

# South Australian Water Corporation **Annual Report**

For the year ending 30 June 2015



Government  
of South Australia



## Letter of Transmittal

30 September 2015

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 ended 30 June 2015.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lewis W Owens', written in a cursive style.

Lewis W Owens  
Chairman

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## **Our Organisation**

Every hour of every day, SA Water's people embrace the challenge of delivering safe, sustainable and affordable water services to more than 1.6 million South Australians. Once this water has been used, the waste is removed and treated to ensure the best environmental and health outcomes. Owned by the Government of South Australia, SA Water is focused on providing essential services that support growth and economic development throughout our state.

Driven to serve our customers for more than 150 years, we know water. We manage more than \$13 billion worth of assets, our water quality expertise is recognised around the globe and we are a leader in wastewater recycling. We employ more than 1400 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
- Department of Health and Ageing
- Environment Protection Authority.

## **Strategic Plan**

SA Water continues to operate under the guidance of our Strategic Plan, providing the direction we need to effectively operate our organisation as we deliver world class water and sewerage services to South Australians – and as we operate within a regulated environment.

As our organisation implements a number of critical changes that enable us to meet our obligations to our customers and the guidelines laid out by the Essential Services Commission of South Australia, our Strategic Plan provides a focus on delivering vital services to South Australians. The Strategic Plan can be found on our website: [www.sawater.com.au](http://www.sawater.com.au).

## **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 Australian Drinking Water Guidelines. The most recent copy can be found on our website: [www.sawater.com.au](http://www.sawater.com.au).

## Highlights from 2014-15

Topic/Activity/Project	Page
Completion of \$243.1 million worth of key infrastructure projects.	62
Completion of a \$272 million project to increase treatment capacity at the Christies Beach Wastewater Treatment Plant from 30 million litres per day to 45 million litres per day.	62
Completion of modifications to the gas turbine fuel system at Bolivar Wastewater Treatment Plant to deliver a reduction in greenhouse gas emissions.	64
Installation of 561 metres of new water main along Grenfell Street, Adelaide.	20
Commissioning of a new desalination plant at Hawker.	63
Completion of project to upgrade the capacity of the Gawler wastewater network.	69
Customer satisfaction increased by 3%.	14
Development of Customer Strategy 2015-2020.	16
Launch of the new SA Water website.	16
Our education programs reached 8488 students across South Australia.	18
Achieving the lowest number of reported new workers compensation claims in SA Water's history.	52
Increase in hazard and near miss reporting by 33% and 5% respectively from the previous year.	51
Profit before tax of \$278.8 million.	39

## A Message From Our Chairman

The past year saw a continuation of the gradually improving performance of the Corporation across all its operations. SA Water managed to meet virtually all of its service standards relating to water quality, service delivery and environmental compliance, and still delivered a better than expected dividend to the State Government, an increase in average water prices of only 1.3%, and an increase in average sewerage bills of 1.3% for metropolitan customers and 1.8% for country customers.

The Corporation has been working throughout the year to finalise its Regulatory Business Proposal (RBP) to the Essential Services Commission of South Australia (ESCOSA) for the period 2016-20, with a major focus on affordability, provision of reliable services, and improving the customer experience. The board was closely involved in the preparation of the RBP, and in the consultations with our key customer groups about their priorities.

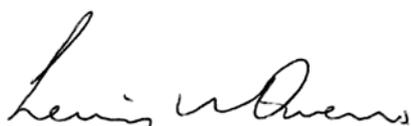
As Chairman, I would like to acknowledge the significant effort of my fellow Directors and thank them for their contribution over this particularly busy year. Their expertise, and the wide range of experience they bring to oversee the operations of SA Water, are greatly valued. In the past year, the board welcomed two new directors, the Hon Karlene Maywald and Mr Ian Stirling, and farewelled Mr Kevin Osborn. I would like to acknowledge Kevin's significant contribution over the last couple of years in guiding the commercial and state focus of our role.

On behalf of the board, I would like to thank the management and staff of SA Water for their commitment to achieving these outcomes and to providing a great experience for all our customers. Their dedication is appreciated as we look forward to implementing our next RBP, and working to achieve lower prices for our customers, while at the same time maintaining our water quality, supply security, and environmental standards for the benefit of all South Australians.

The board is pleased to see a continuing improvement in the Work Health and Safety (WHS) performance of the Corporation, although the changes are not as fast as we might have hoped and there is still room to improve. The board and management are united in their determination to see these changes bedded down and become a normal part of the way we do business.

SA Water has successfully responded to multiple challenges over its long history of serving South Australia, and we intend to continue this proud tradition. We have undertaken robust and comprehensive planning to ensure the organisation is well prepared for the challenges of the future, because quality water and sewerage services are fundamental to the ongoing success of our state, and cannot be taken for granted.

Thank you to all our stakeholders who have assisted us throughout the year, and who share with us the responsibility for our success.



Lewis W Owens  
Chairman

## A Message From Our Chief Executive

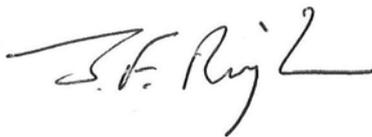
The preparation of our RBP for the period 2016-20 has been one of our significant areas of focus in the past year. As part of that work, we conducted our most extensive and comprehensive customer engagement program, *Your Say*. The program sought input and feedback from close to 1500 customers and industry stakeholders to guide us and help plan our expenditure proposals and service level provision. The completed proposal was submitted to ESCOSA at the end of August 2015. Alongside the consultation on our RBP, we have worked closely with the development industry to simplify the processes involved in providing water and sewerage services to new developments and released the development industry report, *Working with South Australia's Development Industry*.

Feedback from our customer engagement program identified improving the ways in which we interact with our customers as a key issue. As a first step in improving our interaction with customers, in June we launched our new website which includes new features such as an online form to report a leaking meter and real-time information about major faults and scheduled works. We will continue to enhance the website to allow more online interaction and our RBP proposes further investment in a Digital Strategy. I am pleased to report our customer satisfaction levels continued to improve this year and on average were 80%, which is an increase of 3% from last financial year. We also saw further reduction in our lost time injuries, although we recognise that there is still room for improvement in this area. We have implemented a number of WHS initiatives which are reducing risks; through our early intervention strategy we achieved the lowest number of new WHS claims in our history.

Our continued drive to improve our operating efficiency and harness technology was recognised by us receiving the Water Initiative Award at the Global Water Summit in Athens, Greece. This award recognised our partnership with MWH Global, Optimatics and C3 Global to develop modelling and analytical tools to allow more efficient operation of Adelaide's distribution network.

Our business development group has worked with the Clare Region Winegrape Growers Association to develop an off peak transportation model which will see cost savings to both parties, and they also negotiated a scheme to connect the suburb of Skye to the SA Water system after agreement was reached with the local council and residents.

The past year has seen some significant achievements across the business and I look forward to the coming year as we prepare for the implementation of our next RBP and continue engaging with our customers and stakeholders.



John Ringham  
Chief Executive

## SA Water Vision and Strategic Plan

Our business is driven by the *SA Water Strategic Plan 2012-16*.

Corporate Vision:

***Meeting all challenges***

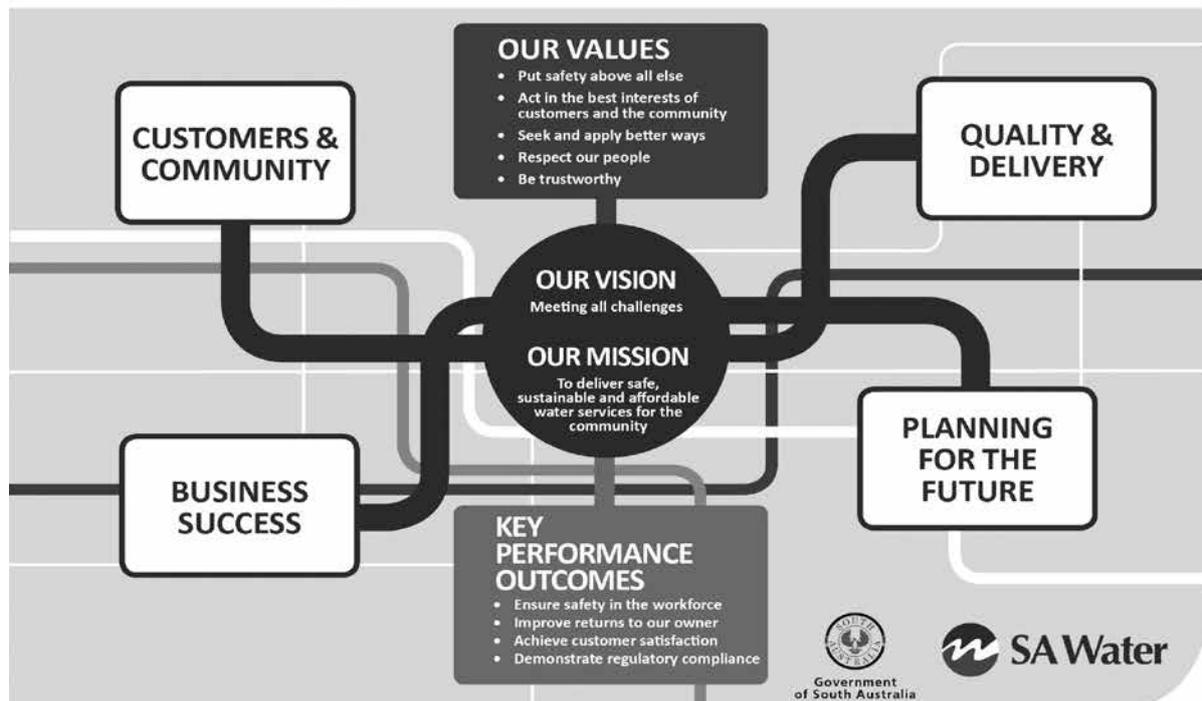
Our Corporate Mission:

***To deliver safe, sustainable and affordable water services for the community.***

SA Water has a remarkable capacity to deliver products and services in the face of the most difficult challenges. 'Meeting all challenges' is no easy feat. Given the constraints on our business, the breadth of our operations and the environment in which we operate, we need to be innovative, agile and proactive.

Based on this vision and mission, the strategic plan sets a clear direction and establishes strategic priorities for success against our key performance outcomes, as indicated in the figure below.

## SA Water Strategic Priorities



In a world of increasing environmental, technological, economic and social changes, our role as a provider of essential services is more important than ever. While we cannot predict the future with any certainty, we can identify broad trends and drivers that are more likely to shape our business. From here we can develop a long term strategy to ensure the continued delivery of safe, sustainable and affordable water and sewerage services to South Australians.

We are developing a series of outcomes that define success:

- Our people are the key to our success and our values are at the core of what we do.
- Our focus is providing a safe, clean product via reliable services and considering our customers in each decision we make.
- We aim to be leaders in protecting the environment and enabling the growth of our state and must adapt our plans to meet the needs of current and future generations.
- As a strategy driven organisation, we are dedicated to providing our people with the planning and execution tools they need to align our roles and accountability and achieve superior results.

# SA Water Sustainability Scorecard

**Sustainability is part of the way we do business. We consider the long term interest of customers, the South Australian community and future generations in our operations and solutions.**

**Sustainability principles are embedded in our long term strategy.**

We have set sustainability measures and targets that reflect our emphasis on quality service and value to our customers. We are committed to continuously improving the way we do business.

The sustainability scorecard is an annual snapshot of our sustainability performance against our corporate strategic priorities: Customers and Community, Business Success, Quality and Delivery, and Planning for the Future.

The scorecard contains selected sustainable performance measures; more detailed information on those targets – and a range of other key strategic performance measures – can be found throughout the Annual Report (refer to quoted page numbers).

## 2014-15 Performance summary against sustainability measures

Target	Performance		
	2012-13	2013-14	2014-15

### Strategic priority: Customers and Community

#### Overall customer satisfaction with SA Water

Although the target has not been met, the recent customer satisfaction survey has shown a 3% increase from the previous year (page 13-15).

85% of overall satisfaction  
(results from customer satisfaction survey)



#### Response to customers calls

We have exceeded our target and continued to improve our response time to customers (on average, callers waited 16 seconds for their call to be answered) (page 13).

85% of calls to customer service centre answered within 30 seconds



#### Response to written enquiries

Although the target has not been met overall, there was a 4% improvement compared to the previous year (page 13).

95% response to written enquiries complaints



#### Priority 1 water supply breaks bursts and leaks

We exceeded our metro-based and regional-based targets for water service attendance and water service restoration within targeted timeframes (page 23).

Metropolitan: 95% attended within one hour



Regional: 95% attended within one hour



### Strategic priority: Business Success

#### Economic regulation compliance

We continue to meet our compliance targets despite the relatively new regulatory process in the state (page 39).

No material or intermediate obligations breached compliance with economic regulation



#### Profitability

We continue to improve returns to our owner within the boundaries set by our economic regulator, ESCOSA (page 41-42).

Operating profit before tax



#### Safety of employees and contractors

Overall the number of significant incidents has reduced by almost 50% compared to the previous year (page 50-52).

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 (pages 53 and 55) in particular the opportunities through the aboriginal employment program<sup>(1)</sup>.

Workforce diversity performance  
(2% indigenous employment)



(1): We protect the privacy of our employees and staff and they are not obliged to volunteer information about their culture.



**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 term trend away from the target.

**N/A:** Performance not measured or not able to be determined with existing information.

# SA Water Sustainability Scorecard continued

## Strategic priority: Quality and Delivery

<b>Drinking water quality</b> Our regional and metropolitan systems exceeded the target for compliance with Australian Water Quality Guidelines (page 25).	Performance against drinking water regulations 100% metropolitan	
	99.8% regional	
<b>Environmental compliance</b> SA Water's environmental obligations for metropolitan and country water and wastewater treatment and other multiple licences were met (page 34).	100% EPA licence compliance	
	<b>Greenhouse gas emissions</b> We continue to exceed our target for a linear reduction pathway consistent with our commitments under the Climate Change Sector agreement (page 29-33).	Net GHG emission, 385,000 tonnes of CO <sub>2</sub> -e
<b>Renewable energy</b> We exceeded our target from self-generated renewable electricity at our wastewater treatment sites, hydroelectric facilities and purchased accredited renewable energy certificates.	Percentage of renewable energy generated and or purchased, 20%	
	<b>Recycled water volumes</b> We continue to achieve significant volumes of recycled water with the added benefit of reducing the use of drinking water and thereby improving the security of water supplies for metropolitan Adelaide. This in turn supports agricultural activities and economic growth of our state (page 85).	Volume of recycled water (metro and country)

## Strategic priority: Planning for the Future

<b>Water Licence Compliance</b> We continue to achieve our regulatory targets with no breaches to our licenses (page 23-24).	Extraction within allocation 100%	
	Licence conditions	
<b>Assets construction/extension to water/sewer services</b> SA Water has met the target for constructing or extending water or sewer services within target timeframes (page 23).	95% completed within target timeframes	
	<b>Water mains break</b> We exceeded our target for regional, and achieved a significant improvement for metropolitan systems compared with the previous year (page 59-61).	Total number per 100km of water main metropolitan (target 21)
Regional (target 8)		N/A
<b>Sewerage mains breaks and chokes</b> We exceeded our performance for the metropolitan areas and almost reached our regional target. Overall, the performance is showing a positive trend (page 59-61).	Total number per 100km of sewer main (target 52)	N/A
	Regional (target 15)	N/A

		<p><b>Expectations met or exceeded:</b> performance has either met or almost met current targets or showing a positive long term trend.</p>	<p><b>Room for improvement:</b> performance has been mixed – current targets have not been met or improvement is required.</p>	<p><b>Action required:</b> measures show a negative term trend away from the target.</p>	<p><b>N/A:</b> Performance not measured or not able to be determined with existing information.</p>
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South Australian Water Strategic Priorities

# Customers and Community



Government  
of South Australia



**SA Water**

## Customers and Community

2014-15 Performance Summary				
<u>Statement of Intent:</u> <ul style="list-style-type: none"> <li>To achieve customer satisfaction by delivering the services they value, enhance our reputation within the community and build strategic relationships with our key stakeholders.</li> </ul>	Key Performance Indicator	2014-15 Target	2014-15 Result	
		Customer satisfaction survey (recent contact survey)	85%	80%
		Calls to Customer Service Centre answered within 30 seconds	85%	85.3%
	<u>Key Strategies:</u> <ul style="list-style-type: none"> <li>Customer Services</li> <li>Community and Stakeholder Engagement</li> </ul>	Percentage of all routine written enquiries responded to within 10 working days	95%	83.1%

### Customer Service Centre

2014-15 saw a 0.39% decrease in calls received from 444 928 in 2013-14 to 443 207, along with on average a 3 second reduction in wait time from 19 seconds to 16 seconds. The average duration of calls was 3 minutes and 40 seconds, which was an increase from last year of 19 seconds.

As we move towards increasing the usage and focus on our email channel through our new website and web forms for our simple enquiries, we expect call durations to increase. This allows our phone channel to support those who have more complex enquiries. We will continue to multi-skill our business to ensure we meet the changing communication channel options for our customers. This focus aligns with SA Water's Digital Strategy initiatives which are scheduled to be delivered over the coming years.

### Customer Complaint Handling

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

Considering the number of customers we have, and the high number of interactions with those customers, the number of complaints we receive is very low. In 2014-15, we registered 2.43 complaints per 1000 customers and we will continue to work hard to reduce the number received.

The most common complaint types relate to water quality, repairs and maintenance of infrastructure in the metropolitan area, and high water use. We have a comprehensive approach to dealing with complaints, which includes a dedicated complaint handling team.

Our Customer Dispute Resolution and Mitigation is responsible for investigating and responding to complaints which were not able to be resolved on first contact.

In 2014-15, 342 complaints about SA Water were made to the Energy and Water Ombudsman of South Australia in a range of areas, down from 368 the previous year. High water use continued to top the list of concerns escalated.

## Customer Research and Engagement

### Satisfaction Results

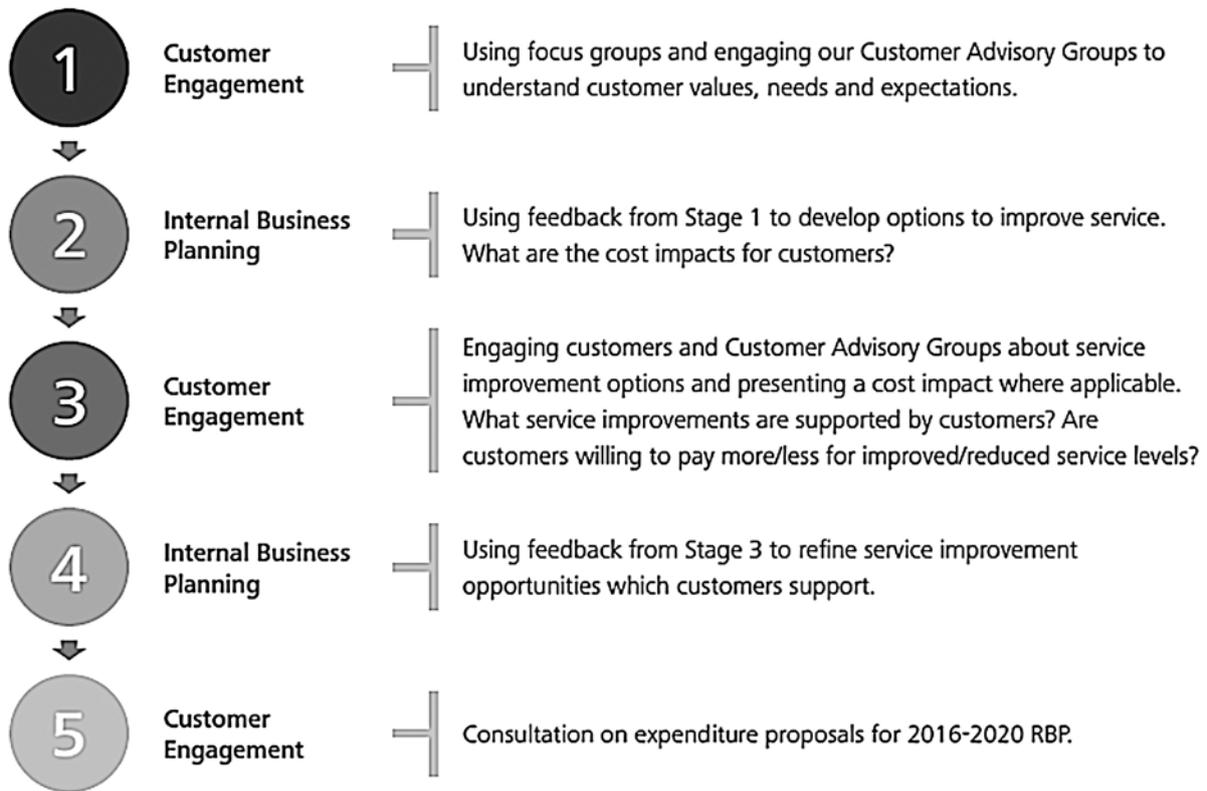
During 2014-15 we continued to measure the satisfaction of customers who had a recent service experience with us. The survey is tailored to ask questions specific to a customer's experience with SA Water including reporting a fault or a service problem, requesting a water connection or calling the Customer Service Centre with an account enquiry. The results from the survey are reported quarterly and the findings are used to measure our performance and improve our services. Over the financial year, 3149 SA Water customers participated in the survey. On average we achieved a satisfaction score of 80%, a 3% increase from last financial year. The overall satisfaction results are detailed in Table 1.

Table 1: Overall satisfaction results with SA Water

		Q1 Jun-Aug 2014	Q2 Sep-Dec 2014	Q3 Jan-Mar 2015	Q4 Apr-Jun 2015	Annual Average 2014-15	Change across 2014- 2015
Overall satisfaction with SA Water	Positive satisfaction (satisfied, very satisfied)	79%	78%	81%	81%	80%	+3%
	Neutral satisfaction (neither satisfied or dissatisfied)	13%	11%	12%	11%	12%	-2%
	Dissatisfaction (dissatisfied, very dissatisfied)	9%	10%	7%	8%	8%	+1%

### Customer Engagement Program - Your Say

In addition to our satisfaction tracking, we conducted our most extensive and comprehensive customer engagement program, *Your Say*. Over five stages, SA Water engaged 1494 customers, industry stakeholders and its Residential and Business Customer Advisory Groups in workshops and an online survey to understand their needs and expectations. We also gauged their willingness to pay for or support proposed capital projects and service improvement investments. Customers from both metropolitan and regional South Australia had the opportunity to speak with subject matter experts from SA Water to better understand how we operate. SA Water has used this feedback to plan our expenditure for the 2016-20 regulatory business period. An outline of our Customer Engagement Program is illustrated on the next page.



### Customer Advisory Groups

Our Customer Advisory Groups were established in 2012 to increase interaction between SA Water and representative customer groups. Over the year we convened our Residential and Business Customer Advisory Groups four times to share information and seek their views on SA Water’s services, initiatives and policies. The groups played an important role in our Customer Engagement Program, *Your Say*, in providing valuable customer insights and support for the process.

Representatives from the following organisations make up the Customer Advisory Groups:

#### *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
- Urban Development Institute of Australia

## Our Customer Strategy

In 2015, we launched the *SA Water Customer Strategy 2015-2020*. The strategy will deliver our commitment of ensuring every customer has a great experience. It contains a number of key initiatives across four areas:

- Customer Focussed Culture
- Intelligence and Insight Driven
- Valued Experience
- Valued Supplier.

A major achievement delivered under this strategy was the launch of our new website in June. The website is designed to provide a better experience across all devices and includes new features such as a self-service online form to report a leaking meter. In response to what our customers have told us is important, the website also includes real-time information on major faults and scheduled works as well as reservoir levels across the state.

A summary of the *SA Water Customer Strategy 2015-2020* is illustrated below.



