

South Australian Water Corporation  
**Annual Report**

For the year ending 30 June 2013



Government  
of South Australia



## Letter of Transmittal

30 September 2013

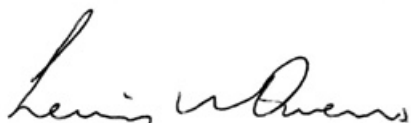
The Honourable Ian Hunter MLC  
Minister for Water and the River Murray  
Parliament House  
North Terrace  
Adelaide SA 5000

Dear Minister

On behalf of the Board of SA Water, it gives me great pleasure to present the Corporation's Annual Report for the financial year ended 30 June 2013.

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 1.5 million South Australian customers. Once this water has been used, we remove the waste and treat it to ensure the best outcomes for your health, and reduce environmental impact. 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 1500 people – each one looking for innovative ways to deliver efficient and responsive water and wastewater services to our customers now and into the future.

SA Water is responsible to the Honourable Ian Hunter MLC, Minister for Sustainability, Environment and Conservation, Water and the River Murray, and Aboriginal Affairs and Reconciliation.

Our organisation also works 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 for Health and Ageing
- Environment Protection Authority.

## **Our Vision**

*Meeting all challenges: to deliver safe, sustainable and affordable water services for the community.*

## **Our Strategic Plan**

SA Water has now operated under the guidance of its new Strategic Plan for 12 months. This provides us the direction we need to operate our organisation effectively as we deliver world class water and sewerage services to our South Australian customers – and as we move into a regulated operational 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 enables us to move forward with confidence and with purpose.

## **Drinking Water Quality Report**

In addition to the Annual Report, SA Water also publishes an annual Drinking Water Quality Report. This report focuses on the many water quality initiatives and research activities that SA Water undertakes each year and shows our 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 2012-13

Topic/Activity/Project	Page
Profit before tax of \$362.7 million	38
SA Water's Strategic Plan launched in July 2012	15
Business Transformation Project identifies efficiency opportunities for the organisation	8
Adelaide Desalination Plant completed on time and within budget, 19 December 2012	60
Economic regulation is implemented for SA Water	38
Significant reduction in environmental incidents	35
SA Water recognised as fourth best graduate employer in Australia	47
Customer Service call wait times reduced by more than 30%	18
Launch of the Kauwi Interpretive Centre at the Adelaide Desalination Plant	21
Marion Road Trunk Water Main Upgrade commences	68
Nearly 1000 employees responded to a safety survey with a 75% favourable response	50
Completed projects for remote communities to a value of around \$8.5 million	36
17 367 school students enjoyed our <i>Brainwave</i> programs	20
NSISP achieves 1.8 million hours worked without a recorded Lost Time Injury	62
SA Water becomes a member of the Energy and Water Ombudsman SA scheme	18
Rollout of 2012-14 Reconciliation Action Plan increases the profile of Aboriginal employment opportunities and initiatives	56

## A message from our Chairman

The past year has been very significant for SA Water – the year in which economic regulation was introduced for water services across South Australia. To provide our customers, staff and contractors with a clear understanding of the direction we need to be taking as an organisation, the Board has adopted a corporate vision that builds on our history and aligns with our Strategic Plan for the future:

***“Meeting all challenges: to deliver safe, sustainable and affordable water services for the community”.***

SA Water has a long history of meeting the challenges of delivering water services to our state, be they drought, floods, remote communities, vast service areas, soil conditions, terrain and salinity (and many more!). The over-riding challenge is to do this in the most cost effective manner, so water remains affordable and its supply sustainable.

The vision has been exemplified in addressing the challenges faced in two major recent projects, the Adelaide Desalination Plant and the North South Interconnection System Pipeline. Together these enable us to ensure a sustainable water supply to our customers, but to do so, many technical and practical issues needed to be overcome through innovation and planning. We continue to work to ensure that we meet the challenge of evolving demands for water and wastewater services across the regions.

Despite the additional costs that new infrastructure brings to our services, it remains SA Water’s determination to deliver affordable services to our customers. Our ongoing efforts to understand what the future holds for South Australia’s water sources and the needs of our growing customer base continue to be a major focus. To that end we have embarked upon a new strategy for engaging with customers both through market research and through the establishment of new Customer Advisory Groups. The Board has recently established two new Board Committees, a Customer and Regulation Committee and a New Business and Innovation Committee, to ensure these areas receive the full attention of Directors.

During the past year we initiated a major restructuring of the organisation in order to better meet customer and regulator expectations. This process will continue in the coming year and we are confident that it will result in a more effective and efficient business.

As Chairman, I appreciate the support and commitment of my fellow directors. At the end of June, the Hon. Frank Blevins retired after serving on the Board for more than 11 years, during which time he made a major contribution to financial and governance reform across the corporation, as well as being a strong influence on behalf of our customers. His effort and enthusiasm over that period were much appreciated. Sadly, Frank passed away in September and the Board extends its sympathy and respect to the Blevins family.

On behalf of the Board, I would like to record our thanks to the management and staff of SA Water across South Australia and interstate for the high standard of service they deliver to our customers. Our workforce is adept at meeting the many challenges that confront a geographically and technically diverse business, and their dedication and experience are highly valued.

A handwritten signature in black ink, appearing to read "Lewis W Owens". The signature is written in a cursive style with a large initial 'L'.

Lewis W Owens  
Chairman

## **A message from our Chief Executive**

This year has seen a focus on finding and delivering efficiencies throughout the business. By working closely with staff across the organisation, our Business Transformation Project (BTP) has identified opportunities to improve on our levels of service. It is heartening to see the dedication and enthusiasm from our staff as we begin to implement these efficiencies into our operations.

The BTP has been a key strategic tool in helping us respond positively to our new regulatory environment by ensuring that we deliver the levels of service expected by both our customers and the regulator. These new found efficiencies and processes are already improving our ability to operate within a tighter framework, as well as to deliver world standard services to our customers. I look forward to watching our services improve as we implement outcomes from the BTP progressively over the next three years.

One significant outcome of the BTP has been a restructuring of our leadership team to align with our new strategic plan. One of the first tasks of the new Senior Leadership Team (SLT) will be to develop a more efficient organisational structure that focuses on our obligations to both the regulator and our customers.

### **Asset investment and management**

We continue to assess our infrastructure and future water and wastewater requirements so we can invest intelligently in our assets and services. Not only does this help us meet our service requirement and water quality targets, it allows us to align our investments with both current and future needs. This proactive process enables us to add strength to areas that support our regulatory obligations as well as the potential growth of our customer base.

We also continue to seek and implement better and more efficient ways to manage our water supply sources, ensuring reliability and sustainability for our customers now and as we move forward.

### **Significant milestones achieved**

This financial year saw the official handover of the Adelaide Desalination Plant to the operator in December. The plant, now in its two-year proving period, is capable of producing water at its 100 GL capacity and had produced over 42 billion litres by the end of June 2013.

The North South Interconnection System Project (NSISP), which was completed in December 2012 on time and within budget, now enables us to deliver desalinated water through the Happy Valley Water Treatment Plant to northern metropolitan Adelaide. This capability is critical to delivering water security to all Adelaide metropolitan customers as we plan for the future.

Our \$60m upgrade to the Bird in Hand Wastewater Treatment Plant was also completed in July 2012, greatly improving the quality of water being discharged to Dawesley Creek.

We also provided our Crystal Brook operation with a new state-of-the-art workshop, bringing significant economic activity to the area and enhancing our services to our Northern Region customers.

