewage BOD (activated sludge/extended aeration plant) mg/L	<2	2	6	6.20	6.98
Treated sewage soluble BOD (lagoon plants) mg/L	<2	2	6	4.70	3.10
Treated sewage suspended solids (activated sludge/extended aeration) mg/L	3	4	7	13.20	10.75
Total expenses per customer (\$)	368	384	369	400	415

03

FINANCIAL PERFORMANCE

Financial statements

Independent auditor's report

Certification of financial statements





**South Australian Water Corporation
Annual Financial Statements
for the year ended 30 June 2016**



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To the Chairman South Australian Water Corporation

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32(4) of the *Public Corporations Act 1993*, I have audited the accompanying financial report of the South Australian Water Corporation for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, Chief Executive Officer and the General Manager Business Services.

The Board's responsibility for the financial report

The directors of the Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the directors of the Board determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

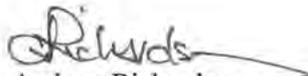
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors of the Board, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the South Australian Water Corporation's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Water Corporation as at 30 June 2016, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



Andrew Richardson

Auditor-General

21 September 2016

Certification of the Financial Statements

We certify that the attached general purpose financial statements for SA Water Corporation:

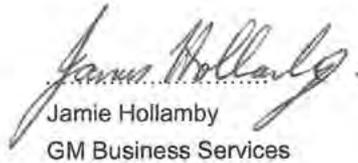
- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Corporation; and
- present a true and fair view of the financial position of SA Water Corporation as at 30 June 2016 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by SA Water Corporation for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe the Corporation will be able to pay its debts as and when they become due and payable.

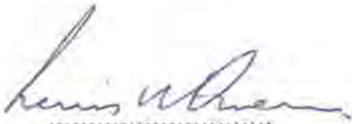
Signed in accordance with a resolution of the Board Members.



Roch Cheroux
Chief Executive



Jamie Hollamby
GM Business Services



Lew Owens
Chairman

Date 15TH SEPTEMBER 2016

South Australian Water Corporation
Statement of comprehensive income
For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Income			
Revenue from ordinary activities	5	1,505,107	1,423,702
Other income	6	5,155	4,248
Total income		<u>1,510,262</u>	<u>1,427,950</u>
Expenses			
Depreciation and amortisation expense	7	(318,395)	(311,481)
Borrowing costs	7	(336,278)	(313,707)
Electricity expense		(48,975)	(48,511)
Services and supplies		(200,264)	(165,080)
Operational and service contracts		(182,990)	(190,696)
Employee benefits expense		(121,952)	(119,714)
Total expenses		<u>(1,208,854)</u>	<u>(1,149,189)</u>
Profit before income tax equivalents		301,408	278,761
Income tax expense	8	(88,303)	(81,452)
Profit after income tax equivalents		<u>213,105</u>	<u>197,309</u>
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Gain/(loss) on revaluation of infrastructure, plant and equipment assets	30(a)	111,582	(134,519)
Revaluation of available-for-sale financial assets		2,726	1,391
Income tax relating to components of other comprehensive income	8(c)	(32,656)	40,374
Other comprehensive income for the year, net of tax		<u>81,652</u>	<u>(92,754)</u>
Total comprehensive result		<u>294,757</u>	<u>104,555</u>
Total comprehensive result for the year is attributable to:			
The SA Government as owner		<u>294,757</u>	<u>104,555</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

South Australian Water Corporation
Statement of financial position
As at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	27	3,248	1,141
Receivables	9	212,614	199,513
Inventories	10	6,946	6,800
Other financial assets	11	980	-
Other current assets	12	12,181	7,426
Total current assets		235,969	214,880
Non-current assets			
Available-for-sale financial assets	13	30,561	27,835
Deferred tax assets	14	45,967	38,314
Intangible assets	15	173,724	190,952
Infrastructure, plant and equipment	16	13,604,021	13,485,734
Total non-current assets		13,854,273	13,742,835
Total assets		14,090,242	13,957,715
LIABILITIES			
Current liabilities			
Payables	17	189,619	156,973
Financial liabilities/borrowings	18	25,778	32,210
Tax liabilities	19	9,783	3,073
Provisions	20	16,843	16,477
Other current liabilities	21	30,204	30,238
Total current liabilities		272,227	238,971
Non-current liabilities			
Payables	22	2,512	2,510
Financial liabilities/borrowings	23	6,333,126	6,329,030
Deferred tax liabilities	24	1,661,716	1,647,087
Provisions	25	30,957	30,822
Other non-current liabilities	26	380,250	389,680
Total non-current liabilities		8,408,561	8,399,129
Total liabilities		8,680,788	8,638,100
Net assets		5,409,454	5,319,615
EQUITY			
Contributed equity		173,610	173,610
Asset revaluation surplus	30(a)	4,923,535	4,844,100
Retained earnings	30(b)	312,309	301,905
Total equity		5,409,454	5,319,615

The above statement of financial position should be read in conjunction with the accompanying notes.

South Australian Water Corporation
Statement of changes in equity
For the year ended 30 June 2016

Notes	Asset			Total \$'000
	Contributed equity \$'000	revaluation surplus \$'000	Retained earnings \$'000	
Balance at 1 July 2015	173,610	4,844,100	301,905	5,319,615
Profit for the year	-	-	213,105	213,105
(Loss)/gain on revaluation on infrastructure, plant and equipment assets	30	111,582	-	111,582
Revaluation of available-for-sale financial assets	30	2,726	-	2,726
Transfer to retained profits on disposal	30	(2,217)	-	(2,217)
Transfer from infrastructure, plant and equipment revaluation surplus	30	-	2,217	2,217
Income tax relating to components of other comprehensive income	8(c)	(32,656)	-	(32,656)
Total comprehensive result for the period		79,435	215,322	294,757
Transactions with the SA Government in their capacity as owners:				
Dividends provided for or paid	34	-	(204,918)	(204,918)
Balance at 30 June 2016		173,610	4,923,535	5,409,454

Notes	Asset			Total \$'000
	Contributed equity \$'000	revaluation surplus \$'000	Retained earnings \$'000	
Balance at 1 July 2014	173,610	7,638,068	287,361	8,099,039
Profit for the year	-	-	197,309	197,309
(Loss)/gain on revaluation on infrastructure, plant and equipment assets	30	(134,519)	-	(134,519)
Revaluation of available-for-sale financial assets	30	1,391	-	1,391
Transfer to retained profits on disposal	30	(1,214)	-	(1,214)
Transfer from infrastructure, plant and equipment revaluation surplus	30	-	1,214	1,214
Income tax relating to components of other comprehensive income	8(c)	40,374	-	40,374
Total comprehensive result for the period		(93,968)	198,523	104,555
Transactions with the SA Government in their capacity as owners:				
Dividend - debt transfer from the SA Government		(2,700,000)	-	(2,700,000)
Dividends provided for or paid	34	-	(183,979)	(183,979)
		(2,700,000)	(183,979)	(2,883,979)
Balance at 30 June 2015		173,610	4,844,100	5,319,615

The above statement of changes in equity should be read in conjunction with the accompanying notes.

South Australian Water Corporation
Statement of cash flows
For the year ended 30 June 2016

	2016	2015
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	1,372,456	1,298,280
Payments to suppliers and employees	(563,715)	(578,109)
Interest received	380	521
Receipts from Community Service Obligation funding	129,293	128,989
Receipts from contributions	9,642	7,558
Receipts from Government Grants	99	836
Borrowing costs paid	(336,727)	(294,418)
Income tax equivalents paid	(107,273)	(109,320)
Net cash inflow from operating activities	28 504,155	454,337
Cash flows from investing activities		
Payments for construction and purchase of infrastructure, plant and equipment	(280,098)	(238,812)
Payments for intangible assets	(20,847)	(12,493)
Proceeds from sale of intangible assets	4,426	3,405
Proceeds from sale of infrastructure, plant and equipment	972	1,493
Proceeds from sale of renewable energy certificates	754	-
Net cash (outflow) from investing activities	(294,793)	(246,407)
Cash flows from financing activities		
Proceeds from borrowings*	1,163,523	867,700
Repayment of borrowings	(1,157,900)	(884,900)
Dividends paid*	(204,918)	(183,979)
Repayments of finance lease liability	(7,960)	(7,117)
Net cash(outflow) from financing activities	34 (207,255)	(208,296)
Net increase/(decrease) in cash and cash equivalents	2,107	(366)
Cash and cash equivalents at the beginning of the financial year	1,141	1,507
Cash and cash equivalents at end of period	27 3,248	1,141

* Borrowings increased by \$2.7 billion in 2014/15 due to debt transfer from the SA Government, however this occurred through government mechanisms that did not involve a cash transfer, hence no cash flows were shown on the Statement of Cash Flow (Refer to Note 34).

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

The South Australian Water Corporation ("SA Water" or the "Corporation") was established on 1 July 1995, as a State owned statutory corporation by the *South Australian Water Corporation Act 1994*, to which the provisions of the *Public Corporations Act 1993* apply. SA Water provides retail water supply and sewerage services in accordance with its licence, provided by the *Water Industry Act 2012* (the Act) which came into operation on 1 July 2012. The Act repealed the *Waterworks Act 1932*, *Sewerage Act 1929* and *Water Conservation Act 1936*.

The Corporation has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Corporation has applied Australian Accounting Standards that are applicable to for profit entities, as the Corporation is a for profit entity.

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ending 30 June 2016.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. South Australian Water Corporation is a for-profit entity for the purpose of preparing the financial statements.

The preparation of financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, and the substance of the underlying transactions or events are reported; and
- compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
 - b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income);
 - c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the Corporation to those employees; and
 - d) employee targeted voluntary separation package information.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The Corporation's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The financial statements have been prepared based on a twelve month period and presented in Australian dollars.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

The financial statements are authorised for issue by the Board.

Change in accounting policy

There were no changes in accounting policy during the financial period.

Historical cost convention

The financial statements have been prepared in accordance with the historical cost convention, except for infrastructure, plant, equipment, available-for-sale financial assets, and derivative financial instruments which are stated using fair value as detailed in the relevant notes.

Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

(b) Jointly controlled operations

The Corporation's jointly controlled operation is brought to account by including its proportionate share of the operation's assets, liabilities, expenses and revenues on a line by line basis. For disclosure of the Corporation's interest in the joint controlled operation refer to note 32.

(c) Revenue recognition

Rates and charges

Revenue from water usage is based on water consumed throughout the year by customers. The annual water and sewer rates charges for a financial year are earned and billed during that financial year. Other rates and charges are based on amounts billed during the financial year. Refer to note 5.

SA Water sets its water and sewer prices in accordance with ESCOSA's allowable revenue.

1 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

Unbilled revenue

SA Water accrues the consumption and associated revenue that is calculated to have been consumed throughout the year. The underlying revenue recognition principle is to recognise revenue in the period it is earned, rather than billed. The calculation is based on state-wide water supplied, customer billing information, and an assessment of non-revenue water.

Community service obligations (CSOs)

The Corporation is required under its charter to provide a number of non commercial services to the community on behalf of the Government. The Government, after negotiations with SA Water, provides SA Water with funding to compensate for these non commercial activities. The main CSOs relate to under recovery of country water and sewer services (due to the requirement for state wide pricing) and the provision of water and sewer concessions to certain properties e.g. charities, churches, public schools and remote communities.

The CSO revenue is recognised as the services are provided.

Contributed assets

Contributed assets principally arise from:

- (i) Consumers who make a contribution where a service or connection has been requested which requires construction of a new main; and
- (ii) Developers who make contributions where either:
 - a) water and sewer infrastructures are constructed by developers and transferred to SA Water. The contribution recognised is equivalent to the Corporation's estimated cost of construction; or
 - b) the Corporation constructs the infrastructure at the developer's request.

Contributed assets are recognised when the assets are received. Contributions to constructed assets are recognised when the assets are constructed. Revenue recorded in advance of the assets construction is recognised as unearned revenue.

Disposal of non-current assets

The gain or loss on disposal of non-current assets is recognised at the date that control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and net proceeds from the sale. Upon disposal or derecognition, any asset revaluation surplus relating to a particular asset being sold is transferred to retained earnings.

Recoverable works

Revenue derived from the provision of services to external parties is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

Government grants

In accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*, grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Corporation will comply with all attached conditions to the grant.

1 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

Government grants (continued)

Government grants relating to construction of infrastructure, plant and equipment are initially recognised as unearned revenue (current and non-current liability) and then transferred to income over the periods, and in the proportions, in which depreciation on those assets is charged.

(d) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Corporation will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Employee benefits expenses

Employee benefit expenses are recognised as incurred and include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Corporation to the superannuation plan in respect of employment services of current staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

Supplies and services

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the Corporation. These items are recognised as an expense in the reporting period in which they are incurred. The Corporation undertakes major cyclical maintenance on its infrastructure assets. Costs associated with this are recorded as an expense unless they add to the service potential of the existing asset.

Operational and service contracts

Operational and service contracts include the Adelaide Services Alliance Agreement (Allwater), Adelaide Desalination Plant (ADP) operations and maintenance contract, contracts relating to information and communications technology, treatment plants and miscellaneous operational and service contracts. These items are recognised as an expense in the reporting period in which they are incurred.

Depreciation

Refer to Note 1(e).