## Business Relations

Throughout 2014-15, SA Water supported businesses in expanding and improving their operations by providing additional water and/or wastewater and trade waste services.

SA Water's Business Relations team supports our major customers by providing a central point of contact for all SA Water related enquiries. Major customers are defined by the revenue they contribute to the Corporation, including water rates and sales, sewerage rates and trade waste charges.

SA Water recognises all customers are different and have unique requirements. Through regular contact, the Business Relations team takes time to understand each customer's

business, their drivers and what is important to them. Key customer drivers include reliability of supply, flow rates, trade waste issues and pricing. We also gain insight into future consumption trends or potential increases or decreases in demand and can instigate actions to work with the customer to meet their requirements.

The Business Relations team also provides technical support to customers aimed at helping them get the most out of the products and services we provide. Support such as provision of trade waste advice, leak analysis, water use profiling, cleaner production and irrigation advice are all well received by our business customers.

### **Customer Assist Program (CAP)**

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 is promoting the CAP in line with the government's affordability agenda.

SA Water employs an early intervention strategy aimed at engaging the customer before their debt becomes unmanageable. This strategy uses targeted promotional brochures, information on quarterly bills and the SA Water website. It also uses internal staff training and professional relationships with relevant support organisations, as well as presentations at welfare and social inclusion events and the South Australian Financial Counsellors Association conference.

During 2014-15, SA Water assisted over 5000 residential customers through the CAP with 1860 customers successfully completing the program. Customers participating in the CAP also have access to free plumbing assistance, and during 2014-15, 243 customers received free water audits or emergency plumbing assistance.

### **Stakeholder Engagement Strategy**

#### **Media and Communications**

SA Water is committed to delivering relevant and open communications and engagement strategies with stakeholders and customers, as well as ensuring the timely delivery of information to the South Australian community. A number of activities were undertaken in 2014-15 to ensure this, including:

- Ongoing social media program to support enhanced engagement with our customers
- Engagement with regional communities at *SA Water Across the State* events held at Mount Gambier, Murray Bridge and Port Pirie
- Water Wise Measures promotional campaign
- Development of a new online tool, *Sewage Sleuths*, developing students' understanding of the workings of a key community utility system
- Development of customer support communications, to help customers better understand their water and sewerage use, including pricing announcements, how to read your water meter and how to protect the sewerage network
- Proactive approach, via media, to ensure customers were informed on water and sewerage matters including changes to legislation, SA Water education programs and information around infrastructure upgrades and management.

The SA Water Media and Communications team responded to over 450 media enquiries during 2014-15, predominantly relating to operations and infrastructure, customer engagement programs, water quality and treatment processes, research and innovation, and economic regulation.

### **Sponsorships and Partnerships**

SA Water's sponsorship program included support for 19 community programs and events across the state, in addition to the provision of drinking water through the Quench Bench water trailer. Each activity provided an opportunity for us to promote our role in water delivery and wastewater management, while also strengthening our relationship with the community.

Program highlights included:

- **KESAB environmental solutions – source-to-tap:** An education program highlighting the importance of water in remote Aboriginal communities. Through this partnership, water efficiency resources were developed and programs were delivered in the Yunyarinyi, Pukatja, Kaltjiti and Indulkana communities
- **YMCA-SA Water VacSwim Program:** An annual community based swimming program providing opportunities for children to develop confidence and competence in the water, including basic swimming stroke improvement, water safety and survival skills
- **SA Tourism Commission Credit Union Christmas Pageant:** We provided 32 000 bottles of water to performers and spectators at this free family event attended by more than 320 000 people

### **School Education Program**

The SA Water *Brainwave* learning program was attended by 8448 primary and secondary students and teachers throughout the state. Programs included workshops, treatment plant tours, science labs, theatre shows and in-school presentations.

SA Water continued its partnership with the Department for Education and Child Development (DECD) to ensure learning experiences reflected the curriculum and the needs of the school community. The entire suite of programs and resources were available free of charge and travel reimbursements were offered to disadvantaged schools.

The program also saw the development of a new online tool, *Sewage Sleuths* which complements SA Water's range of digital apps and aligns with mathematics, geography and science components of the curriculum. The program is designed for use with computers/tablets and aims to develop students understanding of the workings of a key community utility system.

### **Community Engagement**

In 2014-15, Community Relations delivered presentations and tours to 1850 members of the community at the Adelaide Desalination Plant and Kauwi Interpretive Centre. Community Relations also embarked on new engagement initiatives, *SA Water Across the State* and the *Take the Tap Test*.

### *SA Water Across the State*

SA Water staff engaged with regional communities through a range of local forums. *SA Water Across the State* events were held in 2014-15 at Mount Gambier, Murray Bridge and Port Pirie. 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.

### *Take the Tap Test*

During 2014-15, over 1000 community members participated in the *Take the Tap Test*, an activity delivered by SA Water's Community Relations and Research and Innovation teams. *Take the Tap Test* is a blind taste test and satisfaction survey of SA Water samples from separate sources across the state compared with purchased bottled water. Communities at Kadina, Port Augusta, Port Pirie, Mount Gambier, Adelaide, Murray Bridge and Berri were invited to participate in *Take the Tap Test*.

The results showed that participants, in general, were unable to tell the difference between tap water and bottled spring water.

### **Key Stakeholder Relationships/Management**

Regular contact was maintained with the state's councils throughout 2014-15, in particular in relation to the sharing of our future capital works program. Engagement was also broadened to include Regional Development Australia.

A Key Stakeholder Management Plan was developed to ensure a formal approach to engaging with 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 on Capital and Business Development Projects**

Every capital and business development project has external stakeholders who are impacted by or can influence the project. It is essential SA Water has an informed view of external stakeholder needs, interests and expectations, in order to support the effective delivery of projects.

The Stakeholder Engagement team actively engages with our external stakeholders about our projects. We seek early stakeholder input into the development and delivery of capital and business development projects that may affect them and provide the opportunity to influence project decisions within appropriate boundaries.

The Stakeholder Engagement team works closely with project managers and other relevant staff to provide strategic input and support successful project development and implementation. As well as managing stakeholder impacts, the Stakeholder Engagement team looks for opportunities to use local knowledge and an understanding of community aspirations to add value to the delivery of projects, enhance SA Water's reputation and produce outcomes that are in the best interest of the community.

## **Key Engagement Activities:**

**Grenfell Street Water Main Replacement:** Successfully managed communication with local residents, businesses, Adelaide City Council and the Department of Planning, Transport and Infrastructure during the installation of 561 metres of new water main along the southern side of Grenfell Street, Adelaide. This included managing accommodation providers and community interests through a challenging night work schedule.

**Hackney Road/North East Road Trunk Water Main Renewal:** Early engagement with residents, businesses, local government and a number of key stakeholders along the pipeline alignment, helped to gain acceptance of the need for the project and to identify potential issues to be managed during construction.

**2014-15 Water Main Relay Program:** Early and ongoing engagement with local government, businesses and residents affected by construction activities and water shutdowns associated with more than 40 water main relays across metropolitan Adelaide and regional South Australia. This also included managing more complex community interests such as at Anster Place in Adelaide and through the township of Kingscote on Kangaroo Island.

**Skye Water Supply Scheme:** An extensive engagement program was undertaken to understand the complex water supply situation in Skye and to inform the development of a sustainable water supply scheme that was both financially viable for SA Water and affordable for the community. Throughout the program, we worked collaboratively with key stakeholders to gain support for the scheme's delivery. A variety of communication and engagement activities were undertaken to ensure a transparent and inclusive approach.

SA Water ultimately achieved enough community support for the scheme to proceed. This was an excellent outcome which will see the SA Water network expand into Skye in the near future.

**Kangaroo Creek Dam Safety Upgrade:** Early engagement with local government, community groups, nearby property owners and government agencies was undertaken to identify issues in the planning stage of the project. Engagement will continue in the lead up to and during construction.

**Murray Bridge Wastewater Treatment Plant Upgrade:** Recommended engagement with the Murray Bridge Wastewater Treatment Plant Community Reference Group to inform the site selection process. Engagement with the wider community, local government and interest groups is continuing throughout the development of the project.

**Happy Valley Outfall Channel:** Successful completion of the upgrade, which included major excavation, concreting works and tree removal, occurred following significant engagement with the local community. The community was kept informed of progress and key issues through regular neighbourhood meetings, newsletters, information sessions and guided site visits. The specially convened Community Reference Group provided input into overall site amenity and landscaping plans. The engagement process culminated in a community celebration event in March 2015 and updates will continue until landscaping is finalised and established.

**Orroroo Water Quality:** Community involvement was facilitated through a public meeting that informed residents of the process involved in securing an improved quality water supply. A Community Reference Group was established to coordinate the collection of information and to be the interface between SA Water and local government. The group also provided input into the identification of options and provided information to support the justification of the project.

**Whyalla Tanks Decommissioning:** Engagement with local government to discuss the remediation and future amenity use of land following the demolition of two disused water storage tanks in Whyalla. Communication and key stakeholder relationships were managed during the removal of the two tanks. SA Water also dedicated a tank float to the Mount Laura Homestead Museum.

**Business Development:** The Business Development team was supported in engaging with stakeholders in order to achieve greater buy-in to projects and proposals and enhance business success. Recent support was provided on engagement strategies and communication for projects including the Clare Valley Peak Water Transport Agreement and Wirrina Cove Water Supply and Wastewater Services.

**External Projects:** The Stakeholder Engagement team's skills and expertise have been increasingly acknowledged and valued across government. As a result, the team has been engaged to provide professional services on sensitive community issues external to SA Water. These projects have included delivering strategic and engagement services on the Leigh Creek mine closure for the Department of State Development and managing community engagement on the Clovelly Park Mitchell Park Environmental Management Project for the Environment Protection Authority.

## **Disability Action Plan**

In line with the South Australian Government's policy statement, Promoting Independence: Disability Action Plans for South Australia, SA Water drafted a plan to report against five outcome areas:

- Accessibility of services to people with disabilities
- Ensuring information about services and programs is inclusive of people with disabilities
- Ensuring delivery of advice or services to people with disabilities is done with awareness and understanding of issues affecting people with disabilities
- Opportunities for consultation with people with disabilities in decision-making processes regarding service delivery and in the implementation of complaints and grievance mechanisms
- Ensuring the requirements of the *Disability Discrimination Act 1992* and *Equal Opportunity Act 1984* are met.

South Australian Water Strategic Priorities

# Quality and Delivery



Government  
of South Australia



## Quality and Delivery

2014-15 Performance Summary				
Statement of Intent:	Key Performance Indicator	2014-15 Target	2014-15 Result	
<ul style="list-style-type: none"> <li>To deliver water and wastewater services that are fit for purpose, cost effective and comply with regulatory requirements.</li> </ul> <p><u>Key Strategies:</u></p> <ul style="list-style-type: none"> <li>Water &amp; Wastewater Services</li> </ul>	<p><i>Compliance with drinking water regulations:</i></p> <ul style="list-style-type: none"> <li>- metropolitan</li> <li>- regional</li> </ul>	100%	99.9%	
			99.8%	99.8%
	<p><i>Priority 1 water supply breaks, bursts &amp; leaks – attended within 1 hour</i></p> <ul style="list-style-type: none"> <li>- metropolitan<sup>1</sup></li> <li>- regional<sup>1</sup></li> </ul>	95%	99.0%	
			95%	95.3%
	<p><i>Category 1 unplanned water interruption – restored within 5 hours</i></p> <ul style="list-style-type: none"> <li>- metropolitan<sup>1</sup></li> <li>- regional<sup>1</sup></li> </ul>	90%	85.0%	
			95%	100%
	<p><i>Sewer overflow inside a building - attended within 1 hour</i></p> <ul style="list-style-type: none"> <li>- metropolitan<sup>1</sup></li> <li>- regional<sup>1</sup></li> </ul>	95%	98.9%	
			99%	94.6%
	<p><i>Sewer overflow inside a building – cleaned up within 4 hours</i></p> <ul style="list-style-type: none"> <li>- metropolitan<sup>1</sup></li> <li>- regional<sup>1</sup></li> </ul>	95%	99.1%	
			99%	100.0%
	<p><i>Construction/extension to water/ sewer services completed within target timeframes<sup>1</sup></i></p>	95%	89.7%	
	<p><i>EPA licence compliance</i></p>	100%	100%	
	<p><i>Net greenhouse gas emissions CO<sub>2</sub>-e based on 2014/15 target</i></p>	384,868	285,745	

Note 1: Performance targets for 2014-15 are consistent with the service standards established within Water Industry Guideline No. 2 (December 2012), produced by ESCOSA.

Our regional systems exceeded the target for compliance with Australian Drinking Water Guidelines 2011 (ADWG) health-related parameters, while metropolitan systems were marginally below target. While SA Water aims for 100% compliance in the metropolitan area, the ADWG recognises occasional exceedances may occur.

SA Water met or exceeded all but one of our metropolitan-based and regional-based targets for water service attendance and water service restoration within targeted timeframes.

We were below our target for metropolitan-based Category 1 unplanned water interruptions restored within 5 hours due to non-standard activities requiring specialised parts.

We also met or exceeded all but one of our metropolitan-based and regional-based targets for sewerage overflow attendance and clean-up. We were below target for regional-based sewer overflows inside a building, which were attended within one hour. With the comparatively low numbers of these events, any event that does not achieve the target can account for a significant percentage difference.

SA Water has not met the target for constructing or extending water or sewerage services within target timeframes. There are a number of factors that attributed to missed time lines. Opportunities to improve on performance are currently being investigated to address performance gaps.

SA Water's environmental obligations are regulated by the EPA. SA Water achieved 100% EPA licence compliance in 2014-15, however a number of sewerage notifications were made, as agreed with the EPA.

## **Water and Wastewater Services Strategy**

### **Source Water Quality Management**

Initiatives and improvements for the management of source water quality have a catchment-to-tap focus and aim to take advantage of new and existing technologies 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. In 2014-15, the Little Para and Happy Valley Reservoirs were fitted with floating pontoons containing automated vertical water quality profiling systems. The systems provide information at set intervals throughout the profile of the water column. Real-time data for temperature, turbidity, total cyanobacteria, chlorophyll, pH, conductivity and dissolved oxygen is made available to water quality managers via an on-line web-based interface. Work is now focused on maximising the benefit of the additional information and it is expected to assist water quality managers to:

- Track the flow of water which has the potential to carry catchment-derived pollutants into reservoirs
- Identify the location of the best water quality within a vertical profile of a reservoir
- Manipulate the water quality supplied to water treatment plants through the use of multiple offtakes, to ensure that the best possible water quality can be 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*

Where possible, SA Water continued to manage cyanobacterial blooms without the need to apply copper sulphate. 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 including the application of powdered activated carbon to remove cyanobacteria-derived taste and odour compounds.

### *Control of Algae in Reservoirs*

The control of certain types of cyanobacteria in reservoirs is an ongoing operational issue for water utilities worldwide with reliance placed on the application of algaecides. Although the use of copper-based algaecides is safe, it is not always effective and is expensive. Investigations have identified stabilised hydrogen peroxide as a potential alternative, and an application trial is in progress.

### **River Murray**

#### *Water Quality Monitoring*

Fluctuating water quality has the potential to impact the treatment processes that ensure customers are supplied with high quality drinking water. In 2014-15, SA Water customised a monitoring program and developed an automated reporting mechanism to identify immediately any situation of concern. Data gathered as part of this program enables the enhancement of treatment processes to ensure customer satisfaction is not compromised.

### **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 ADWG, 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 tap.

We use AQUALITY, which is an ADWG framework measurement and evaluation tool developed by the Water Services Association of Australia, to assess our progress on implementation of the framework. During the 2014-15 period we improved our implementation percentage from 93.2% (2013-14) to 93.6%, exceeding the 2014-15 target of 93.5%.

This increase was a result of the following actions being undertaken:

- Roles and responsibility matrices for SA Water's water quality processes and technical support officers being reviewed to align with the current organisation structure
- A critical control point identification process being formalised
- Water treatment plants and distribution systems water quality performance reports improved
- The first *SA Safe Drinking Water Act* audit undertaken
- An AQUALITY moderating audit completed as an independent external benchmarking of SA Water's internal AQUALITY assessments

- A drinking water quality management improvement plan that consolidates and prioritises capital and operational water quality improvement actions, endorsed by the Senior Leadership Team.

### **Water Quality Improvement**

A number of water quality improvement projects were initiated or completed during the 2014-15 financial year. These included:

- Plant optimisation at Hope Valley, Happy Valley and Anstey Hill Water Treatment Plants. These projects aim to utilise the capabilities recently installed during previous filter and controls upgrades to enable each plant to operate in accordance with best practice
- The initiation of plant monitoring and controls upgrades at Little Para, Morgan and Mount Pleasant Water Treatment Plants. These upgrades were necessary to ensure each plant had the capability to operate in an optimised fashion
- An upgrade to the disinfection processes at Robe. Following the recent installation of a large treated water tank, an upgrade to the disinfection process was necessary to ensure the continued delivery of safe drinking water to our customers
- A disinfection upgrade at Naracoorte. This project ensured that all water was adequately disinfected before being sent to customers
- The new desalination plant at Hawker being commissioned. A 440 kilolitre per day reverse osmosis desalination plant began delivering quality water to the township of Hawker.

### **Trade Waste 2014-15**

Trade waste is wastewater from commercial, industrial, business, trade or manufacturing activity produced by approximately 9000 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 standards of trade waste is critical to ensure protection of the sewerage network, treatment processes, staff working on these assets and waste disposal mechanisms, including recycling.

Over 2014-15, 975 trade waste applications were received with 99% 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 non-capital projects supporting key areas such as Treatment and Networks Planning, Asset Management, Strategy and Planning and many others.

A recent example included the Trade Waste 90-day project for the food and beverage industry, an SA Water and Department of Premier and Cabinet initiative conducted in collaboration with *Change@SA*. This project focussed on the impacts of trade waste management on the volume and load-based customers within the food and beverage industry. A few case studies were put together by SA Water, with assistance from Food SA, across the poultry, dairy, meat processing/smallgoods and beverage industry sectors.

A comparison of SA Water's and interstate water utilities' trade waste charges was initiated through a benchmarking exercise to determine if South Australian trade waste charges are cost effective when compared against other states. Results indicated SA Water's trade waste charges were the most cost competitive when benchmarked against five other water utilities.

The Trade Waste and Networks group has further developed co-digestion at the Glenelg Wastewater Treatment Plant and was involved in preparing both a business case for co-digestion at the Bolivar Wastewater Treatment Plant and a regional co-digestion strategy.

### **Land Development and Connections**

SA Water has just fallen short of the target for constructing or extending water or sewer services within target timeframes.

During the 2014-15 year, SA Water embarked on numerous improvement initiatives, including an end-to-end process review and Connections Policy review. These initiatives have brought changes to application handling and the introduction of a cost recovery pricing structure for water and sewer services. We expect these changes will address the underperformance in this area and improve delivery time for our customers.

There was strong demand for service requests for constructing or extending services during the 2014-15 year, with a 12% increase in land division from 3635 in 2013-14 to 4076 in 2014-15. Applications for connections remained steady, from 8335 in 2013-14 to 8337 in 2014-15.

### **Research and Innovation**

SA Water, through its Research and Innovation Services (R&IS) group, has a national and international reputation for high quality water research and innovation. R&IS manages and undertakes research for SA Water to generate new knowledge and implement technology to drive efficiency, reduce risk and underpin innovation to deliver safe, sustainable and affordable services that add value to the business and our customers.

SA Water's research program provides high-level scientific and technical advice to support the delivery of effective and efficient operations activities and improvement of services across all corporate strategic priorities.

SA Water's research program is supported internally and by competitively funded grants from bodies including the Australian Research Council, Water Research Australia, the Australian Water Recycling Centre of Excellence and the Water Research Foundation (USA). SA Water maintains existing strong international relationships with institutes, universities and water utilities in Taiwan, China, France, Austria, Singapore, Canada and the United States of America to build collaboration on strategic, mutually-aligned, research priorities and future technologies.

Some research project highlights for 2015 include:

- *Customer perceptions*: R&IS has expanded its research to improve our understanding of customer preferences and perception of the taste of our drinking water by co-managing a program of community engagement surveys. This data will guide future planning and service delivery when selecting the most cost-effective treatment options for enhancing customer satisfaction

- *Increasing Sequencing Batch Reactor Capacity Using Granular Sludge:* A pilot research study conducted at Bolivar Wastewater Treatment Plant has demonstrated opportunities to modify the operation of our existing sequencing batch reactors to select for the growth of granular sludge in order to enhance hydraulic capacity. Results verified fast settling granular sludge was readily established, enabling a 25% reduction in batch cycle time. This represents an attractive, cost-effective solution for a capacity upgrade
- *Inactivation of Cryptosporidium along the wastewater treatment train:* This project aimed to measure the removal of *Cryptosporidium* oocysts from various stages of the wastewater treatment train and to validate their inactivation. This accurately quantifies the “true effect” of the treatment process on risk reduction for these pathogens. The data generated from this project will influence the upcoming revision of the Australian Guidelines for Water Recycling.

### **Metropolitan Service Delivery (2014-15)**

The Alliance partnership between SA Water and Allwater heads into its fifth year of operation following another successful year. Through the alliance, SA Water delivers water and wastewater services to approximately 1.2 million people in metropolitan Adelaide, providing front line services to operate and maintain metropolitan Adelaide’s 9000 kilometres of water mains, six water treatment plants, 7200 kilometres of sewer mains, six wastewater treatment plants and various recycled water schemes.

Major achievements of the Alliance during 2014-15 include:

- A strong commitment to employee WHS, which is reflected in a decrease in the serious injury frequency rate from 9.7 to 4.8, and also gaining AS/NZ 4801 (Occupational Health & Safety Management System) accreditation
- Improved customer attendance times for networks jobs by enhancing dispatch efficiency through implementation of an In Vehicle Monitoring System, resulting in 8.4% less kilometres travelled while completing 5% more jobs per employee (approximately 100 000 jobs per year)
- Maintaining a strong commitment to drinking water quality management was demonstrated by a successful Safe Drinking Water Audit. Drinking Water Guidelines are now underpinned with legislation in the form of the *Safe Drinking Water Act 2011*
- Initiating new backwashing processes to optimise filtration performance at the Little Para and Anstey Hill Water Treatment Plants
- In July 2014, Allwater became the first Australian Company to achieve Energy Management Certification ISO50001. This enabled the business to establish systems and processes to improve its energy performance, energy efficiency, understand our energy consumption and, importantly, to show continual improvement
- A Maintenance Optimisation Project rolled out to all SA Water assets reviewing maintenance plans according to assets’ criticality, in order to improve asset reliability, manage risk and optimise maintenance costs

- Enhanced research collaboration through the initiation of two key projects including the “Tool for Efficient Algae Management” and “Tools for Understanding and Reducing Risk of Particle Deposition in Distribution Systems”, with funding awarded to the Alliance from SUEZ environnement on a competitive basis
- A strong presence at the Australian Water Association’s Ozwater Conference, with six papers and four posters presented. One of the posters won the Michael Flynn Award for the “most viewed poster”.

### Regional Service Delivery

SA Water has stringent performance management strategies in place to ensure regulated water and sewerage customer service standards are met. SA Water has consistently achieved regulatory customer service standards for regional areas of operation. During 2014-15, the Operations and Maintenance group achieved 99% of total targets in regional areas, with only a small number of exceptions in meeting tight attendance and restoration timeframes.

These exceptions were attributable to process failures where remedial action has been taken to avoid future occurrences and due to a small number of complex restorations, where the service to the customer was restored, but not within the targeted timeframe.