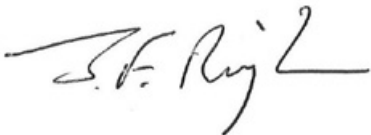


## Recognition

Our innovative efforts and hard work have not gone without some significant industry recognition this year. Some of the awards we've received this year include:

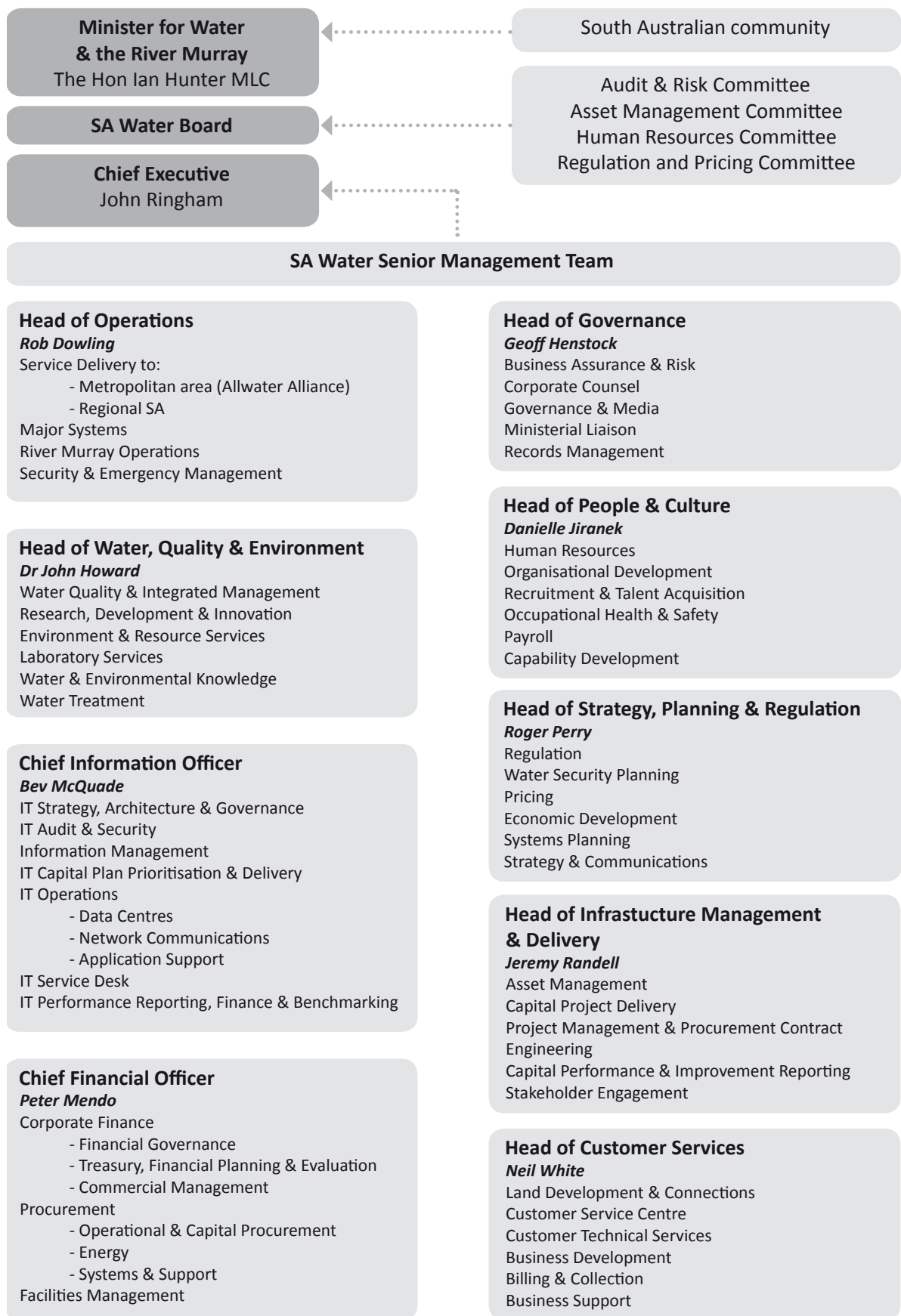
1. Winner 2011 Project Management Institute (PMI) Australia, SA Water, Project of the Year for the Adelaide Desalination Plant
2. Distinction Award 2012; Global Water Awards, SA Water and AdelaideAqua, Desalination Plant of the Year
3. Finalist Australian Human Resources Institute (AHRI) Diversity Awards for Indigenous Employment
4. SA Water graduate program ranked 'Australia's fourth best graduate program' by the Australian Association of Graduate Employers
5. NSISP won SISA 2012 Supplier or Contractor Excellence award (Self Insurers of SA)
6. Australian Institute of Project Management National Project Director of the Year 2012 for the NSISP
7. Australian Water Association Research and Development Award, recognising contributions to research and development benefiting the water industry.

After 12 months of operating under economic regulatory guidelines, it is clear to me that SA Water, as well as its individual employees, has what it takes to deliver outcomes that meet the regulator's requirements as well as our customers' expectations. Above and beyond that, I see a willingness across the organisation to adapt to new challenges and take on greater responsibility to ensure a strong, healthy future for all South Australians.



John Ringham  
Chief Executive

# Organisational Chart



## Director Profiles

### **Lewis Owens**

*BE (Hons), MSc, BA*

*Chair of the Board since July 2011*

*Member of the Asset Management and Human Resources Committees*

Lewis is a Reconciliation Ambassador in South Australia, with a particular interest in indigenous employment initiatives, including being Chair of the Energy and Water Industry Aboriginal Employment Cluster. He is also Chair of the SA Country Arts Trust, Chair of the University of Adelaide Business School Advisory Board, a director of Petratherm Ltd and Regional Arts Australia Ltd, a member of the Resources and Energy Sector Infrastructure Council and a member of the City of Marion Audit Committee. Lewis was Chairman of the Essential Services Commission of South Australia (2002 to 2005), responsible for regulating the SA electricity and gas industries, intra-state and Darwin railways, ports and urban water pricing. He was CEO of WorkCover Corporation and Funds SA in the 1990s and later CEO of ETSA Utilities (2005 to 2010). Lewis has served as an associate Commissioner on the Australian Competition and Consumer Commission Energy Committee and was also the South Australian Independent Industry Regulator for the state's electricity industry.

### **Sybella Blencowe**

*BA, MTP, LLB, GDLP*

*Non-Executive Director since July 2008*

*Member of the Asset Management, Audit and Human Resources Committees*

Sybella has more than 20 years experience in private legal practice in environment, planning, property, local government law and commercial litigation both as a partner in commercial law firms and in her own specialist firm. She has served on government business enterprise boards and Ministerial Advisory Committees including as 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 a Specialist member of the City of Adelaide and Port Adelaide Enfield Development Assessment panels.

### **Hon Frank Blevins**

*Non-Executive Director since December 2002*

*Chair of the Audit Committee*

Frank was elected to the SA Legislative Council in 1975 and to the House of Assembly in 1985. He served the state as Deputy Premier and across a range of ministerial portfolios including Treasury, Mineral Resources, Transport and Agriculture and Fisheries for 10 of his 22 years in Parliament. Having held senior government ministries over many years, Frank brings valuable knowledge and experience, particularly in the field of economics and finance.

**Catherine Cooper**

*LLB, GDLP*

*Non-Executive Director since July 2008*

*Chair of the Human Resources Committee and Member of the Audit Committee*

Combining a legal and business background, Catherine has strong expertise in areas including strategic planning, project management, business re-engineering, corporate governance and change management. She has extensive executive management experience across a broad industry base that includes Fosters Brewing Group and Elders Ltd. At a board level, Catherine has had wide involvement as both Chairperson and Director for a number of organisations, including Minda Inc, Repatriation General Hospital, Dairy Authority of SA, Fisheries Council of SA and Fleurieu Regional Waste Authority.

**Kevin Osborn**

*Non-Executive Director since February 2012*

*Chair of the Asset Management Committee and Member of the Audit Committee*

Mr Osborn is Deputy Chairman of the Economic Development Board of South Australia, Chairman of Invest in South Australia, Deputy Chairman of the Port Adelaide Football Club, and Director of the Accounting Professional & Ethical Standards Board (APESB). Kevin is a member of Australian Institute of Company Directors (AICD) SA and NT Council. He also serves on the Advisory Board of the Adelaide University Business School. Until December 2012 Kevin was a non executive Director of Calgary-based Viterra Inc a global agriculture/food logistics company which was listed on the Toronto Stock Exchange. He left the Viterra Board following the US\$6.25 billion takeover by Glencore. Mr. Osborn played a significant leadership role in the governance aspects of the 100 GL desalination plant built by SA Water. He is currently a Foundation Fellow of the Australian Institute of Company Directors, a Fellow Professional of the Institute of Public Accountants and a member of the Institute of Corporate Directors in Canada.

## Senior Management 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. He is a Director and Deputy Chair of WaterAid Australia and a Director of the Water Services Association of Australia.

### **Rob Dowling, Head of Operations**

*B Comm, MBA*

Rob worked as a human resources manager and industrial relations specialist in the automotive industry, and had several years of experience as a production manager at Holden Ltd's Vehicle Manufacturing Operations at Elizabeth, SA. Rob was SA Water's Regional Manager Northern Region, and then Head of Regional Operations, before moving to his current position. Rob is responsible for all water and wastewater networks and treatment operations across metropolitan and regional SA, reservoir operations, major pumping, River Murray operations and corporate security and emergency management. Rob was the inaugural Chair of the Allwater Alliance Leadership Team.

### **Geoff Henstock, Head of Governance**

Geoff has been employed in the water and electricity industries for 35 years and has 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, Head of Water, Quality and Environment**

*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 over 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 both Water Quality Research Australia and the Australian Water Association.

### **Danielle Jiranek, Head of People & 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

HR 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.