Borrowing costs

Borrowing costs include interest expense, government guarantee fees, South Australian Finance Authority (SAFA) margins and finance lease charges.

In accordance with the *Accounting Policy Framework (APF II) General Purpose Financial Statements Framework* and *AASB 123 Borrowing Costs*, borrowing costs attributable to the acquisition or construction of infrastructure, plant and equipment are capitalised after considering materiality.

1 Summary of significant accounting policies (continued)

(d) Expenses (continued)

Borrowing costs (continued)

The Corporation has not capitalised borrowing costs in the year as the proportion related to the acquisition and construction of infrastructure was assessed as not material.

(e) Non-current assets

Infrastructure, plant and equipment

Acquisition

Items of infrastructure, plant and equipment are initially recorded at cost in accordance with *AASB 116 Property, Plant and Equipment*, and are depreciated as outlined below. Assets acquired under Build Own Operate Transfer (BOOT) agreements are brought to account when commissioned. Refer to Note 16.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Valuations

To comply with the *Accounting Policy Framework (APF) III Asset Accounting Framework*, *AASB 13* and *AASB 116*, the Corporation has adopted the fair value method for measuring and reporting land and buildings and infrastructure assets in the Statement of Financial Position. Refer to note 3 for disclosures regarding fair value levels. The Corporation uses both independent valuation and Directors' valuation methods to measure fair value. Depending on the class, Directors' valuation is performed using the Producer Price Index (PPI) or current contract rates. PPI measures changes over time in the price of new construction outputs. The PPI used is the Australian Bureau of Statistics Index Number 3101 "Road and Bridge Construction South Australia". Current contract rates are based on recently determined market contract rates for supplying and installing equivalent assets or components.

The Corporation's valuation methodologies, for all major classes of infrastructure assets, are subject to independent review when a change in the valuation method occurs. In addition to this, a complete independent review of these methodologies was completed by Aquentia Consulting Pty Ltd in April 2015. This review endorsed how individual classes are classified and concluded the assumptions/positions adopted by SA Water in its valuation methodologies are reasonable.

Revaluation adjustments are taken to the asset revaluation surplus on a class basis, with the exception of land and buildings which are adjusted on an asset by asset basis.

Infrastructure assets

In the majority of cases, the fair value of SA Water's infrastructure assets is the lower of modern equivalent reproduction or replacement cost. The cost of replacing or reproducing excess capacity or over engineering of the asset is excluded from the value. The modern equivalent reproduction or replacement cost is determined through an independent valuation process. The valuation is then reduced to allow for the age of the asset.

Infrastructure assets were valued as follows:

- The unit rates for water mains/connections and sewer mains/connections, were independently determined by Aquentia Consulting as at 1 July 2015. These rates are applied to the actual lengths of pre-defined modern equivalent asset types for water mains and sewer mains.

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Valuations (continued)

Infrastructure assets (continued)

• Other infrastructure assets are independently valued on a cyclical basis at least every 5 years. In the intervening periods the assets are indexed annually as at 1 July using the appropriate PPI. Assets independently valued during the financial period were the sewer pumping stations and buildings, they were independently valued by Aquenta Consulting as at 1 July 2015.

The previous independent valuations were:

- Wastewater treatment plants were independently valued by Aquenta Consulting as at 1 July 2014
- Water filtration plants were independently valued by Aquenta Consulting as at 1 July 2013.
- Water dosing stations and earth storages were independently valued by Aquenta Consulting as at 1 July 2012. Reservoirs were independently valued by Entura (Hydro Tasmania) as at 1 July 2012.
- Leased water treatment plants, water pumping stations, water tanks, and bores and wells were independently valued by Aquenta Consulting as at 1 July 2011.

Land and buildings

Land is independently valued at market value generally using valuations as at 1 July provided from the State Valuer General. In isolated cases, the Corporation may use independent valuations performed by an appropriately qualified valuer. The Valuer General uses site values of generically similar allotments to arrive at a unit rate used to assign a value to individual parcels. Rates depend on whether the site is residential, industrial or commercial.

Buildings are independently valued on a cyclical basis at least every 5 years. In the intervening periods the assets are indexed annually as at 1 July using the appropriate PPI. Buildings were last independently valued by Aquenta as at 1 July 2015.

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Valuations (continued)

Plant and equipment

Plant and equipment is valued at cost which is deemed to be its fair value.

Other property, plant and equipment

Other assets are valued at cost which is deemed to be its fair value and indexed annually using the PPI.

Work in progress

Work in progress is carried at cost which is deemed to be its fair value.

Unobservable inputs

SA Water's infrastructure, plant and equipment, with the exception of land, is disclosed as Level 3 in the fair value measurement hierarchy described in Note 3.

This is due to the fair value of the assets being determined with reference to unobservable inputs. The main unobservable input is the useful life of the asset and rates supplied from the independent valuation.

Depreciation

Infrastructure, buildings, plant and equipment and other assets are depreciated using the straight line method over their estimated useful lives ranging from 2 to 170 years. The useful lives of assets are reviewed annually and have been assessed as follows:

<u>Class of assets</u>	<u>Useful life (years)</u>
-Water and sewer	7 - 170 years
-Water and sewer leased assets	20 - 50 years
-Buildings	50 years
-Other	2 - 50 years
-Plant and equipment	3 - 15 years

The method of depreciation has regard to the underlying nature of the assets and their expected use in operations of the Corporation. Work in progress is not depreciated until assets are completed and have been commissioned for operation.

Financial assets (available-for-sale)

The Corporation was a participant to the funding arrangements for the Virginia Pipeline Scheme (VPS). SA Water's involvement in this scheme will result in an option at the end of the contract to acquire the scheme. The scheme distributes "Class A" reclaimed water from the Bolivar Wastewater Treatment Plant throughout the Virginia region for the irrigation of seasonal crops and fixed plantings. As part of the arrangement, the Corporation made advances to the operating company of VPS, Water Reticulation Systems (Virginia) Pty Ltd (WRS), a subsidiary of Euratech Limited. Advances to WRS were converted to non voting class B shares, issued at a price of \$1 per share.

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Financial assets (available-for-sale) (continued)

The Corporation's investment in non voting class B shares has been measured at fair value, in accordance with *AASB 139 Financial Instruments: Recognition and Measurement*. Due to the nexus between the class B shares and the pipeline assets, the fair value of the shares has been determined using the projected written down current cost of the pipeline assets in 2018 discounted to net present value. The VPS is designated as an available-for-sale financial asset and all subsequent gains or losses arising from the changes in fair value are recognised in the available-for-sale revaluation surplus. The methodology of valuation of VPS was independently reviewed by Leadenhall VRG Pty Ltd in 2009, and no change to the valuation method has occurred since that review.

Intangible assets

Issued water licences

The South Australian Government has issued water licences to the Corporation under the *Natural Resources Management (NRM) Act 2004*. Some of these licences have conditions attached which restrict the use of the allocations endorsed thereon. In applying AASB 138 Intangible Assets, the Corporation has concluded that a reliable estimate of the fair value of these water licences cannot be determined because there are no active markets for the rights endorsed on the licences. As there is no active market, these licences are held by the Corporation at nominal value.

The details of these water licences are as follows:

Rights other than those relating to the River Murray are:

- Various South East Region licences;
- Various Murray Mallee Area licences;
- Various Eyre Peninsula Region licences;
- Licence 4484 McLaren Vale licence for the Aldinga Wastewater Treatment Plant;
- Licence 5706 Northern Adelaide Plains licence for the Bolivar Wastewater Treatment Plant; and
- Licence 222596 Western Mount Lofty Ranges.

River Murray water rights are conferred via multiple instruments:

- Licence 2333 River Murray licence for metropolitan Adelaide; and
- Licence 2334 River Murray licence for country towns.

Other Water rights - permanent

The Corporation owns a series of tradable water rights that it has purchased. The rights are perpetual and title is held by the Corporation under the relevant legislation in the jurisdiction of issue (as water access entitlements onto licences issued by the South Australian Government under the NRM Act 2004 (SA), as water shares issued by the Victorian Government under the Water Act 1989 (VIC), and as unit shares issued by the New South Wales Government under the Water Management Act 2000 (NSW)). These rights comprise:

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Intangible assets (continued)

Other Water rights - permanent (continued)

- River Murray entitlements under the *Natural Resources Management Act (NRM) Act 2004 (SA)*;
- Goulburn Zone 1A and Murray Zone 7 high reliability water shares held under the *Water Act 1989 (VIC)*; and
- NSW Murray Regulated River high security unit shares held under the *Water Management Act 2000 (NSW)*.

The allocations made to these water rights are able to be transferred within the Southern Murray Darling Basin including South Australia.

In accordance with the requirements of *APF III* covering valuation of intangible assets, the water rights are valued at cost. The water rights have an indefinite useful life and as such are not subject to amortisation.

Seasonal water allocations

In addition to the permanent water rights above, during 2008/09 and 2009/10 the Government granted approval for SA Water to purchase seasonal water allocations to be used for critical human water needs in future years. SA Water also purchased water allocations for operational needs. Prior to June 2012 the Government had approved the water allocations being preserved beyond 2011/12 and retained as a reserve to meet critical human water needs in future years. These purchased water allocations are held as other assets in the accounts and are expensed as the water is used. At 30 June 2016, the Corporation's water allocation issued by DEWNR recorded a permanent reduction in available water of 52GL. This reduction has been recorded as an expense in the Corporation's 2015/16 financial statements.

Prescription of the Mount Lofty Ranges

SA Water has previously contributed towards the prescription of the water resources for the Mount Lofty Ranges to provide long term protection of the water supply to Adelaide. On the 14th June 2013 SA Water was issued licence 222596 pertaining to storage and diversion rights for streams in the Western Mount Lofty Ranges.

Easements

In accordance with *APF III* Asset Accounting Framework, easements are classified as an intangible asset and valued at cost. Easements gifted to the Corporation are not valued.

Application software

Application software is valued at cost as per AASB 138 *Intangible Assets*. The useful life is reviewed annually and has been assessed at 5 years. The software is amortised using the straight line method.

ADP intangible asset

An intangible asset exists in relation to the network connection agreement between SA Water and SA Power Networks. The agreement grants the Corporation the legal right to connect to the SA Power Networks substation constructed at Port Stanvac and thus acquire electricity for the Adelaide Desalination Plant (ADP) at the rates specified in the agreement. In accordance with AASB 138 *Intangible Assets*, this right was recognised in 2012/13 as an intangible asset and is measured at the construction cost of the SA Power Networks substation.

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Intangible assets (continued)

ADP intangible asset (continued)

The useful life is based on the average useful life of the ADP assets belonging to SA Water upon which the intangible asset is dependent as per AASB 138 Intangible Assets. As with other non-current assets, the useful life of the intangible asset is assessed annually and is currently 41.75 years. The ADP intangible asset is amortised using the straight line method.

(f) Impairment of assets

All non-current tangible and intangible assets are reviewed for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets any impairment loss is offset against the relevant asset revaluation surplus until fully extinguished with any remaining amount expensed in the Statement of Comprehensive Income.

The Corporation has reviewed its assets as at 30 June 2016. There has been no indications of impairment other than purchased seasonal water allocations, a write off in value of purchased seasonal water allocations has been recognised as an expense in the Statement of Comprehensive Income.

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement in order to reflect the risks and benefits incidental to ownership.

Operating leases

Minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense in the Statement of Comprehensive Income. Equal payments are made over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Lease Incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability. The aggregate benefits of lease incentives received by the Corporation in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight line basis.

Finance leases

Leases for infrastructure assets, where substantially all the risks and benefits incidental to ownership of the asset but not the legal ownership are assumed by the Corporation, are classified as finance leases. Finance leases are capitalised and depreciated over the useful life of the asset in accordance with AASB 117 *Leases*.

The Corporation has previously entered into Build Own Operate Transfer (BOOT) agreements for a number of infrastructure facilities. These BOOT agreements include the requirement for an ongoing availability tariff, as escalated over time by certain indices, for the term of the agreement.

1 Summary of significant accounting policies (continued)

(g) Leases (continued)

Finance leases (continued)

BOOT agreements have been classified as finance leases, with a lease asset and lease liability being recognised upon commissioning of the underlying asset. The lease asset is brought to account at the fair value of the underlying assets constructed. The equivalent liability is recognised at the present value of the future availability charges. These have been determined at the inception of the lease and do not take account of any future estimated escalation.

Variation between the availability charges determined at the inception of the lease and the actual availability charges are brought to account as contingent rentals in accordance with AASB 117. Availability charges are allocated between interest expense and a reduction in the lease liability, with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Comprehensive Income.

(h) Taxes

SA Water is liable for income tax equivalents, land tax and council rates, payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

Income tax equivalents

From 1 July 2001, the Corporation has operated under the National Tax Equivalent Regime (NTER) pursuant to the Memorandum of Understanding on NTER between the Commonwealth of Australia, the Commissioner of Taxation and all of the States and Territories. The NTER is administered by the Australian Taxation Office.

Income tax expense is calculated in accordance with AASB 112 Income Taxes using the balance sheet liability method. The income tax expense for the period is the tax payable on the current period's taxable income measured at the current national income tax rate adjusted for permanent differences and movements in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled. Current and deferred tax is recognised as an expense in the Statement of Comprehensive Income except where it relates to items that are credited or debited to equity, in which case the deferred tax is also recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Land tax and council rates

The charge for land tax and council rate equivalents has been calculated by Revenue SA, based on valuations supplied by the Valuer General.