Performance Summary		
Net tonnes of greenhouse gas emitted tonnes (CO <sub>2</sub> -e) Based on 2014-15 Target	<b>384 868</b> Target	<b>285 745</b> Result

### Climate Change Strategy

To maintain and provide a sustainable water supply for the state, SA Water must ensure we are prepared for, and can adapt to, continuing changes in our climate. SA Water will be impacted by climate change in many ways, including a decline in the availability of source water and a decline in water quality. Climate change will also have physical impacts on our assets as a result of sea levels rising and storm surges, increasing temperatures and increasing intensity of natural hazards.

Our approach to responding to climate change is outlined in our Climate Change Strategy, which sets out our commitment to climate change adaptation and mitigation, as well as supporting relevant research in this field. The actions in the strategy touch upon all aspects of our business including long term infrastructure and financial planning, source water management, water treatment, water and wastewater networks, and wastewater treatment.

During 2014-15 we continued to build our resilience to climate change by identifying vulnerabilities across our assets, infrastructure and services and mitigating any potential risks. We are also continuing to take advantage of any opportunities that could arise out of responding to climate change to improve both the efficiency and effectiveness of our operations.

## **Climate Change Sector Agreement**

We have renewed our Climate Change Sector Agreement with the South Australian Government until February 2017. The agreement formalises our ongoing commitment to respond to the challenges of climate change by working with our stakeholders and the State Government, while continuing to play a leading role in providing sustainable water and wastewater services to the community.

We continue to meet our annual greenhouse gas reduction targets and we are on track to achieve the long term target of progressively reducing net greenhouse gas emissions on a linear reduction pathway, so that by 31 December 2050, SA Water's emissions will be no greater than 40% of 1990 levels.

We achieved the target of 20% renewable energy from self-generated and purchased accredited renewable energy sources.

We remain focussed 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
- Carbon sequestered through our biosequestration plantings.

We are also exploring opportunities to participate in the Emissions Reduction Fund administered by the Clean Energy Regulator.

The Climate Change Sector Agreement can be viewed at [www.sa.gov.au](http://www.sa.gov.au).

## **Greenhouse Inventory**

SA Water has been measuring its greenhouse gas emissions since 2003 and compiles 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.

We continue to make improvements to the quality of our greenhouse gas inventory data, including undertaking regular independent audits to provide assurance in our reporting process and accuracy of our data.

The majority of our emissions are from the electricity used to pump water long distances and also the direct emissions of methane and nitrous oxide from our wastewater treatment plants. In 2014-15, SA Water was responsible for gross total emissions of 370 580 tonnes of carbon dioxide equivalents (CO<sub>2</sub>-e). We offset part of these emissions through the purchase of renewable energy certificates and our biosequestration plantings to achieve net emissions of 285 745 tCO<sub>2</sub>-e. This is a slight increase of 5% on the previous year, mainly due to major pumping, which is a decrease in emissions from 373 794 tonnes of CO<sub>2</sub>-e since the previous year.

## SA Water's 2014-15 Greenhouse Gas Inventory

Facility greenhouse gas emissions	Scope 1	Scope 2	Scope 3	Total emissions (CO <sub>2</sub> -e)
SA Water corporate and aggregates	8 857	2 397	1 434	12 688
Country water pumping and networks	1 740	133 959	24 289	159 988
Country wastewater treatment plants	5 321	6 263	3 296	14 880
Metropolitan water treatment and networks	179	21 256	3 852	25 287
Bolivar Wastewater Treatment Plant	32 439	11 273	2 917	46 629
Glenelg Wastewater Treatment Plant	5 492	2 847	673	9 012
Christies Beach Wastewater Treatment Plant	8 830	6 875	1 260	16 965
Aldinga Wastewater Treatment Plant	907	754	136	1 797
Adelaide Desalination Plant (ADP) electricity emissions*	0	0	64 496	64 496
Adelaide Desalination Plant (ADP) electricity emissions*	0	0	4 354	4 354
Chemical usage	0	0	5 302	5 302
Country outsourced facilities^	0	0	5 357	5 357
River Murray facilities^	0	0	3 825	3 825
<b>Gross emissions (tonnes CO<sub>2</sub>-e)</b>	<b>63 765</b>	<b>185 624</b>	<b>121 191</b>	<b>370 580</b>
Biosequestration plantings				-7 506
Accredited Renewable Energy Certificates				-72 975
Carbon offsets				-4 354
<b>Equivalent net emissions (tonnes CO<sub>2</sub>-e)</b>				<b>285 745</b>

### 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. These include electricity transmission losses, some outsourced activities and emissions embodied in the products and services that SA Water purchases.
6. \*The ADP operational emissions for electricity consumed are offset by accredited Renewable Energy Certificates (RECs) and are accounted for as zero emissions.
7. SA Water has committed to offsetting all ADP emissions until 2016. This includes non-electricity related emissions from fuel use, chemical use, waste, etc.
8. Carbon biosequestration represents the annual sequestration of carbon from our revegetation plantings.
9. ^These facilities are not in SA Water's operational control and therefore emissions are recorded as Scope 3.

## **Offsetting the Adelaide Desalination Plant Greenhouse Gas Emissions**

Consistent with our commitment to minimise the greenhouse gas impact of our operations, SA Water has offset the greenhouse emissions associated with the Adelaide Desalination Plant until 2016. This includes emissions from activities occurring during the construction of the plant since 2009, such as electricity and fuel usage, as well as the embedded carbon in construction materials. The emissions associated with the operation of the plant are mainly from the electricity used to treat sea water, but also a small amount 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.

## **Supporting Climate Change Research**

In 2014-15 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:

- Projects at the Adelaide Southern Park Lands and the Adelaide Airport assessing the beneficial impacts related to mitigating urban heat island effects through irrigating vegetation with recycled water. The Adelaide Airport project will also assess the subsequent reduction in energy use of the airport terminal cooling towers. These two iconic 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 3GL per year
- The “Greening the City” project with Adelaide City Council to enhance 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
- Incorporating South Australia’s downscaled climate change projections into assessing the climate impacts on the raw water quality available for potable water production in two of SA Water’s head works systems (Onkaparinga-Happy Valley and Myponga). This work was presented at a national and international symposium on water research and management
- Evaluating carbon capture in seagrass habitat to determine the benefits derived from restoration programs and its potential economic value in offsetting emissions;
- Developing a new method at Bolivar Wastewater Treatment Plant to better quantify fugitive greenhouse gas emissions and identifying process improvements that can mitigate emissions
- Completing research into the application of granular sludge to improve capacity and performance of the wastewater treatment process, including energy reduction. A full-scale trial was scoped for Port Pirie Wastewater Treatment Plant
- Completing research into the application of side-stream Anammox, demonstrating the process can deliver significant benefits with regards to nitrogen reduction and reduced greenhouse gas emissions and energy efficiency

- 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; and
  - Energy benchmarking for wastewater reuse schemes
- Partnering with Water Services Association of Australia to develop Climate Change Adaptation Guidelines for the water industry.

We will continue to address priority areas for research on climate change adaptation and mitigation and collaborate with other government agencies and research organisations to identify knowledge gaps to prioritise our research.

## **Energy Management**

Moving and treating water is energy intensive and electricity is one of SA Water's most significant operating costs and sources of carbon emissions. We are, however, continually focused on increasing operational energy efficiency, reducing costs and minimising our carbon footprint. SA Water's innovative Energy Portfolio Management Strategy involves purchasing electricity and gas on the wholesale spot markets. In order to manage the inherent price risks we have adopted a three-pronged approach, including prudent timing of energy consumption, electricity generation and the progressive execution of fixed price energy contracts.

Pumping water across our state-wide network accounts for significant energy use and we control our major pumping and operations to coincide with favourable electricity prices, generally during periods of high wind energy generation. We effectively reduce our dependence on fossil fuels in favour of renewables by operating our bulk water transfers predominantly during high wind energy output in South Australia. Where possible, we avoid and minimise importing energy during high price events and we ensure our power generation stations are operating.

Biogas generated from our wastewater treatment process is captured and used on site to fuel our cogeneration generating equipment, providing a renewable energy source of electricity and heat required to treat wastewater. This reduces our reliance on imported electricity, minimises our carbon footprint and cuts costs, helping keep customers' bills down.

This year we increased our own electricity generation installed capacity to 14 mega watts by installing new reciprocating gas engines at our Bolivar Wastewater Treatment Plant. With co-digestion continuing to increase biogas production, our Bolivar Wastewater Treatment Plant at times was 100% energy self-sufficient with surplus energy exported to the grid. Through our joint venture this year, after 13 years of operating the Hope Valley Terminal Storage mini-hydro, we recorded our highest performance in terms of its output and lowest maintenance costs.

Our energy efficiency program continued to achieve excellent outcomes, with the completion of detailed energy assessments on 11 of our wastewater treatment sites. We have identified and implemented operational process improvements, potential capital projects and commenced advanced research investigations. We appraised potential sites for additional hydroelectric systems across our water transmission, distribution network and our treatment facilities.

Following successful implementation of energy benchmarking at our wastewater treatment plants, the first Australia-wide energy benchmarking of wastewater treatment plants was completed. We continue to share our technical expertise with other water utilities.

We exceeded our 20% renewable energy target by self-generating renewable electricity at our wastewater treatment sites, our hydroelectric facilities and by purchasing accredited renewable energy. We operate our renewable energy facilities in full compliance with the regulator, ESCOSA.

We recognise and promote energy excellence through our annual Energy Awards and this year we focused on efficiency, doing more with less. This year’s winning entrants from Christies Beach Wastewater Treatment Plant and Heathfield Wastewater Treatment Plant demonstrated a reduction in energy consumption by 13% and 24% respectively by challenging and optimising operational parameters.

## **Fines and Sanctions**

### ***Compliance with EPA Licence Conditions 2014-15***

<b>Measures</b>	<b>Target</b>	<b>Result</b>	<b>Assessment</b>
Metropolitan and country wastewater 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 were issued to SA Water between 1 July 2014 and 30 June 2015.

## **Legal Actions**

The EPA alleged that between 2 April 2013 and 17 April 2013 an increase in the water cap on the sludge lagoons at the Port Lincoln Wastewater Treatment Plant caused seepage of wastewater in the form of supernatant onto the adjacent beach. The EPA alleged this was a breach of a licence condition with the contravention dealt with by way of negotiated civil penalty on the 15 May 2015 for the amount of \$15 840.

## Significant Spills

There have been no significant spills in 2014-15 that have resulted in regulatory action.

## Environmental Incidents that Result in Emissions to the Environment

The failure or blockage of mains and pump stations may result in treated water or untreated effluent entering 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.

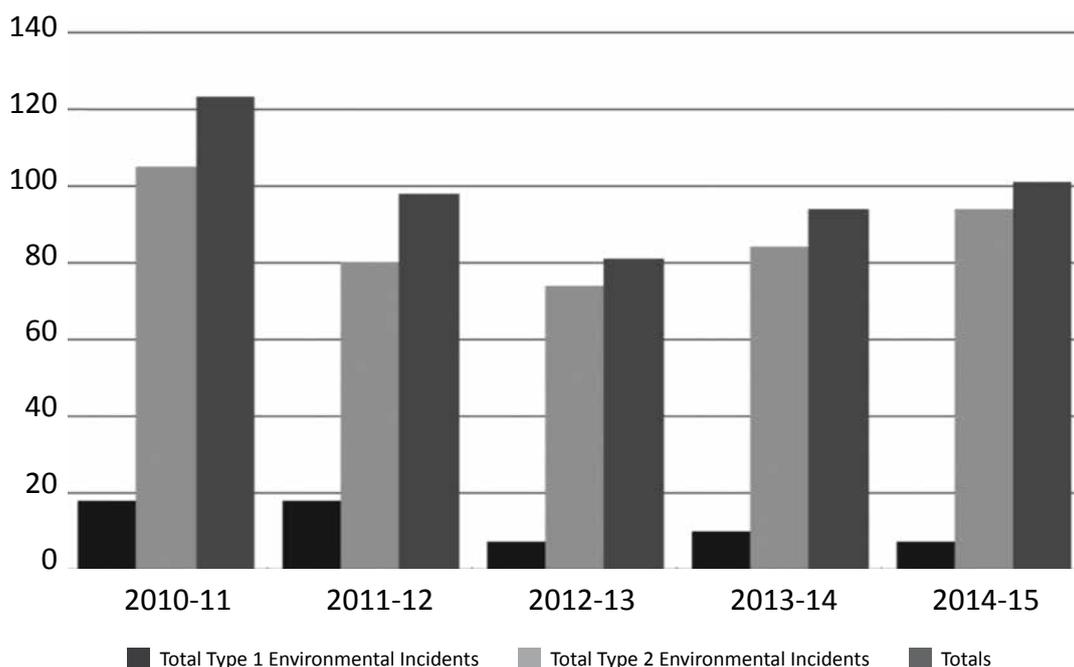
Environmental Incident Type	Result 2011-12	Result 2012-13	Result 2013-14	Result 2014-15
Wastewater overflow incidents (Types 1 and 2)	50	51	69	78
Mains water discharges (unplanned) (Types 1 and 2)	23	15	18	14
Total wastewater overflows and spills entering water courses or stormwater systems	50	51	69	78
Overflows from wastewater pumping stations in Adelaide (including SA Power Network failures)	9	6	6	2
Overflows from wastewater pumping stations in country (including SA Power Network failures)	3	2	3	1

In 2014-15 there was an increase in wastewater overflow incidents. The increase in overflows is likely attributed to greater operational awareness of incident reporting due to enhanced environmental awareness training.

## Environmental Incidents 2010-11 to 2014-15

	2010-11	2011-12	2012-13	2013-14	2014-15
Total Type 1 Environmental Incidents	18	18	7	10	7
Total Type 2 Environmental Incidents	105	80	74	84	94

## Total Type 1 and 2 Environmental Incidents over the past five years



### 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 wastewater services to 18 designated Aboriginal communities in South Australia.

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

Annual service delivery valued in the order of \$4 million includes: asset management, routine preventative maintenance, response to emergency breakdowns, aquifer performance monitoring, regular water quality and wastewater sampling analysis, and the employment of local community water services officers.

The Remote Communities group works closely with other state government agencies on a range of inter-government and coordination-related activities, including:

- Data evaluation and preparation of a sustainability report for groundwater supplies
- Municipal and essential services taskforce
- New housing developments and sub-divisional requirements
- Aboriginal community cadastre project
- Natural resource management.

The Remote Communities group also undertakes the project management of new infrastructure initiatives and the current delivery includes a capital works program.

Recently completed and current projects with a total value in the order of \$6.6 million include:

- Oak Valley water supply upgrade\*
- Davenport sewer upgrade\*\*
- Pipalyatjara effluent pump stations upgrade
- Amata water security upgrade
- Pukatja water security upgrade
- APY Lands water search and drilling program
- Subsequent community water supply upgrades.

\* Community/State government/Commonwealth government supported project with community training and employment outcomes.

\*\* Commonwealth funded project

# South Australian Water Strategic Priorities

# **Business Success**



Government  
of South Australia



## Business Success

2014-15 Performance Summary				
<u>Statement of Intent:</u> <ul style="list-style-type: none"> <li>To ensure long term financial success, with a safe, skilled and committed workforce demonstrating excellence in regulatory management and governance</li> </ul>	Key Performance Indicator	2014-15 Target	2014-15 Result	
		Compliance with SA Water's operating licence	100%	100%
	<u>Key Strategies:</u> <ul style="list-style-type: none"> <li>Regulation &amp; Governance</li> <li>Financial Management</li> <li>Workforce &amp; Culture</li> </ul>	Operating profit before tax	\$261.4M	\$278.8M
		Lost Time Injuries (excluding contractors)	7	8

SA Water has a strong commitment to safety, which was highlighted in a recent staff engagement survey. While the target for Lost Time Injuries was missed, SA Water has implemented a number of safety initiatives and programs that continue to build on the strong safety culture across the organisation.

During 2014-15 no Type 1 or Type 2 breaches occurred under economic regulation.

SA Water is a public corporation wholly owned by the Government of South Australia. As such, SA Water is required to pay a dividend to the government each year. In 2014-15, SA Water reported an operating profit before tax of \$278.8 million, which was slightly above target.

## Regulation and Governance Strategy

### Economic Regulation

Economic regulation of SA Water commenced on 1 January 2013 in line with the requirements of the *Water Industry Act 2012*. The role of economic regulation is to ensure water and wastewater customers receive value for money for the services SA Water delivers.

ESCOSA is the independent regulator responsible for protecting the long term interests of water and wastewater customers with respect to price and service.

During 2014-15, SA Water has performed satisfactorily under the economic regulatory regime, working hard to deliver against its service standards and the framework requirements.

On 31 August 2015, SA Water submitted its Regulatory Business Proposal (RBP 2016) setting out its proposed levels of service and expenditure for the second regulatory period (commencing 1 July 2016).

ESCOSA will review SA Water’s proposal and make a determination on the maximum revenue SA Water can recover from customers from 1 July 2016 to 30 June 2020. The resultant prices will be effective from 1 July 2016.

SA Water engaged with customers and key stakeholders while preparing RBP 2016 and has worked to produce a proposal that, if accepted by ESCOSA, will result in price reductions for its customers.

### Water and Sewerage Pricing

The *Water Industry Act 2012* established the legislative framework for ESCOSA to be appointed as 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.

Based on ESCOSA’s determination, average water bills increased by inflation (i.e. 2.9%) for 2014-15. Average sewerage bills increased by 2.9% for metropolitan customers and 3.4% for country customers.

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

### Residential Charges for 2014-15 Compared to 2013-14

Water	Relevant daily threshold*	Indicative quarterly threshold (91 days)	Year	Water use price
Usage Charge Tier 1	0 to 0.3288 kilolitres (kL)	0 to 30kL	2013-14	\$2.26/kL
			2014-15	\$2.32/kL
Usage Charge Tier 2	0.3288kL to 1.4247kL	30 to 130kL	2013-14	\$3.23/kL
			2014-15	\$3.32/kL
Usage Charge Tier 3	Above 1.4247kL	Above 130kL	2013-14	\$3.49/kL
			2014-15	\$3.59/kL
Annual Supply Charge			2013-14	\$274.80
			2014-15	\$282.80
Sewerage		Customers	Year	Sewerage prices
Minimum			2013-14	\$341.40
			2014-15	\$351.40
Rate in Dollar		Metropolitan	2013-14	0.1261%
			2014-15	0.1271%
Rate in Dollar		Country	2013-14	0.1661%
			2014-15	0.1701%

## **Finance Management Strategy**

### **Business Transformation**

In mid-2012, SA Water embarked on a Business Transformation (BT) project to focus on ways of enhancing our customers' experience and ensuring more efficient operations and effective investment for the future.

Initiatives are now well underway, many of them nearing completion. These initiatives are delivering a range of benefits – from more streamlined procurement processes to more efficient capital delivery.

There are several key elements to our business transformation program:

#### ***New SA Water Structure***

A major restructure was undertaken, starting with the Senior Leadership Team, which aimed to provide clearer accountabilities for roles at every level of the business. The structure aimed to promote a greater focus on end-to-end processes and the roles of teams in delivering these more effectively.

The Requisite Organisation model has been used to redesign the structure to ensure employees have the appropriate levels of accountability and authority to carry out their roles.

#### ***Transformation Initiatives***

Towards the end of 2012, SA Water undertook a program of workshops across the state which asked employees to consider the expectations of internal and external customers, and what we might need to do differently to meet their needs and 'build a better future'. The workshops, attended by more than 1000 employees, generated more than 1750 ideas and comments.

This feedback was then fed into the BT project and, where there were recurring comments and themes emerging, the project team worked with the business to develop change initiatives. The project team also looked at major processes used for delivering water and wastewater services and began designing ideas for sharpening customer focus and delivering services more efficiently.

The BT program includes 22 major initiatives that, along with the restructure of the business, are delivering major benefits over the coming years, including improved customer experience, streamlining of processes and greater operating and capital efficiencies.

#### ***End-to-End Process Performance***

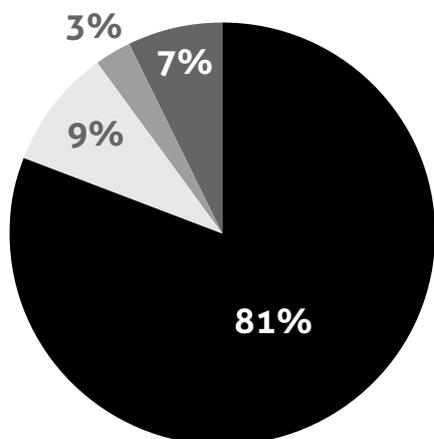
A key component of the BT program is to review the end-to-end processes that support the new structure and identify improvements to drive increased organisational efficiencies, more efficient cross functional work practices and clear accountabilities and performance reporting across the organisation.

#### ***Other Savings Initiatives***

There has been a significant focus on delivering additional savings across the business. All teams have been engaged in finding ways of achieving their outcomes for less, without compromising the quality of service delivered to customers.

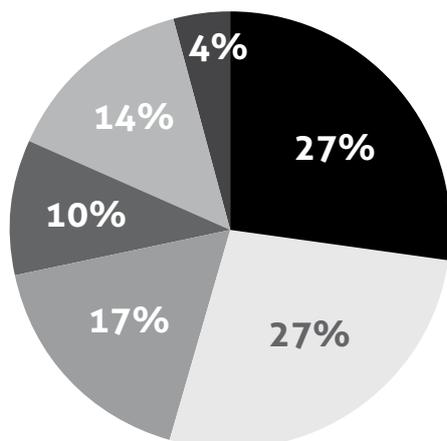
## End of Year Results

### Where our revenue comes from



	\$
Water and wastewater <b>81%</b>	1 157 124
Community Service Obligations <b>9%</b>	128 001
Contributed Assets <b>3%</b>	38 968
Other revenue <b>7%</b>	103 857
<b>Total</b>	<b>1 427 950</b>

### Where we spend our money



	\$
Depreciation and amortisation <b>27%</b>	311 481
Finance costs <b>27%</b>	313 707
Operational services & contracts <b>17%</b>	190 696
Salaries & benefits <b>10%</b>	119 714
Services & supplies <b>14%</b>	165 080
Electricity <b>4%</b>	48 511
<b>Total</b>	<b>1 149 189</b>

**Check – net profit** **278 761**

## Use of Consultants

### Consultancies with Expenditure Less Than \$10 000

There were six consultancies with expenditure less than \$10 000 in 2014-15. The total expenditure for these consultancies was \$20 040.

### Consultancies with Expenditure between \$10 000 and \$50 000

There were five consultancies with expenditure between \$10 000 and \$50 000 in 2014-15. The total expenditure for these consultancies was \$95 049.

Name of business	Description of work
Aurecon Australasia	Planning and facilitation of SA Water development industry focus groups
Deloitte Touche Tohmatsu	Assessment of Weighted Average Cost of Capital methodologies and tools
Mercer Australia	General remuneration advice
AON Risk Services Australia	Valuation of Foothills Skye water network
ESKB Consulting	Consulting services specific to economic regulation

### Consultancies with Expenditure Greater Than \$50 000

There were three consultancies with expenditure greater than \$50 000 in 2014-15. The total expenditure for these consultancies was \$512 015.

Name of business	Description of work
Ernst & Young	CSIS (billing system) enhancement analysis.
KPMG	Technology/research roadmap development Megatrends analysis Strategic direction 2040 review Strategic outcomes for success review
Kellogg Brown and Root	Engineering standards review

The overall total expenditure on all consultancies by SA Water in 2014-15 was \$627 104.

## **Workforce and Culture Strategy**

### **Attracting and Retaining Skilled People**

Having an organisational culture that supports our strategic objectives is critical to achieving our goals as an organisation. SA Water has done a considerable amount of work on developing our culture and creating an environment where our people are fully engaged and enabled to do their best work every day. This, combined with a strong employee value proposition, will continue to attract and retain the best people at SA Water.

Action has been taken at both the organisational and team level to respond to feedback from our Employee Engagement Survey in May 2014. Our Cultural Change Program aims to involve our people in identifying opportunities to improve and be part of building the solution.