**Bev McQuade, Chief Information Officer**

Bev has over 25 years of experience working with information technology in large corporations. She has worked for ANZ Bank in a global role, managing information systems for the retail bank and held an executive level position with ANZ Bank for many years. She spent over 15 years working for the finance and insurance sector in Melbourne. She previously held a range of senior positions in Adelaide, primarily in the insurance sector. She was part of the team that established SGIC Health as a business in South Australia and was involved in the establishment of the Medicare program while working for the Health Insurance Commission. Bev joined SA Water in 2008.

**Peter Mendo, Chief Financial Officer**

*B Comm, FCPA*

Peter has held senior financial management roles in the mining, engineering, health and food industries, with CRA, Joy Technologies (USA), FH Faulding and Balfours. During 2012-13 Peter was an alternate member of the SA Government Financing Authority Advisory Board and a member of the SA Government Financing Authority Audit Committee.

**Roger Perry, Head of Strategy, Planning & Regulation**

*BEng, MBA, Dip PM*

Roger is a water industry specialist with over 30 years of experience, much of it gained at Melbourne Water, Victoria. Roger's areas of expertise include sewerage system design, construction management, water operations, asset management and strategic and corporate planning. Prior positions at SA Water include General Manager Bulk Water, General Manager Operations and Head of Planning & Infrastructure.

**Jeremy Randell, Head of Infrastructure Management & Delivery**

*BEng (Hons), MBA, Dip Log Mgt, GAICD*

Jeremy has a commercial background in civil engineering and diverse construction related businesses. He managed Business Development and Industrial Services for Brambles in WA and Sydney before moving to South Australia in the mid 1990s, joining Macmahon Holdings as Group General Manager Plant and Technology. Jeremy's previous positions at SA Water include Head of Economic Development and Procurement, Head of Business Services, Head of Operations and Head of Metropolitan Operations.

**Neil White, Head of Customer Services**

*B Comm*

Neil has a background in sales and marketing with large consumer oriented companies including Unilever, Safcol, Kingfisher Holdings and Sunbeam Foods. His international experience includes responsibility for a number of Safcol companies throughout South East Asia and General Manager of Group Operations for Kingfisher Holdings (based in Thailand). On return to Australia, Neil became CEO of Sunbeam Foods in Mildura before joining SA Water as General Manager Retail. Neil is also on the Board of Autism SA.

## Our SA Water Vision and Strategic Plan

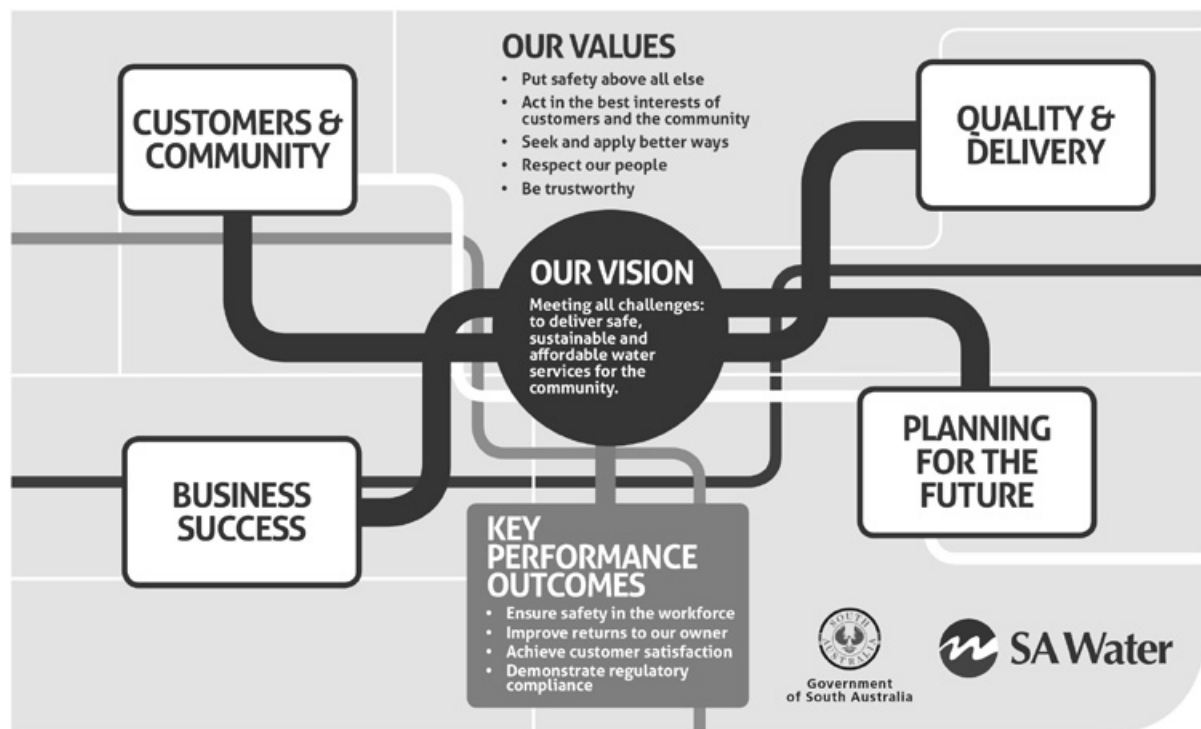
In early 2012-13, the *SA Water Strategic Plan 2012-16* was launched. At the heart of the strategic plan is the vision for SA Water:

***Meeting all challenges: to deliver safe, sustainable and affordable water services for the community.***

This vision acknowledges SA Water’s past and its remarkable capacity to deliver products and services in the face of the most difficult of 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 and remain on the front foot.

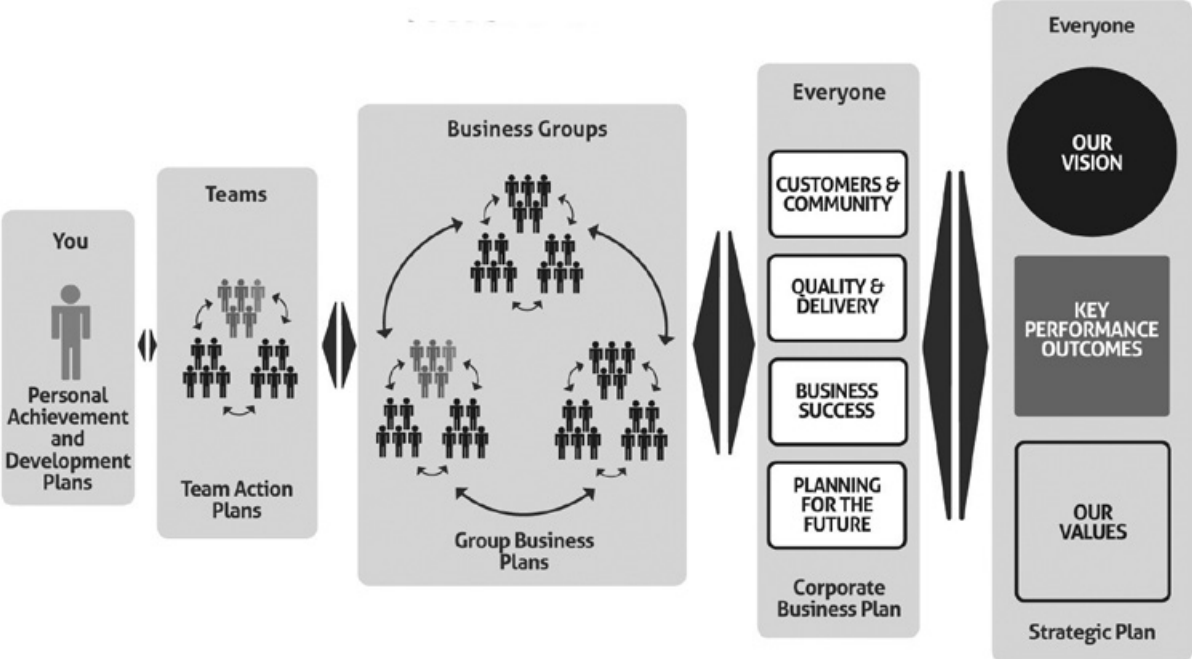
Based on this vision, the strategic plan sets a clear direction and establishes strategic priorities for the delivery of success against our key performance outcomes, as indicated in the figure below.

## SA Water Strategic Priorities



To facilitate implementation of the strategic plan, a strategic management framework has been developed, as indicated in the figure below. Integral to the strategic management framework is the concept of line-of-sight. This is essentially about individuals and teams understanding how they contribute to the whole of business priorities and outcomes, and also the way in which individuals and teams work together to deliver the corporate wide strategies.