Goods and services tax

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

1 Summary of significant accounting policies (continued)

(h) Taxes (continued)

Goods and services tax (continued)

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office is classified as part of operating cash flows.

(i) Cash and cash equivalents

Cash on hand and at bank is stated at nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(j) Receivables

Receivables for rates and charges and sundry debtors are normally settled within 21 days. These are recognised in the accounts as amounts due. Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised based on a review of outstanding amounts at balance date.

Bad debts are written off when they are identified.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of goods and services, if any, manufactured by SA Water are on a full absorption cost basis.

Inventories are held for purposes of maintenance and construction and not for resale.

(l) Employee benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long term employee benefits are measured at present value and short term employee benefits are measured at nominal amounts.

Wages and salaries, annual leave and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

Liabilities arising in respect of long service leave expected to be settled within twelve months of balance date are measured at their nominal rates. All other long service leave entitlements are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to anticipated future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows. The related on costs have been recognised in the Statement of Financial Position as payables.

1 Summary of significant accounting policies (continued)

(l) Employee benefits (continued)

Long service leave (continued)

The Corporation's long service leave liability for 30 June 2016 was valued by KPMG Actuarial Pty Ltd.

Superannuation

Contributions are made by the Corporation to the state government superannuation scheme and several non-State Government superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(m) Workers compensation

The Corporation is registered with ReturntoWorkSA as an exempt employer and is responsible for payment of workers compensation claims. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. The Corporation's provision is an actuarial estimate of the outstanding liability as at 30 June 2016 provided by KPMG Actuarial Pty Ltd.

(n) Insurance

SAFA, SAICORP Division, has assumed responsibility and liability for, and will indemnify SA Water against, damage suffered to the Corporation's property or claims made against the Corporation subject to SA Water's deductible. In addition, insurance arrangements are in place for construction works, travel insurance and Director and Officer liabilities.

Workers compensation risks, for which the Corporation is responsible, are excluded from these arrangements.

(o) Payables

Liabilities, whether or not yet billed to the Corporation, are recognised as amounts to be paid in the future for goods and services received, including any related GST. Trade accounts payable are normally settled within 30 days.

Dividends paid and payable are recognised in the reporting period in which the dividends are declared or have been specifically determined and approved in consultation with the Treasurer and the Corporation's Minister.

(p) Provisions

Provisions are recognised when the Corporation has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Corporation expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

Damages and claims

A provision is recognised for claims against the Corporation relating to property damage, personal injury and civil liability.

1 Summary of significant accounting policies (continued)

(p) Provisions (continued)

Damages and claims (continued)

The amounts measured and recorded for claims are based on estimates of specified claims and the probability that the Corporation will be required to settle the obligation. Previous claims history and the Crown Solicitor's Office advice is used in the determination of the liability.

Asset disposal and site rehabilitation

A provision for the disposal and abandonment of assets is recognised when there is a present obligation to undertake further work to decommission surplus assets and ensure they are safe to the public and do not cause harm to the environment.

The estimated costs of site rehabilitation and decommissioning non-current assets are based on past experience and current market prices.

Employee benefits and workers compensation

SA Water provides for employee benefits expenditure and workers compensation claims as described in notes 1(l) and 1(m).

(q) Borrowings

All SA Water's borrowings are measured at their historical value. The Corporation has a long term and short term borrowing facility with the South Australian Government Financing Authority (SAFA). The loans are denominated in Australian dollars and carry both fixed and floating interest rates. The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the *Public Finance and Audit Act 1987*.

Under a mandate from the State Treasurer, the Corporation transferred debt management responsibilities to SAFA effective from 1 July 2004. SA Water's debt portfolio is managed by SAFA under a Liability Management Service Agreement and within requirements outlined in SA Water's Treasury Risk Management Policies.

(r) Derivatives

The Corporation's Treasury Risk Management Policies and Energy Price Risk Management Policies provide a prudential framework for the management of the Corporation's financial risks including interest rate risk, foreign exchange price risk and commodity price risk. Within the parameters of the Corporation's Permitted Treasury Instruments Policy and Energy Policies, SA Water utilises derivative financial instruments for foreign exchange and commodity price risk to implement appropriate financial risk mitigation strategies. Interest rate risk arising from borrowings is managed in accordance with the debt management strategies outlined in note 2(a)(i).

Foreign exchange derivatives

Foreign exchange risk represents the risk resulting from contractual obligations to buy or sell goods and or services in a currency other than Australian dollars or where the price is quoted in Australian dollars, and the quoted price is dependent upon a foreign currency price component. The foreign currency value of the goods or services to be bought or sold, or the value of the foreign currency price component is deemed to be the Corporation's exposure to price risk.

1 Summary of significant accounting policies (continued)

(r) Derivatives (continued)

Foreign exchange derivatives (continued)

Foreign currency derivatives are used on a needs basis to ensure any identified foreign currency exposures are appropriately managed in line with SA Water's Foreign Exchange Risk Management Policy and Treasurer's Instruction 23 *Management of Foreign Currency Exposures*. Permitted foreign currency derivatives as outlined in SA Water's Permitted Treasury Instruments Policy include spot and forward foreign currency contracts and currency options to maximum maturity of 3 years. In all instances, SA Water's foreign exchange hedging requirements are arranged through SAFA.

As at 30 June 2016, SA Water had no outstanding foreign exchange derivatives.

Electricity derivatives and non-derivatives

Electricity price risk represents the risk of unfavourable movements in wholesale electricity prices which could adversely impact the Corporation's electricity costs. The Corporation uses a combination of derivative and non-derivative financial instruments to economically manage electricity price risk and to mitigate against exposure to fluctuations in wholesale electricity spot prices.

Electricity derivatives include exchange traded futures and settlement residue auction units.

Non-derivative forward contracts are treated as executory contracts and are not within the scope of AASB 139. The Corporation is prohibited from the selling and early termination of derivative and non-derivative financial instruments.

Permitted electricity derivatives are outlined in the SA Water's Energy Price Risk Management Policies.

Accounting for derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

All derivatives are categorised as financial assets or financial liabilities at fair value through profit and loss (FVTPL) and classified as economic hedges in the statement of financial position as the Corporation has elected not to apply hedge accounting under AASB139.

Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. Any changes in the fair value of derivatives are recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income.

Electricity derivatives are remeasured to fair value with reference to published market prices and quotations.

Consistent with SA Water's Treasury and Energy Price Risk Management Policies, derivative financial instruments are transacted as economic hedges of cash flow exposures and are not held for speculative purposes.

(s) Administered items

The following administered items are not recognised in the Corporation's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows, but are separately disclosed as administered items in note 38.

River Murray levy

The Corporation is responsible for administering the Save the River Murray levy. The River Murray levy billed and collected on behalf of Government is not controlled by the Corporation. The Corporation ceased billing this levy at 1 July 2015, but continued to collect the outstanding debt billed prior to 1 July 2015.

1 Summary of significant accounting policies (continued)

(s) Administered items (continued)

River Murray levy (continued)

Pensioner concessions

SA Water is responsible for the administration of Local Government pensioner concession payments. An amount is received from SA Government which is used to make payments to Local Government Councils. The amount collected on behalf of Government is not controlled by the Corporation. The administration of this item for the SA Government ceased at 1 July 2015.

(t) Adelaide Services Alliance Agreement

In March 2011 the Corporation entered into an Alliance contract to operate, manage and maintain Adelaide's metropolitan water, sewer and recycled water services. The Alliance contract commenced on 1 July 2011 for a term of 10 years, plus an option for the Corporation to extend the contract for a further 6 years in 12 month increments. The Alliance contract includes flexible mechanisms to alter and adjust the scope of services and delivery parameters and is managed through an extensive performance management regime covering all elements of operational service delivery.

(u) Adelaide Desalination Plant (ADP)

In 2008/09 SA Water Corporation awarded the Design, Build, Operate and Maintain (DBOM), Transfer Pipeline System and ETSA (SA Power Networks) agreements for the Adelaide Desalination Project (ADP). These contracts comprised the design and construction of a seawater desalination plant, marine works, transfer pipeline system and power supply infrastructure to support a 100 GL per annum capacity plant and also included ongoing operation and maintenance of the ADP for 20 years. Project handover of the 100 GL per annum plant to the operator was achieved on 12 December 2012, with successful completion of the two year proving period in December 2014.

In addition, the Corporation has entered into contracts to:

- Operate and maintain the ADP from the project handover date for a term of 20 years and includes flexible mechanisms to manage the volume of water produced and requirements for scheduled maintenance.

- Provide Green Power accredited renewable energy from sources in SA to operate the ADP and Transfer Pipeline System. The contract commenced on 1 June 2011 for a term of 20 years and includes the flexibility to purchase a minimum level of renewable energy certificates that can be banked for future use by the Corporation, used elsewhere in the business or declared surplus and sold.

(v) New accounting standards and interpretations

The Corporation did not change any of its accounting policies during the year.

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Corporation for the period ending 30 June 2016. The Corporation has assessed the AASB 108 para 30 and 31 impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Corporation apart from those described for leases.

AASB 16 Leases will apply for the first time to the 30 June 2020 financial report. This standard will require SA Water to recognise all leased items in the statement of financial position as assets representing the value of items leased and as liabilities representing the expected future lease payments.

2 Financial risk management

(a) Market risk

(i) Interest rate risk exposures - financial liabilities

The Corporation's financial liabilities are exposed to interest rate risk. The Corporation constantly analyses its interest rate exposure and consideration is given to potential renewals of existing positions, use of alternative risk mitigation strategies and the mix of fixed and variable interest rates.

A key component of the Corporation's interest rate risk management framework is the requirement for a permissible duration range to be maintained, which reflects the average term to maturity of the Corporation's core debt portfolio. The permissible duration range is 2.1-4.9 years based on advice from the Corporation's debt advisor and manager - the South Australian Financing Authority (SAFA).

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date, assuming all other variables are held constant. The movements in post tax profit and equity for the year are due to higher/lower interest costs from floating rate debt and cash balances. The movement in interest expense is estimated by applying the interest rate movement to the balance of floating rate debt and cash balances outstanding at balance date.

At 30 June 2016 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 0.5% upwards and 0.5% downwards.

	Carrying amount \$'000	Interest rate risk -0.5%		+0.5%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2016					
Financial assets					
Cash and cash equivalents	3,248	(11)	(11)	11	11
Financial liabilities					
Short term borrowings	(16,874)	59	59	(59)	(59)
Total increase/(decrease)		<u>48</u>	<u>48</u>	<u>(48)</u>	<u>(48)</u>

	Carrying amount \$'000	Interest rate risk -0.5%		+0.5%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2015					
Financial assets					
Cash and cash equivalents	1,141	(4)	(4)	4	4
Financial liabilities					
Short term borrowings	(24,250)	85	85	(85)	(85)
Total increase/(decrease)		<u>81</u>	<u>81</u>	<u>(81)</u>	<u>(81)</u>

2 Financial risk management (continued)

(a) Market risk (continued)

(ii) Electricity price risk exposures

The Corporation has established a multi-faceted risk management framework incorporating an overarching Energy Price Risk Management Policy and an Energy Risk Management Committee to manage its energy exposure in wholesale National Electricity Market.

Energy Portfolio Management activities to mitigate the associated financial risk include demand management, electricity self-generation and financial market hedging.

The Corporation monitors its energy consumption profile and uses permitted electricity derivatives to manage its exposure to electricity spot prices on energy purchases.

The following sensitivity analysis is based on electricity price risk exposures in existence at the balance sheet date, assuming all other variables are held constant. The movements in post-tax profit and equity for the year are due to higher/lower electricity costs associated with electricity purchased at a floating market price.

At 30 June 2016 it has been assumed that a reasonable possible change in the relevant forward prices for wholesale electricity prices over the next reporting period could be 10% upwards and 10% downwards. Sensitivity of 10% is based on industry standards and historical volatilities in the electricity pool prices.

	Carrying amount \$'000	Electricity price risk			
		-10%		+10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2016					
Financial assets					
Derivative financial instruments (electricity)	980	20	20	(20)	(20)
Total increase/(decrease)		<u>20</u>	<u>20</u>	<u>(20)</u>	<u>(20)</u>

(b) Credit risk

Credit risk is the risk of financial loss to the Corporation resulting from the failure of a customer or a counterparty to a financial instrument to meet its financial obligations as and when they fall due.

Credit management policies and procedures are in place to ensure an appropriate level of due diligence in relation to credit history and financial integrity for financial transactions undertaken by SA Water. In addition, receivable balances are monitored on an ongoing basis and actions to recover outstanding debt are instigated in accordance with the Corporation's collection policies and practices with the result that exposure to bad debts is not significant.

Under the Water Industry Act 2012, water rates and charges are secured via a first charge on the property.

The Corporation has no significant concentration of credit risk.

All borrowing of debt management activities are directly undertaken by SAFA on behalf of the Corporation. The Corporation does not hold any credit derivatives to offset its credit exposure.

Electricity derivatives are entered into on organised exchanges and with highly rated financial institution counterparties.