We have identified our aspirational constructive culture and have commenced a Cultural Diagnostic Program across each group to measure the climate and identify causal factors and plan interventions. As we work through this, we are embedding the desired cultural characteristics in everything we do, including our organisational behaviours, people processes, structures and organisational systems.

Work is underway to review our Employee Value Proposition and brand in the market, looking holistically at remuneration and benefits, reward and recognition, career and development, employment brand, social responsibility and employee life cycle.

### **Growing Our Capability**

Following the centralisation of all training administration and management activities in March 2014, the consolidated learning and development function has realised planned benefits, delivering a more efficient and streamlined approach to the management and deployment of professional, leadership, technical and WHS/compliance training.

The centralised function has continued to ensure the necessary skills, competencies, licences and training are maintained to ensure SA Water attracts, retains and develops the required capabilities to sustain the safe, efficient and effective management of assets and delivery of services to SA Water customers and the South Australian community.

#### ***Capability Framework:***

A new Core Capability Framework, aligned to strategic imperatives of the Corporation, was developed to drive increased alignment with the agreed values and behaviours. It also supports objective discussions between leaders and employees, as well as aiding in development planning as part of the performance and development planning process.

#### ***Centralised Training:***

The centralised learning and development function continues to drive efficiencies in the coordination, sourcing, deployment and management of all SA Water training. This ensures arrangements are fit-for-purpose, with training solutions contextualised to SA Water assets, systems and processes where appropriate. As a result, the centralised function has provided increased transparency and equity in the allocation and expenditure of training. The consolidated function has also allowed for the rationalisation of resources associated with management and administration of the training function as well as improved performance reporting.

### ***Efficiency and Effectiveness:***

The learning and development function has streamlined processes associated with the administration, deployment, reporting and management of all training and associated events across the Corporation. New initiatives over the coming period will focus on greater user accountability and increased automation to drive further efficiency in the management of SA Water's learning and development.

### **Leadership Development**

Strong leadership is essential to deliver on SA Water's strategic imperatives. Our leaders create the context for our people and we require strong leadership to deliver our aspirational culture. We will continue to build on the recent significant work in implementing the Requisite Organisation and its leadership framework. Continued upskilling has occurred across all levels of the business.

The path to building effectiveness of SA Water leaders is outlined in our Leadership Capability Framework, which is in its final stages of development. It focuses on three levels of leadership: managing self, leading others and leading the organisation. Work to build our leaders' capability to lead transformational change and help our people build resilience to change and evolve to keep pace with a dynamic business landscape has also continued.

In considering leaders for the future, we have piloted a new People Day Process to understand where our people with potential sit and where there are opportunities for growth across the broader organisation. This will roll out across the broader organisation in 2015-16.

### **Training and Development Expenditure**

<b>Training and Development Expenditure Type</b>	<b>Total costs 2014-15</b>	<b>% of Total Salary Expenditure 2014-15</b>
Technical, compliance, professional, commercial and technology	\$1 523 552	0.74%
Leadership and management	\$409 500	0.16%

## Accredited Training

Training package	Number Completed	Classification Level	Total
Cert II Water Industry	4*	SAW2	6
	1*	SAW3	
	1*	SAW7	
Cert III Water Industry	19*	SAW2	21
	2*	SAW3	
Cert IV in Project Management	8*	SAW4	19
	1*	SAW5	
	6*	SAW6	
	4*	SAW7	
Diploma of Project Management	1	SAW7	21
	3*	SAW5	
	8*	SAW6	
	2*	SAW7	
	7*	SAW8	
Grad Cert in Asset Management	1	SAW7	2
	1	SAW8	
Cert III Engineering T/P (Electrical)	2	SAW2	2
Cert III Engineering T/P (Fabrication)	1	SAW4	1
Cert III Engineering T/P (Mech)	1	SAW2	1

\*Denotes employees are currently enrolled and training is in progress.

## Equal Employment Opportunity Programs

The South Australian Strategic Plan provides six key areas of diversity focus including youth employment participation, women, regional engagement, older South Australians, disabled and Aboriginal employment.

In line with this, our thinking around diversity and the role it plays in the modern workplace has evolved significantly. As a result we have broadened our approach towards diversity and inclusion. Our Values Week in October 2014 featured awareness sessions that expanded knowledge and encouraged our people to think about inclusion and diversity in the workplace. These sessions enabled us to engage a diverse group of employees from all over the business. We sought feedback and commitment to help shape our goals and strategies for building a more inclusive culture.

Our strategy is to build an inclusive workplace that reflects the diversity of our community, leveraging different backgrounds, experience and perspectives to find new and better solutions.

SA Water currently has diversity targets set for Aboriginal employees and gender representation only. We expect initiatives resulting from this broadening of focus will bring a wider diversity and an evolved view of what success looks like.

SA Water currently has 32 Aboriginal and Torres Strait Islander employees working across multiple disciplines of the business, including construction and maintenance, information technology, apprenticeships, technical work and administration and management. These include four Aboriginal staff located at Lake Victoria, including two Cultural Heritage and Land Management trainees.

During the year we employed three Aboriginal Business Administration trainees and offered scholarships and work experience to a further three Aboriginal students.

SA Water successfully met target with regards to its actions within its 2012-14 Reconciliation Action Plan. Our percentage of Aboriginal staff representation currently sits at 2.2% against a June 2015 target of 2%.

SA Water's corporate key performance indicators include two key gender representation targets focused on monitoring and addressing barriers to women's participation in our workforce: women in senior leadership roles and women in core water roles.

We had ambitious target increases for 2014-15 for these two gender metrics. We aimed to increase representation at the Senior Leadership group level to 40% (an increase of 5% on our previous year's target of 35%). We also increased our target for women in core water roles from 36% in 2013-14 to 40% in 2014-15.

As at 30 June 2015, 36.4% of the Senior Leadership group (comprised of the Chief Executive Officer, General Managers and Senior Managers) were female. While we did not reach our aspiration of 40% representation, this is an increase of 1.6% on last year's result.

As at 30 June 2015, 32.7% of employees in core water roles were female against the target of 40% - a respectable increase of 5.7% on 2013-14.

We expect we will continue to progress towards our goals in the coming year as our renewed and broader focus and increased engagement has impact.

### *Graduate Program*

SA Water has continued to support workforce planning initiatives by sustaining a Graduate Program across a variety of disciplines including engineering, science, environment, business and information technology (IT). During 2014-15, seven graduates were successful in transitioning from the program into roles within SA Water. These graduates are now working in core roles across a variety of business areas, such as Environmental Management, Water Treatment, Asset Management, Operations and Maintenance and IT.

For the 2016 graduate recruitment intake, SA Water received 246 applications from across the following disciplines:

- IT (business/data analysis)
- Sales/marketing/business development
- Business/finance/commerce

### *Water Industry Trainees*

SA Water's Water Industry Trainee Program did not run during the 2014-15 period due to business needs and restructure of the program. The program will continue from mid-2015 in its new format, which now allows for trainees in wastewater and water treatment as well as network operations.

### *Apprentices*

SA Water employs apprentices in three vocations:

- Electrical (Cert III in ElectroTechnology)
- Fitting and Turning (Cert III in Engineering Trades - Mechanical)
- Welder/Boilermaker (Cert III in Engineering Trades - Fabrication)

During 2014-15 SA Water employed 12 electrical apprentices, 11 fitting and turning apprentices and six welder/boilermaker apprentices.

### **Technical Cadets**

SA Water recruited two technical engineering cadets during 2014-15, bringing the total number of technical cadets employed by SA Water to five.

### **Scholarship Program**

SA Water's Scholarship Program has continued to provide educational support for aspiring South Australians to forge employment pathways into SA Water's future workforce and the wider South Australian community. A review was recently undertaken of scholarship offerings to improve affordability outcomes for customers, which resulted in the scaling back of some program elements.

South Australians who have benefited over time from SA Water's Scholarship Program include:

- Disadvantaged youth
- Women pursuing study in non-traditional roles
- People with disabilities
- Aboriginal people
- People who pursue academic excellence
- People in regional and remote locations
- People from culturally diverse backgrounds.

Future scholarship offerings will focus on assisting disadvantaged youths and Aboriginal people and link, where possible, to existing workforce sustainability initiatives including traineeships, apprenticeships, technical cadetships, Aboriginal employment programmes, and graduate and vocational work experience programs.

### **Reconciliation Action Plan (RAP)**

SA Water has continued its commitment to Aboriginal employment and initiatives through the completion of its 2012-2014 RAP. SA Water's first and second RAPs have built a platform for mutual respect and developed an understanding of reconciliation throughout the organisation. Many of the actions and initiatives undertaken as part of the previous two RAPs are now embedded in SA Water business as standard activities. These RAPs have pioneered the business case for reconciliation within SA Water; and the aim of the 2015-16 RAP is to focus on implementing longer-term strategies and work towards defined targets and goals. SA Water successfully met its employment targets across metropolitan and regional areas, as well as other significant initiatives including:

- Continued support of National Reconciliation Week and NAIDOC Week
- Engagement with local Aboriginal communities on projects that will protect Aboriginal heritage and culture
- Continued employment, scholarships and work experience opportunities for Aboriginal and Torres Strait Islander people
- Continued cultural awareness training for SA Water staff.

SA Water is now finalising its new and updated action items for the rollout of the 2015-16 RAP.

### **Unions and Enterprise Agreement**

SA Water employees are currently represented by six unions. Information about relevant unions is available to employees. Unions are closely involved in Enterprise Agreement negotiations and any workplace changes.

The SA Water Corporation Enterprise Agreement 2013 covers approximately 75% of the workforce. The parties to the Enterprise Agreement are employees within the scope, the six unions representing employees, and SA Water. The current Enterprise Agreement has a nominal expiry date of 30 June 2014. Negotiations commenced in March 2014 for a replacement Enterprise Agreement. Negotiations have continued throughout the 2014-2015 financial year. SA Water has been unable to reach agreement with unions in relation to the content of the proposed 2015 Enterprise Agreement. SA Water has informed employees and unions it will be undertaking a ballot with employees to determine whether the proposed Enterprise Agreement is supported by employees.

## **Work Health and Safety and Injury Management**

### **Commitment to Management of Safety and Wellbeing**

SA Water's core value of "put safety above all else" underpins all operational activities. Safety leadership starts with the SA Water Board and the Senior Leadership Team (SLT), who proactively monitor health and safety performance through monthly reporting and regular presentations. A key focus of Board/SLT site visits is to discuss the safety of our people with all those they have an opportunity to meet. The Senior Manager of SA Water's WHS group provides an induction to all new Board and SLT members. Values Week is aligned with Safety Week and members are personally involved in a number of the Safety/Values Week activities.

This year focused on targeting safety leadership in areas exposed to high risk field work, running workshops for selected managers and supervisors, and coaching them in the field to conduct quality 'Mate Watch' observations of daily activities. This program was successfully piloted over a period of six months and will be expanded through 2015-16.

Senior Managers presented at toolbox sessions, held simultaneously across the state on 30 March 2015, to reinforce their personal commitment to worker safety and emphasise no work is so important that safety should be compromised. A video was shown of our people recounting how it felt when they had been involved in a serious near miss incident, either personally or as the immediate manager. Everyone received a *Stop Work Authorisation Card* as part of the initiative.

*Mind Your Health* is SA Water's health and wellbeing program, which offers a range of health and wellbeing initiatives, activities and services to help staff be healthier at work. The program mission is to help staff achieve a healthy mind and a healthy body, which will lead to a healthy life. In addition to the general health and wellbeing programs, SA Water has implemented an early intervention strategy for both work and non-work related injuries and illness.

### **Integrated Risk Management**

The WHS risk profile has been established using the corporate risk management process and this drives the priority for managing safety at SA Water, including the capital delivery and asset management programs. A specific project is underway to explore the feasibility of integrating WHS with water quality and environment, and, looking further ahead, with security, asset management and other management systems in operation at SA Water.

WHS is integrated through various other processes such as contractor management and engineering services (safety in design).

## Effective Measurement and Evaluation

Safety measures are a mixture of lead and lag indicators. The risk profiling system produces a risk exposure score and initiatives undertaken to reduce risk have resulted in a 16% reduction in the risk score over two years. Hazard and near miss reporting has also increased by 33% and 5% respectively on the previous year.

The Lost Time Injury Frequency Rate (LTIFR) and Significant Injury Frequency Rate (SIFR) both decreased in 2014-15, reflecting a reduction in the number of significant injuries. However, there have been a number of serious near miss incidents, all of which have been fully investigated and action taken to prevent a reoccurrence.

## Consultation Arrangements

The consultative arrangements established in 2013-14 have now been in operation for a full year and are working effectively. It was the SA Water WHS Committee who recommended the state-wide toolbox session. The Field WHS Committee has actively reviewed a number of high risk Hazard Management Standards, consulting through the various business unit consultative arrangements. The Health and Safety Representative (HSR) seminar initiated in 2013 was repeated in 2014 with around 60 attendees. The Chair of the SA Water Board opened the session and a range of speakers provided information and development for HSRs to improve their capability to perform their role effectively.

## Performance Indicators

The LTIFR did not achieve target but was reduced by 16% from last year. The SIFR rate achieved target and was reduced by 39%. The severity rate, however, was impacted by five of our workers requiring surgery, two of whom had to return for follow-up surgery to address complications. None of the lost time and medically treated injuries were caused by potentially fatal incidents, with the majority arising from hazardous manual tasks.

**Table 1 – SA Water WHS Performance Indicators**

Key outcome	2012-13 target	2012-13 actual	2013-14 target	2013-14 actual	2014-15 target	2014-15 actual
Significant Injury Frequency Rate*	10.7	11.31	9.61	12.38	9.61	8.42
Severity Rate	5.0	9.7	4.8	5.1	4.8	16.0
Lost Time Injury Frequency Rate**	3.58	3.66	2.51	3.99	2.51	3.37

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.

**Table 2 – Work Health and Safety Prosecution, Notices and Corrective Action**

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

\* A prohibition notice and two improvement notices were issued when a contractor suffered a serious finger injury. These covered aspects of providing safe systems of work and instruction and training

**Table 3 – Workers compensation gross expenditure for 2014-15 compared with 2013-14**

<b>Expenditure</b>	<b>2014-15 (\$m)</b>	<b>2013-14 (\$m)</b>	<b>Variation (\$) + (-)</b>	<b>% Change + (-)</b>
Income maintenance	0.145	0.120	+0.025	+21%
Lump sum settlements	0.516	0.210	+0.306	+145%
Medical/hospital costs combined	0.201	0.123	+0.078	+63%
Other	0.128	0.071	+0.57	+80%
<b>Total Claims Expenditure</b>	<b>0.990</b>	<b>0.524</b>	<b>+0.466</b>	<b>+89%</b>

### **Claim Performance and Early Intervention**

In 2014-15, SA Water achieved the lowest number of reported new claims in its history. This result is indicative of the WHS initiatives reducing WHS risks and the organisation's early intervention strategy.

Since 2010, new claims from current employees have reduced by 52% and six key performance indicators have been developed to track early intervention initiatives, with four of six targets achieved on 30 June 2015.

## Employee Statistics 2014-15

### *Employee Numbers, Gender and Status*

	2010-11	2011-12	2012-13	2013-14	2014-15
Total employees (people)	1567	1640	1579	1448	1480
Male	1139	1194	1155	1058	1071
Female	428	446	424	390	409
Total FTEs	1526.59	1593.0	1534.52	1407.85	1433.71
Total male	1135.50	1189.5	1148.36	1050.66	1066.70
% male	74.38	74.67	74.83	74.63	74.40
Total female	391.09	403.5	386.16	357.19	367.01
% female	25.62	25.33	25.17	25.37	25.60
Number of people separated from the organisation	193	176	203	244	134
Number of people recruited to the organisation	177	254	147	99	178
Excluded employees: people on leave without pay as at 30 June (exceeding 22 days)	17	22	27	13	25

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

*\*\*Note these are classified as SA Water (SW) in line with the SA Water Single Classification Structure (placed in brackets beside previous Class)*

Class	Ongoing		Contract tenured		Contract untenured		Other (casual)		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
<i>EX A (SW10)</i>					18	8			18	8
<i>EX B (SW11)</i>		1			1				1	1
<i>EX C (SW12)</i>					5	1			5	1
<i>EX D (SW13)</i>										
<i>EX E (SW14)</i>					1				1	

**Percentage of women by classification levels**

	2014-2015
SAW1	20.00%
SAW2	23.94%
SAW3	36.11%
SAW4	29.61%
SAW5	32.32%

	2014-2015
SAW6	26.76%
SAW7	29.27%
SAW8	25.00%
SAW9	28.81%
SAW10	30.77%

	2014-2015
SW11	50.00%
SW12	28.57%
SW14	0.00%
Trainees	100.00%

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

	2010-11	2011-12	2012-13	2013-14	2014-15
Sick leave days taken	6.55	7.36	7.15	6.93	7.33
Family carers leave taken	1.27	1.19	1.39	1.70	1.53
Special leave with pay	0.39	0.63	0.46	1.09	0.62
Total average days taken per FTE employee	8.21	9.18	9.00	9.72	9.48

**Workforce Diversity Information**

We are exceptionally mindful of the need to protect the privacy of our employees, and staff are not obliged to volunteer information about their culture. Therefore the following information about Aboriginal peoples employed, cultural diversity and disability is based on information we have received.

**Aboriginal and/or Torres Strait Islander Employees**

Position Status	Male	Female	Total
Fixed term	4	5	9
Ongoing	16	7	23
	20	12	32

**Number of employees with disabilities\***

Male	Female	Total	% SA Water
12	4	16	1.06%

\* According to Commonwealth Disability Discrimination Act definition

No data is recorded for employees with disabilities requiring workplace adaptation.

**Employees by age bracket and gender**

Age bracket	Male	Female	Total	% of Total	2014 Workforce Benchmark
15-19	11	2	13	0.86%	5.50%
20-24	60	24	84	5.58%	9.70%
25-29	99	38	137	9.10%	11.20%
30-34	139	90	229	15.22%	10.70%
35-39	132	76	208	13.82%	9.60%
40-44	127	59	186	12.36%	11.40%
45-49	159	42	201	13.36%	11.10%
50-54	104	44	148	9.83%	11.40%
55-59	129	35	164	10.90%	9.10%
60-64	93	17	110	7.31%	6.70%
65+	24	1	25	1.66%	3.60%
<b>TOTAL</b>	<b>1077</b>	<b>428</b>	<b>1505</b>	<b>100.00%</b>	<b>100.00%</b>

**Employees' Overseas Travel 2014-15 financial year**

<b>Number of employees</b>	<b>Destination/s</b>	<b>Reason for travel</b>	<b>Cost to SA Water (\$)</b>
2	France and UK	Attend 9th World Technical Congress (Suez Environment Conference) and various water organisations in UK.	28 321
2	UK	Attend a number of UK utilities to review areas including capital delivery models, operational mobility solutions, business transformation initiatives, culture change models, end to end process mapping including customer journeys and competency based frameworks.	18 427
1	UK and Greece	Attend Chartered Institution of Water and Environmental Management Water and environment conference' 2015 (UK).  Attend Global Water Summit 2015 including associated Water Leaders' Dinner, Global Water Awards and Gala Dinner (Greece).	15 987
1	USA	Attend 2014 ESRI International User Conference.	6 182
4	Taiwan	Development of a joint research and technology program with national Cheng Kung University. Attend Taiwan Water Corporation and China Steel Corporation.	2 641
1	Canada and USA	To represent SA Water at a Research Foundation collaborative project workshop on 'Securing Value – integrating Risk Governance with Other Business Functions for the Water Sector'. To meet with key people in the water sector in Los Angeles to share experiences, collectively learn and attend a number of USA water facilities.	1 718
1	Spain	To attend and present a paper at the International Drought Conference in Spain.	no cost to SA Water
1	Canada	Attend the World Conference on Disaster Management. The conference brings together world's best practice methodology on disaster management and organisational resilience.	4 708

1	USA	Attend the GE Intelligent Platforms User Summit.	2 821
1	China	Attend the Asia Pacific Economic Cooperation (APEC) Climate Symposium. Give presentation on "Climate change impacts on water quality".	800
1	New Zealand	Attend the Watershed Technology Conference.  Give presentation on "Investigating source water cryptosporidium concentration, species and infectivity rates during rainfall runoff events."	4, 688
<b>TOTAL \$</b>			<b>\$86 293</b>

South Australian Water Strategic Priorities

# Planning for the Future



Government  
of South Australia



## Planning For The Future

2014-15 Performance Summary			
<p><u>Statement of Intent:</u></p> <ul style="list-style-type: none"> <li>To sustainably plan for our future, through integrated water planning and effective stewardship of our physical and natural assets</li> </ul> <p><u>Key Strategies:</u></p> <ul style="list-style-type: none"> <li>Integrated Water Planning</li> <li>Asset Stewardship</li> </ul>	Key Performance Indicator	2014-15 Target	2014-15 Result
	Water licence compliance - extraction within allocation	100%	100%
	Water licence compliance - licence conditions	100%	100%
	Water main breaks (total number per 100km of water main)		
	- metropolitan	21	19.3
	- regional	8	11.3
Sewerage mains breaks and chokes (total number per 100km of water main)			
- metropolitan	52	55.0	
- regional	15	14.9	

SA Water complies with all water licences and is developing procedures to maintain compliance in the longer term.

SA Water is committed to maintaining assets to a high standard to ensure continuity of water and sewerage services. We continue to focus on those water and sewerage mains that have a high probability of failure.

## **Integrated Water Planning Strategy**

### **Water Security Planning**

During 2014-15, SA Water continued to investigate new and innovative ways of balancing water security with energy costs and water quality. Delivering water supplies in an efficient, responsive, sustainable and accountable manner is central to our business and helps to provide security for all of South Australia now and into the future.

SA Water works closely with the water sector, seeking to both inform and understand policy development, regulatory decisions and innovative research. An example of this is that we are monitoring the development of the South Australian Murray Darling Basin, Natural Resource Management Board's Water Allocation Plan for the River Murray Prescribed Resource. This year saw the continuation of the Western Mount Lofty Ranges environmental flow trials in partnership with Natural Resources Adelaide and Mount Lofty Ranges. Lessons learnt from this trial will be utilised to develop ongoing licence conditions that will govern the release of water from our reservoirs.

SA Water continues to make significant contributions to the science of water resource management. A number of papers were accepted into peer reviewed journals that improve our understanding of groundwater recharge, a key source for approximately 53 000 of our regional customers. Further, we have developed an innovative demand modelling methodology that considers the impacts of climate variability pricing and other demographic factors to project likely demands on local water resources in the South East. The work was key to the development of the Water Security Plan for the South East which is in its final stages of completion.

Our planning has led to improvements to the water security of Robe and Eyre Peninsula being achieved by the development and renewal of a number of bores that support the drinking water systems. The work on Eyre Peninsula has also included a number of investigations that have improved our confidence in the ability of the Uley-South borefields to continue to support our customers for the long term.

## **Asset Stewardship Strategy**

### **Managing Our Natural Assets – Supply Catchments, Land and Natural Resources**

SA Water develops, maintains and implements frameworks and plans for the management of the Corporation's land, property, supply catchments and water assets which deliver strategic, risk, regulatory and on-ground outcomes. During 2014-15, SA Water continued to implement its extensive fire management program across its land holdings. This included cross land tenure collaborative efforts on planning, such as the Lower Eyre Bushfire Management Area Plan and delivery of a comprehensive prescribed burn program as part of cross government cooperative arrangements for fire management on public land. SA Water continues to participate in interagency bushfire and natural hazard management arrangements, and provided extensive support and resourcing to a number of large fire events including the Sampson Flat bushfire.