# SA Water Strategic Management Framework





## Customers & Community

2012-13 Performance Summary			
<p><u>Statement of Intent:</u></p> <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> <p><u>Key Strategies:</u></p> <ul style="list-style-type: none"> <li>Customer Services</li> <li>Stakeholder Engagement</li> </ul>	Key Performance Indicator	2012-13 Target	2012-13 Result
	Customer satisfaction survey (recent contact survey)	80%	77%
	Calls to Customer Service Centre answered within 30 seconds	85%	84%
	Percentage of all routine written enquiries responded to within 10 working days	95%	79%

### Comments:

This financial year, as part of our vision of ‘meeting all challenges’, SA Water commenced a new quantitative customer satisfaction survey during 2012-13, which surveys customers who have had a recent service experience. Two cycles of quarterly customer satisfaction data have now been collected. The key performance indicator that is measured (above) is based on the overall satisfaction of residential customers. The result indicated that while customer satisfaction is generally reasonable, there is room for SA Water to improve.

SA Water has narrowly missed the target for answering calls to the Customer Service Centre within 30 seconds. The target is 85% and SA Water achieved 84% in 2012-13. However, performance has significantly improved from 2011-12 (61%). The improved performance in 2012-13 is attributable to the implementation of a revised 24/7 roster and greater flexibility in human resource practices through the use of a revised recruitment model.

Despite the fact that SA Water has not achieved the target for responding to written enquiries within 10 working days, performance was consistent and near or above target for many months of the year. Performance was severely and negatively affected in the last quarter of the year when in excess of a million spam emails were received by the Customer Service Centre, which significantly hindered response times.

## Customer Service Strategy

### Customer Service Centre

In 2012-13, the total number of customer enquiries received in person, over the phone, in writing or via email increased by 5.1% from 540 646 in 2011-12 to 568 032. The total number of calls received decreased by 1% from 495 054 in 2011-12 to 488 465 in 2012-13.

On average, callers waited 20 seconds for their call to be answered by one of our Customer Liaison Officers, which is 9 seconds less than in the previous year. The average duration of calls to the SA Water Customer Service Centre was three minutes and 21 seconds, an increase of 15 seconds from the previous year. The total number of email enquiries received in 2012-13 was 27 019, while 37 657 transactions were handled at the Customer Service Counter.

### Customer complaint handling

In 2012-13, a total of 2 309 complaints were received. The most common reasons for complaint were water quality, high water use, repairs and maintenance to infrastructure in the metropolitan area, and water prices.

There was an increase in the number of complaints received in 2012-13. Under the *Water Industry Act 2012*, SA Water was required to join an industry ombudsman scheme. We officially joined as a member of the Energy and Water Ombudsman SA scheme on 1 July 2012 and these figures have been included in this report. Water quality complaints have also been included in this report. This would have contributed to the increase in the number of complaints when compared to last year's figures.

### Customer Research

During 2012-13 SA Water developed a new approach to measuring customer satisfaction. Moving away from a score out of 10, SA Water now uses percentages to measure the level of satisfaction our customers experience after contacting SA Water. This covers all aspects of their customer service experience, from contacting the SA Water Call Centre and the performance of crews responding to faults on site, right through to providing customer feedback and SA Water's complaints process.

SA Water surveyed a total of 1 595 customers in 2012-13.

Data was collected during two separate periods, and the overall customer satisfaction results are illustrated below. During 2013-14 customer satisfaction data will be collected and reported quarterly.

		Percentage of Customers		
		December 2012 – March 2013	April 2013 – June 2013	Average
Overall satisfaction with SA Water	Positive satisfaction (includes satisfied and very satisfied)	81	72	77
	Neutral satisfaction (includes neither satisfied nor dissatisfied)	10	15	13
	Dissatisfaction (includes dissatisfied and very dissatisfied)	9	13	11

In June 2013 SA Water undertook focus groups to identify key issues of importance to customers and to better understand service expectations. Issues of importance identified by customers were price and affordability, frequency of bursts and leaks, infrastructure maintenance, reliability of supply and water quality.

### **SA Water's first Standard Customer Contract and Customer Charter**

On 27 June 2013 SA Water published its first *Standard Customer Contract and Customer Charter* in line with the Essential Services Commission of South Australia's (ESCOSA) requirements. These documents consolidate SA Water's key customer commitments, rights and obligations, as well as outline our customers' rights and responsibilities.

The *Standard Customer Contract* is a legally binding document between SA Water and its customers, while the *Customer Charter* provides a short summary of the contract and references SA Water's service standards set by ESCOSA. Both documents took effect from 1 July 2013.

Copies of these documents can be found at [www.sawater.com.au](http://www.sawater.com.au).

### **Key account management**

SA Water supports its major customers through a central point of contact, the Key Account Manager. Customers are defined as 'major' based on the revenue they contribute to the corporation. This includes revenue from water rates and sales, wastewater rates and trade waste charges.

SA Water recognises all customers are different and have unique requirements. The Key Account Manager is the customer's advocate and provides a single point of contact within SA Water who assists in responding to issues as quickly as possible.

The Key Account Manager's role includes understanding our major customers and their requirements. This is achieved through regular contact with representatives appointed by our key customers. Through this contact SA Water gains a better understanding of what is important to the customer, including reliability of supply, flow rates, trade waste issues and pricing. We also get an insight into future consumption trends or potential increases or decreases in demand.

Throughout 2012-13 SA Water supported businesses in expanding their operations by providing additional water and/or wastewater services. For example, SA Water has assisted with meeting objectives in the *Poultry Meat in South Australia - Strategic Directions Paper* by providing additional water and trade waste services to processing facilities, in addition to providing more water to farms in the Port Wakefield region. We are also working with mining companies to investigate opportunities to supply water to their operations.

## Stakeholder Engagement Strategy

### Communications

SA Water is committed to improving communication and engagement with stakeholders and customers and ensuring the timely, relevant delivery of information to the South Australian community. A number of activities were undertaken in 2012-13 to ensure this. Key projects included:

- Wastewater education campaign including the development of resources for school and community presentations, signage, advertising and customer brochures
- Social media strategy to support enhanced engagement with our customers
- Development of a digital strategy and the launch of a project to enhance the SA Water website so it better meets the needs and expectations of our customers
- Development and launch of the SA Water Quench Bench – a mobile water trailer available at no cost to service community events
- Launch of the Kauwi Interpretive Centre at the Adelaide Desalination Plant – a state-of-the-art interactive learning space that aims to provide access to water, desalination and science education experiences
- An enhanced community tour program that provides access to our water and wastewater treatment plants to interested members of the public
- Waterwise Measures advertising and brochures.

### Sponsorships and partnerships

SA Water's sponsorship program included five industry and 10 community activities in addition to the provision of in-kind support. Each activity provided an opportunity for SA Water to promote its role in water delivery and wastewater management while also strengthening our relationship with the community.

Key sponsorships for the year were:

- **Nature Foundation SA – Water for Nature:** an initiative to undertake community-driven environmental watering projects on the Murray Valley wetland and floodplain sites
- **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
- **Credit Union Christmas Pageant:** a major family event that we supported with 31 000 bottles of water for performers and spectators
- **Multiple Sclerosis Society Mud Run:** a challenging obstacle course race through mud to raise money for the Multiple Sclerosis Society of SA and NT
- **Berri and District Business Association - SA Water Berri Merri Christmas:** an annual family oriented Christmas event held in Berri.

### School education program

The SA Water *Brainwave* program provides free learning programs and resources to primary and secondary students and teachers throughout the state. In 2012-13 the *Brainwave* program attracted a total audience of 17 367 students (9 919 from metropolitan schools and 7 448 from regional schools). Programs included workshops, treatment plant tours, science labs, theatre shows and school visits.

The entire suite of programs and resources were free of charge and travel reimbursements were offered to disadvantaged schools. Forty per cent of students attending the *Brainwave* programs in 2012-13 were from disadvantaged schools.

Under the current Memorandum of Understanding (MOU) with the Department for Education and Child Development (DECD) SA Water employed a full time consultant teacher to ensure learning experiences reflected the curriculum and the needs of the school community.

In addition to the *Brainwave* program SA Water also worked in partnership with the Smith Family to deliver the metropolitan and regional *Next Steps* program aimed at assisting high school students to develop essential recruitment skills to prepare them for the workforce. In December 2012 we hosted the Aboriginal Summer School for Excellence in Technology and Science (ASSETS) program, a national event held annually for Aboriginal and Torres Strait Islander students.

### **Community education program**

SA Water's community education program included tours of water and wastewater treatment plants, community presentations and sessions at the new Kauwi Interpretive Centre at the Adelaide Desalination Plant. In 2012-13 the community programs attracted a total audience of 1 313 people.