2 Financial risk management (continued)

(c) Liquidity risk

The Corporation has in place a Treasury Risk Management Policy to provide a prudential framework for managing liquidity risk. SA Water is required to hold in cash or committed facilities appropriate capacity to meet immediate funding requirements and provide any unforeseen cash flow needs. Liquidity levels are reviewed on a daily basis.

Contractual maturities

The table below analyses the Corporation's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The contractual cash flows remaining to maturity for borrowings include principal, interest, guarantee fees and SAFA margins. Maturing borrowings are included in the table at their maturity date and are rolled over into a new market borrowing rate.

At 30 June 2016	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
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Non-derivatives

Fixed rate borrowings	427,563	1,132,551	3,716,275	2,613,856	7,890,245
Finance lease liabilities	22,572	22,572	67,716	46,549	159,409
Non-interest bearing liabilities*	114,458	-	-	-	114,458
Floating rate borrowings	16,802	-	-	-	16,802
Total non-derivatives	581,395	1,155,123	3,783,991	2,660,405	8,180,914

At 30 June 2015	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
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Non-derivatives

Fixed rate borrowings	1,316,022	296,639	3,995,281	2,168,143	7,776,085
Finance lease liabilities	22,443	22,443	67,328	68,501	180,715
Non-interest bearing liabilities*	88,184	-	-	-	88,184
Floating rate borrowings	24,254	-	-	-	24,254
Total non-derivatives	1,450,903	319,082	4,062,609	2,236,644	8,069,238

* Non-interest bearing liabilities disclosed are financial liabilities at cost and exclude amounts relating to statutory payables such as tax equivalents and commonwealth tax.

2 Financial risk management (continued)

(d) Fair value measurements

The fair value of financial assets and financial liabilities is the price that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(i) Fair value of financial liabilities

The fair value for long term borrowings is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance sheet dates.

A reliable estimate of the fair value for finance leases cannot be determined due to the unique nature of the leasing arrangements. Refer note 1(g).

The carrying amounts and fair values of long term borrowings at balance date are:

	2016		2015	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Long term borrowings	6,263,000	6,664,742	6,250,000	6,470,041

The fair values of all other financial liabilities approximate the carrying values.

(ii) Fair value of financial assets

The Corporation has invested in unlisted class B shares as part of the Build Own Operate and Transfer (BOOT) arrangements for the Virginia Pipeline Scheme. These shares have been measured at fair value, which includes some assumptions that are not supportable by observable market prices or rates. The fair value has been estimated using the written down current cost of the pipeline assets at the transfer date of 2018, discounted to their present value. In determining fair value a discount factor of 5.06% (30 June 2015: 5.06%) has been used which has been determined from SA Water's pre tax real weighted average cost of capital. If the discount rate was 1% higher, while all other variables were constant, the carrying amount of the shares would decrease by \$0.7m (30 June 2015: \$0.9m). If the discount rate was 1% lower, while all other variables were held constant, the carrying amount of the shares would increase by \$0.7m (30 June 2015: \$0.9m).

The carrying amounts and fair values of available for sale financial instruments at balance date are:

	2016		2015	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Unlisted shares	30,561	30,561	27,835	27,835

The fair values of all other financial assets approximate the carrying values.

3 Fair value measurements

The Corporation measures and recognises the following financial and non-financial assets at fair value on a recurring basis:

- Financial assets (note 11);
- Available-for-sale financial assets (note 13);
- Land and buildings (note 16);
- Leased water and sewer infrastructure (note 16);
- Water infrastructure (note 16);
- Sewer infrastructure (note 16);
- Plant and equipment (note 16); and
- Other property, plant and equipment (note 16).

(a) Fair value measurements

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Corporation's financial and non-financial assets measured and recognised at fair value at 30 June 2016.

(i) Recognised fair value measurements

30 June 2016	2016 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements				
Financial assets				
Electricity derivatives	980	980	-	-
Unlisted shares	30,561	-	-	30,561
Total financial assets	31,541	980	-	30,561
Non-financial assets				
Buildings	20,883	-	-	20,883
Land	359,094	-	359,094	-
Water infrastructure	8,704,568	-	-	8,704,568
Sewer infrastructure	3,985,921	-	-	3,985,921
Plant and equipment and other	110,566	-	-	110,566
Total non-financial assets	13,181,032	-	359,094	12,821,938
Total recurring financial and non-financial assets	13,212,573	980	359,094	12,852,499

3 Fair value measurements (continued)

(a) Fair value measurements (continued)

(i) Recognised fair value measurements (continued)

30 June 2015	2015 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements			
Financial assets			
Unlisted shares	27,835	-	27,835
Total financial assets	27,835	-	27,835
Non-financial assets			
Buildings	29,173	-	29,173
Land	364,288	364,288	-
Water infrastructure	8,669,816	-	8,669,816
Sewer infrastructure	3,863,537	-	3,863,537
Plant and equipment and other	122,282	-	122,282
Total non-financial assets	13,049,096	364,288	12,684,808
Total recurring financial and non-financial assets	13,076,931	364,288	12,712,643

There were no transfers between levels for recurring fair value measurements during the period.

The Corporation's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Disclosed fair values

The Corporation has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying amounts of cash and cash equivalents, trade receivables, payables and other current liabilities are assumed to approximate their fair values due to their short-term nature. SA Water does not hold any non-current receivables.

The fair value of financial instruments that make up the long term borrowings disclosed in note 2d(i) have been deemed to be Level 2 in the Fair Value Hierarchy. The valuation is based on SAFA bond rates (market observable) which reflects the cost of funds. The carrying amount of short term borrowings approximates its fair value, as the impact of discounting is not significant.

(b) Valuation techniques used to derive level 3 fair values

(i) Recurring fair value measurements

The valuation techniques used to derive level 3 fair values are described in note 1(e).

Although unobservable inputs were used in determining fair value, and are subjective, the Corporation considers that the overall valuation would not be materially affected by changes to the existing assumptions. There were no changes in valuation techniques during the reporting period.

(ii) Non-recurring fair value measurements

SA Water has no non-recurring fair value measurements.

3 Fair value measurements (continued)

(c) Fair value measurements using significant unobservable inputs (level 3)

The following tables are reconciliations of fair value measurements for recurring fair value measurements using significant unobservable inputs (level 3):

	Buildings \$'000	Water Infrastructure \$'000	Sewer Infrastructure \$'000	Plant and Equipment and Other \$'000	Available for Sale Financial Assets \$'000	Total \$'000
Opening balance at 1 July 2015	29,173	8,669,816	3,863,537	122,282	27,835	12,712,643
Acquisitions	2,150	160,757	172,471	6,765	-	342,143
Disposals	-	-	-	(222)	-	(222)
Total gain (losses) for the period in the net result:						
Asset write-off	-	(2,957)	(4,547)	-	-	(7,504)
Depreciation	(1,860)	(196,615)	(81,758)	(19,228)	-	(299,461)
	<u>(1,860)</u>	<u>(199,572)</u>	<u>(86,305)</u>	<u>(19,228)</u>	<u>-</u>	<u>(306,965)</u>
Total gain (losses) for the period in other comprehensive income:						
Revaluation increment/ (decrement)	(8,580)	73,567	36,218	969	2,726	104,900
	<u>(8,580)</u>	<u>73,567</u>	<u>36,218</u>	<u>969</u>	<u>2,726</u>	<u>104,900</u>
Closing balance 30 June 2016	20,883	8,704,568	3,985,921	110,566	30,561	12,852,499

3 Fair value measurements (continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (continued)

	Buildings \$'000	Water Infrastructure \$'000	Sewer Infrastructure \$'000	Plant and Equipment and Other \$'000	Available for Sale Financial Assets \$'000	Total \$'000
Opening balance at 1 July 2014	29,835	8,757,720	3,924,188	127,035	26,444	12,865,222
Acquisitions	770	161,770	109,447	12,231	-	284,218
Total gain (losses) for the period in the net result:						
Asset write-off	-	(2,366)	(9,221)	-	-	(11,587)
Reversal of previous decrement	224	-	-	-	-	224
Depreciation	(2,373)	(188,071)	(79,672)	(20,380)	-	(290,496)
	<u>(2,149)</u>	<u>(190,437)</u>	<u>(88,893)</u>	<u>(20,380)</u>	<u>-</u>	<u>(301,859)</u>
Total gain (losses) for the period in other comprehensive income:						
Revaluation increment/ (decrement)	717	(59,237)	(81,205)	3,396	1,391	(134,938)
	<u>717</u>	<u>(59,237)</u>	<u>(81,205)</u>	<u>3,396</u>	<u>1,391</u>	<u>(134,938)</u>
Closing balance 30 June 2015	<u>29,173</u>	<u>8,669,816</u>	<u>3,863,537</u>	<u>122,282</u>	<u>27,835</u>	<u>12,712,643</u>

(i) Valuation inputs and relationships to fair value

Refer note 1(e) for information relating to unobservable inputs and valuation processes.

4 Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, the areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are listed below:

- Unbilled revenue (refer note 1(c));
- Contributed assets (refer note 1(c));
- Impairment of assets (refer note 1(f));
- Valuation and useful lives of assets (refer note 1(e));
- Provision for long service leave (refer note 1(l)); and
- Provision for workers compensation (refer note 1(m)).

5 Revenue from ordinary activities

	2016 \$'000	2015 \$'000
Community service obligations	130,423	128,001
Water and sewer rates and charges	1,228,872	1,157,124
Recoverable works	50,732	51,974
Fees and charges	43,840	36,223
Miscellaneous	49	124
Amortisation of government grant revenue	9,610	9,383
Contributed assets	39,910	38,968
Rents	1,380	1,299
Interest	291	606
	1,505,107	1,423,702

6 Other income

	2016 \$'000	2015 \$'000
Net gain on disposal of infrastructure, plant and equipment	444	662
Net gain on disposal of temporary water allocations	4,352	3,362
Reversal of prior year infrastructure, plant and equipment revaluation decrement	5	224
Net gain on disposal of renewable energy certificates	354	-
	<u>5,155</u>	<u>4,248</u>

7 Expenses

	2016 '000	2015 '000
Profit before income tax includes the following specific expenses:		
Depreciation (note 16)		
Buildings	1,860	2,373
Plant and equipment	2,412	2,737
Other	16,816	17,643
Infrastructure assets - sewer	81,758	79,672
Infrastructure assets - water	196,615	188,071
Amortisation (note 15)		
Computer software	17,234	19,284
ADP intangible	1,700	1,701
Total depreciation and amortisation	<u>318,395</u>	<u>311,481</u>
Borrowing costs		
Interest paid/payable on short term and long term borrowings	326,654	303,240
Finance charges on capitalised leases	9,624	10,467
Total borrowing costs	<u>336,278</u>	<u>313,707</u>
Net loss from electricity derivatives at fair value through profit and loss	146	-
Finance lease contingent rentals	4,950	4,826
Operating lease minimum lease payments	11,411	11,065
Net bad and doubtful debts (recovery)/expense including movements in allowance for doubtful debts	5,554	(25)
Infrastructure, plant and equipment revaluation decrement	14,356	46
Write-off in value of infrastructure, plant, equipment, and capital WIP	12,492	13,991

7 Expenses (continued)

Write-off in value of purchased seasonal water allocations	16,449	-
<i>Consultancy costs</i>		
Less than \$10,000 (Number 2016: 3; 2015: 6)	12	20
Between \$10,000 and \$50,000 (Number 2016: 5; 2015: 5)	139	95
Greater than \$50,000 (Number 2016: 4; 2015: 3)	361	512
	<u>512</u>	<u>627</u>
Superannuation contribution	16,828	16,039

8 Income tax expense

(a) Income tax expense

	2016 \$'000	2015 \$'000
Current tax	113,977	96,914
Deferred tax	(25,680)	(15,465)
Amounts under provided in prior years	6	3
	<u>88,303</u>	<u>81,452</u>
Deferred income tax (revenue) included in income tax expense comprises:		
(Increase) in deferred tax assets (note 14)	(7,653)	(537)
(Decrease) in deferred tax liabilities (note 24)	(18,027)	(14,928)
	<u>(25,680)</u>	<u>(15,465)</u>

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2016 \$'000	2015 \$'000
Profit from continuing operations before income tax expense	301,408	278,761
Tax at the Australian tax rate of 30.0% (2015: 30.0%)	90,422	83,629
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Loss/(Gain) on sale of land	8	(63)
ADP intangible asset amortisation	510	510
Revaluation decrement	-	14
Government grants	(2,626)	(2,619)
Provision for employee benefits	(17)	(22)
	<u>88,297</u>	<u>81,449</u>
Amounts under provided in prior years	6	3
Income tax expense	<u>88,303</u>	<u>81,452</u>

8 Income tax expense (continued)

(c) Tax expense (income) relating to items of other comprehensive income

	2016 \$'000	2015 \$'000
(Loss)/gain on revaluation of infrastructure, plant and equipment	31,838	(40,791)
Revaluation of investment in unlisted shares	818	417
	32,656	(40,374)

9 Current assets - Receivables

	2016 \$'000	2015 \$'000
Receivables		
Rates receivable (water and sewer)	176,681	160,187
Sundry debtors	28,933	27,020
Allowance for doubtful debts	(6,064)	(615)
	199,550	186,592
Other receivables		
Community Service Obligations	13,064	12,921
	212,614	199,513

(a) Impaired trade receivables

An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

The ageing of these receivables is as follows:

	2016 \$'000	2015 \$'000
More than 90 days overdue	6,064	615

Movements in the provision for impairment of receivables are as follows:

	2016 \$'000	2015 \$'000
Opening balance at 1 July	615	655
Provision for impairment recognised during the year	6,017	-
Amounts written off	(105)	(15)
Unused amounts reversed	(463)	(25)
Closing balance at 30 June	6,064	615

9 Current assets - Receivables (continued)

(b) Past due but not impaired

At 30 June, the aging of rates receivable that are past due but not impaired is as follows:

	2016 \$'000	2015 \$'000
Past due 0-69 days	35,626	20,049
More than 69 days	13,918	17,898
	<u>49,544</u>	<u>37,947</u>

The other balances within rates receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due rates receivables with renegotiated terms at balance date is \$13.246m (2015: \$12.686m).