Catchment inflows are an important part of SA Water's source water portfolio. Since most of SA Water's drinking water supply catchments are open to human activities (multi-use catchments) and not under the direct control of SA Water, the Corporation puts special emphasis on working collaboratively with other natural resources management agencies and organisations to achieve positive water quality outcomes that benefit our customers. Efforts in the past year have concentrated on fine-tuning our spatial catchment risk assessment methodology, updating our catchment status reports and conducting a number of specific investigations into the sources and mitigation of pathogens (Cryptosporidium risk management strategy). Routine water quality and flow monitoring information from primary supply catchments in the Mount Lofty Ranges watershed is provided via more than ten automated composite samplers.

## Capital Projects Highlights

In 2014-15, SA Water's overall capital expenditure was \$243.1 million with a range of water, wastewater and recycled water projects either commenced, under way or completed across the state. The following pages provide a summary of the year's highlights.

### ***Swan Reach to Paskeville Pipeline Switchboard Replacements:***

A \$7.8 million upgrade of the electrical infrastructure at three of the Swan Reach to Paskeville Pipeline pumping stations. This work includes high voltage and low voltage switchboards, earthing system upgrade and associated cable installation. This project will deliver water supply security in line with SA Water's customer service standards.

This project work was completed in August 2014. Major work undertaken in the 2014-15 financial year:

- All building enabling works completed (new high voltage switch rooms)
- Electrical construction work completed.

### ***Mount Barker Development Water and Wastewater Services:***

To support the State Government's 30 Year Plan for Greater Adelaide, investigations were undertaken into expansion of the existing water and wastewater supply networks to facilitate the projected growth and development of the Mount Barker region. An initial concept design for the project was completed in 2013-14. However, based on the current market conditions and the progress in development of the rezoned land, the construction program has been reviewed. The network will be augmented in line with the required rate of development.

### ***Christies Beach Wastewater Treatment Plant Project:***

A \$272 million project to upgrade the existing Wastewater Treatment Plant to increase pumping capacity from 30 million litres per day to 45 million litres per day. This upgrade will ensure the plant can cater for the population growth demands outlined in the State Government's 30 Year Plan for Greater Adelaide. Construction commenced in January 2009, with major construction works completed in 2012.

Project works were completed in September 2014 with completion of the chlorination disinfection system refurbishment. Landscaping works were undertaken and the planting and maintenance work progressed through 2014-15, completing the project. This project has been delivered approximately \$50 million under the approved budget.

**Hawker Desalination Project:**

A \$5.75 million project to install a packaged desalination plant and associated infrastructure on a new site outside the Hawker township. The new plant delivers a long-term, reliable and sustainable potable water supply for Hawker that meets the Australian Drinking Water Guidelines health and aesthetic requirements, SA Water targets and parameters, as well as addressing customer expectations.

Project works were completed in September 2014 with the plant now operational and potable water being supplied to the Hawker network. Major work undertaken in the 2014-15 financial year included:

- Construction completed in August 2014
- Commissioning completed in September 2014.

**Hope Valley and Happy Valley Water Treatment Plant Upgrades:**

A \$23 million project to upgrade the Hope Valley and Happy Valley Water Treatment Plants to improve the management of pathogens, especially *Cryptosporidium*. The works include:

- Refurbishing filters at each plant
- Upgrading the monitoring and controls equipment.

The process optimisation phase has continued through the 2014-15 financial year. Major work undertaken included:

- Completion of monitoring and control systems trials
- Recommendations for further modifications to optimise the system
- This optimisation will continue throughout the financial year 2015-16.

Achievement of practical completion is planned for September 2015.

**Bolivar Wastewater Treatment Plant Main Pump Station Upgrade:**

A \$23.9 million project to replace the existing pumps with new submersible pumps which will provide a 25% increase in wastewater pumping capacity. This upgrade will ensure the plant can cater for the population growth demands outlined in the State Government's 30 Year Plan for Greater Adelaide.

New electrical and control systems will support the new infrastructure along with the refurbishment of the pump station building. Construction commenced in July 2012, with project practical completion achieved in November 2014.

Major work undertaken in the 2014-15 financial year included:

- Completion of installation of the final two of the seven new sewer pumps
- Completion of all civil work and painting of internal walls
- Completion of final testing of the control system.

***Bolivar Wastewater Treatment Plant Energy Utilisation Optimisation:***

A \$25.8 million project to connect and install new infrastructure to create electricity from the available biogas created as a by-product of the sewage treatment process including modifications to the electrical arrangements to allow export of excess electricity into the National Electricity Market.

The project will deliver a reduction in greenhouse gas emissions of more than 11 000 tonnes CO<sub>2</sub> annually, increase the reliability and security of energy supply to the Bolivar Wastewater Treatment Plant and ensure all available biogas generated is used as efficiently as possible.

Construction commenced in August 2012, with practical completion expected in August 2015.

Major work undertaken in the 2014-15 financial year included:

- Completion of modifications to the gas turbine fuel system
- Attaining registration to export electricity to the grid in December 2014
- Commencement of exporting electricity to the grid in January 2015
- Completion and final acceptance of the Supervisory Control and Data Acquisition (SCADA) controls system.

***Happy Valley Water Treatment Plant Chlorine Station Upgrade:***

A \$17.8 million upgrade of the current chlorine storage and dosing facilities at the Happy Valley Reservoir. This upgrade will ensure water distributed from the plant continues to meet the Australian Drinking Water Guidelines. The new facility is being built to comply with Major Hazard Facility requirements under the new WHS regulation which came into effect in South Australia from 1 January 2013.

The project received full financial approval in April 2011. Construction commenced in November 2012, with the project finalised in November 2014 with completion of the existing chlorination and injector building decommissioning works.

***Happy Valley Outfall Channel Upgrade:***

A \$5.8 million project to upgrade the Happy Valley outfall channel to Australian National Committee on Large Dams 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.

Project work commenced in February 2014 with practical completion achieved in December 2014. Major work undertaken in the 2014-15 financial year included:

- Placement of a major order to execute site works
- Most trees removed
- Banks excavated back to stabilised slopes
- All voids filled with concrete
- Banks and bed concrete lined
- Rock rip rap installed at end of concrete lining
- Fences installed
- Northern bank revegetated
- Southern bank revegetated.

***Queensbury Wastewater Pump Station:***

An \$18 million project to replace the existing wastewater pump station that was 78 years old and had suffered significant structural deterioration.

The Queensbury Wastewater Pump Station was originally constructed in 1935 and is a key pump station in the SA Water network, collecting wastewater from around 20 000 properties and supporting a population of almost 50 000 people in Adelaide's north western suburbs.

The project saw construction of a new pump station to meet the current and future demands of the area and increased pumping capacity to prevent the risk of wastewater overflow. The project included construction of an odour control plant to address a history of odour complaints from local residents.

Construction commenced in January 2013. Project practical completion was achieved in August 2014 with the demolition of the existing station completed and handover of the plant to the operations and maintenance group.

***Port Wakefield to Pine Point Water Supply Upgrade:***

A \$25.6 million project to upgrade the currently limited potable water supply on the Yorke Peninsula, as well as providing supply to the proposed Rex Minerals Hillside mining operation. Concept design has been previously completed. Commencement of major works on the project is currently forecast for March 2016, based on Rex Minerals completing a review of its mine design in line with its conditional mining lease.

***Wingfield Capelli Road Wastewater Pump Station Upgrade:***

A \$6.6 million project to address wastewater overflow and safety risks identified with the ongoing operation of the existing pump station.

The project upgrade will include the construction of a new 10 metre deep wet well with new wastewater pumps, a new building to house new switchboards and control equipment, construction of an odour control plant and backup generator equipment.

Project work commenced in January 2014, with practical completion achieved in December 2014.

Major work undertaken in the 2014-2015 financial year included completion of:

- All civil works, including the new 6m diameter wet well
- Below ground gravity pipework
- Odour control plant, generator and switchboard site installation
- Pump station mechanical works
- Project testing and commissioning and operational handover.

***Minnipa High Level Tank Replacement:***

A \$4.9 million project to replace the function of two dilapidated concrete tanks with an 18 Megalitre earthen bank storage asset. The concrete tanks are to be demolished as part of this project.

Project work on site commenced in January 2014, with practical completion achieved in October 2014. Major work undertaken in the 2014-15 financial year included:

- Completion of associated storage pipework
- Demolition
- Landscaping works.

Storage was fully constructed and was in service from February 2015.

***Myrtle Bank, Cross Road Water Trunk Main:***

A \$7.3 million project to improve the security of water supply to customers and reduce the number of unplanned disruptions as a result of leaks and bursts to a 2.2 kilometre Myrtle Bank trunk water main originally constructed in 1913.

The project scope includes renewal of the main through close fit lining and relay techniques, as well as replacement of associated valves. This method was primarily designed to minimise the impact to traffic, residents and other associated stakeholders.

The commencement date on site was March 2014, and the project achieved practical completion in October 2014, successfully containing impact to a period outside of the high water demand summer period.

Major work undertaken in the 2014-15 financial year included:

- Isolation of main
- Construction 100% complete
- Defects addressed
- Water main chlorinated and re-energised
- Operational handover.

***Ethelton Wastewater Pump Station Renewal:***

The \$6.9 million project involved rehabilitating the Ethelton Wastewater Pump Station which, due to its age and condition, presented a high risk of network overflows. This was achieved through rehabilitation of the existing infrastructure, a mechanical and electrical upgrade of the existing building, and construction of a new switchboard building.

The project commenced in December 2013, with practical completion and operational handover achieved in January 2015. Major construction work undertaken in the 2014-15 financial year included:

- All mechanical and electrical upgrades
- Completion of new switchboard building construction works
- Performance testing and commissioning
- New security fencing
- Landscaping.

***Telemetry and Radio Equipment Replacement:  
Metropolitan and Outer Metropolitan Regions:***

A \$20.3 million upgrade project is targeted to improve system reliability and functionality of the existing SCADA telemetry. This involves the replacement of 525 Remote Telemetry Units (RTU) at 500 SA Water sites, and replacement of the associated analogue radio communications network at these sites with a digital radio network and digital radio repeater sites where required. This will eliminate interruptions to vital communications and service system monitoring in the metropolitan and outer metropolitan regions.

The project commenced in December 2013, and will continue over the next four years with an expected completion date of June 2017.

Major work undertaken in the 2014-15 financial year included:

- Completion of 248 RTU site audits
- Site construction works for the first 248 sites in progress with three repeater sites and 200 RTU sites now completed and operational
- Development of design and tender documents for the remaining 252 RTU sites in progress.

***Bolivar Wastewater Treatment Plant Primary Grit, Pre-Aeration and Sedimentation Tanks Concrete Rehabilitation:***

The \$34.9 million project involves the rehabilitation of 50 year old sedimentation tanks at the Bolivar Wastewater Treatment Plant, which have been experiencing increasing rates of corrosion. In addition, the capacity of the tanks is being increased and a more energy-efficient method of grit removal introduced in order to provide additional confidence in the plant's ability to reliably handle the predicted wastewater stream through to 2050.

The project commenced in October 2013, and is currently scheduled for completion in the first half of 2016.

Major work undertaken in the 2014-15 financial year included:

- Orders placed for all mechanical equipment
- Continuation of major site construction works including civil, structural and mechanical and electrical works for the new grit vortex system
- Commencement of the concrete rehabilitation works in two of the four primary sedimentation tanks
- Commissioning of the new grit vortex system on the western side of the plant
- Construction works on the eastern side of the plant have commenced.

***Gawler Wastewater Network Capacity Upgrade:***

A \$7.3 million project designed to upgrade the capacity of the Gawler wastewater network to meet the current and future wastewater flow demands in the network. The project scope of works included the construction of a new submersible wastewater pump station, the construction of 2.6km of rising main, minor electrical and mechanical upgrades and decommissioning of the existing infrastructure.

The project commenced in May 2014 with the awarding of a construction contract, with practical completion achieved in March 2015.

Major work undertaken in the 2014-15 financial year included:

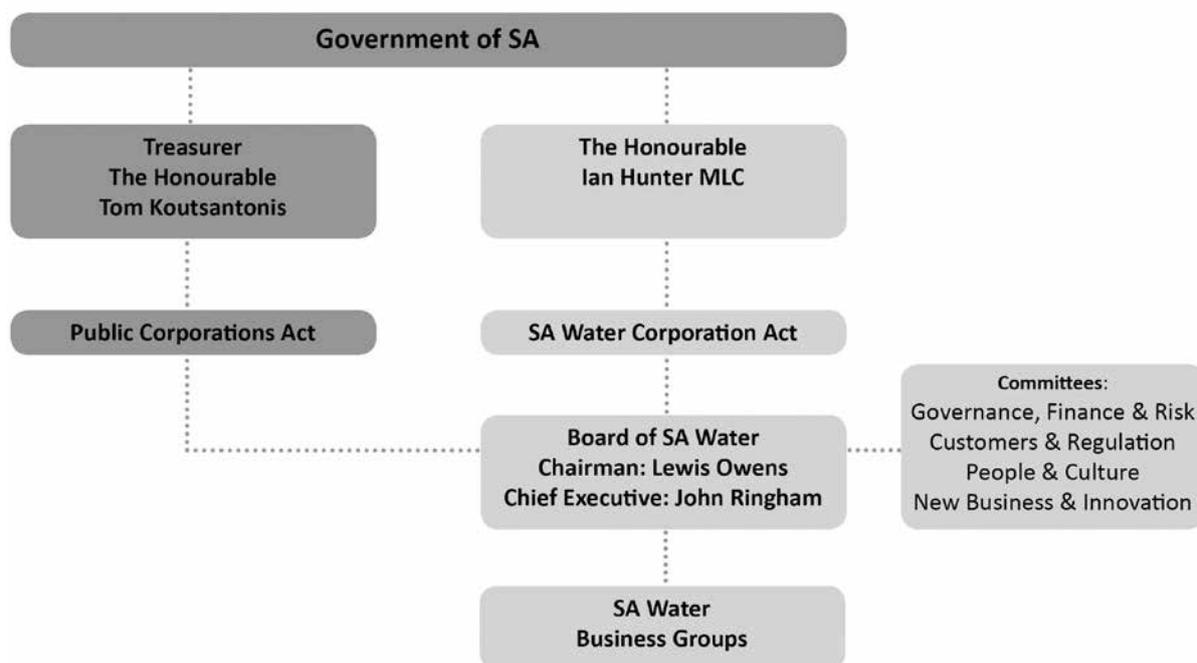
- Major equipment order placement completed
- New rising main installation works fully installed
- Hydrostatic testing completed
- Wet well and valve chamber installation including below ground pipework completed
- New switchboard installed
- Project construction and commissioning works have been completed
- Project handed over to the operations and maintenance group.

***Upper Paskeville 100ML Earth Bank Storage Renewal project:***

A \$5.4 million project involving the relining of an existing earth bank storage reservoir, with an associated valves and controls upgrade.

Financial approval for the project was achieved in February 2015, with a major order for site works approved in July 2015.

## Corporate Governance



### Our Charter

The Corporation's Minister and the State's Treasurer, in consultation with the corporation, are required to prepare a Charter for SA Water and to 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 2015 review of the Charter concluded changes were not necessary. The unchanged charter to apply in 2015-16 is available on the website.

As required by the *South Australian Water Corporation Act 1994*, the Charter will be reviewed again in 2016.

## **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 to board committees

## **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 at the commencement of all meetings any conflicts of interest that might arise on an ad hoc basis. In these circumstances, directors absent themselves from discussion of the relevant matter and the conflict of interest is recorded in the minutes of the meeting.

In 2014-15 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. On several occasions directors declared a potential conflict of interest in relation to a matter listed for decision and were absent from the meeting when the relevant decisions were taken.

## **Directors' Benefits**

In 2014-15, no contract involving directors' interest arose and 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 Note 36 of the Financial Statements.

## **Board Committees**

In 2013 the board established four standing committees to assist with the discharge of its responsibilities. John Ringham is an ex officio member of each committee. The board reviewed and adjusted the membership of committees with effect from 18 September 2014.

In a further review of these arrangements in May 2015, the board abolished the New Business and Innovation Committee with effect from 30 June 2015 and retained the other three. None of these bodies exercises a decision-making role; rather they report and make recommendations to the board.

A charter guides the functions and duties of each committee, which in turn reports to the board. Updated charters were approved in May 2015 and will be reviewed annually. Membership of the committees is reviewed regularly.

**Governance, Finance and Risk Committee** – to support and advise the board in fulfilling its corporate governance and oversight responsibilities (audit) in relation 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 2014-15 were:

- Sybella Blencowe (chair)
- Hon Carolyn Pickles
- Kevin Osborn (until 1 February 2015).

In 2014-15 a feature of the Governance, Finance and Risk Committee’s work was its continued focus on enhancing the effectiveness of risk management and reporting, improvements in procurement and fraud control.

**Customers and Regulation Committee** – to support and advise on matters associated with the preparation of the Regulatory Business Proposal to ESCOSA, the condition, performance and efficiency of the Corporation’s assets, matters regarding the maintenance, upgrading, 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 2014-15 were:

- Sue Filby (chair)
- Lew Owens
- Hon. Karlene Maywald (from 19 September 2014)
- Hon. Carolyn Pickles (until 18 September 2014).

In the past year the committee focused in particular on preparations for RBP 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 2014-15 were:

- Hon Carolyn Pickles (chair)
- Sybella Blencowe
- Sue Filby.

During the year the committee took particular interest in issues relating to workplace health and safety, with a particular focus on recent legislative changes, remuneration policy and employee engagement.

**New Business and Innovation Committee** – to support and advise on matters relating to new business opportunities and initiatives (both regulated and non-regulated) and oversee the effectiveness of the Corporation’s research, development and innovation activities. Members of the committee in 2014-15 were:

- Kevin Osborn (chair to 1 February 2015)
- Hon Karlene Maywald (chair from 2 February 2015)
- Lew Owens
- Sybella Blencowe
- Sue Filby.

In 2014-15 the work of this committee focused in particular on opportunities for growing non-regulated business activity, third party access arrangements, innovative pricing models for specific customer groups and possible acquisitions.

### Directors' Meetings

During 2014-15 Directors attended meetings of the board and the following committees:

- Customers and Regulation Committee
- People and Culture Committee
- Governance, Finance and Risk Committee
- New Business and Innovation Committee.

The number of meetings attended by each of the Directors is shown in the following table:

	Board		Special Board		People and Culture		Customers and Regulation		New Business and Innovation		Governance, Finance and Risk	
	A	B	A	B	A	B	A	B	A	B	A	B
Sybella Blencowe	11	10	1	1	2	1			1	1	4	4
Carolyn Pickles	11	11	1	1	3	3	2	2			4	3
Sue Filby	11	11	1	0	3	2	8	8	2	2		
Kevin Osborn	6	6	1	1					2	2	2	2
Lew Owens	11	11	1	1			8	8	4	4		
Karlene Maywald	10	9	1	1			6	5	3	3		
Ian Stirling	2	2	0	0								
John Ringham	11	11	1	1	3	2	8	7	4	4	4	3

*A = number eligible to attend      B = number attended*

NB: Karlene Maywald appointed from 7 August 2014  
 Kevin Osborn's term expired on 1 February 2015  
 Ian Stirling appointed from 7 May 2015

## Relevant Legislation

Key legislation guiding SA Water includes:

- *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
  - The removal and treatment of wastewater by means of sewerage systems.

The *South Australian Water Corporation Act 1994* makes SA Water subject to the *Public Corporations Act 1993*.

- Subject to this Act, SA Water must 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* – this 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 requires registration of drinking water providers.
- *Work, Health and Safety Act 2012* – establishes health and safety duties and provides for worker representation.
- *South Australian Public Health Act 2011* – sets in law the standards, rules and powers used to preserve, protect and promote the public’s health.

## Legislation Update

A Notice under Section 93(5)(b) of the *Water Industry Act 2012* was issued on 25 June 2015 that withdrew the requirement for retail water providers to apply the Save the River Murray Levy.

A Bill (Water Industry [Third Party Access] Amendment Bill) for an Act to amend the *Water Industry Act 2012* was introduced in the Legislative Council on 11 February 2015. If passed, the Act will implement a light handed negotiate/arbitrate framework for business to seek access to services provided by natural monopoly water infrastructure (as at 30 June 2015).

## **Fraud**

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 Control Policy and Fraud Control Procedure which deal with the treatment of any detected frauds. 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 Commission Against Corruption (ICAC). The policy and procedures provided a basis for formal training about the operation of ICAC and fraud control more generally.

Allegations or suspicions of fraudulent activity may be reported openly to management or anonymously to the Corporation Secretary in his capacity as Fraud Control Coordinator. 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 2015 these exercises did not uncover any instances of fraud or corruption.

From 2011 until 31 December 2014 SA Water had an independent whistleblower service, aimed at providing an additional, potentially anonymous avenue for SA Water employees, contractors and external parties to report instances of suspected fraud, corruption or maladministration. No reports were ever received through this facility and for that reason the service was discontinued.

## **Legal Compliance**

SA Water is committed to the highest standards of legislative compliance. Systems implemented assist managers in monitoring compliance with a large range of legislative and regulatory obligations. Compliance training is undertaken and quarterly monitoring and reporting programs are in place to ensure adherence to laws, Australian standards, Treasurer's Instructions and internal policy. Results of the monitoring programs and the resolution of matters are reported to ESCOSA, SA Water's Senior Leadership Team and the Governance, Finance and Risk Committee.

## **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 amount of the premium.

## **Risk Management**

The SA Water Risk Management Policy and Framework, as approved by the board, formally establishes the process of assessing the business risks and opportunities we face, as well as developing and implementing strategies to transfer, 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 and 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, for the overall review and evaluation of risk management processes within SA Water. 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 roles include:

- 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.

To assist the Chief Executive and the Governance, Finance and Risk Committee, 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 is responsible for providing policies and procedures, systems and tools, training, coordination and facilitation services and monitoring mechanisms related to risk management activity.

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

## **Policy Development**

SA Water's Policy Management Framework emphasises targeted and general consultation and implementation plans. Both strategic (board approved) and management (Senior Leadership Team approved) policies are aligned to our corporate strategic objectives. We also have 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 WHS.

In accordance with continuous improvement practice, a broad review was conducted with implemented changes for relevance and efficiency. The policy framework is also reviewed each year and all policies and procedures are subject to periodic review.

Policies with particular impact on our customers are available on our website including hardship, privacy, sponsorship, connections and trade waste.

## **Freedom of Information (FOI)**

SA Water is committed to openness, transparency and accountability while at the same time recognising the right of stakeholders to privacy. Throughout 2014-15 we continued to ensure our website delivered a broad scope of free educational and informative material to the public.

In 2014-15 SA Water received 45 new applications for information under the *Freedom of Information Act 1991* (FOI Act). Eight applications were also carried over from 2013-14, leading to an overall total of 53 applications in 2014-15. Members of Parliament submitted 35 applications for information, the public made four applications, the insurance industry made four applications and media organisations made two applications under the FOI Act.

The outcome of the applications processed in full in 2014-15 was as follows

- Access granted in full – 15
- Access granted in part – 19
- Applications refused – 5
- Applications withdrawn – 7
- Applications transferred to other departments – 1.

Six applications are being carried over into the 2015-16 period.

In addition to the FOI applications received, SA Water responded to 15 third party consultation requests from Local Government and State Government departments.

SA Water processed two applications for internal review with one of those carried over from 2013-14. Two applications for external review by the Ombudsman were received, with one of those carried over from 2013-14.

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

## Director Profiles

### **Lew Owens**

*BE (Hons), MSc, BA, MAICD*

*Chair of the Board since July 2011*

*Member of the Customers and Regulation and New Business and Innovation Committee*

Lew is currently the Chairman of Country Arts SA, and a non-Executive Director of Australian Gas Networks Pty. Ltd. He is also a member of the City of Marion Audit Committee.

He was previously the CEO of ETSA Utilities (now SA Power Networks), Funds SA and WorkCover Corporation, the SA Independent Industry Regulator, and the Chairman of the Essential Services Commission of SA.

He was appointed a Reconciliation Ambassador in 2009.