### **Local Government Liaison**

The Local Government Liaison role maintained regular contact with state councils throughout 2012-13. Ongoing liaison and exchanging of information with councils and key stakeholders has been particularly important with recent regulation of the water industry. Key issues during this period include commencement of meetings with councils regarding SA Water's South East Water Security Plan, sharing information with councils on SA Water's forward capital program, opportunities for councils to participate on water testing panels, comment on draft frameworks and discussing changes to SA Water's practices and policies.

### **Stakeholder Engagement**

Capital projects have the potential to impact upon Local Government policy, community expectations and individual quality of life from a social, environmental and economic perspective.

SA Water seeks to have an informed view of external stakeholder opinions, expectations, needs and wishes, along with providing the opportunity for external stakeholders to have input into project decisions. Stakeholder engagement can improve the delivery of capital project outcomes and ultimately project success.

In 2012-13, the SA Water Stakeholder Engagement Team continued to actively engage and communicate with external stakeholders regarding a range of capital projects across both metropolitan and regional locations. Engagement activities included:

- **Queensbury Wastewater Pump Station Upgrade:** Early engagement with local residents, council, local community organisations to have input into the layout, building design and overall site amenity. Ongoing communication about construction activities.

- **Kilburn/Blair Athol Wastewater Network Augmentation:** Engaging with local residents in the decision-making process to deliver an augmentation to the Blair Athol/Kilburn wastewater network.
- **Adelaide Airport Stormwater Scheme:** Early engagement with residents, local community groups and council in relation to construction activities and associated landscaping. Ongoing communication during construction.
- **Marion Road Trunk Water Main Upgrade:** Early engagement with businesses and residents along the pipeline alignment to identify potential issues to be managed during construction. Ongoing communication during construction.
- **Christies Beach Wastewater Treatment Plant:** Ongoing engagement with local environment groups, Noarlunga Downs residents, local and state government agencies relating to the design, landscaping and remedial works to rehabilitate the decommissioned Noarlunga Downs sludge lagoons to stormwater wetlands.
- **North South Interconnection System Project:** Ongoing engagement with residents across the metropolitan area in the decision-making process for infrastructure delivery at specific SA Water sites. Ongoing communication with residents and businesses impacted by construction works.
- **Mount Barker and Murray Bridge Wastewater Services Upgrade:** Engagement with local community, council, local residents groups and other local community groups to have input to water and wastewater strategies for these areas.
- **Warren Water Trunk Main Upgrade:** Early and ongoing engagement with businesses and residents to be affected by water shutdowns associated with the upgrade of the water trunk main.

### **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.

## Quality & Delivery

Performance Summary			
<u>Statement of Intent:</u>	Key Performance Indicator	2012-13 Target	2012-13 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>	Compliance with Australian Drinking Water Guidelines health related parameters: - metropolitan - regional	100% 99.80%	99.97% 99.92%
	Timeliness of attendance at water breaks, bursts & leaks  Percentage of Priority 1* complaints attended within 1 hour: - metropolitan - regional	99% 80%	97% 96%
	Timeliness of water service restoration  Percentage of Category 1* events restored within 5 hours: - metropolitan - regional	99% 75%	96% 100%
	Timeliness of sewerage overflow attendance  Percentage of inside building overflows attended within 1 hour: - metropolitan - regional	99% 99%	98% 100%
	Timeliness of sewerage overflow clean up  Percentage of inside building clean ups completed within 4 hours: - metropolitan - regional	95% 95%	92% 100%
	Construction/extension to water/ sewer services completed within target timeframes	95%	97%
	EPA licence compliance	100%	100%
	Net greenhouse gas emissions CO <sub>2</sub> -e (5 yr rolling average)	398 000 tonnes	368 051 tonnes

\*You can find details of Priority 1 complaints and Category 1 events on the Regulator's website: [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)



Comments:

Our target for compliance with the Australian Drinking Water Guidelines (ADWG 2011) health-related parameters was achieved in our regional systems. Compliance was marginally below our target for metropolitan systems. However, the ADWG do recognise that occasional exceedances can occur. The result of 99.97% compliance in the metropolitan area is a significant improvement on the previous year's result of 99.79%.

SA Water met all regional-based targets, but not the metropolitan-based targets for water service attendance and water service restoration. Most of the metropolitan results showed improvements throughout the 2012-13 financial year and all achieved target in the final quarter of the year. Due to the comparatively low numbers of Priority 1, Category 1 and sewerage overflow inside building events, occasional events that do not achieve target account for a significant percentage difference. Throughout the year significant improvements have been made to the processes and resourcing of work associated with these targets. SA Water is continuing to work with the Allwater Joint Venture to improve system reliability.

SA Water has met the target for constructing or extending water or sewer services within target timeframes. While the number of service requests for constructing or extending services varied during the 2012-13 year, there has been a general increase in requests. This indicates a strong service commitment from SA Water to the development industry in South Australia.

SA Water's environmental obligations are regulated by the South Australian Environment Protection Authority. While occasional wastewater environmental notifications need to be made, SA Water achieved 100% Environment Protection Authority compliance in 2012-13. In addition, SA Water's commitment to reducing carbon emissions and seeking energy efficiencies was successful in exceeding the target by a significant margin.



## Water & Wastewater Services Strategy

### Water quality performance

Our 2012-13 performance against the ADWG health parameters is presented in the previous table.

#### *E. coli* compliance

Indicator	2012-13 Target	2012-13 Result
<i>E. coli</i> compliance across all customer taps in drinking water supply systems:		
- metropolitan	100%	99.96%
- regional	100%	99.91%

In 2012-13, we achieved 99.91% *E. coli* compliance across all customer taps in our country drinking water supply systems and 99.96% *E. coli* compliance across all customer taps in our metropolitan drinking water supply systems. The ADWG recognise that occasional *E. coli* detections may occur in drinking water. In accordance with the guidelines and the interagency *Water/Wastewater Incident Notification and Communication Protocol*, all detections were immediately communicated to SA Health, investigated by SA Water and corrective actions implemented as agreed with SA Health. All follow-up samples were clear from *E. coli*, verifying minimal risk to customers.

Detailed results of drinking water quality performance can be found in our Drinking Water Quality Report, available on our website ([www.sawater.com.au](http://www.sawater.com.au)).

### Source water quality management

During 2012-13, we continued with improvements to existing source water quality management strategies and the implementation of new initiatives for our reservoirs and the River Murray:

- Continuation of cyanobacterial bloom management in Myponga and Little Para reservoirs by optimising reservoir and water treatment plant management.
- Immediate on-the-ground assessment, tracking and early warning of potential source water quality changes through focused investigations facilitated by SA Water's Field Response Team. The Field Response Team is a specialist on-call team with the expertise to identify and investigate potential water quality issues in source waters such as the River Murray. This initiative ensures early detection of any emerging water quality issues so that appropriate management and operational actions can be implemented.
- We continued with our comprehensive River Murray water quality monitoring program at 21 key locations, with specific monitoring to detect any algal blooms. This included the use of water quality probes fitted with special sensors enabling early detection of algal blooms in the river and implementation of appropriate management and operational actions if required.

## **Drinking water quality management**

SA Water's drinking water supply systems are managed in accordance with our Drinking Water Quality Management System (DWQMS).

This system is based on the *Australian Drinking Water Guidelines Framework for Management of Drinking Water Quality* (ADWG 2011), 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 consumer tap.

We use 'AQUALITY' – a measurement and evaluation tool developed by the Water Services Association of Australia – to assess our progress against the framework. In 2012-13, we improved our rating from 88.4% in 2011-12 to 91.2% (2012-13 target 90.0%). The increase was mainly due to:

- Completion and endorsement of "Responsibility Matrices" – SA Water's water quality processes which contribute to communicating our water quality commitments to employees
- A documented process for Senior Management Team review of the DWQMS
- Implementation of a water quality "System Risk Assessment" process
- Development of a "Water Quality Hazard and Risk Register" incorporating an improvement planning process
- Development of an approved chemicals register, as specified in Element 4 of the ADWG - "Chemicals Recommended For Use In The Treatment Of Drinking Water - Approved Chemicals"
- Establishment of a drinking water quality external audit program
- Implementation of long term trend reporting for source water and documentation of the trending process.

## **Water quality improvement**

A number of projects were initiated in 2012-13 to improve the quality of water delivered to our customers across the state. These included:

- Implementation of a number of initiatives for the reduction of disinfection by-products and improved disinfection residual management, including the installation of aerators, strategies to reduce water age and distribution system modifications
- Progressive rebuilding of filters at Happy Valley and Hope Valley water treatment plants, with updated media support systems and new filtration media. This will significantly improve the efficiency and robustness of the filtration step of the treatment process
- Replacement of instrumentation and plant control and communication systems at Anstey Hill water treatment plant, and a program of trialling innovative process control applications
- Upgrading of the process control equipment at Kangaroo Island's Middle River water treatment plant (in progress).