At 30 June, the aging of sundry debtors that are past due but not impaired is as follows:

	2016 \$'000	2015 \$'000
Past due 0-30 days	2,170	2,748
Past due more than 30 days	1,237	1,257
	<u>3,407</u>	<u>4,005</u>

The remaining balances within sundry debtor receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due sundry debtor receivables with renegotiated terms at balance date is \$1.068m (2015: \$0.914m).

Balances for other receivables relate to Community Service Obligations and do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Corporation and the credit quality of the Corporation's receivables.

South Australian Water Corporation
Notes to the consolidated financial statements
30 June 2016
 (continued)

10 Current assets - Inventories

	2016	2015
	\$'000	\$'000
Raw materials and stores	7,837	7,437
Allowance for obsolete stock	(1,377)	(1,377)
Work in progress	486	740
	6,946	6,800

11 Current assets - Financial assets

	2016	2015
	\$'000	\$'000
Electricity derivatives		
Settlement residue auction units	810	-
Electricity futures contracts	170	-
Total current derivative financial instrument assets	980	-

12 Current assets - Other current assets

	2016	2015
	\$'000	\$'000
Interest receivable	84	174
Prepayments	6,779	4,143
Renewable Energy Certificates *	5,318	3,109
	12,181	7,426

*SA Water purchases Renewable Energy Certificates (RECs) in order to meet Green House Gas (GHG) emission targets. SA Water does not purchase RECs with the intention of trading for gain. Unused RECs accumulated as at 30 June are recorded at their cost. These RECs are expected to be utilised in satisfying the Corporation's 2015/16 GHG emission targets and will be expensed at time of surrender.

13 Non-current assets - Available-for-sale financial assets

	2016 \$'000	2015 \$'000
Unlisted shares at fair value	30,561	27,835

14 Non-current assets - Deferred tax assets

	2016 \$'000	2015 \$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	1,818	184
Obsolete stock	413	413
Infrastructure, plant and equipment	11,077	5,788
Pooled assets	99	36
Payables	1,436	1,287
Audit fee payable	133	143
Government grants	11,576	11,739
Employee benefits	13,117	12,809
Deferred lease incentives	293	333
Unearned customer contributions	3,338	2,948
Unearned income	124	60
Provision for asset disposal	19	19
Provision for workers compensation	189	220
	43,632	35,979
<i>Amounts recognised directly in equity</i>		
Unearned customer contributions	2,335	2,335
Total deferred tax assets	45,967	38,314
	2016 \$'000	2015 \$'000
Movements:		
Opening balance at 1 July	38,314	37,777
Credited to the Statement of Comprehensive Income (note 8)	7,653	537
Closing balance at 30 June	45,967	38,314
Deferred tax assets expected to be recovered within 12 months	13,655	11,101
Deferred tax assets expected to be recovered after more than 12 months	32,312	27,213
	45,967	38,314

15 Non-current assets - Intangible assets

	Easements \$'000	Prescription rights \$'000	Computer software \$'000	ADP intangible \$'000	Purchased water rights \$'000	Seasonal Water Allocations \$'000	Total \$'000
Year ended 30 June 2016							
Opening net book amount	6,213	4,500	37,979	64,674	23,178	54,408	190,952
Additions	-	-	10,557	-	7,598	-	18,155
Amortisation charge	-	-	(17,234)	(1,700)	-	-	(18,934)
Write off	-	-	-	-	-	(16,449)	(16,449)
Closing net book amount	6,213	4,500	31,302	62,974	30,776	37,959	173,724
At 30 June 2016							
Cost	6,213	4,500	155,330	70,982	30,776	37,959	305,760
Accumulated amortisation	-	-	(124,028)	(8,008)	-	-	(132,036)
Net book amount	6,213	4,500	31,302	62,974	30,776	37,959	173,724

15 Non-current assets - Intangible assets (continued)

	Easements \$'000	Prescription rights \$'000	Computer software \$'000	ADP intangible \$'000	Purchased water rights \$'000	Seasonal Water Allocations \$'000	Total \$'000
Year ended 30 June 2015							
Opening net book amount	6,213	4,500	44,786	66,375	23,178	54,408	199,460
Additions	-	-	12,477	-	-	-	12,477
Amortisation charge	-	-	(19,284)	(1,701)	-	-	(20,985)
Closing net book amount	6,213	4,500	37,979	64,674	23,178	54,408	190,952
At 30 June 2015							
Cost	6,213	4,500	144,773	70,982	23,178	54,408	304,054
Accumulated amortisation	-	-	(106,794)	(6,308)	-	-	(113,102)
Net book amount	6,213	4,500	37,979	64,674	23,178	54,408	190,952

16 Non-current assets - Infrastructure, plant and equipment

Consolidated entity	Work in progress \$'000	Land \$'000	Buildings \$'000	Leased sewer infrastructure \$'000	Plant and equipment \$'000	Water infrastructure \$'000	Sewer infrastructure \$'000	Leased water infrastructure \$'000	Other property, plant and equipment \$'000	Total \$'000
Year ended 30 June 2016										
Opening net book amount	436,638	364,288	29,173	23,584	17,393	8,560,281	3,839,953	89,535	104,889	13,485,734
Revaluation	-	(4,946)	(8,580)	219	-	72,738	35,999	829	969	97,228
Increment/(decrement)	-	-	2,150	-	5,310	159,164	172,471	1,593	1,455	661,648
Additions	319,505	-	-	-	-	-	-	-	-	-
Transfers	(328,166)	-	-	-	-	-	-	-	-	(328,166)
Depreciation charge	-	-	(1,860)	(782)	(2,412)	(192,136)	(80,976)	(4,479)	(16,816)	(299,461)
Asset write down	(4,988)	-	-	-	-	(2,957)	(4,547)	-	-	(12,492)
Disposals	-	(248)	-	-	(222)	-	-	-	-	(470)
Closing net book amount	422,989	359,094	20,883	23,021	20,069	8,617,090	3,962,900	87,478	90,497	13,604,021
At 30 June 2016										
Cost	422,989	-	-	-	47,969	-	-	-	-	470,958
Valuation	-	359,094	81,926	30,684	-	14,443,319	6,564,765	211,359	255,553	21,946,700
Accumulated depreciation	-	-	(61,043)	(7,663)	(27,900)	(5,826,229)	(2,601,865)	(123,881)	(165,056)	(8,813,637)
Net book amount	422,989	359,094	20,883	23,021	20,069	8,617,090	3,962,900	87,478	90,497	13,604,021

16 Non-current assets - Infrastructure, plant and equipment (continued)

Consolidated entity	Work in progress \$'000	Land \$'000	Buildings \$'000	Leased sewer infrastructure \$'000	Plant and equipment \$'000	Water infrastructure \$'000	Sewer infrastructure \$'000	Leased water infrastructure \$'000	Other property, plant and equipment \$'000	Total \$'000
Year ended 30 June 2015										
Opening net book amount	467,260	357,163	29,835	23,615	19,431	8,666,421	3,900,573	91,299	107,604	13,663,201
Revaluation	-	1,764	941	744	-	(62,118)	(81,949)	2,881	3,396	(134,341)
Increases/(decrements)	243,126	6,167	770	-	699	161,770	109,447	-	11,552	533,511
Additions	(271,344)	-	-	-	-	-	-	-	-	(271,344)
Transfers	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	(2,373)	(775)	(2,737)	(183,426)	(78,897)	(4,645)	(17,643)	(290,496)
Asset write down	(2,404)	-	-	-	-	(2,366)	(9,221)	-	-	(13,991)
Disposals	-	(806)	-	-	-	-	-	-	-	(806)
Closing net book amount	436,638	364,288	29,173	23,584	17,393	8,580,281	3,839,953	89,535	104,889	13,485,734
At 30 June 2015										
Cost	436,638	-	-	-	43,790	-	-	-	-	480,428
Cost or fair value	-	364,288	81,152	30,402	-	14,216,802	6,402,303	207,840	251,787	21,554,574
Accumulated depreciation	-	-	(51,979)	(6,818)	(26,397)	(5,636,521)	(2,562,350)	(118,305)	(146,898)	(8,549,268)
Net book amount	436,638	364,288	29,173	23,584	17,393	8,580,281	3,839,953	89,535	104,889	13,485,734

16 Non-current assets - Infrastructure, plant and equipment (continued)

(a) Carrying amounts that would have been recognised

If revalued assets were stated on the historical cost basis, the amounts would be as follows:

	2016 \$'000	2015 \$'000
Freehold land		
Cost	50,199	50,198
Net book amount	<u>50,199</u>	<u>50,198</u>
Buildings		
Cost	48,451	46,302
Accumulated depreciation	(25,244)	(23,116)
Net book amount	<u>23,207</u>	<u>23,186</u>
Leased sewer infrastructure		
Cost	18,792	18,792
Accumulation depreciation	(5,168)	(4,698)
Net book Amount	<u>13,624</u>	<u>14,094</u>
Water infrastructure		
Cost	4,518,885	4,376,648
Accumulated depreciation	(1,051,300)	(966,658)
Net book amount	<u>3,467,585</u>	<u>3,409,990</u>
Sewer infrastructure		
Cost	2,168,986	2,013,514
Accumulated depreciation	(872,914)	(807,976)
Net book amount	<u>1,296,072</u>	<u>1,205,538</u>
Leased water infrastructure		
Cost	124,183	124,183
Accumulation depreciation	(71,109)	(68,554)
Net book amount	<u>53,074</u>	<u>55,629</u>
Other		
Cost	203,856	202,401
Accumulated depreciation	(127,490)	(112,693)
Net book amount	<u>76,366</u>	<u>89,708</u>

17 Current liabilities - Payables

	2016 \$'000	2015 \$'000
Interest payable	58,500	58,949
Trade creditors	115,298	86,697
Other creditors	15,821	11,327
	<u>189,619</u>	<u>156,973</u>

18 Current liabilities - Financial liabilities/borrowings

	2016 \$'000	2015 \$'000
Lease liabilities note (note 31)	8,904	7,960
Short term borrowings	16,874	24,250
	<u>25,778</u>	<u>32,210</u>

The Corporation has a \$150m short term borrowing facility with SAFA, bearing interest at SAFA's daily cash rate.

(a) Risk exposures

Information regarding interest rate risk and liquidity risk exposure is set out in note 2.

(b) Fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 2.

Due to the short term nature of these interest bearing liabilities, their carrying value is assumed to approximate their fair value. Refer to note 2.

19 Current liabilities - Tax liabilities

	2016 \$'000	2015 \$'000
Provision for current income tax movements during the year were as follows:		
Opening balance at 1 July	3,073	15,476
Income tax paid	(107,273)	(109,320)
Current year's income tax provision	113,977	96,914
Amounts under provided in prior years	6	3
	<u>9,783</u>	<u>3,073</u>

20 Current liabilities - Provisions

	2016 \$'000	2015 \$'000
Employee benefits	15,723	14,474
Asset disposal	20	20
Damages and claims	128	22
Workers compensation	972	1,961
	16,843	16,477

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2016 Current	Asset disposal \$'000	Damages and claims \$'000	Workers compensation \$'000	Total \$'000
Opening balance at 1 July	20	22	1,961	2,003
Provisions recognised	-	482	1,688	2,170
Payments made during year	(3)	(376)	(1,088)	(1,467)
Re-measurement adjustments	-	-	(1,589)	(1,589)
Transfer from non-current	3	-	-	3
Closing balance at 30 June	20	128	972	1,120

21 Current liabilities - Other current liabilities

	2016 \$'000	2015 \$'000
Government grants	9,690	10,062
Lease incentives	134	134
Unearned income	19,300	18,795
Deposits from contractors	1,080	1,247
	30,204	30,238

22 Non-current liabilities - Payables

	2016 \$'000	2015 \$'000
Other payables	2,512	2,510

23 Non-current liabilities - Financial liabilities/borrowings

	2016 \$'000	2015 \$'000
Lease liabilities (note 31)	70,126	79,030
Long term borrowings	6,263,000	6,250,000
	<u>6,333,126</u>	<u>6,329,030</u>

24 Non-current liabilities - Deferred tax liabilities

	2016 \$'000	2015 \$'000
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The balance comprises temporary differences attributable to:

Prepayments	824	329
Derivative financial instruments	27	-
Unlisted shares at fair value	(2,406)	(2,406)
Seasonal Water Allocations	11,388	16,322
Depreciation and amortisation	7,794	21,409
	<u>17,627</u>	<u>35,654</u>

Amounts recognised directly in equity

Revaluation of infrastructure, plant and equipment	1,636,970	1,605,132
Unlisted shares at fair value	7,119	6,301
	<u>1,644,089</u>	<u>1,611,433</u>

Total deferred tax liabilities	<u>1,661,716</u>	<u>1,647,087</u>
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Movements:

Opening balance at 1 July	1,647,087	1,702,389
Credited to the Statement of Comprehensive Income (note 8)	(18,027)	(14,928)
Charged to equity (note 30)	31,838	(40,791)
Unlisted shares at fair value	818	417
Closing balance at 30 June	<u>1,661,716</u>	<u>1,647,087</u>

Deferred tax liabilities to be settled within 12 months	852	329
Deferred tax liabilities expected to be settled after more than 12 months	1,660,864	1,646,758
	<u>1,661,716</u>	<u>1,647,087</u>

25 Non-current liabilities - Provisions

	2016 \$'000	2015 \$'000
Employee benefits	28,001	28,221
Workers compensation	2,914	2,556
Asset disposal	42	45
	<u>30,957</u>	<u>30,822</u>

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2016 Non-current	Workers compensation \$'000	Asset disposal \$'000	Total \$'000
Opening balance at 1 July	2,556	45	2,601
Transfer to current provision	-	(3)	(3)
Re-measurement adjustments	358	-	358
Closing balance at 30 June	<u>2,914</u>	<u>42</u>	<u>2,956</u>

26 Non-current liabilities - Other non-current liabilities

	2016 \$'000	2015 \$'000
Government grants	379,407	388,704
Lease incentives	843	976
	<u>380,250</u>	<u>389,680</u>

27 Reconciliation of cash

	2016 \$'000	2015 \$'000
Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:		
Cash and cash equivalents	3,248	1,141

(a) Fair Value

Due to the short term nature of cash and cash equivalents, their carrying value is assumed to approximate their fair value.