### **Sybella Blencowe**

*BA, MTP, LLB, GDLP*

*Non-executive Director since July 2008*

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

Sybella has been in private legal practice for 25 years specialising in environment, planning and local government law. She was a partner in national commercial law firms before establishing her own specialist law firm. She was previously chair of the South Australian Forestry Corporation, Director of SAGRIC International Pty Ltd, Chair of the Abalone Fisheries Management Committee and Deputy Presiding Member of the Natural Resources Management Council. She was also Presiding Member of the City of Marion Development Assessment Panel and Member of the Major Developments Panel. She is currently a Member of the City of Port Adelaide Development Assessment Panel.

### **Ian Stirling**

*BBus, CPA and FAICD*

*Non-executive Director since 7 May 2015*

Ian is Executive Chairman of Stirling Advisory Pty Ltd and was the Chief Executive Officer of ElectraNet Pty Ltd until December 2014, when he retired after over 12 years in the role.

Ian is also Director and SA President of CEDA (Committee for Economic Development of Australia), Director of Botanic Gardens and State Herbarium of South Australia, Director of Botanic Gardens of South Australia Foundation and a member of the University of Adelaide Business School Advisory Board.

Ian's previous roles include Chairman of ESAA (Energy Supply Association of Australia) from 2012 to 2014 and Deputy Chairman of Business SA from 2012 to 2014.

**Hon Karlene Maywald**

*Non-executive Director since 7 August 2014*

*Chair of the New Business and Innovation Committee and member of the Customers & Regulation Committee*

Karlene has extensive experience in the area of water policy development and reform. She was appointed Chair of the National Water Commission from 2012 to 2015. 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.

Karlene is currently the Managing Director of Maywald Consultants and holds positions on a number of boards. She is also a facilitator of Behind Closed Doors.

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. Her portfolio responsibilities included:

- The River Murray
- Water Security
- Small Business
- Regional Development
- Consumer Affairs
- Science and Information Economy.

**Hon Carolyn Pickles**

*Non-executive Director since July 2013*

*Chair of the People and Culture Committee and member of the Governance, Finance & 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 a member of the Adelaide Symphony Orchestra (ASO) Board and later elected Deputy Chair of the Board.

Carolyn has also been Chair of the Child and Youth Health Board, Chair of the Board of Children, Youth and Women's Health Service and a member of the Health Performance Council. She is currently Chair of the Board of the Foundation of the State Library of South Australia.

**Sue Filby**  
 LL.B, FAICD

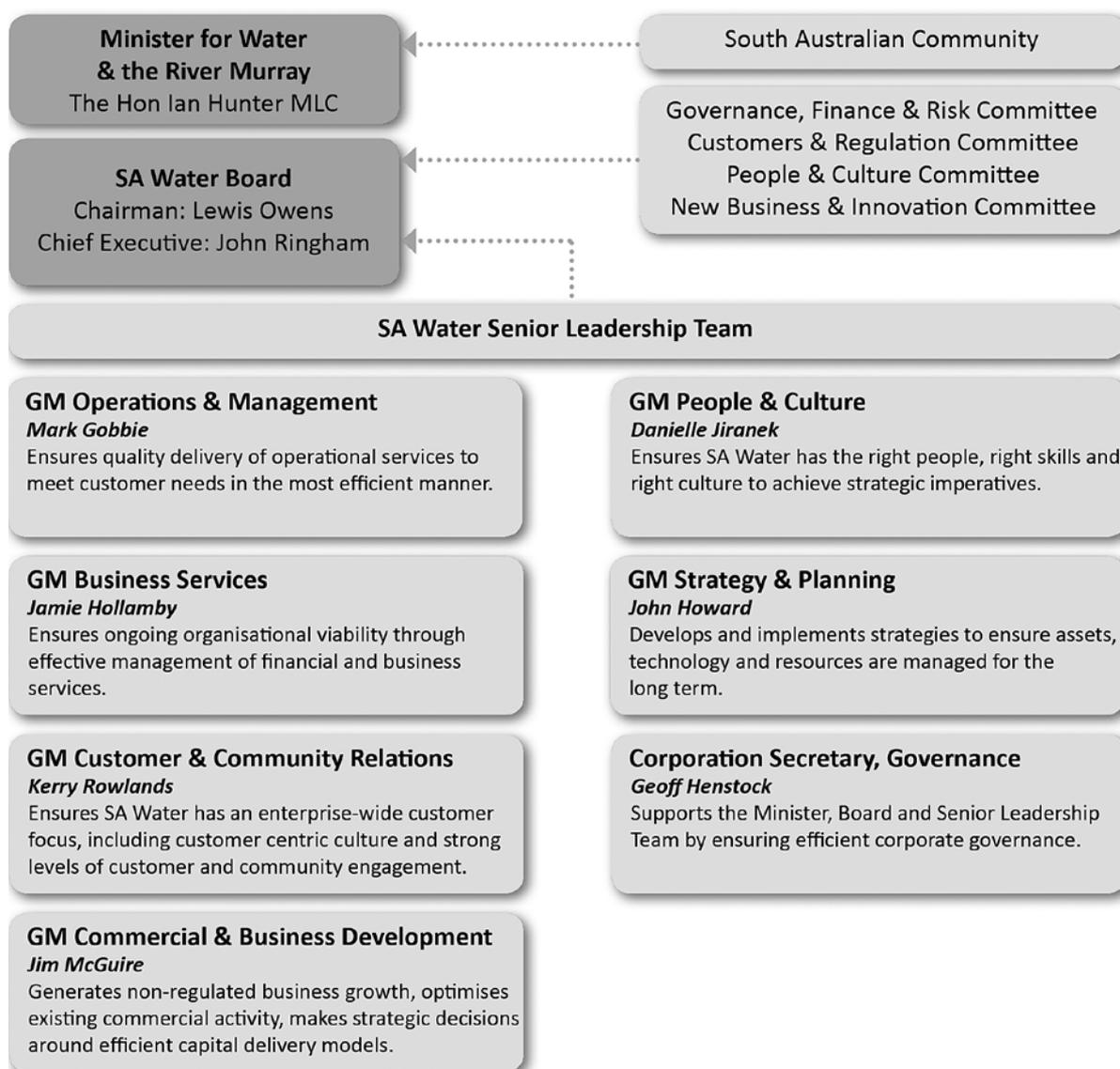
*Non-executive Director since July 2013*

*Chair of the Customers & Regulation Committee and member of the New Business & Innovation and People and Culture Committees*

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.

She is a member of the Development Policy Advisory Committee and is a facilitator for Behind Closed Doors.

### Organisational Chart



## Senior Leadership Team Profiles

### **John Ringham, 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 has held numerous senior roles in UK water utilities. As Chief Executive, John is also a director of SA Water. He is also a Director and Deputy Chair of WaterAid Australia and a Director of the Water Services Association of Australia.

### **Geoff Henstock, Corporation Secretary**

Geoff has been employed in the water and electricity industries for 35 years and been involved in corporate governance for 20 years, including a senior corporate governance role at Sydney Water. Geoff is SA Water's Corporation Secretary and is an experienced company director, serving with property development, finance, agribusiness and engineering companies and as a director of Carbon ReGen Pty Ltd.

### **Dr John Howard, GM Strategy and Planning**

*BSc (Hons), PhD (UK), FAICD*

John has 30 years of experience in water quality and water resource management, 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 more than four million people.

Joining SA Water as Principal Water Quality Scientist, John was subsequently appointed General Manager of SA Water's Australian Water Quality Centre before moving to his current position. John serves on the Allwater Alliance Leadership Team. John is a director of Water Research Australia and the Australian Water Association.

### **Danielle Jiranek, GM People and Culture**

*BA (Psych), Hons Psych, Registered Psychologist*

Danielle has more than 25 years of experience in all aspects of human resource management and organisational development and has worked in this capacity in Australia, New Zealand and the USA. She has worked for several multinational corporations including TMP Worldwide as an organisational psychologist, and was a director and part owner of Locher Human Resources prior to joining SA Water. She is a recognised leader in the human resources field in SA, has held positions on the Australian Human Resources Institute Committee and is a member of the Centre for Human Resources Advisory Group (UniSA). She is currently Deputy Chair of not for profit organisation Finding Workable Solutions.

**Jamie Hollamby, GM 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.

**Mark Gobbie, GM Operations and Maintenance**

*BE, MEngSc, FIEAust, CPEng, EngExec*

Mark joined SA Water as General Manager Commercial & Business Development in August 2013 to oversee initiatives to drive growth and capital delivery excellence. Mark has more than 30 years' 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 company's Infrastructure Business Unit. Mark has been involved in major projects in the water, transport, minerals, oil and gas, environment and building areas.

**Kerry Rowlands, GM Customer & Community Relations**

*BComm, CPA*

Kerry has more than 20 years of business experience holding senior commercial and customer interfacing positions within organisations such as Kimberly Clark Australia and Faulding Pharmaceuticals 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 and Water Ombudsman SA Board, is part of the Allwater Alliance Leadership Team and is an active Water Services Association of Australia's Customers and Community Network member.

**Jim McGuire, GM Commercial & Business Development**

*B. Ec, Grad Dip(Acc), FCIPS*

Jim joined SA Water in 2011 and has more than 25 years commercial leadership experience across a wide range of sectors including water, energy, banking, consulting and the public sector. Jim has successfully driven transformations in complex organisational environments and overseen delivery of strong commercial outcomes. Jim has also been active in broader professional activities including three years' national leadership of the procurement profession in Australia.

## Operations Overview

<b>Length of mains</b>	<b>2014-15</b>
Total length of water mains	26 836
Metropolitan	9 223
Country	17 613
<b>Major pipeline lengths</b>	
Murray Bridge to Onkaparinga	50
Morgan/Whyalla no 1 via Port Augusta	358
Morgan/Whyalla no 2 undersea from Baroota	283
Mannum Adelaide	87
Swan Reach/Paskeville	189
Tailem Bend/Keith	132
Lincoln Gap/Kimba	970
<b>Length of sewers (km)</b>	
Total length of sewers	8 853
Metropolitan	7 375
Country	1 478
<b>Length of recycled water mains (km)*</b>	
Metropolitan	218
Country	24
<b>Accounts</b>	
Accounts billed	751 605
<b>Number of water treatment plants</b>	
Metropolitan	6
Country	37
<b>Number wastewater treatment plants</b>	
Metropolitan	5
Country	19
<b>Wastewater reuse</b>	
Metropolitan	33.7%
Country	22.1%

<b>Population served water supply (at 30 June)</b>	
Estimated population served metropolitan	1 180 000
Estimated population served country	484 000
Total	1 664 000
<b>Population served wastewater (at 30 June)</b>	
Estimated population served metropolitan	1 120 000
Estimated population served country	189 000
Total	1 309 000
<b>Average volume water delivered statewide for past five years Megalitres (ML)</b>	
Metropolitan	139 616
Country	72 622
<b>Statewide water consumption facts</b>	
Total volume delivered (ML)	218 979
Average residential consumption per household (kL)	179
Highest daily consumption recorded in 24 hours to 8am (ML)	715
<b>Metropolitan water consumption facts</b>	
Total volume delivered (ML)	145 358
Average residential consumption per household (kL)	186
<b>Country water consumption facts</b>	
Total volume delivered (ML)	73 621
Average residential consumption per household (kL)	160
<b>Water sources</b>	
Total water (ML)	218 979
% provided by River Murray	50.2
% provided by surface water	34.0
% provided by groundwater	5.4
% provided by sea water	10.4

## Five Year Comparisons 2010-2015

	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Water Supply</b>					
<b>Adelaide</b>					
Volume delivered (ML)	129 000	135 276	146 657	141 789	145 358
Average daily volume delivered (ML)	353	370	402	388	398
Average daily per capita consumption, including commercial, industrial and residential (L)	310	323	346	331	337
Estimated population served	1 140 000	1 149 000	1 162 000	1 173 000	1 180 000
Length of mains (km)	9 020	8 997	9 047	9 190	9 223
<b>Country</b>					
Volume delivered (ML)	67 665	72 868	76 826	72 137	73 621
Estimated population served	417 000	427 000	430 000	432 000	484 000
Length of mains (km)	17 532	17 594	17 627	17 582	17 613
<b>Wastewater</b>					
<b>Adelaide</b>					
Number of wastewater treatment plants	4	5	5	6	5
Estimated population served	1 076 000	1 087 000	1 102 000	1 113 000	1 120 000
Length of sewers (km)	7 252	7 267	7 309	7 337	7 375
Length of recycled wastewater supply main (km)	127	168	186	188	218
<b>Country</b>					
Number of wastewater treatment plants	20	19	19	19	19
Estimated population served	163 000	167 000	168 000	168 000	189 000
Length of sewers (km)	1 451	1 436	1 458	1 470	1 478
Length of recycled wastewater supply main (km)*	9	12	23	24	24
<b>Water Sources</b>					
Total water (ML)	196 665	208 144	223 483	213 926	218 979
% provided by River Murray	46	45.6	55	36.2	50.2
% provided by surface water	48	46.6	23	29.7	34.0
% provided by groundwater	6	6	6	5.6	5.4
% provided by sea water	<0.1	1.8	16	28.5	10.4
<b>% Wastewater re-use</b>					
Metropolitan					33.7
Country					22.1

	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Finance</b>					
<b>Revenue</b>					
Water sales and rates	492 885	646 718	840 872	747 584	798 044
Sewerage rates	305 729	325 636	339 015	349 167	359 080
Contributions and grants	69 883	63 995	50 361	56 223	48 351
CSO funding	180 780	153 274	106 773	125 751	128 001
Sundries	105 424	80 341	98 984	95 051	90 226
Total revenue	1 154 702	1 269 964	1 436 005	1 373 776	1 423 702
<b>Operating expenditure</b>					
Operations and services	456 392	479 743	549 923	554 200	524 001
Interest	206 297	228 586	233 873	225 325	313 707
Depreciation	234 293	245 514	290 080	318 195	311 481
Total operating expenditure	896 982	953 843	1 073 876	1 097 720	1 149 189
<b>Capital expenditure</b>					
Water supply	456 064	469 636	278 562	167 461	114 749
Sewerage	181 574	98 667	110 109	98 307	99 586
Other	55 486	35 155	45 648	30 814	28 836
Total capital expenditure	693 124	603 458	434 319	296 582	243 171
<b>Water/wastewater services</b>					
Total expenses per customer \$	1 243	1 289	1 356	1 369	1 434
<b>Expenses recovery</b>					
Revenue as a % of expenses	129	133	134	126	124
<b>Contracts customer service</b>					
% of developer contracts prepared within 90 days	100	100	100	100	100
<b>Water supply performance</b>					
<b>Metropolitan</b>					
Service calls per 1000 customers	91	86.6	83.9	81.5	80.46
Number of priority calls, bursts, leaks per 1000 customers	2.10	3	2.4	1.8	2.29
Service interruptions restored in 5 hours (target 80%)	87	91.3	89	86	82
Water quality complaints per 1000 customers	1.05	1.23	1.18	1.32	1.08
% of samples free from <i>E. coli</i>	99.96	100	99.96	99.98	100
Total expenses per customer (\$)	243	299	393	413	358

	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Country</b>					
Mainbreaks per 1000 customers	8.7	9	9	8	9
Mainbreaks per 100 km of main	11	10	10	9	11
% interruptions responded to within 1 hour	98	97	96	94	95
% of samples free from <i>E. coli</i>	99.94	99.94	99.91	100	100
Operating expenses per customer (\$)	643	676	633	686	663
<b>Wastewater services performance</b>					
<b>Metropolitan</b>					
Chokes in sewer mains per 100 km of main	48.4	39	57	52	54.74
Chokes in sewer mains per 1000 customers	7.01	6	8	7	7.73
Chokes in property connections per 1000 customers	28.71	35	38	31	31.14
Restoration of service, mains and connections (full loss of service) restored within 5 hours (target >75%)	97	90	90	89	87
Restoration of service, mains and connections (partial loss of service) restored within 18 hours (target >90%)	98	84	91	91	88
Wastewater overflows reported, % attended within 4 hours	100	92	99	100	100
Treated wastewater total BOD - Christies Beach, Glenelg, Bolivar high salinity - mg/L (target <20)	2.8	3.0	3.0	4	3.2
Treated wastewater soluble BOD - activated sludge plant - Bolivar - mg/L (target <10)	2.2	2.1	2.0	3	2.3
Treated wastewater suspended solids / Bolivar high salinity, Glenelg, Christies Beach	8.3	4.0	7.0	8	5.8
Treated wastewater % compliance with internal targets					94
Treated wastewater % compliance with EPA licence conditions	100	100	100	100	100
Total expenses per customer (\$)	179	156	224	187	195

	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Country</b>					
Chokes in connections per 1000 customers	12.9	19	20	18	15.55
Chokes in sewers per 100 km of sewer	14.1	15	15	15	14.82
% internal overflows responded to within one hour	100	96	100	100	95
Treated wastewater BOD (activated sludge/extended aeration plant) mg/L	<2	<2	2	6	6.2
Treated wastewater soluble BOD (lagoon plants) mg/L	2	<2	2	6	4.7
Treated wastewater suspended solids (activated sludge/extended aeration) mg/L	3	3	4	7	13.2
Total expenses per customer (\$)	405	368	384	369	400

*\*\* E. coli should not be detected in samples of drinking water. However the Australian Drinking Water Guidelines (ADWG) recognise that occasional detections may occur. In accordance with the guidelines any detection is immediately communicated and investigated and corrective action is implemented as agreed with SA Health.*

*\*\*\* Operating Expenses have previously been reported as 'Total expenses' but have been adjusted to align with the National Performance Reporting guidelines for this report.*

# South Australian Water Corporation **Charter**

June 2014



Government  
of South Australia



**SA Water**

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## 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 Finance<sup>1</sup>, 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 8<sup>2</sup> 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.

## **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;

2. Section 8 of the *Public Corporations Act 1993* was delegated to the Minister for Finance on 12 December 2013.

- 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 Finance<sup>3</sup>, the Corporation may pursue commercial opportunities through subsidiaries, jointventure 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 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;

3. Sections 23 and 27 of the *Public Corporations Act 1993* were delegated to the Minister for Finance on 12 December 2013.

- 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 Finance<sup>4</sup> 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 casted 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.

4. Section 30 of the *Public Corporations Act 1993* was delegated to the Minister for Finance on 12 December 2013.

## **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
  - 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.

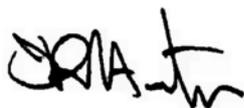
#### **Obligations to report on operations**

- 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**

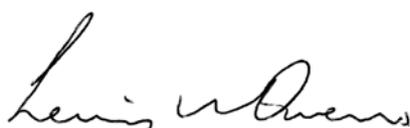
Date: 30/7/14



Hon Tom Koutsantonis MP

**Minister for Finance**

Date: 26/8/14



Lewis Owens

**Chairman**

Date: 8/9/14



## Glossary and Acronyms

ADP	Adelaide Desalination Project
ADWG	Australian Drinking Water Guidelines
BOD	Biochemical Oxygen Demand
BT	Business Transformation
CE	Chief Executive
CSO	Community Service Obligation
DECD	Department of Education and Child Development
DWQMS	Drinking Water Quality Management System
EPA	Environmental Protection Authority
EPOs	Environment Protection Orders
ESCOSA	Essential Services Commission of South Australia
FOI	Freedom of Information
FTE	Full Time Equivalent (employee)
GL	Gigalitre – 1 billion litres
GM	General Manager
KL	Kilolitre – 1 000 litres
km	Kilometre
KPI	Key performance indicator
LTIFR	Lost Time Injury Frequency Rate
ML	Megalitre – 1 million litres
MP	Member of Parliament
NSW	New South Wales
RAP	Reconciliation Action Plan
R&I	Research and Innovation
R&IS	Research and Innovation Services
RECs	Renewable Energy Certificates
SA	South Australia
SCADA	Supervisory Control, Automation and Data Acquisition
SIFR	Significant Injury Frequency Rate
WHS	Work Health & Safety
WTP	Water Treatment Plant
WWTP	Wastewater Treatment Plant
YTD	Year to Date

# South Australian Water Corporation – Appendix **Annual Financial Statements**

For the year ending 30 June 2015



Government  
of South Australia





**South Australian Water Corporation  
Annual Financial Statements  
for the year ended 30 June 2015**



Level 9  
State Administration Centre  
200 Victoria Square  
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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 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- 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 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.

## **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 2015, 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.

A handwritten signature in black ink, appearing to read 'A Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson

**Auditor-General**

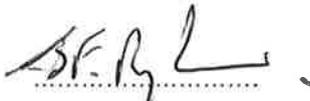
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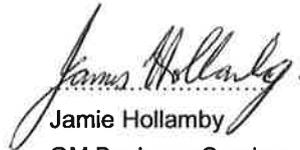
### Certification of the Financial Statements

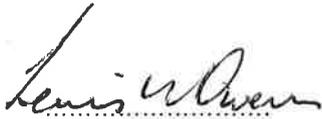
We certify that the:

- Financial statements of SA Water Corporation:
  - are in accordance with the accounts and records of the authority;
  - comply with relevant Treasurer's instructions;
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
  
- Internal controls employed by SA Water Corporation over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.

Signed in accordance with a resolution of the Board Members.