## **Trade waste**

Trade waste is wastewater from commercial, industrial, business, trade or manufacturing activity produced by approximately 9 000 businesses across South Australia. This waste

is either discharged to the SA Water wastewater network or deposited at one of our six hauled waste receiving stations across the state. Maintaining quality and quantity standards of trade waste is critical to ensure protection of the wastewater network, treatment processes, staff working on these assets and waste disposal mechanisms.

Over the 2012-13 financial year, 1 248 trade waste applications were received with 99.7% of them processed within 10 working days. Trade Waste customers are visited at least once each year with customers achieving 89.2% compliance with their permit conditions over the year.

To complement the new *Water Industry Act*, a Restricted Wastewater Framework outlining the approach to trade waste management was developed in conjunction with customers, equipment suppliers and a newly formed Restricted Wastewater Technical Committee. A complete review of all trade waste policies and guidelines was also conducted.

The remote sewerage system monitoring program continued to expand providing valuable continuous information on non-compliant discharges to the network, early warning for treatment plants and data required for effective management and planning of the wastewater network.

Approximately 31% of hauled waste received across the state is discharged at the Bolivar Hauled Waste Receiving Station with this station receiving an upgrade during 2012-13.

A number of trade waste customers have continued to contribute waste as part of a trial at the Glenelg Wastewater Treatment Plant to test the benefits of using this waste as an alternate source of fuel to run the plant.

### **Business Sustainability Group**

The Business Sustainability Group continued to work closely with commercial and industrial customers and expanded the services they offer during 2012-13. Cleaner production audits and workshops have been a focus as they assist customers to improve the quality of discharges to sewers, resulting in reduced trade waste charges.

Other services offered include leak detection and water use profiling within manufacturing operations and irrigation efficiency. To date, 600 South Australian businesses have agreed to be involved in a National Business Water Efficiency Benchmarking Project being supported by the Business Sustainability Group.

### **Land development & connections**

Building activity in 2012-13 remained flat. While a number of significant land areas were released, including Mt Barker, land sales from these areas are not expected to come to market until 2014-15 and beyond.

For 2012-13 there were:

- 3 118 general land development applications compared to 3 009 in 2011-12\*
- 126 SA Water major development agreements issued compared to 139 for 2011-12
- 7 733 connection applications processed, compared to 11 612 for 2011-12.\*

*\*It should be noted that following the introduction of a new connection application management system, the above data for land development applications and connection applications may not be directly comparable to the previous year due to re-alignment of application classifications.*

Revenue from development and building activity fell about 26% on the previous year, from around \$63.3 million to \$49.8 million.

## Research and Innovation

SA Water, through its Research and Innovation (R&I) group, has a national and international reputation for high quality water science and engineering, research and technical innovation. R&I collaborations focus on seeking and applying better ways to manage our business, and help us to meet our challenge of delivering safe, sustainable and affordable water services for the community.

SA Water's research activity focuses on delivering targeted outputs that drive business efficiency, underpin innovation, reduce risk and provide high-level technical advice to the business to improve services to our customers in the areas of:

- Customers & Community – service quality, public health and risk mitigation
- Quality & Delivery - water and wastewater treatment and distribution management
- Planning for the Future - environment, climate variability and sustainability
- Business Success - energy efficiency, asset management and infrastructure investment.

The SA Water research portfolio includes work supported by competitive funding grants from funding bodies including the Australian Research Council, Water Research Australia and the Water Research Foundation (USA). Some of the research projects that SA Water undertakes are showcased below.

One of our projects is assessing and managing risks associated with waterborne contaminants, including *Cryptosporidium* and cyanobacteria (blue-green algae). *Cryptosporidium*, an infectious human pathogen, is a common contaminant in stormwater and catchment run-off after rainfall. This makes *Cryptosporidium* a potential risk to water quality and public health. To understand the impact on our catchments SA Water developed innovative tools for measuring *Cryptosporidium* viability and infectivity. This information enables SA Water to develop sophisticated catchment management plans to reduce transportation loads, and to optimise treatment processes. SA Water, in collaboration with Virginia Polytechnic and State University (USA) and the National Cheng Kung University (Taiwan), is developing water quality modelling tools to project the impact of climate variability on raw water quality within drinking water reservoirs. The development of coupled catchment-reservoir water quality models will enable SA Water to predict the impact of present day and future climate variability on availability and quality. This information is critical for long-term planning of reservoir operations and providing water security for South Australia.

SA Water is also collaborating with the Allwater Joint Venture to pilot a new treatment process known as Anammox (anaerobic ammonium oxidation) which aims to reduce nitrogen loads discharged from wastewater treatment plants. This is the first trial application in Australia of this alternative low energy and cost-effective biological process for removing nitrogen from wastewater that requires 60% less oxygen and is up to 90% more cost effective.

Outcomes from this project will lead to increased capacity for removal of nitrogen, reductions in wastewater treatment costs and net greenhouse gas emissions and improved compliance. Further to this, SA Water is also developing a hydrodynamic-biogeochemical model of nitrogen removal to improve the design and implementation of strategies for managing Adelaide's coastal waters.

SA Water's research program includes collaboration with strategic partners including the Goyder Institute, the Allwater Joint Venture, the Water Services Association of Australia, National Health and Medical Research Council, Centre for Water Management and Reuse, and local, interstate and international universities.

Some highlights for 2012-13 include:

- SA Water joined a new international water research centre developed by the National Cheng Kung University (NCKU) and China Steel Corporation, Taiwan. The Centre provides an excellent opportunity to leverage a current existing alliance relationship and offers potential business development and reputational opportunities in Asia.
- Three scientists from the Research Centre for Eco-Environmental Sciences (RCEES) in China made separate visits to work at SA Water. RCEES is one of the most prestigious Chinese Academy of Sciences Institutes and our collaboration continues to strengthen, with joint science and technology work in the areas of water treatment, environmental science and reservoir management.
- SA Water signed a Memoranda of Understanding to initiate joint research programs with the University of Arizona and the Vienna University of Technology.

### **Water and wastewater service delivery**

The services alliance contract between SA Water and the Allwater Joint Venture (the Alliance) to operate and manage the metropolitan water, wastewater and recycled water systems successfully reached year two of the agreement. The anticipated flexibility, transparency and collaboration with this contract continue to be realised.

Major achievements for the Alliance during 2012-13:

- Allwater continues to share with SA Water a strong commitment to employee work health and safety resulting in no lost time work injuries during the year.
- The Alliance was heavily involved in balancing increased production demand from the water treatment plants it manages with the output from the Adelaide Desalination Plant produced during its performance testing phase.
- On 29 November 2012 the pumping network installed as part of the North South Interconnection System Project commenced handover over to the Alliance. For the first time the new pumping network was used to transfer water from Happy Valley reservoir to areas north of Adelaide. This was done with minimal customer impact and will provide greater operational flexibility in future years. Utilisation of the new infrastructure allowed major refurbishments at each of the conventional treatment plants to be carried out. During this period of intense activity water quality was maintained for the benefit of all customers.
- Major capital upgrades to the Bolivar and Christies Beach Wastewater Treatment Plants were performed during the year. During the upgrades the Alliance successfully maintained plant operations while major refurbishments to pumps, sludge handling facilities and gas generation equipment was simultaneously being undertaken on site. Effluent quality and recycled water production were successfully maintained throughout.

SA Water has stringent performance management strategies in place to ensure all regulated water and sewerage customer service standards are met.

- SA Water has consistently achieved regulatory customer service standards for regional

areas of operation. During 2012-13 SA Water achieved 99% of total targets with only a small number of failures in meeting service fault attendance timeframes due to the long and remote travel distance requirements.

- An area of focus during the year has been to improve compliance with regulated service standards for the metropolitan areas of operation, in particular the response time for priority attendances to service faults. An electronic dispatch and field data recording system was introduced to improve productivity. Overall 97% of service targets has been achieved within required timeframes.

Overall SA Water has achieved targets in preventative maintenance of core assets and infrastructure to ensure continuous delivery of water and wastewater services.

Other major achievements during 2012-13 include the decision by SA Water to insource the operations and maintenance of 10 water treatment plants that were designed, built and previously operated and maintained by United Group Ltd. This coincided with the successful completion of the contract and transition of responsibilities to SA Water.

### **Climate change strategy**

The climate change strategy outlines SA Water's approach to climate change adaptation and mitigation, as well as to relevant research in this field.