28 Reconciliation of profit after income tax to net cash inflow from operating activities

	2016 \$'000	2015 \$'000
Net profit for the year	213,105	197,309
Add/(less) non-cash items:		
Depreciation and amortisation	318,395	311,481
Amortisation of government grant revenue	(9,610)	(9,383)
Contributed assets	(32,130)	(31,518)
Net (gain) on disposal of infrastructure, plant and equipment	(502)	(687)
Net (gain) on disposal of temporary water allocations	(4,426)	(3,405)
Infrastructure, plant and equipment revaluation decrement reversal	(5)	(224)
Infrastructure, plant and equipment revaluation decrement	14,356	46
Write-off in value of infrastructure, plant and equipment and capital WIP	12,492	13,991
Write-off in value of purchased seasonal water allocations	16,449	-
Net (gain) on disposal of renewable energy certificates	(354)	-
Change in assets and liabilities:		
(Increase) in receivables	(13,101)	(10,902)
(Increase) in inventories	(146)	(1,214)
(Increase) in prepayments	(2,636)	(1,159)
(Increase) in other operating assets	(2,519)	(36)
(Increase) in derivative financial assets	(980)	-
(Increase) in deferred tax assets	(7,653)	(537)
Increase in trade creditors	495	3,806
Increase in provision for employee benefits	1,029	2,629
(Decrease) in provision for workers compensation	(631)	(220)
Increase in other operating liabilities	13,642	11,527
Increase in government grants	99	836
(Decrease) in provision for deferred income tax	(18,027)	(14,928)
Increase/(decrease) in other provisions	103	(672)
Increase/(decrease) in provision for income taxes payable	6,710	(12,403)
Net cash inflow from operating activities	504,155	454,337

29 Capital risk management

Capital is managed within the parameters outlined in the Financial Ownership Framework for SA Water, which encompasses the Corporation's relationship with its owner in respect of capital structure, community service obligations and dividends.

When managing capital, management's objective is to ensure the Corporation continues as a going concern as well as maintaining optimal returns to the State Government (as sole shareholder).

The gearing ratios based on continuing operations at 30 June 2015 and 30 June 2016 were as follows:

	2016 \$'000	2015 \$'000
Interest bearing borrowings (note 18, 23)	6,358,904	6,361,240
Less: Cash and cash equivalents (note 27)	<u>(3,248)</u>	<u>(1,141)</u>
Net debt	6,355,656	6,360,099
Total Assets	<u>14,090,242</u>	<u>13,957,715</u>
Gearing ratio	45%	46%

Outside of the Financial Ownership Framework, the Corporation is not subject to any externally imposed capital requirements.

SA Water and the SA Government continue to review the parameters of the Financial Ownership Framework to ensure the appropriateness of the targets. A target gearing ratio of 35% to 45% is currently set by the SA Government under the Financial Ownership Framework.

30 Asset revaluation surplus and retained profits

(a) Asset revaluation surplus

	2016 \$'000	2015 \$'000
Revaluation surplus - property, plant and equipment	4,906,924	4,829,397
Available-for-sale financial assets	16,611	14,703
	<u>4,923,535</u>	<u>4,844,100</u>

Movements:

Infrastructure, plant and equipment revaluation surplus

Opening balance at 1 July	4,829,397	7,624,339
Revaluation of infrastructure, plant and equipment*	111,582	(134,519)
Movements in deferred tax liability (note 24)	(31,838)	40,791
Transfer to retained profits on disposal	(2,217)	(1,214)
Dividend - debt transfer from the SA Government (note 34)	-	(2,700,000)
Closing balance at 30 June	<u>4,906,924</u>	<u>4,829,397</u>

Available-for-sale investments revaluation surplus

Opening balance at 1 July	14,703	13,729
Revaluation of investment in unlisted shares	2,726	1,391
Movements in deferred tax liabilities (note 24)	(818)	(417)
Closing balance at 30 June	<u>16,611</u>	<u>14,703</u>

*The 2014/2015 revaluation decrease relates to a decrease (around 1%) in infrastructure asset valuations, principally pipe assets and wastewater treatment plants.

*The 2015/2016 revaluation increase relates to an increase (around 0.8%) in infrastructure asset revaluations, principally pipe assets, wastewater treatment plants, desalination plant and water filtration plants.

30 Asset revaluation surplus and retained profits (continued)

(b) Retained profits

Movements in retained profits were as follows:

Opening balance at 1 July	301,905	287,361
Net profit for the period	213,105	197,309
Dividends (note 34)	(204,918)	(183,979)
Transfers from infrastructure, plant and equipment revaluation surplus	2,217	1,214
Closing balance at 30 June	312,309	301,905

(c) Nature and purpose of other asset revaluation surplus

(i) Infrastructure plant and equipment revaluation surplus

The infrastructure, plant and equipment revaluation surplus is the cumulative balance of asset revaluation increments and decrements.

(ii) Available-for-sale revaluation surplus

Changes in the fair value of unlisted shares are taken to the available-for-sale revaluation surplus.

31 Commitments and contingencies

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements, are committed as follows:

	2016 \$'000	2015 \$'000
Within one year	19,702	47,625
Later than one year but not later than five years	5,293	22,335
	24,995	69,960

The capital commitments relate to the Corporation's capital program in delivering water and sewer infrastructure, property, plant & equipment assets.

(b) Operating lease commitments

	2016 \$'000	2015 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are committed as follows:		
Within one year	12,215	11,973
Later than one year but not later than five years	48,227	48,060
Later than five years	31,395	44,328
	91,837	104,361

The operating lease commitments relate to property leases which are non cancellable leases. The rental is payable monthly and reviewed annually. The annual increases are based on either CPI, 1.7%, 2.5%, 3%, 3.5% or 4%. Options exist to renew the leases at the end of the term of the leases.

31 Commitments and contingencies (continued)

(b) Operating lease commitments (continued)

The Corporation has an operating lease commitment for accommodation effective from 2008/09 which expires after 15 years with a market rent review renegotiation in year 10. The lease has escalation clauses and no purchase options.

(c) Other expenditure commitments

	2016 \$'000	2015 \$'000
Future other expenditure commitments not provided for in the financial statements are committed as follows:		
Within one year	161,829	160,359
Later than one year but not later than five years	655,466	599,227
Later than five years	552,403	826,365
	1,369,698	1,585,951

Other expenditure commitments include commitments pursuant to contracts to:

Operate, manage and maintain the Adelaide metropolitan water and sewer networks and treatment plants. Refer to Note 1(t).

Operate, maintain and provide energy for the Adelaide Desalination Project. Refer to note 1(u).

Other expenditure commitments reported are based on minimum contracted amounts payable at balance date and include an estimate for escalation of charges.

(d) Finance leases

	2016 \$'000	2015 \$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	17,584	17,584
Later than one year but not later than five years	70,335	70,335
Later than five years	28,471	46,055
Minimum lease payments	116,390	133,974
Future finance charges	(37,360)	(46,984)
Recognised as a liability	79,030	86,990
Representing lease liabilities:		
Current (note 18)	8,904	7,960
Non-current (note 23)	70,126	79,030
	79,030	86,990

The present value of finance lease liabilities is as follows:

Within one year	8,904	7,960
Later than one year but not later than five years	47,531	42,479
Later than five years	22,595	36,551
Minimum lease payments	79,030	86,990

31 Commitments and contingencies (continued)

(d) *Finance leases (continued)*

Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and sewer treatment facilities.

(e) **Contingent rentals**

The above finance leases comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the consumer price and related indexes. Commitments in relation to contingent rentals are payable as follows:

	2016 \$'000	2015 \$'000
Within one year	4,988	4,859
Later than one year but not later than five years	19,953	19,436
Later than five years	18,077	22,446
	43,018	46,741

The amount of contingent rentals paid during the year is disclosed in note 7.

(f) **Other contingencies**

At balance date there were no other known contingent assets or liabilities.

32 Joint Operation

Jointly controlled operations

The Corporation holds an interest of 50% in the output of the Jointly controlled operation named SA Water/Lofty Ranges Power - Jointly controlled operation whose principal activity is the generation of electricity from the use of water energy stored in and by the Corporation's infrastructure at Hope Valley.

Included in the assets and liabilities of the Corporation are the following items which represent the Corporation's interest in the assets and liabilities employed in the Jointly controlled operation, recorded in accordance with the accounting policies described in note 1(b), under the following classifications:

	2016 \$'000	2015 \$'000
Current assets		
Cash and cash equivalents	16	47
Receivables	13	3
Total current assets	29	50
Non-current assets		
Infrastructure, plant and equipment	1,562	1,604
Total assets	1,591	1,654
Current liabilities		
Payables	45	27
Total liabilities	45	27
Net assets	1,546	1,627

33 Remuneration of auditors

	2016 \$'000	2015 \$'000
Audit fees paid/payable to the Auditor General's Department relating to:		
Financial statement audit	404	406
Regulatory accounts audit	37	35
	441	441

34 Dividends

	2016 \$'000	2015 \$'000
Dividends paid (a)	204,918	183,979
Dividend - debt transfer from the SA Government (b)	-	2,700,000
	204,918	2,883,979

(a) Dividends paid to the South Australian Government were based on the recommendation of the Board and approved by the Treasurer pursuant to section 30 of the Public Corporations Act 1993.

(b) On 1 July 2014 the SA Government announced that \$2.7 billion of debt would be transferred to SA Water. On 16 September 2014 the Treasurer requested the Board recommend an interim dividend of \$2.7 billion and on 18 September that recommendation was made by the Board. The transfer of debt occurred on 8 October 2014 by way of dividend from asset revaluation reserve and through government mechanisms that did not involve a cash transfer. The transfer of debt has increased long term borrowings and decreased the equity of the Corporation.

35 Remuneration of employees

	Current employees 2016	Ex-Employees 2016	Current employees 2015	Ex-Employees 2015
The number of employees whose remuneration paid and payables falls within the following bands is:				
\$141,500 - 145,000*	n/a	n/a	15	1
\$145,001 - 155,000	44	3	36	2
\$155,001 - 165,000	21	1	22	1
\$165,001 - 175,000	18	1	17	-
\$175,001 - 185,000	8	-	9	-
\$185,001 - 195,000	4	-	4	-
\$195,001 - 205,000	5	-	6	-
\$205,001 - 215,000	9	-	4	1
\$215,001 - 225,000	1	-	1	1
\$225,001 - 235,000	2	-	-	-
\$235,001 - 245,000	2	-	2	-
\$245,001 - 255,000	1	-	2	-
\$255,001 - 265,000	2	-	1	-
\$275,001 - 285,000	-	-	2	-
\$285,001 - 295,000	2	-	-	-
\$295,001 - 305,000	-	-	2	-
\$305,001 - 315,000	-	-	1	-
\$315,001 - 325,000	2	1	-	-
\$325,001 - 335,000	-	-	1	-
\$335,001 - 345,000	1	-	-	-
\$345,001 - 355,000	1	-	1	-
\$375,001 - 385,000	-	-	1	1
\$385,001 - 395,000	1	-	-	-
\$405,001 - 415,000	-	-	-	1
\$585,001 - 595,000	-	-	1	-
\$785,001 - 795,000	1	-	-	-
Total	125	6	128	8

*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2014-15.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits, and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$24.2m (2015: \$24.7m).