  
John Ringham  
Chief Executive Officer

  
Jamie Hollamby  
GM Business Services

  
Lew Owens  
Chairman

Date 18/09/2015

**South Australian Water Corporation**  
**Statement of comprehensive income**  
**For the year ended 30 June 2015**

	Notes	2015 \$'000	2014 \$'000
<b>Income</b>			
Revenue from ordinary activities	5	1,423,702	1,373,776
Other income	6	4,248	7,802
<b>Total income</b>		<b>1,427,950</b>	<b>1,381,578</b>
<b>Expenses</b>			
Depreciation and amortisation expense	7	(311,481)	(318,195)
Borrowing costs	7	(313,707)	(225,325)
Electricity expense		(48,511)	(68,919)
Services and supplies		(165,080)	(177,281)
Operational and service contracts		(190,696)	(181,544)
Employee benefits expense		(119,714)	(126,456)
<b>Total expenses</b>		<b>(1,149,189)</b>	<b>(1,097,720)</b>
<b>Profit before income tax equivalents</b>		<b>278,761</b>	<b>283,858</b>
Income tax expense	8	(81,452)	(83,960)
<b>Profit after income tax equivalents</b>		<b>197,309</b>	<b>199,898</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result</i>			
(Loss)/gain on revaluation of infrastructure, plant and equipment assets	29(a)	(134,519)	347,543
Revaluation of financial assets		1,391	2,525
Income tax relating to components of other comprehensive income	8(c)	40,374	(104,664)
<b>Other comprehensive income for the year, net of tax</b>		<b>(92,754)</b>	<b>245,404</b>
<b>Total comprehensive result</b>		<b>104,555</b>	<b>445,302</b>
Total comprehensive result for the year is attributable to:			
The SA Government as owner		<b>104,555</b>	<b>445,302</b>

*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 2015**

	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	26	1,141	1,507
Receivables	9	199,513	188,436
Inventories	10	6,800	5,586
Other current assets	11	7,426	6,231
Total current assets		<u>214,880</u>	<u>201,760</u>
<b>Non-current assets</b>			
Available-for-sale financial assets	12	27,835	26,444
Deferred tax assets	13	38,314	37,777
Intangible assets	14	190,952	199,460
Infrastructure, plant and equipment	15	13,485,734	13,663,201
Total non-current assets		<u>13,742,835</u>	<u>13,926,882</u>
<b>Total assets</b>		<u>13,957,715</u>	<u>14,128,642</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	16	156,973	152,896
Financial liabilities/borrowings	17	32,210	8,567
Tax liabilities	18	3,073	15,476
Provisions	19	16,477	16,202
Other current liabilities	20	30,238	26,987
Total current liabilities		<u>238,971</u>	<u>220,128</u>
<b>Non-current liabilities</b>			
Payables	21	2,510	2,247
Financial liabilities/borrowings	22	6,329,030	3,676,990
Deferred tax liabilities	23	1,647,087	1,702,389
Provisions	24	30,822	29,360
Other non-current liabilities	25	389,680	398,489
Total non-current liabilities		<u>8,399,129</u>	<u>5,809,475</u>
<b>Total liabilities</b>		<u>8,638,100</u>	<u>6,029,603</u>
<b>Net assets</b>		<u>5,319,615</u>	<u>8,099,039</u>
<b>EQUITY</b>			
Contributed equity		173,610	173,610
Asset revaluation surplus	29(a)	4,844,100	7,638,068
Retained earnings	29(b)	301,905	287,361
Total equity		<u>5,319,615</u>	<u>8,099,039</u>

*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 2015**

Notes	Asset			Total \$'000
	Contributed equity \$'000	revaluation surplus \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2014</b>	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	29	(134,519)	-	(134,519)
Revaluation of investment in unlisted shares	29	1,391	-	1,391
Transfer to retained profits on disposal	29	(1,214)	-	(1,214)
Transfer from infrastructure, plant and equipment revaluation surplus	29	-	1,214	1,214
Income tax relating to components of other comprehensive income	8(c)	40,374	-	40,374
<b>Total comprehensive result for the period</b>	-	<b>(93,968)</b>	<b>198,523</b>	<b>104,555</b>
<b>Transactions with the SA Government in their capacity as owners:</b>				
Dividend - debt transfer from the SA Government	33	(2,700,000)	-	(2,700,000)
Dividends provided for or paid	33	-	(183,979)	(183,979)
		(2,700,000)	(183,979)	(2,883,979)
<b>Balance at 30 June 2015</b>	<b>173,610</b>	<b>4,844,100</b>	<b>301,905</b>	<b>5,319,615</b>

Notes	Asset			Total \$'000
	Contributed equity \$'000	revaluation surplus \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2013</b>	173,610	7,395,614	280,684	7,849,908
Profit for the year	-	-	199,898	199,898
(Loss)/gain on revaluation on infrastructure, plant and equipment assets	29	347,543	-	347,543
Revaluation of investment in unlisted shares	29	2,525	-	2,525
Transfer to retained profits on disposal	29	(2,950)	-	(2,950)
Transfer from infrastructure, plant and equipment revaluation surplus	29	-	2,950	2,950
Income tax relating to components of other comprehensive income	8(c)	(104,664)	-	(104,664)
<b>Total comprehensive result for the period</b>	-	<b>242,454</b>	<b>202,848</b>	<b>445,302</b>
<b>Transactions with the SA Government in their capacity as owners:</b>				
Dividends provided for or paid	33	-	(196,171)	(196,171)
<b>Balance at 30 June 2014</b>	<b>173,610</b>	<b>7,638,068</b>	<b>287,361</b>	<b>8,099,039</b>

*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 2015**

	2015	2014
Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	1,298,280	1,283,642
Payments to suppliers and employees	(578,109)	(602,136)
Interest received	521	1,158
Receipts from Community Service Obligation funding	128,989	125,614
Receipts from contributions	7,558	18,575
Receipts from Government Grants	836	5,842
Borrowing costs paid	(294,418)	(223,143)
Income taxes paid	(109,320)	(140,060)
<b>Net cash inflow from operating activities</b>	27 <b>454,337</b>	469,492
<b>Cash flows from investing activities</b>		
Payments for construction and purchase of infrastructure, plant and equipment	(238,812)	(288,683)
Payments for intangible assets	(12,493)	(13,803)
Proceeds from sale of intangible assets	3,405	15,438
Proceeds from sale of infrastructure, plant and equipment	1,493	292
<b>Net cash (outflow) from investing activities</b>	<b>(246,407)</b>	(286,756)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings*	867,700	1,139,100
Repayment of borrowings	(884,900)	(1,119,650)
Dividends paid*	(183,979)	(196,171)
Repayments of finance lease liability	(7,117)	(6,364)
<b>Net cash(outflow) from financing activities</b>	33 <b>(208,296)</b>	(183,085)
<b>Net (decrease) in cash and cash equivalents</b>	<b>(366)</b>	<b>(349)</b>
Cash and cash equivalents at the beginning of the financial year	1,507	1,856
<b>Cash and cash equivalents at end of period</b>	26 <b>1,141</b>	1,507

\* Borrowings increased by \$2.7 billion 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 are shown on the Statement of Cash Flow (Refer to Note 33).

*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 2015.

### (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.

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.

## **1 Summary of significant accounting policies (continued)**

### **(a) Basis of preparation (continued)**

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 2015 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, and available-for-sale financial assets, 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 31.

### **(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.

#### 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.

## 1 Summary of significant accounting policies (continued)

### (c) Revenue recognition (continued)

#### 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 wastewater services (due to the requirement for state wide pricing) and the provision of water and wastewater 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 sewerage 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.

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.

This year, the Corporation received grant funding of \$0.627m (2014: \$4.15m), which related to grant funding received for the Port Wakefield Supply upgrade. Refer to note 20 and 25.

### (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.

## 1 Summary of significant accounting policies (continued)

### (d) Expenses (continued)

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.

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 15.

## 1 Summary of significant accounting policies (continued)

### (e) Non-current assets (continued)

#### Infrastructure, plant and equipment (continued)

##### Acquisition (continued)

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 Aquenta 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 Aquenta Consulting as at 1 July 2014. These rates are applied to the actual lengths of pre-defined modern equivalent asset types for water mains and sewer mains.
- Other infrastructure assets are independently valued on a cyclical basis for 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 waste water treatment plants independently valued by Aquenta Consulting as at 1 July 2014.

## 1 Summary of significant accounting policies (continued)

### (e) Non-current assets (continued)

#### Infrastructure, plant and equipment (continued)

#### Valuations (continued)

##### *Infrastructure assets (continued)*

The previous independent valuations were:

- Water dosing stations and earth storages were independently valued by Aqenta 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 Aqenta Consulting as at 1 July 2011.
- Water filtration plants were independently valued by Aqenta Consulting as at 1 July 2013.
- Sewerage pumping stations were independently valued by Aqenta Consulting as at 1 July 2010.

#### 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 and depots were last independently valued by WT Partnership as at 1 July 2010 and have been indexed as at 1 July 2014 using the PPI. Buildings are valued using depreciated replacement cost.

#### Plant and equipment

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

#### Other assets

Other assets are valued at cost and indexed annually using the PPI.

#### 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

## 1 Summary of significant accounting policies (continued)

### (e) Non-current assets (continued)

#### Infrastructure, plant and equipment (continued)

##### Depreciation (continued)

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.

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

## 1 Summary of significant accounting policies (continued)

### (e) Non-current assets (continued)

#### Infrastructure, plant and equipment (continued)

#### Intangible assets (continued)

##### *Issued water licences (continued)*

- 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:

- 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 has 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.

##### 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.

## 1 Summary of significant accounting policies (continued)

### (e) Non-current assets (continued)

#### Infrastructure, plant and equipment (continued)

##### Intangible assets (continued)

###### 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.

The useful life is based on the average useful life of the ADP assets belonging to SA Water upon which the intangible asset is dependant as per AASB 138 *Intangible Assets*. As with other non-current assets, remaining 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 2015. There have been no indications of impairment, recoverable amounts have not been estimated and no impairment losses have been recorded.

### (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*.

## 1 Summary of significant accounting policies (continued)

### (g) Leases (continued)

#### *Finance leases (continued)*

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.

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) Expenditure on behalf of State Government

Certain expenditure is incurred from time to time on behalf of the South Australian Government which is considered to be outside the normal course of the Corporation's business and for which no recovery is made or reimbursement received. These payments are made on behalf of the South Australian Government. There were nil payments for the year ended 30 June 2015 (2014: \$0).

### (i) Taxes

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

#### Income tax

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.

#### Taxation equivalents - 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:

## 1 Summary of significant accounting policies (continued)

### (i) Taxes (continued)

#### *Goods and services tax (continued)*

- 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.

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.

### (j) 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.

### (k) 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.

### (l) 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.

### (m) 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)**

### **(m) Employee benefits (continued)**

#### *Long service leave (continued)*

The Corporation's long service leave liability for 30 June 2015 was valued by KPMG Actuarial Pty Ltd.

#### Superannuation

Contributions are made by the Corporation to several superannuation schemes operated by the State Government. 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.

### **(n) 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 2015 provided by KPMG Actuarial Pty Ltd.

### **(o) 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.

### **(p) 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.

### **(q) 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.

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.

## 1 Summary of significant accounting policies (continued)

### (q) Provisions (continued)

#### 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(m) and 1(n).

### (r) 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.

### (s) Derivatives

Within the parameters of the Corporation's Permitted Treasury Instruments Policy, SA Water utilises derivative financial instruments to implement appropriate foreign exchange and commodity price risk mitigation strategies.

#### 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.

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 2015, SA Water had no outstanding foreign exchange derivatives.

#### 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. Any changes in fair value are recognised immediately in profit or loss in other income or other expenses. Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. All derivatives are categorised as financial assets or financial liabilities at fair value through profit and loss and classified as economic hedges in the statement of financial position as the Corporation has elected not to adopt hedge accounting under AASB 139: Recognition and Measurement.

## 1 Summary of significant accounting policies (continued)

### (s) Derivatives (continued)

#### *Accounting for derivatives (continued)*

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

### (t) 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 37.

#### 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.

#### 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.

### (u) Adelaide Services Alliance Agreement

In March 2011 the Corporation entered into an Alliance contract to operate, manage and maintain Adelaide's metropolitan water, wastewater 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.

### (v) 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 comprise the design and construction of a seawater desalination plant, marine works, transfer pipeline system and power supply infrastructure to support a 100 GL/a capacity plant and also included ongoing operation and maintenance of the desalination plant for 20 years. Project handover of the 100 GL/a plant to the operator was achieved on 12 December 2012, with successful completion of the two year proving period in December 2014.

## **1 Summary of significant accounting policies (continued)**

### **(v) Adelaide Desalination Plant (ADP) (continued)**

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 or used elsewhere in the business.

### **(w) 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 2015. 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.

## 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 a permissible benchmark debt duration range, which reflects the average term to maturity of the Corporation's core debt portfolio. The permissible range of 2.1 to 4.9 years has been determined based on the size of the Corporation's borrowings, the level of interest rates and to ensure that risk on the Corporation's profitability from increases in interest rates is appropriate.

#### (ii) Summarised sensitivity analysis

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 2015 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
<b>30 June 2015</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1,141	(4)	(4)	4	4
<b>Financial liabilities</b>					
Short term borrowings	(24,250)	85	85	(85)	(85)
<b>Total increase/(decrease)</b>		<u>81</u>	<u>81</u>	<u>(81)</u>	<u>(81)</u>

	Carrying amount \$'000	Interest rate risk -0.5%		+0.5%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>30 June 2014</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1,507	(5)	(5)	5	5
<b>Financial liabilities</b>					
Short term borrowings	(1,450)	5	5	(5)	(5)
<b>Total increase/(decrease)</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 2 Financial risk management (continued)

### (b) Credit risk

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 are secured via a first charge on the property.

The Corporation has no significant concentration of credit risk.

### (c) Liquidity risk

The Corporation has in place a Liquidity 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 non-derivative 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.

	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
<b>At 30 June 2015</b>					
<b>Non-derivatives</b>					
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
<b>Total non-derivatives</b>	<b>1,450,903</b>	<b>319,082</b>	<b>4,062,609</b>	<b>2,236,644</b>	<b>8,069,238</b>
<b>At 30 June 2014</b>					
<b>Non-derivatives</b>					
Fixed rate borrowings	999,027	629,521	1,070,696	1,742,979	4,442,223
Finance lease liabilities	22,466	22,466	67,396	91,067	203,395
Non-interest bearing liabilities*	98,856	-	-	-	98,856
Floating rate borrowings	1,456	-	-	-	1,456
<b>Total non-derivatives</b>	<b>1,121,805</b>	<b>651,987</b>	<b>1,138,092</b>	<b>1,834,046</b>	<b>4,745,930</b>

\* 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:

	2015		2014	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Long term borrowings	6,250,000	6,470,041	3,590,000	3,753,543

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 2014: 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 \$0.9m (30 June 2014: \$1.1m). If the discount rate was 1% lower, while all other variables were held constant, the carrying amount of the shares would increase by \$0.9m (30 June 2014: \$1.2m).

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

	2015		2014	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Unlisted shares	27,835	27,835	26,444	26,444

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:

- Available-for-sale financial assets (note 12)
- Land and buildings (note 15)
- Leased water and sewer infrastructure (note 15)
- Water infrastructure (note 15)
- Sewer infrastructure (note 15)
- Plant and equipment (note 15)
- Other (note 15)

#### (a) Fair value hierarchy

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 2015.

The Corporation had no valuations categorised into level 1.

#### (i) Recognised fair value measurements

30 June 2015	2015 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring fair value measurements</b>			
<b>Financial assets</b>			
Unlisted shares	27,835	-	27,835
<b>Total financial assets</b>	<b>27,835</b>	<b>-</b>	<b>27,835</b>
<b>Non-financial assets</b>			
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
<b>Total non-financial assets</b>	<b>13,049,096</b>	<b>364,288</b>	<b>12,684,808</b>
<b>Total recurring financial and non-financial assets</b>	<b>13,076,931</b>	<b>364,288</b>	<b>12,712,643</b>

### 3 Fair value measurements (continued)

#### (a) Fair value hierarchy (continued)

##### (i) Recognised fair value measurements (continued)

30 June 2014	2014 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring fair value measurements</b>			
<b>Financial assets</b>			
Unlisted shares	26,444	-	26,444
<b>Total financial assets</b>	<b>26,444</b>	<b>-</b>	<b>26,444</b>
<b>Non-financial assets</b>			
Buildings	29,835	-	29,835
Land	357,163	357,163	-
Water infrastructure	8,757,720	-	8,757,720
Sewer infrastructure	3,924,188	-	3,924,188
Plant and equipment and other	127,035	-	127,035
<b>Total non-financial assets</b>	<b>13,195,941</b>	<b>357,163</b>	<b>12,838,778</b>
<b>Total recurring financial and non-financial assets</b>	<b>13,222,385</b>	<b>357,163</b>	<b>12,865,222</b>

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
<b>Opening balance at 1 July 2014</b>	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>
<b>Closing balance 30 June 2015</b>	<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>

### 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
<b>Opening balance at 1 July 2013</b>	27,670	8,204,738	3,851,753	124,684	23,919	12,232,764
Acquisitions	3,296	482,838	81,688	28,957	-	596,779
Disposals	-	-	-	(334)	-	(334)
<b>Total gain (losses) for the period in the net result:</b>						
Asset write-off	-	(5,211)	(2,013)	(6,516)	-	(13,740)
Reversal of previous decrement	245	-	-	-	-	245
Depreciation	(2,089)	(185,367)	(88,214)	(23,137)	-	(298,807)
	<u>(1,844)</u>	<u>(190,578)</u>	<u>(90,227)</u>	<u>(29,653)</u>	<u>-</u>	<u>(312,302)</u>
<b>Total gain (losses) for the period in other comprehensive income:</b>						
Revaluation increment/ (decrement)	713	260,722	80,974	3,381	2,525	348,315
	<u>713</u>	<u>260,722</u>	<u>80,974</u>	<u>3,381</u>	<u>2,525</u>	<u>348,315</u>
<b>Closing balance 30 June 2014</b>	<u>29,835</u>	<u>8,757,720</u>	<u>3,924,188</u>	<u>127,035</u>	<u>26,444</u>	<u>12,865,222</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(m));
- Provision for workers compensation (refer note 1(n)); and
- Provisions (refer note 1(q)).

**5 Revenue from ordinary activities**

	2015 \$'000	2014 \$'000
Community service obligations	128,001	125,751
Water and wastewater rates and charges	1,157,124	1,096,751
Recoverable works	51,974	61,971
Fees and charges	36,223	31,274
Miscellaneous	124	155
Amortisation of government grant revenue	9,383	11,454
Contributed assets	38,968	44,769
Rents	1,299	1,422
Interest	606	229
	<u>1,423,702</u>	<u>1,373,776</u>

## 6 Other income

	2015 \$'000	2014 \$'000
Net gain on disposal of infrastructure, plant and equipment	662	-
Reversal of prior year minor plant write-off	-	4,840
Net gain on disposal of water rights/allocations	3,362	2,717
Reversal of prior year infrastructure, plant and equipment revaluation decrement	224	245
	4,248	7,802

## 7 Expenses

	2015 '000	2014 '000
<b>Profit before income tax includes the following specific expenses:</b>		
Depreciation (note 15)		
Buildings	2,373	2,089
Plant and equipment	2,737	5,154
Other	17,643	17,983
Infrastructure assets - sewer	79,672	88,214
Infrastructure assets - water	188,071	185,367
Amortisation (note 14)		
Computer software	19,284	17,688
ADP intangible	1,701	1,700
Total depreciation and amortisation	311,481	318,195
Borrowing costs		
Interest paid/payable for borrowings through profit and loss	303,240	214,105
Finance charges on capitalised leases	10,467	11,220
Total borrowing costs	313,707	225,325
Finance lease contingent rentals	4,826	4,650
Operating lease minimum lease payments	11,065	10,801
Net bad and doubtful debts (recovery)/expense including movements in allowance for doubtful debts	(40)	610
Infrastructure, plant and equipment revaluation decrement	46	311
Write-off in value of infrastructure, plant, equipment, and capital WIP	13,991	14,607

## 7 Expenses (continued)

### Consultancy costs

Less than \$10,000 (Number 2015: 6; 2014: 3)	20	23
Between \$10,000 and \$50,000 (Number 2015: 5; 2014: 3)	95	183
Greater than \$50,000 (Number 2015: 3; 2014: 9)	512	316
	627	522

Superannuation contribution	16,039	16,935
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Net loss on disposal of infrastructure, plant and equipment	-	41
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## 8 Income tax expense

### (a) Income tax expense

	2015 \$'000	2014 \$'000
Current tax	96,914	100,753
Deferred tax	(15,465)	(35,107)
Amounts under provided in prior years	3	18,314
	81,452	83,960
Deferred income tax (revenue) included in income tax expense comprises:		
(Increase) decrease in deferred tax assets (note 13)	(537)	(1,250)
(Decrease) increase in deferred tax liabilities (note 23)	(14,928)	(33,857)
	(15,465)	(35,107)

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

	2015 \$'000	2014 \$'000
Profit from continuing operations before income tax expense	278,761	283,858
Tax at the Australian tax rate of 30.0% (2014: 30.0%)	83,629	85,157
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
(Gain) on sale of land	(63)	-
ADP intangible asset amortisation	510	510
Revaluation decrement	14	-
Government grants	(2,619)	(2,590)
Provision for employee benefits	(22)	-
	81,449	83,077
Amounts under provided in prior years	3	883
Income tax expense	81,452	83,960

## 8 Income tax expense (continued)

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

	2015 \$'000	2014 \$'000
(Loss)/gain on revaluation of infrastructure, plant and equipment	(40,791)	103,906
Revaluation of investment in unlisted shares	417	758
	<u>(40,374)</u>	<u>104,664</u>

## 9 Current assets - Receivables

	2015 \$'000	2014 \$'000
<b>Receivables</b>		
Rates receivable (water and wastewater)	160,187	146,745
Sundry debtors	27,020	29,424
Allowance for doubtful debts	(615)	(655)
	<u>186,592</u>	<u>175,514</u>
<b>Other receivables</b>		
Community Service Obligations	12,921	12,922
	<u>199,513</u>	<u>188,436</u>

### (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:

	2015 \$'000	2014 \$'000
More than 90 days overdue	615	655

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

Opening balance at 1 July	655	118
Provision for impairment recognised during the year	-	611
Amounts written off	(15)	(74)
Unused amounts reversed	(25)	-
Closing balance at 30 June	<u>615</u>	<u>655</u>

## 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:

	2015 \$'000	2014 \$'000
Past due 0-69 days	20,049	16,202
More than 69 days	17,898	14,955
	<u>37,947</u>	<u>31,157</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 \$12.686m (2014: \$13.495m).

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

	2015 \$'000	2014 \$'000
Past due 0-30 days	3,059	2,868
Past due more than 30 days	756	972
	<u>3,815</u>	<u>3,840</u>

The other 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 \$0.947m (2014: \$0.950m).

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.

**10 Current assets - Inventories**

	2015 \$'000	2014 \$'000
Raw materials and stores	7,437	6,246
Allowance for obsolete stock	(1,377)	(1,391)
Work in progress	740	731
	6,800	5,586

**11 Current assets - Other current assets**

	2015 \$'000	2014 \$'000
Interest receivable	174	89
Prepayments	4,143	2,984
Renewable Energy Certificates *	3,109	3,158
	7,426	6,231

\*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.

**12 Non-current assets - Available-for-sale financial assets**

	2015 \$'000	2014 \$'000
Unlisted shares at fair value	27,835	26,444

**13 Non-current assets - Deferred tax assets**

	2015 \$'000	2014 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Doubtful debts	184	197
Obsolete stock	413	417
Infrastructure, plant and equipment	5,788	6,566
Pooled assets	36	47
Payables	1,287	1,210
Audit fee payable	143	126
Government grants	11,739	11,706
Employee benefits	12,809	12,020
Deferred lease incentives	333	373
Unearned income-customer contributions	3,008	2,275
Provision for site rehabilitation	-	41
Provision for asset disposal	19	28
Provision for damages and claims	-	150
Provision for workers compensation	220	286
	35,979	35,442

*Amounts recognised directly in equity*

Unearned income-customer contributions	2,335	2,335
Total deferred tax assets	38,314	37,777

	2015 \$'000	2014 \$'000
<b>Movements:</b>		
Opening balance at 1 July	37,777	36,527
Credited to the Statement of Comprehensive Income (note 8)	537	1,250
Closing balance at 30 June	38,314	37,777

Deferred tax assets expected to be recovered within 12 months	11,101	10,483
Deferred tax assets expected to be recovered after more than 12 months	27,213	27,294
	38,314	37,777

#### 14 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
<b>Year ended 30 June 2015</b>							
Opening net book amount	6,213	4,500	44,786	66,375	23,178	54,408	199,460
Additions from external acquisitions	-	-	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
<b>At 30 June 2015</b>							
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

### 14 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
<b>Year ended 30 June 2014</b>							
Opening net book amount	6,213	4,500	33,799	68,075	31,598	54,408	198,593
Additions from external acquisitions	-	-	28,675	-	-	-	28,675
Amortisation charge	-	-	(17,688)	(1,700)	-	-	(19,388)
Disposals	-	-	-	-	(8,420)	-	(8,420)
Closing net book amount	6,213	4,500	44,786	66,375	23,178	54,408	199,460
<b>At 30 June 2014</b>							
Cost	6,213	4,500	132,297	70,982	23,178	54,408	291,578
Accumulated amortisation	-	-	(87,511)	(4,607)	-	-	(92,118)
Net book amount	6,213	4,500	44,786	66,375	23,178	54,408	199,460

### 15 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
<b>Year ended 30 June 2015</b>										
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 increment/(decrement)	-	1,764	941	744	-	(62,118)	(81,949)	2,881	3,396	(134,341)
Additions	243,126	6,167	770	-	699	161,770	109,447	-	11,532	533,511
Transfers	(271,344)	-	-	-	-	-	-	-	-	(271,344)
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
<b>At 30 June 2015</b>										
Cost	436,638	-	-	-	43,790	-	-	-	-	480,428
Valuation	-	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

**15 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
<b>Year ended 30 June 2014</b>										
Opening net book amount	765,943	355,719	27,670	23,551	27,040	8,111,235	3,828,202	93,503	97,644	13,330,507
Revaluation increment/(decrement)	-	1,444	958	816	-	257,486	80,158	3,236	3,381	347,479
Additions	296,582	-	3,296	-	4,395	482,815	81,688	23	24,562	893,361
Transfers	(594,398)	-	-	-	-	-	-	-	-	(594,398)
Depreciation charge	-	-	(2,089)	(752)	(5,154)	(179,904)	(87,462)	(5,463)	(17,983)	(298,807)
Asset write down	(867)	-	-	-	(6,516)	(5,211)	(2,013)	-	-	(14,607)
Disposals	-	-	-	-	(334)	-	-	-	-	(334)
Closing 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
<b>At 30 June 2014</b>										
Cost	467,260	-	-	-	43,091	-	-	-	-	510,351
Valuation	-	357,163	77,926	29,473	-	14,189,301	6,472,404	201,483	232,969	21,560,719
Accumulated depreciation	-	-	(48,091)	(5,858)	(23,660)	(5,522,880)	(2,571,831)	(110,184)	(125,365)	(8,407,869)
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

## 15 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:

	2015 \$'000	2014 \$'000
<b>Freehold land</b>		
Cost	50,198	44,850
Net book amount	<u>50,198</u>	<u>44,850</u>
<b>Buildings</b>		
Cost	46,302	45,533
Accumulated depreciation	(23,116)	(21,246)
Net book amount	<u>23,186</u>	<u>24,287</u>
<b>Leased sewer infrastructure</b>		
Cost	18,792	18,792
Accumulation depreciation	(4,698)	(4,228)
Net book Amount	<u>14,094</u>	<u>14,564</u>
<b>Water infrastructure</b>		
Cost	4,376,648	4,248,637
Accumulated depreciation	(966,658)	(886,572)
Net book amount	<u>3,409,990</u>	<u>3,362,065</u>
<b>Sewer infrastructure</b>		
Cost	2,013,514	1,936,579
Accumulated depreciation	(807,976)	(735,704)
Net book amount	<u>1,205,538</u>	<u>1,200,875</u>
<b>Leased water infrastructure</b>		
Cost	124,183	124,183
Accumulation depreciation	(68,554)	(65,864)
Net book amount	<u>55,629</u>	<u>58,319</u>
<b>Other</b>		
Cost	202,401	190,869
Accumulated depreciation	(112,693)	(97,225)
Net book amount	<u>89,708</u>	<u>93,644</u>

## 16 Current liabilities - Payables

	2015 \$'000	2014 \$'000
Interest payable	58,949	39,661
Trade creditors	86,697	95,036
Other creditors	11,327	18,199
	<u>156,973</u>	<u>152,896</u>

## 17 Current liabilities - Financial liabilities/borrowings

	2015 \$'000	2014 \$'000
Lease liabilities note (note 30)	7,960	7,117
Short term borrowings	24,250	1,450
	<u>32,210</u>	<u>8,567</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.