The strategy applies to SA Water's infrastructure and activities undertaken across South Australia and is implemented by our employees and contractors. The strategy touches on all aspects of our business including long term infrastructure and financial planning, source water management, water treatment, water and wastewater networks, and wastewater treatment.

### **Climate Change Sector Agreement**

We have signed a Climate Change Sector Agreement with the South Australian Government. The sector agreement formalises our ongoing commitment to responding 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.

The Sector Agreement specifies high level greenhouse gas reduction targets and SA Water has achieved the short term target of constraining net greenhouse gas emissions to an amount equivalent to the Australian Kyoto target of 108% of 1990 levels for the period 1 January 2008 to 31 December 2012. We are on track to achieving 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.

The Sector Agreement also maintains our commitment to contribute 20% renewable energy use from self-generated and purchased accredited renewable energy sources. The Sector Agreement can be viewed at [www.climatechange.sa.gov.au](http://www.climatechange.sa.gov.au).

### **Greenhouse inventory**

You can't manage what you don't measure. SA Water has been measuring its greenhouse gas emissions since 2003 and compiles an inventory of emissions. Each financial year, greenhouse gas emissions are reported to the Commonwealth Government under the National Greenhouse and Energy Reporting System to meet the Climate Change Sector



Agreement targets. It also helps us identify opportunities to reduce operational costs and financial and regulatory risk.

We continue to make improvements to the quality of our greenhouse gas inventory data, including undertaking an annual independent audit and revising our methodology for calculating emissions from wastewater infrastructure.

In 2012, we emitted a total of 399 793 tonnes of carbon dioxide equivalents (CO<sub>2</sub>-e) (gross). We offset part of these emissions through the purchase of renewable energy and bio-sequestration plantings to achieve net GHG emissions of 373 794 tCO<sub>2</sub>-e, which was a slight increase in emissions from 362 217 tonnes of CO<sub>2</sub>-e in 2011 due to an overall increase in major pumping.

## 2012 Greenhouse Gas Inventory

Facility emission	Scope 1	Scope 2	Scope 3	Total emissions 2012
SA Water corporate and aggregates	7 828	2 678	1 513	12 019
Non metropolitan water pumping and networks	123	139 671	29 768	169 561
Country WWTP	6 710	6 501	3 466	16 677
Metropolitan water treatment and networks	1 315	29 170	11 569	42 054
Bolivar WWTP	27 542	23 388	4 754	55 684
Glenelg WWTP	4 332	2 489	505	7 326
Christies Beach WWTP	4 377	8 727	1 978	15 083
Aldinga WWTP	548	783	158	1 489
Adelaide Desalination Project	1 789	39 828	21 477	63 095
Country outsourced facilities	0	0	6 308	6 308
Chemicals	0	0	10 497	10 497
<b>Gross emissions (tonnes CO<sub>2</sub>-e)</b>	<b>54 564</b>	<b>253 234</b>	<b>91 995</b>	<b>399 793</b>
Bio-sequestration plantings				-7 308
GreenPower accredited RECS (20% renewable energy target)				-6 846
<b>Adelaide Desalination Plant renewable energy (100%)</b>				<b>-11 845</b>
<b>Carbon Offsets</b>				<b>n/a</b>
<b>Equivalent net emissions (tonnes CO<sub>2</sub>-e)</b>				<b>373 794</b>

#### Notes:

1. The inventory is based on a calendar year performance and includes some estimates and preliminary figures.
2. The inventory is based on facilities to align with the National Greenhouse and Energy Reporting System (NGERS).
3. Scope 1 emissions refer to direct emissions from fuel burning and fugitive emission sources.
4. Scope 2 emissions acknowledge emissions caused indirectly through the consumption of electricity.
5. Scope 3 emissions acknowledge other indirect emissions caused in relation to SA Water's activities, such as electricity transmission losses, some outsourced activities and emissions embodied in the products and services that SA Water purchase.
6. The Adelaide Desalination Plant operation emissions for electricity consumed are covered by renewable energy credits and are accounted for as zero emissions.
7. River Murray activities - not regarded as being under SA Water operational control and emissions not managed by SA Water (total 4 828 t CO<sub>2</sub>-e).

### **Reducing greenhouse gas emissions**

SA Water uses significant amounts of energy to deliver water and wastewater services to South Australia. In 2012 we continued to achieve our greenhouse gas emissions reduction targets in line with the Climate Change Sector Agreement through our carbon and energy management strategies. Achievements for greenhouse gas reduction included:

- Achieving net greenhouse gas emissions to an amount equivalent to the Australian Kyoto target of 108% of 1990 levels for the period 1 January 2008 to 31 December 2012
- Achieving the target of 20% renewable energy from self-generated and purchased accredited renewable energy sources; 11 313 megawatt hours of renewable energy from wastewater treatment plant biogas was produced and used during 2012-13. SA Water will continue to expand self generation of electricity at the Bolivar WWTP in 2013
- Continuing to identify and implement cost effective energy efficiency opportunities and renewable energy initiatives, such as hydro electricity, to achieve a 12 GWh/year energy saving target by 2014
- Generating 4 835 (2012 calendar year) megawatt hours of renewable electricity through our Hope Valley mini hydroelectric joint venture facility with Hydro Tasmania. A new hydroelectric facility is being established at Seacliff in 2013
- Initiatives such as the annual Environment and Energy Awards, knowledge sharing, cycling facilities to encourage staff to cycle to work and participation in Earth Hour with all non-emergency SA Water House lighting switched off, including the building logo, for the hour
- 156 ha of bio-sequestration plantings at Clarendon in 2012-13 to capture 112 600 tonnes CO<sub>2</sub>-e at maturity.

### **Climate Change Adaptation**

The global scientific consensus is that climate change is already occurring and is expected to continue as a result of legacy emissions and as greenhouse gas emission levels in the atmosphere continue to rise. To maintain and provide a sustainable water supply for the state, SA Water must ensure that we are prepared for, and can adapt to, continuing changes in our climate.

SA Water will continue to feel the impacts of climate change in many ways, including a



decline in the availability of source water, a decline in water quality and the physical impacts of climate change on our assets as a result of sea level rise and storm surges, increasing temperatures and increasing intensity of natural hazards.

In order to build our resilience to climate change, we will identify vulnerabilities across our assets, infrastructure and services and mitigate any potential risks. It is the role of all areas of SA Water to identify and manage these risks and work together to ensure climate risk management is embedded into all parts of our business. We will also be taking advantage of any opportunities that could arise out of changes in our climate to improve both the efficiency and effectiveness of our operations.

### **Supporting Climate Change Research**

In 2012-13 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 include:

- Partnering with the Water Services Association of Australia (WSAA) to develop *Adaptwater*, a climate change adaptation tool for water utilities to inform long term planning and assist in identifying vulnerabilities to assets and cost effective options for reducing climate risk
- The Anammox project to reduce greenhouse gas emissions through a reduction in the amount of electricity used on site and reducing the production of nitrous oxide emissions
- Progressing a research project exploring the potential impacts of climate change, projected to occur in South Australia, on the raw water quality available for potable water production in two of SA Water's reservoirs, Happy Valley and Myponga
- Participating in the CRC Low Carbon Living, a collaborative research centre to develop policy tools to overcome market barriers preventing uptake of effective low carbon products and services for Government and industry.

We also prepared a guideline document on planning for and managing risks from extreme weather events to drinking water quality.

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 understand existing climate research and identify knowledge gaps to prioritise our research.

### **Recycled Water**

During 2012-13, SA Water supplied 22% more recycled wastewater when compared to previous years when accounting for the amount of rainfall. This is a reflection of the increased uptake of recycled water in recently developed schemes, including the Glenelg to Adelaide Recycled Water Scheme and the Angle Vale extension.

### **Wastewater treatment plant effluent quality parameters**

The EPA and the Department of Health and Aging require us to treat wastewater to a level that is safe for the environment and public health. This year SA Water was successful in meeting key targets for its wastewater treatment plants.

## Metro

	Location	SA Water Target	Actual
Total BOD* – mg/L	Christies Beach, Glenelg, Bolivar HS	<10	3
Soluble BOD – mg/L	Bolivar	<5	2
Suspended solids – mg/L	Bolivar High Salinity, Glenelg, Christies Beach	<10	7

## Regional

	Wastewater plant type	SA Water Target	Actual
Total BOD – mg/L	Activated sludge/extended aeration	<10	2
Soluble BOD – mg/L	Lagoon	<5	2
Suspended solids – mg/L	Activated sludge/extended aeration	<10	4

\* Biochemical Oxygen Demand

## Energy Efficiency Opportunities

The Energy Efficiency Opportunities (EEO) Program is an Australian Government scheme requiring large energy-using businesses to increase energy efficiency through the identification, evaluation and implementation of cost-effective energy saving opportunities. Participation is mandatory for organisations, including SA Water, that use over 0.5 petajoules (PJ) of energy annually.