35 Remuneration of employees (continued)

	2016 \$'000	2015 \$'000
Targeted voluntary separation packages(TVSPs)		
Amount paid during the reporting period to separated employees:		
TVSPs	-	3,750
Annual leave and long service leave paid to those employees	-	1,233
Net cost to SA Water	-	4,983

The number of employees who received TVSPs during the reporting period was nil (2015: 24).

36 Remuneration of directors

The Board of SA Water was established under the South Australian Water Corporation Act 1994 and consists of up to seven members including the Chief Executive Officer. Note: Although a member of the Board, the Chief Executive Officer does not receive additional remuneration as a Board member. The remuneration of the Chief Executive Officer is included in Notes 35 and 37.

Remuneration of Directors (excluding the Chief Executive) is shown in the table below.

	2016 Number of directors	2015 Number of directors
The number of Directors of the Corporation (excluding the Chief Executive) whose remuneration paid and payable falls within the following bands is:		
\$0 - \$9,999	-	1
\$20,000 - \$29,999	-	1
\$30,000 - \$39,999	-	1
\$40,000 - \$49,999	3	1
\$50,000 - \$59,999	2	2
\$60,000 - \$69,999	-	-
\$70,000 - \$79,999	-	-
\$80,000 - \$89,999	1	1
Total	6	7

The total remuneration paid and payable for those Directors was \$0.32m (2015: \$0.30m) which includes superannuation contributions.

37 Related party disclosures

(a) Directors

The following persons held the position of Director of the Corporation during the financial year:

S.G.M. Blencowe, S.M. Filby, K.A. Maywald, L.W. Owens, C.A. Pickles, J.F. Ringham and I.F. Stirling.

37 Related party disclosures (continued)

(a) Directors (continued)

Ms Blencowe is a deputy presiding member of the City of Port Adelaide Enfield Development Assessment Panel, a member of the City of Port Adelaide Enfield Development Assessment Committee, and a member of the Advisory Board of Monopoly Property Group. Ms Blencowe was previously principal of Sybella Blencowe Lawyer and specialist member of the City of Port Adelaide Enfield Development Assessment Panel.

Ms Filby is a member of the Development Policy Advisory Committee and a facilitator with Behind Closed Doors. Ms Filby was previously a member of the Advisory Board SA of the Starlight Foundation.

Ms Maywald is Managing Director of Maywald Consultants Pty Ltd, Director of Sturt Fleurieu Education and Training, Chair of International Centre of Excellence in Water Resources Management (ICEWaRM), Member of the Advisory Council of Flinders University New Venture Institute, board member of Adelaide International 3 Day Event, partner in DR and KA Maywald, facilitator with Behind Closed Doors, strategic advisor to the Department of State Development, director of GPEX, and consultant to Water Corporation of Western Australia. Ms Maywald was previously Local Recovery Coordinator for the Sampson Flat Bushfire and previously chair of National Water Commission.

Mr Owens is Chair of SA Water, a Reconciliation Ambassador for Reconciliation SA, a member of the City of Marion Audit Committee, non-executive director of Australian Gas Networks, and chair of the Upper Spencer Gulf Common Purpose Group. Mr Owens was formerly chair of the SA Country Arts Trust.

Ms Pickles was previously the Chair of the South Australia State Library Foundation.

Mr Ringham is a Director and Chief Executive of SA Water, and member of the Australian Water Partnership.

Mr Stirling is Executive Chairman of Stirling Advisory Pty Ltd, director of A Noble and Son Limited Group of Companies and a member of the University of Adelaide Business School Advisory Board. He was recently Interim Chief Executive Officer with NSW Electricity Networks Operations Pty Ltd (TransGrid). Mr Stirling's previous roles include chairman of the Energy Supply Association of Australia (ESAA), deputy chairman of Business SA and, until recently, a director of the Botanic Gardens and State Herbarium of South Australia and Adelaide Botanic Gardens Foundation Inc. Mr Stirling was also a National Director and South Australian president of the Committee for Economic Development of Australia (CEDA).

Mr Roch Cheroux commenced duties on 16 June 2016 and became Chief Executive of SA Water on 1 July 2016 and, under section 12 of the South Australian Water Corporation Act 1994, became a director of SA Water. Immediately prior to joining SA Water, Mr Cheroux was Chief Executive Officer of SUEZ South East Asia and, between 2011 and 2015, was Chief Executive Officer (Australia and New Zealand) for SUEZ-Degrémont. Mr Cheroux was Managing Director of United Utilities Australia (now TRILITY) between 2008 and 2010. Mr Cheroux is a member of the board of the Water Services Association of Australia, a member of the Australian Water Association and, most recently, has been appointed to the SA Government's French Engagement Advisory Group.

All financial benefits provided by SA Water to related parties are provided on arm's length terms.

(b) Key management personnel

Key management personnel compensation for the years ended 30 June 2016 and 2015 is set out below. The key management personnel are the Directors of the Corporation (including the Chief Executive) and the Senior Leadership Team who have responsibility for the strategic direction and management of the Corporation.

The Minister for Water and the River Murray is also considered a member of the key management personnel of the Corporation by virtue of the Minister's power to control and direct the Corporation pursuant to the *Public Corporations Act 1993*. No remuneration has been included in this note disclosure for the Minister as he is not directly remunerated by the Corporation.

37 Related party disclosures (continued)

(b) Key management personnel (continued)

	Number of key management personnel	Short-term benefits \$'000	Post-employment benefits \$'000	Long-term benefits \$'000	Termination benefits \$'000	Total \$'000
2016*	17	3,009	294	74	-	3,377
2015*	17	2,929	309	181	-	3,419

*Both 2016 and 2015 include an overlap of SLT members.

38 Statement of Administered items

	2016		2015	
	River Murray Levy \$'000	Pensioner concessions \$'000	Total \$'000	Total \$'000
Consolidated entity				
Administered Income				
Revenue	(103)	-	(103)	53,906
Total Administered Revenues	(103)	-	(103)	53,906
Expenses	(103)	-	(103)	53,906
Total Administered Expenses	(103)	-	(103)	53,906
Operating Surplus	-	-	-	-
Consolidated entity				
Current Assets				
Cash and cash equivalents	339	-	339	179
Receivables	-	-	-	1,585
Total Current Assets	339	-	339	1,764
Total Administered Assets	339	-	339	1,764
Current Liabilities				
Payables	339	-	339	1,764
Total Current Liabilities	339	-	339	1,764
Total Administered Liabilities	339	-	339	1,764
Net Assets	-	-	-	-

38 Statement of Administered items (continued)

	2016		2015	
	River Murray Levy \$'000	Pensioner concessions \$'000	Total \$'000	Total \$'000
Consolidated entity				
Cash flows from operating activities				
Cash inflows	1,482	-	1,482	53,727
Total Cash Inflows	1,482	-	1,482	53,727
Cash outflows	1,291	31	1,322	53,896
Total Cash Outflows	1,291	31	1,322	53,896
Net cash inflow/(outflow) from operating activities	191	(31)	160	(169)
Net increase/(decrease) in cash held	191	(31)	160	(169)
Cash at the beginning of the reporting period	148	31	179	348
Cash at the end of the reporting period	339	-	339	179

39 SA Government transactions

(a) Income received/receivable from entities within the SA Government

	2016 \$'000	2015 \$'000
Rates and charges	61,425	64,601
Community service obligations	130,423	128,001
Recoverable works	11,225	9,112
Fees and charges	21	23
Miscellaneous	2	1
Government grants	515	339
Interest received	238	569
Total revenue - SA Government entities	203,849	202,646

(b) Expenses

Supplies and services

	2016 \$'000	2015 \$'000
Provided by entities within the SA Government		
Operational services	39,080	32,817
Administration	33,392	32,656
Materials & Other	5	1
Payroll tax	7,551	7,057
Maintenance contracts	3,407	1,901
Total supplies and services - SA Government entities	83,435	74,432

Borrowing costs

Provided by entities within the SA Government

Interest expense	326,654	303,239
Total Borrowing Costs provided by entities within the SA Government	326,654	303,239

39 SA Government transactions (continued)

(c) Receivables

	2016 \$'000	2015 \$'000
Receivables from SA Government entities		
Community service obligations	13,064	12,921
Rates receivable (water and sewer)	2,287	1,507
Sundry debtors	1,523	3,202
	16,874	17,630

(d) Payables

Current

	2016 \$'000	2015 \$'000
Payables to SA Government entities		
Trade creditors	7,899	3,279
Interest payable	58,500	58,949
Other creditors	8,973	4,678
	75,372	66,906

Non-Current

Payables to SA Government entities

Other creditors	1,414	1,423
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1300 650 600

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GLOSSARY AND ACRONYMS



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Start

GLOSSARY AND ACRONYMS

ADP	Adelaide Desalination Plant
ADWG	Australian Drinking Water Guidelines
ANCOLD	Australian National Committee on Large Dams
APY	Anangu Pitjantjatjara Yankunytjatjara
AVS	Audit Verification System
BIL	Barossa Infrastructure Limited
BT	Business Transformation
BWWTP	Bolivar Wastewater Treatment Plant
CAP	Customer Assist Program
CRC	Cooperative Research Centre
CSO	Community Service Obligation
DAIP	Disability Access and Inclusion Plans
DPTI	Department of Planning, Transport and Infrastructure
EAP	Employee Assistance Program
EBS	Earth bank storage
EPA	Environment Protection Authority
EPO	Environment Protection Orders
ERF	Emission Reduction Fund
ESCOSA	Essential Services Commission of South Australia
EWOSA	Energy and Water Ombudsman of South Australia
FOI	Freedom of Information
FTE	Full time employee
GL	Gigalitre – 1 billion litres
GWWTP	Glenelg Wastewater Treatment Plant
KL	Kilolitre – 1,000 litres
KM	Kilometre
LTI	Lost Time Injury
PADP	Performance Achievement and Development Plan
PCBU	Person conducting a business or undertaking
R&IS	Research and Innovation Services
RAP	Reconciliation Action Plan
RBP	Regulatory Business Proposal
RTU	Remote telemetry units
SA	South Australia
SAW	SA Water
SCADA	Supervisory Control, Automation and Data Acquisition
T2T	Torrens to Torrens
WHS	Work health safety
WTP	Water Treatment Plant
WWN	Wastewater Network
WWPS	Wastewater Pump Station
WWTP	Wastewater Treatment Plant

APPENDIX

Charter

Ministerial Direction





SA Water

Accounts & Billing

Paying Your Bill

In This Section...

- Pay your bill
- Pay now by credit card
- Direct debit
- Important things to know about direct debit with us
- How to set up direct debit with us

Related pages

- More facts
- Accountancy system
- Using your bill

Major faults

- Field
- Street
- Area

Scheduled works

CHARTER

SOUTH AUSTRALIAN WATER CORPORATION

CHARTER June 2014

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Charter

South Australian Water Corporation

Part 1: Preliminary

1. Purpose

- 1.1. The purpose of this Charter is to set out the strategic objectives, operational arrangements and financial requirements for the South Australian Water Corporation (the Corporation), as determined by the Government of South Australia.
- 1.2. This Charter has been prepared by the Minister for Water and the River Murray (the Minister) and the Minister for Finance¹, in consultation with the Corporation, pursuant to section 12 of the *Public Corporations Act 1993*.
- 1.3. This Charter should be read in conjunction with the annual Performance Statement prepared in consultation with the Minister and the Minister for Finance pursuant to section 13 of the *Public Corporations Act 1993*, setting the performance targets that the Corporation is to pursue in the coming financial year.

2. Governance context

- 2.1. This Charter should be read in conjunction with the following:
 - *South Australian Water Corporation Act 1994*
 - *Public Corporations Act 1993*
 - *Water Industry Act 2012*
 - *Essential Services Commission Act 2002*
 - *Rates and Land Tax Remission Act 1986*
 - *Public Finance and Audit Act 1987*
 - *Public Sector Act 2009*
 - *Public Sector (Honesty and Accountability) Act 1995*
 - *Metropolitan Drainage Act 1935, Linear Parks Act 2006 and South-Western Suburbs Drainage Act 1959*
 - *Code of Ethics for the South Australian Public Sector*(February 2010)
 - *Honesty and accountability for members of government boards* (March 2011)
- 2.2. The *Water Industry Act 2012* came into full effect from 1 January 2013, at which time the *Waterworks Act 1932*, *Sewerage Act 1929* and *Water Conservation Act 1936* were repealed.

¹ Sections 12 and 13 of the *Public Corporations Act 1993* were delegated to the Minister for Finance on 12 December 2013.

3. Definitions

3.1. In this Charter, the following definitions apply:

'Board' means the board of directors established as the governing body of the South Australian Water Corporation under the *South Australian Water Corporation Act 1994*;

'Director' means a member of the board;

'Minister' means the Minister for Water and the River Murray;

'Performance Statement' means the statement of performance targets that the Corporation must pursue in the coming financial year as specified by the Minister and the Minister for Finance after consultation with the Corporation under section 13 of the *Public Corporations Act 1993*;

'the Corporation' means the South Australian Water Corporation;

'the Government' means the Government of South Australia;

'the State' means the State of South Australia;

'Treasurer' means the Treasurer for the Government of South Australia

'Minister for Finance' means the Minister for Finance for the Government of South Australia.

Part 2: Purpose and direction

4. Establishment

4.1. The Corporation is established under the *South Australian Water Corporation Act 1994* and is a statutory corporation to which the provisions of the *Public Corporations Act 1993* apply.