## 18 Current liabilities - Tax liabilities

	2015 \$'000	2014 \$'000
Provision for current income tax movements during the year were as follows:		
Balance at the beginning of the year	15,476	36,469
Income tax paid	(109,320)	(140,060)
Current year's income tax provision	96,914	100,753
Amounts under provided in prior years	3	18,314
	<u>3,073</u>	<u>15,476</u>

## 19 Current liabilities - Provisions

	2015 \$'000	2014 \$'000
Employee benefits	14,474	14,289
Asset disposal	20	20
Site rehabilitation	-	135
Damages and claims	22	532
Workers compensation	1,961	1,226
	<u>16,477</u>	<u>16,202</u>

### (a) Movements in provisions

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

2015 Current	Asset disposal \$'000	Site rehabilitation \$'000	Damages and claims \$'000	Workers compensation \$'000	Total \$'000
Carrying amount at 1 July	20	135	532	1,226	1,913
Provisions recognised	-	-	262	962	1,224
Payments made during year	(27)	(92)	(606)	(936)	(1,661)
Re-measurement adjustments	-	(43)	(166)	709	500
Transfer from non-current	27	-	-	-	27
Carrying amount at 30 June	<u>20</u>	<u>-</u>	<u>22</u>	<u>1,961</u>	<u>2,003</u>

## 20 Current liabilities - Other current liabilities

	2015 \$'000	2014 \$'000
Government grants	10,062	9,952
Lease incentives	134	134
Unearned income	18,795	15,367
Deposits from contractors	1,247	1,534
	<u>30,238</u>	<u>26,987</u>

## 21 Non-current liabilities - Payables

	2015 \$'000	2014 \$'000
Other payables	2,510	2,247

## 22 Non-current liabilities - Financial liabilities/borrowings

	2015 \$'000	2014 \$'000
Lease liabilities (note 30)	79,030	86,990
Long term borrowings*	6,250,000	3,590,000
	6,329,030	3,676,990

\* Long term borrowings increased by \$2.7 billion due to debt transfer from the SA Government. Refer to note 33.

## 23 Non-current liabilities - Deferred tax liabilities

	2015 \$'000	2014 \$'000
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The balance comprises temporary differences attributable to:

Prepayments	329	338
Unlisted shares at fair value	(2,406)	(2,406)
Seasonal Water Allocations	16,322	16,322
Depreciation and amortisation	21,409	36,327
	35,654	50,581

*Amounts recognised directly in equity*

Revaluation of infrastructure, plant and equipment	1,605,132	1,645,924
Unlisted shares at fair value	6,301	5,884
Sub-total other	1,611,433	1,651,808

Total deferred tax liabilities	1,647,087	1,702,389
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### Movements:

Opening balance at 1 July	1,702,389	1,631,583
Credited to the Statement of Comprehensive Income (note 8)	(14,928)	(16,427)
Charged to equity (note 29)	(40,791)	103,906
Unlisted shares at fair value	417	758
Amounts under provided in prior years	-	(17,431)
Closing balance at 30 June	1,647,087	1,702,389

### 23 Non-current liabilities - Deferred tax liabilities (continued)

Deferred tax liabilities to be settled within 12 months	329	338
Deferred tax liabilities expected to be settled after more than 12 months	<u>1,646,758</u>	<u>1,702,051</u>
	<b>1,647,087</b>	<b>1,702,389</b>

### 24 Non-current liabilities - Provisions

	2015 \$'000	2014 \$'000
Employee benefits	28,221	25,777
Workers compensation	2,556	3,511
Asset disposal	45	72
	<u>30,822</u>	<u>29,360</u>

#### (a) Movements in provisions

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

2015 Non-current	Workers compensation \$'000	Asset disposal \$'000	Total \$'000
Carrying amount at 1 July	3,511	72	3,583
Transfer from current provision	-	(27)	(27)
Re-measurement adjustments	(955)	-	(955)
Carrying amount at 30 June	<u>2,556</u>	<u>45</u>	<u>2,601</u>

### 25 Non-current liabilities - Other non-current liabilities

	2015 \$'000	2014 \$'000
Government grants	388,704	397,379
Lease incentives	976	1,110
	<u>389,680</u>	<u>398,489</u>

## 26 Reconciliation of cash

	2015	2014
	\$'000	\$'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	1,141	1,507

### (a) Fair Value

Due to the short term nature of cash and cash equivalents, their carrying value is assumed to approximate their fair value.

## 27 Reconciliation of profit after income tax to net cash inflow from operating activities

	2015	2014
	\$'000	\$'000
<b>Net profit for the year</b>	<b>197,309</b>	<b>199,898</b>
<b>Add/(less) non-cash items:</b>		
Depreciation and amortisation	311,481	318,195
Amortisation of government grant revenue	(9,383)	(11,454)
Contributed assets	(31,518)	(26,218)
Net (gain)/loss on disposal of infrastructure, plant and equipment	(687)	41
Net (gain) on disposal of purchased water rights/allocations	(3,405)	(2,717)
Infrastructure, plant and equipment revaluation decrement reversal	(224)	(245)
Infrastructure, plant and equipment revaluation decrement	46	311
Write-off in value of infrastructure, plant and equipment	11,587	7,223
Write-off in value of capital works in progress and minor plant	2,404	7,383
Reversal of prior year minor plant writeoff	-	(4,840)
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in rates and sundry receivables	(10,902)	24,851
(Increase) in inventories	(1,214)	(472)
(Increase)/decrease in prepayments	(1,159)	290
(Increase)/decrease in other operating assets	(36)	4,337
(Increase) in deferred tax assets	(537)	(1,250)
Increase in trade creditors	3,806	1,266
Increase/(decrease) in provision for employee benefits	2,629	(5,596)
(Decrease)/increase in provision for workers compensation	(220)	455
Increase in other operating liabilities	11,527	7,282
Increase in government grants	836	5,842
(Decrease) in provision for deferred income tax	(14,928)	(33,857)
(Decrease) in other provisions	(672)	(240)
(Decrease) in provision for income taxes payable	(12,403)	(20,993)
<b>Net cash inflow from operating activities</b>	<b>454,337</b>	<b>469,492</b>

## 28 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).

Gearing increased in 2014-15 primarily due to the transfer of \$2,700 million of debt from the State Government.

The Gearing ratios based on continuing operations at 30 June 2014 and 30 June 2015 were as follows:

	2015 \$'000	2014 \$'000
Interest bearing borrowings (note 17, 22)	6,361,240	3,685,557
Less: Cash and cash equivalents (note 26)	<u>(1,141)</u>	<u>(1,507)</u>
Net debt	6,360,099	3,684,050
Total Assets	<u>13,957,715</u>	<u>14,128,642</u>
<b>Gearing ratio</b>	<b>46%</b>	<b>26%</b>

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. The target range for the gearing ratio is currently being reviewed by the Department of Treasury and Finance.

## 29 Asset revaluation surplus and retained profits

### (a) Asset revaluation surplus

	2015 \$'000	2014 \$'000
Revaluation surplus - property, plant and equipment	4,829,397	7,624,339
Available-for-sale financial assets	14,703	13,729
	4,844,100	7,638,068

#### Movements:

<i>Infrastructure, plant and equipment revaluation surplus</i>		
Opening balance at 1 July	7,624,339	7,383,652
Revaluation of infrastructure, plant and equipment*	(134,519)	347,543
Movements in deferred tax liability (note 23)	40,791	(103,906)
Transfer to retained profits on disposal	(1,214)	(2,950)
Dividend - debt transfer from the SA Government (note 33)	(2,700,000)	-
Closing balance at 30 June	4,829,397	7,624,339
<i>Available-for-sale investments revaluation surplus</i>		
Opening balance at 1 July	13,729	11,962
Revaluation of investment in unlisted shares	1,391	2,525
Movements in deferred tax liabilities (note 23)	(417)	(758)
Closing balance at 30 June	14,703	13,729

\* The 2013/2014 revaluation increase relates to moderate increases (around 3%) in pipe replacement prices, together with similar increase in other assets.

The 2014/2015 revaluation decrease relates to a decrease (around 1%) in infrastructure asset valuations, principally pipe assets and waste water treatment plants.

**29 Asset revaluation surplus and retained profits (continued)**

**(b) Retained profits**

Movements in retained profits were as follows:

Opening balance at 1 July	287,361	280,684
Net profit for the period	197,309	199,898
Dividends (note 33)	(183,979)	(196,171)
Transfers from Infrastructure, plant and equipment revaluation surplus	1,214	2,950
Closing balance at 30 June	301,905	287,361

**(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.

### 30 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:

	2015 \$'000	2014 \$'000
Within one year	47,625	58,188
Later than one year but not later than five years	22,335	29,660
	<u>69,960</u>	<u>87,848</u>

The capital commitments relate to the Corporation's capital program in delivering water and waste water infrastructure, property, plant & equipment assets.

#### (b) Operating lease commitments

	2015 \$'000	2014 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are committed as follows:		
Within one year	11,973	11,330
Later than one year but not later than five years	48,060	46,870
Later than five years	44,328	55,921
	<u>104,361</u>	<u>114,121</u>

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.

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

	2015 \$'000	2014 \$'000
Future other expenditure commitments not provided for in the financial statements are committed as follows:		
Within one year	160,359	166,095
Later than one year but not later than five years	599,227	621,915
Later than five years	826,365	1,067,567
	<u>1,585,951</u>	<u>1,855,577</u>

Other expenditure commitments include commitments pursuant to contracts to:

Operate, manage and maintain the Adelaide metropolitan water and wastewater networks and treatment plants. Refer to Note 1(u).

Operate, maintain and provide energy for the Adelaide Desalination Project. Refer to note 1(v).

### 30 Commitments and contingencies (continued)

#### (c) Other expenditure commitments (continued)

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

	2015 \$'000	2014 \$'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	46,055	63,639
Minimum lease payments	133,974	151,558
Future finance charges	(46,984)	(57,451)
Recognised as a liability	86,990	94,107
Representing lease liabilities:		
Current (note 17)	7,960	7,117
Non-current (note 22)	79,030	86,990
	86,990	94,107
The present value of finance lease liabilities is as follows:		
Within one year	7,960	7,117
Later than one year but not later than five years	42,479	37,969
Later than five years	36,551	49,021
Minimum lease payments	86,990	94,107

Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and wastewater 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:

	2015 \$'000	2014 \$'000
Within one year	4,859	4,882
Later than one year but not later than five years	19,436	19,527
Later than five years	22,446	27,428
	46,741	51,837

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.

### 30 Commitments and contingencies (continued)

#### (g) Remuneration commitments

	2015 \$'000	2014 \$'000
Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities, are payable as follows:		
Within one year	14,695	13,682
Later than one year but not later than five years	21,796	25,045
	36,491	38,727

### 31 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:

	2015 \$'000	2014 \$'000
<b>Current assets</b>		
Cash and cash equivalents	47	9
Receivables	3	31
Total current assets	50	40
<b>Non-current assets</b>		
Infrastructure, plant and equipment	1,604	1,611
Total assets	1,654	1,651
<b>Current liabilities</b>		
Payables	27	26
Total liabilities	27	26
Net assets	1,627	1,625

### 32 Remuneration of auditors

	2015 \$'000	2014 \$'000
<b>Audit fees paid/payable to the Auditor General's Department relating to:</b>		
Financial statement audit	406	383
Regulatory accounts audit	35	35
	441	418

### 33 Dividends

	2015 \$'000	2014 \$'000
Dividends paid (a)	183,979	196,171
Dividend - debt transfer from the SA Government (b)	2,700,000	-
	2,883,979	196,171

(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.

### 34 Remuneration of employees

	Current employees 2015	Ex-Employees 2015	Current employees 2014	Ex-Employees 2014
<b>The number of employees whose remuneration paid and payables falls within the following bands is:</b>				
\$141,500 - 151,499	36	2	41	1
\$151,500 - 161,499	34	2	21	-
\$161,500 - 171,499	18	-	13	1
\$171,500 - 181,499	7	-	8	-
\$181,500 - 191,499	5	-	5	-
\$191,500 - 201,499	6	-	7	-
\$201,500 - 211,499	5	1	5	-
\$211,500 - 221,499	3	1	-	1
\$221,500 - 231,499	-	-	1	-
\$231,500 - 241,499	2	-	1	1
\$241,500 - 251,499	-	-	1	-
\$251,500 - 261,499	3	-	1	1
\$261,500 - 271,499	-	-	2	1
\$281,500 - 291,499	2	-	1	1
\$291,500 - 301,499	1	-	1	-
\$301,500 - 311,499	2	-	2	1
\$311,500 - 321,499	-	-	1	3
\$321,500 - 331,499	1	-	1	2
\$331,500 - 341,499	-	-	2	-
\$341,500 - 351,499	1	-	-	-
\$371,500 - 381,499	1	-	-	-
\$381,500 - 391,499	-	1	-	-
\$391,500 - 401,499	-	-	-	2
\$401,500 - 411,499	-	-	-	1
\$411,500 - 421,499	-	1	-	2
\$421,500 - 431,499	-	-	1	2
\$461,500 - 471,499	-	-	-	1
\$531,500 - 541,499	-	-	-	1
\$551,500 - 561,499	-	-	1	-
\$581,500 - 591,499	1	-	-	-
\$591,500 - 601,499	-	-	-	1
\$891,500 - 901,499	-	-	-	1
<b>Total</b>	<b>128</b>	<b>8</b>	<b>116</b>	<b>24</b>

The total remuneration paid and payable for those employees was \$24.7m (2014: \$30.1m). This amount includes separation payments, lump sum payments for annual leave and long service leave, fringe benefits and superannuation payments.

### 34 Remuneration of employees (continued)

	2015 \$'000	2014 \$'000
<b>Targeted voluntary separation packages(TVSPs)</b>		
<b>Amount paid during the reporting period to separated employees:</b>		
TVSPs	3,750	4,488
Annual leave and long service leave paid to those employees	1,233	1,996
<b>Net cost to SA Water</b>	<b>4,983</b>	<b>6,484</b>

The number of employees who received TVSPs during the reporting period was 24 (2014: 27).

### 35 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 34 and 36.

Remuneration of Directors (excluding the Chief Executive) is shown in the table below.

	2015 Number of directors	2014 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	1
\$40,000 - \$49,999	1	2
\$50,000 - \$59,999	2	2
\$80,000 - \$89,999	1	1
Total	7	6

The total remuneration paid and payable for those Directors was \$0.30m (2014: \$0.31 m) which includes fringe benefits and superannuation contributions.

### 36 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, K.G. Osborn, L.W. Owens, C.A. Pickles, J.F. Ringham and I.F. Stirling.

Ms Blencowe is a Specialist Member of the City of Port Adelaide and Enfield Development Assessment Panel and a member of the Advisory Board of Monopoly Property Group.

### 36 Related party disclosures (continued)

#### (a) Directors (continued)

Ms Filby is a member of the Development Policy Advisory Committee.

Ms Maywald is Managing Director of Maywald Consultants Pty Ltd, Director of Sturt Fleurieu Education and Training, Deputy Chair of International Centre of Excellence in Water Resources Management, Advisory Council Member of Flinders University New Venture Institute, Board Member of Adelaide International 3 Day Event, Partner in DR and KA Maywald and Local Recovery Coordinator for the Sampson Flat Bushfire. She was formerly Chair of the National Water Commission.

Mr Osborn is Director of Pateka Pty Ltd., Tristar Properties Pty Ltd., Port Adelaide Football Club, Australian Institute of Company Directors and the Accounting Professional & Ethical Standards Board (APESB).

Mr Owens is Chair of SA Water, SA Country Arts Trust, a Director of Regional Arts Australia Ltd, a Reconciliation Ambassador for Reconciliation SA, Member of Resources and Energy Sector Infrastructure Council and Member of the City of Marion Audit Committee. He was formerly a Director of Petratherm.

Ms Pickles is the Chair of the South Australia State Library Foundation.

Mr Ringham is a Director and Chief Executive of SA Water, Deputy Chair Wateraid Australia and Director of Water Services Association of Australia (WSAA).

Mr Stirling is Executive Chairman of Stirling Advisory Pty Ltd and a Director and SA President of CEDA, a Director of Botanic Gardens of SA and the Botanic Gardens Foundation, and a member of the University of Adelaide Business School Advisory Board.

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 2015 and 2014 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.

	Number of key management personnel	Short-term benefits \$'000	Post-employment benefits \$'000	Long-term benefits \$'000	Termination benefits \$'000	Total \$'000
2015*	17	2,220	1,017	181	-	3,418
2014*	17	2,348	1,497	79	308	4,232

\*Both 2015 and 2014 include an overlap of SLT members resulting from the organisational restructure.

**37 Statement of Administered items**

	2015		2014	
	River Murray Levy \$'000	Pensioner concessions \$'000	Total \$'000	Total \$'000
<b>Consolidated entity</b>				
<b>Administered Income</b>				
Revenue	25,374	28,532	53,906	53,771
<b>Total Administered Revenues</b>	<b>25,374</b>	<b>28,532</b>	<b>53,906</b>	<b>53,771</b>
Expenses	25,374	28,532	53,906	53,771
<b>Total Administered Expenses</b>	<b>25,374</b>	<b>28,532</b>	<b>53,906</b>	<b>53,771</b>
<b>Operating Surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Consolidated entity</b>				
<b>Current Assets</b>				
Cash and cash equivalents	148	31	179	348
Receivables	1,585	-	1,585	1,406
<b>Total Current Assets</b>	<b>1,733</b>	<b>31</b>	<b>1,764</b>	<b>1,754</b>
<b>Total Administered Assets</b>	<b>1,733</b>	<b>31</b>	<b>1,764</b>	<b>1,754</b>
<b>Current Liabilities</b>				
Payables	1,733	31	1,764	1,754
<b>Total Current Liabilities</b>	<b>1,733</b>	<b>31</b>	<b>1,764</b>	<b>1,754</b>
<b>Total Administered Liabilities</b>	<b>1,733</b>	<b>31</b>	<b>1,764</b>	<b>1,754</b>
<b>Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**37 Statement of Administered items (continued)**

	2015		2014	
	River Murray Levy \$'000	Pensioner concessions \$'000	Total \$'000	Total \$'000
<b>Consolidated entity</b>				
<b>Cash flows from operating activities</b>				
Cash inflows	25,195	28,532	53,727	54,005
<b>Total Cash Inflows</b>	<b>25,195</b>	<b>28,532</b>	<b>53,727</b>	<b>54,005</b>
Cash outflows	25,121	28,775	53,896	53,819
<b>Total Cash Outflows</b>	<b>25,121</b>	<b>28,775</b>	<b>53,896</b>	<b>53,819</b>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>74</b>	<b>(243)</b>	<b>(169)</b>	<b>186</b>
<b>Net increase/(decrease) in cash held</b>	<b>74</b>	<b>(243)</b>	<b>(169)</b>	<b>186</b>
Cash at the beginning of the reporting period	74	274	348	162
<b>Cash at the end of the reporting period</b>	<b>148</b>	<b>31</b>	<b>179</b>	<b>348</b>

### 38 SA Government transactions

**(a) Income received/receivable from entities within the SA Government**

	2015	2014
	\$'000	\$'000
Rates and charges	64,601	64,179
Community service obligations	128,001	125,751
Recoverable works	9,112	7,341
Fees and charges	23	11
Miscellaneous	1	2
Government grants	339	1,793
Interest received	569	175
<b>Total revenue - SA Government entities</b>	<b>202,646</b>	<b>199,252</b>

**(b) Expenses**

**Supplies and services**

	2015	2014
	\$'000	\$'000
<b>Provided by entities within the SA Government</b>		
Operational services	32,817	32,712
Administration	32,656	35,283
Materials & Other	1	1
Payroll tax	7,057	7,516
Maintenance contracts	1,901	1,473
<b>Total supplies and services - SA Government entities</b>	<b>74,432</b>	<b>76,985</b>

**Borrowing costs**

**Provided by entities within the SA Government**

Interest expense	303,239	214,105
<b>Total Borrowing Costs provided by entities within the SA Government</b>	<b>303,239</b>	<b>214,105</b>

### 38 SA Government transactions (continued)

#### (c) Receivables

	2015 \$'000	2014 \$'000
<b>Receivables from SA Government entities</b>		
Community service obligations	12,921	12,922
Rates receivable (water and wastewater)	1,507	709
Sundry debtors	3,202	5,254
	17,630	18,885

#### (d) Payables

##### Current

	2015 \$'000	2014 \$'000
<b>Payables to SA Government entities</b>		
Trade creditors	3,279	5,079
Interest payable	58,949	39,661
Other creditors	4,678	4,608
	66,906	49,348

##### Non-Current

##### Payables to SA Government entities

Other creditors	1,423	1,300
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### 39 Events occurring after the reporting period

#### Changes to two administered items

On 14 May 2015 the SA Government announced a new cost of living concession to come into effect on 1 July 2015 to replace the \$190 council rate concession. SA Water will cease the administration of this item for the SA Government in 2015/16.

On 17 June 2015 the SA Government announced the abolishment of The Save the River Murray Levy from 1 July 2015. The Corporation will cease the billing for this levy in 2015/16, but will continue to collect the outstanding debt billed prior to 1 July 2015.

## Contacting us

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