5. Functions of the South Australian Water Corporation

5.1. Pursuant to section 7 of the *South Australian Water Corporation Act 1994*:

- (1) The Corporation's primary functions are to provide services—
 - (a) for the supply of water by means of reticulated systems; and
 - (b) for the storage, treatment and supply of bulk water; and
 - (c) for the removal and treatment of wastewater by means of sewerage systems.

- (2) The Corporation has the following further functions:
- (a) to carry out research and works to improve water quality and wastewater disposal and treatment methods;
 - (b) to provide consultancy and other services within areas of the Corporation's expertise;
 - (c) to develop commercially and market products, processes and intellectual property produced or created in the course of the Corporation's operations;
 - (d) to advise users of water in the efficient and effective use of water;
 - (e) to encourage and facilitate private or public sector investment and participation, whether from within or outside the State, in the provision of water and wastewater services and facilities; and
 - (f) any other function conferred on the Corporation by this Act, any other Act or the Minister or delegated to the Corporation by the Minister.

5.2. The following functions have been conferred on the Corporation in addition to the functions set out in section 7 of the *South Australian Water Corporation Act 1994*:

- To act as operational agent of the Minister in his capacity as Constructing Authority under the *Murray-Darling Basin Act 2008*, which replaced the repealed *Murray-Darling Basin Act 1993* (Government Gazette, 16 February 2006, page 566).
- To act as agent of the Minister for the purpose of purchasing water entitlements under the *River Murray Act 2003*, for and on behalf of and as instructed by the Minister from time to time (Government Gazette, 23 February 2006, page 735).

6. Governance arrangements

- 6.1. The Corporation owns assets for and on behalf of the Government for the benefit of the State and has the powers of a natural person and any other powers conferred on it by legislation.
- 6.2. The Government, represented by the Minister and the Treasurer, is the owner of the Corporation, acting for and on behalf of the people of South Australia.
- 6.3. The Minister and the Minister for Finance will prepare and review, before the end of each financial year a Performance Statement, in consultation with the Corporation, pursuant to section 13 of the *Public Corporations Act 1993*.

7. Functions of the board

Board powers

- 7.1. The Board is empowered under the *South Australian Water Corporation Act 1994* to make binding decisions for the implementation of that Act.
- 7.2. The Board is authorised to interpret the meaning of this Charter, and to determine any other matter relating to the affairs of the Board and Corporation on which this Charter is silent.
- 7.3. The Board may make recommendations to the Minister and the Minister for Finance regarding improvements or modifications to this Charter.

Board responsibilities

- 7.4. The Board is accountable to the Minister and the Treasurer for the sound management and stewardship of the Corporation and its assets, for and on behalf of its owners, in accordance with the law, and for the attainment of performance targets specified in the Performance Statement.
- 7.5. The Board's key responsibilities are to achieve continued performance improvement and to manage the Corporation to protect the Government's financial interests.
- 7.6. The Board and directors shall fulfil these responsibilities in accordance with relevant Government policy and legislation as outlined in section 2.1 of this Charter.

Board composition

- 7.7. In accordance with section 12 of the *South Australian Water Corporation Act 1994*, the Board shall consist of six members appointed by the Governor and the chief executive officer of the Corporation.
- 7.8. As provided for in section 8² of the *Public Corporations Act 1993*, a person authorised in writing by the Minister or the Minister for Finance may attend, but not participate in, any meeting of the Board, and may have access to papers provided to directors for the purposes of the meeting.
- 7.9. In nominating members, the Board will comply with South Australia's Strategic Plan targets for gender balance.

² Section 8 of the *Public Corporations Act 1993* was delegated to the Minister for Finance on 12 December 2013

Part 3: Operational matters

8. Commercial operations

- 8.1. For the purposes of section 12 of the *Public Corporations Act 1993*, all operations of the Corporation are commercial operations, except for those operations specified at section 9 below.
- 8.2. The Corporation may undertake other commercial operations within South Australia where such operations:
- support or are ancillary to or utilise by-products of the Corporation's primary operations;
 - involve water trading to secure supplies or in accordance with the functions in paragraph 5.2; and
 - relate to research and development to support primary or ancillary operations.
- 8.3. The Corporation may undertake commercial operations outside South Australia, subject to the approval of the Minister and the Treasurer, where such operations:
- support or are ancillary to or utilise by-products of the Corporation's primary operations;
 - involve water trading to secure supplies or in accordance with the functions in paragraph 5.2;
 - relate to research and development to support primary or ancillary operations.
- 8.4. With the approval of the Minister and the Minister for Finance³, the Corporation may pursue commercial opportunities through subsidiaries, joint venture or other appropriate arrangements, to the extent necessary or expedient to fulfil this Charter.

Fees and charges

- 8.5. The Corporation's fees and charges will be established in accordance with the *Water Industry Act 2012* and any determination issued under the *Essential Services Commission Act 2002*, as detailed in the Corporation's *Fees and Charges Framework – April 2013*. This will include providing for community concessions to certain customers as determined by the Corporation, Minister or Treasurer.
- 8.6. For operations not subject to the *Water Industry Act 2012* or *Essential Services Commission Act 2002*, fees and charges will be established in

³ Sections 23 and 27 of the *Public Corporations Act 1993* were delegated to the Minister for Finance on 12 December 2013

accordance with the Corporation's *Excluded Retail Services Policy (CP 175)* and will:

- be at competitive market rates (where appropriate);
- take into account all operational costs; and
- be compliant with competitive neutrality principles and, to the extent required, National Water Initiative pricing principles.

Asset management

- 8.7. The Corporation will comply with Treasurer's Instructions and other Government policies relating to the acquisition and disposal of assets.

Borrowing and investment activities

- 8.8. The Corporation may borrow funds from the South Australian Government Financing Authority, subject to approval by the Treasurer.
- 8.9. All funds or retained earnings shall be invested with the South Australian Government Financing Authority.

Capital Structure

- 8.10. In accordance with the Government's Financial Ownership Framework for Public Non-Financial Corporations, the Corporation shall maintain a capital structure commensurate with the capital intensity of its operations and the risk profile of its operating revenue and expenses. In addition, consideration will also be given to the:
- impact of alternative asset valuation methods on business value;
 - dividend requirements;
 - credit rating objectives;
 - need for financial flexibility; and
 - ability to finance approved capital expenditure.

Dividend and tax equivalent payments

- 8.11. The Corporation will comply with Government policies and relevant Treasurer's Instructions on dividend and tax equivalent payments.
- 8.12. In accordance with section 29 of the *Public Corporations Act 1993*, the Corporation will pay to the Treasurer all rates, duties and taxes that would apply if the Corporation was not an instrumentality of the Crown.
- 8.13. In accordance with section 30 of the *Public Corporations Act 1993*, before the end of each financial year the Corporation will recommend to

the Minister for Finance⁴ a dividend for that financial year, with the final dividend to be determined by the Minister for Finance in consultation with the Minister.

9. Non-commercial operations

- 9.1. Pursuant to section 12 of the *Public Corporations Act 1993*, the Corporation's non-commercial operations include those operations that are:
- subject to a community service obligation agreement between the Corporation and a purchasing Minister; or
 - subject to a direction under section 6 of the *Public Corporations Act 1993*, as published in the Government Gazette; or
 - related to the operational responsibility of water and wastewater facilities for identified Aboriginal communities; or
 - agreed by the Minister and the Treasurer to be non-commercial.
- 9.2. In addition to the requirements of section 11 of the *Public Corporations Act 1993*, the Corporation is to undertake non-commercial operations so as to minimise any negative impact on the State.
- 9.3. Non-commercial operations are to be costed and funded in line with Government policy or as determined by the Minister and the Treasurer.
- 9.4. The Corporation may undertake non-commercial operations within or outside the State, subject to the approval of the Minister and the Treasurer.

Part 4: Financial standards and reporting

10. Financial reports, systems and practices

Form and content of accounts and financial statements

- 10.1. The Corporation will maintain financial and accounting processes, practices and systems, and prepare financial statements in accordance with:
- applicable Australian Accounting Standards;
 - generally accepted accounting principles and practices; and

⁴ Section 30 of the *Public Corporations Act 1993* was delegated to the Minister for Finance on 12 December 2013

- all relevant Government policies including Treasurer's Instructions and Accounting Policy Statements (unless specifically exempted) issued under the *Public Finance and Audit Act 1987*.

Accounting and internal auditing systems and practices

- 10.2. The Corporation will establish and maintain effective records of all asset acquisitions and disposals.
- 10.3. The Corporation will establish and maintain effective internal auditing of its operations in accordance with appropriate standards of practice and as required by its Audit Committee.

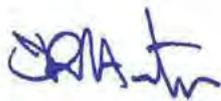
Obligations to report on operations

- 10.4. In addition to statutory reporting, the Corporation will provide the following reports to the Minister, the Treasurer, or DTF (as appropriate):
- a quarterly report including information on financial performance and financial position, contributions to government, capital expenditure, borrowings, financial and operational performance targets and cash flow;
 - annually for the budget planning process, a forward estimates report covering the Budget year and the four out years;
 - annual reports on performance against the approved Performance Statement; and
 - other information as requested from time-to-time by the Minister or the Treasurer.
- 10.5. The Board is obliged to:
- advise the Minister, as soon as practicable, of any development that materially affects the financial or operating capacity of the Corporation or any of its subsidiaries or gives rise to an expectation that the Corporation or any of its subsidiaries may not be able to meet its debts as and when they fall due;
 - ensure that all information furnished to the Minister by the Corporation or any of its subsidiaries is accurate and comprehensive; and
 - provide advice on dividends to Government and dividend returns to Government in accordance with the Financial Ownership Framework for Public Non-Financial Corporations. The Corporation will provide any other information that is requested by the Minister or the Treasurer.

Part 5: Date of operation

11. Date of operation

- 11.1. This Charter comes into operation upon signing by the Minister for Water and the River Murray and the Minister for Finance and is binding on the Corporation.



Hon Ian Hunter MLC
**Minister for Water and
the River Murray**

Date: 20/7/14



Hon Tom Koutsantonis MP
Minister for Finance

Date: 26.8.14

Lewis Owens
Chairman

Date: 8/9/14

MINISTERIAL DIRECTIVE

DIRECTION TO THE SOUTH AUSTRALIAN WATER CORPORATION

PURSUANT TO SECTION 6 OF THE PUBLIC CORPORATIONS ACT 1993

Preamble:

1. Pursuant to section 6 of the *Public Corporations Act 1993* (*Public Corporations Act*), and sections 6 and 7(2)(f) of the *SA Water Corporation Act 1994*, the South Australian Water Corporation (SA Water) is subject to control and direction by its Minister, and has the functions conferred on it by its Minister.
2. The *South Australian Water Corporation Act 1994* is committed to the Minister for Water and the River Murray (the Minister) by way of Gazettal notice dated 21 October 2011 (p 4289).
3. Part 9A of the *Water Industry Act 2012* (*Water Industry Act*) which commenced on 1 July 2016 provides a negotiate/arbitrate framework for third party access to water infrastructure or sewerage infrastructure and infrastructure services.
4. Part 9A applies in relation to operators of water infrastructure or sewerage infrastructure and infrastructure services to the extent that it is declared by proclamation to apply to:
 - a) specified water infrastructure or sewerage infrastructure, or a specified class of such infrastructure; or
 - b) specified infrastructure services or a specified class of such services.
5. By proclamation dated 16 June 2016, the Governor made a declaration in relation to the extent to which Part 9A applied to SA Water's water infrastructure and sewerage infrastructure and infrastructure services.
6. In accordance with Section 86P(1)(j) of the *Water Industry Act*, an arbitrator, to whom a dispute is referred pursuant to Part 2 of the *Water Industry Act*, must take into account any direction given to SA Water by its Minister under section 6 of the *Public Corporations Act* that is relevant to the arbitration.

Interpretation:

Avoidable costs means the costs that SA Water would otherwise incur in the provision of *retail services* to the *customer(s)* that SA Water could avoid in the long term if it completely ceased provision of the *retail service* to the *customer(s)*.

Customer(s) means the customer(s) to whom the proponent proposes to provide *retail services*, or alternatively is providing *retail services*, whether directly or indirectly.

Designated services means all infrastructure services using SA Water's infrastructure except SA Water's infrastructure that is used solely for the transportation of recycled water.

Retail-minus methodology means SA Water's retail fees and charges per *customer* calculated in accordance with the *state-wide price for retail services* minus SA

Water's *avoidable costs* for the *designated services*, plus any facilitation costs to provide the *designated services*.

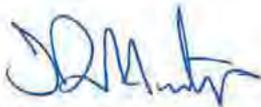
Retail services has the meaning attributed to it under the *Water Industry Act*.

State wide price means the prices published from time to time in the South Australian Government Gazette that apply the Statewide Pricing Facility pursuant to a section 6 direction of the *Public Corporations Act*.

Water has the meaning attributed to it under the *Water Industry Act*.

Direction:

I, Ian Hunter, Minister for Water and the River Murray, direct SA Water to determine prices for access to *designated services* on the basis of a charge per *customer* calculated using a *retail-minus methodology* unless otherwise approved by me.



IAN HUNTER
MINISTER FOR WATER AND THE RIVER MURRAY

24 June 2016

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