The EEO Program is a key initiative of SA Water's Strategic Plan and its updated Energy Management Policy. We continue to demonstrate full compliance and commitment to the *Energy Efficiency Opportunities Act 2006*, completing the first EEO assessment cycle and implementing significant ongoing cost, energy and emission reductions. SA Water's EEO Public Reports for 2011 and 2012 are available on our website.

We have committed to review over 90% of our total energy use by 2016 and a comprehensive energy assessment of our water transmission (major pumping) activity was completed in 2013. We have completed energy performance benchmarking of all our wastewater treatment sites and processes in preparation for further detailed energy reviews. The identified energy opportunities, including renewable energy generation, will be investigated and delivered where economically viable.

## Fines and sanctions

### Compliance with Environment Protection Authority (EPA) licence conditions 2012-13

Measures	Target	Result	Assessment
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 (EPOs) were issued to SA Water between 1 July 2012 and 30 June 2013.

### Legal actions

There were no legal actions by the EPA against SA Water between 1 July 2012 and 30 June 2013.

### Significant spills

There were no significant spills in 2012-13 that 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 Environment Protection Authority (EPA) where required. Details of these incidents can be seen in the tables below.

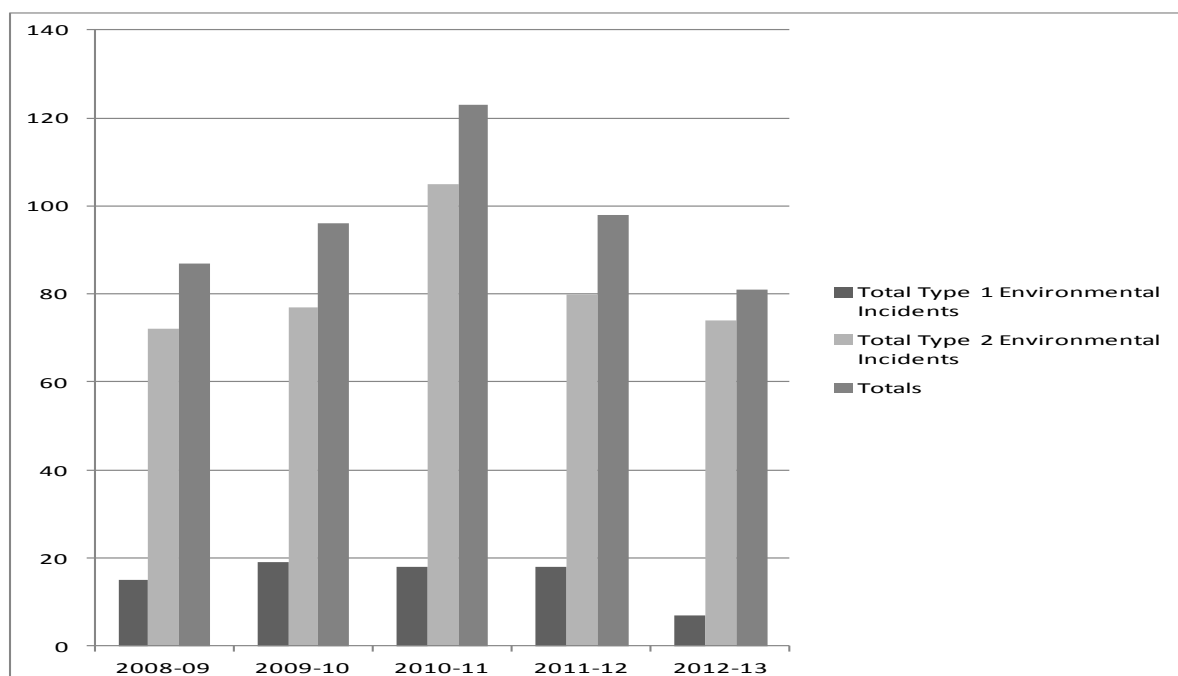
Environmental Incident Type	Result 2009-10	Result 2010-11	Result 2011-12	Result 2012-13
Wastewater overflow incidents (Types 1 and 2)	60	86	50	51
Mains water discharges (unplanned) (Types 1 and 2)	25	31	23	15
Total wastewater overflows and spills entering water courses or stormwater systems	52	81	50	51
Overflows from wastewater pumping stations in Adelaide (including SA Power Network failures)	3	18	9	6
Overflows from wastewater pumping stations in the country (including SA Power Network failures)	6	10	3	2

In 2012-13 there was a reduction in mains water discharges. The reduction may be attributed to favourable weather conditions which minimised soil movement, as well as a targeted asset program strategy to replace water mains with a high probability of failure.

**Environmental incidents 2008-09 to 2012-13**

	2008-09	2009-10	2010-11	2011-12	2012-13
Total Type 1 environmental incidents	15	19	18	18	7
Total Type 2 environmental incidents	72	77	105	80	74

**Total Type 1 and 2 environmental incidents over the past five years**



**Remote communities**

SA Water 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 \$3.5M 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 also undertakes the project management of new

infrastructure initiatives and the current delivery includes a capital works program.

Recently completed projects with a total value in the order of \$8.5M include:

- Kaltjiti water supply upgrade\*
- Supervisory Control and Data Acquisition (SCADA) installations
- Mimili water supply upgrade\*
- Consumer metering installations.

Projects in design phase with construction planned in 2013-14 and valued in the order of \$6M include:

- Indulkana water supply upgrade\*
- Amata wastewater upgrade\*
- Yalata infrastructure replacement project\*
- The Umuwa Water Storage Tank upgrade.

Further capital works initiatives at Kaltjiti are being delivered in conjunction with the Commonwealth funded Australian Army Community Assistance Program.

*\* Commonwealth government funded projects.*

## Business Success

2012-13 Performance Summary			
<p><u>Statement of Intent:</u></p> <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> <p><u>Key Strategies:</u></p> <ul style="list-style-type: none"> <li>Regulation &amp; Governance</li> <li>Financial Management</li> <li>Workforce &amp; Culture</li> </ul>	<b>Key Performance Indicator</b>	<b>2012-13 Target</b>	<b>2012-13 Result</b>
	Compliance with SA Water’s operating licence	100%	100%
	Operating Profit Before Tax	\$314.7m	\$362.7m
	Lost Time Injuries (excluding contractors)	10	11

### Comments:

SA Water has a commitment to ensuring staff safety. While the target for Lost Time Injuries was missed, SA Water has commenced implementing new and expanded hazard management and safety leadership programs.

SA Water is now economically regulated and became subject to an operating licence on 1 January 2013. In the six months that SA Water has been subject to the operating licence, no Type 1 or Type 2 breaches occurred.

SA Water is a public corporation that is wholly owned by the Government of South Australia. As such, SA Water is required to pay a dividend to the government each year. In 2012-13, SA Water exceeded the profit target by \$48 million.

SA Water returned a net contribution of \$226m to the South Australian Government consisting of dividend, tax equivalent amounts and community service obligations.

## Regulation & Governance Strategy

### Introduction of economic regulation

Economic regulation formally commenced for SA Water on 1 January 2013 when the Essential Services Commission of South Australia (ESCOSA) issued to SA Water its Water Industry Retail Licence. Under the licence, SA Water is required to comply with the Water Retail Code and service standards in delivering water and sewerage services to its customers.

In preparation for the introduction of regulation, SA Water ensured that its business practices were aligned to the requirements of regulation and the business was well placed to comply with all of its regulatory obligations.

A particular element of economic regulation is independent determination of the revenue SA Water can earn through the prices it charges to customers. In September 2012, SA Water publically released its first Regulatory Business Proposal which was its submission to ESCOSA on the investment required in order to deliver services to customers for the regulatory period

commencing on 1 July 2013. SA Water supported ESCOSA in the review of the revenue requirements for the coming regulatory period and in May 2013 ESCOSA released its final determination of maximum allowable revenue that SA Water can earn for the period 2013-14 to 2015-16. Aligned with this determination SA Water, in consultation with government, established the customer pricing tariffs.

### Water and sewerage pricing

For 2012-13 the South Australian Government set prices for water and wastewater services in the context of national guidelines developed by the Council of Australian Governments (COAG).

The guidelines ensure prices are reasonable in the context of the costs of providing water and wastewater services.

Water prices increased on average by 25% across all customers. Sewerage charges were increased by 3.3% for metropolitan customers and 3.8% for country customers on average. In conjunction with the Government’s water security rebate, these increases meant the average total SA Water bill for residential customers increased by approximately \$2.06 per week.

Prices for 2012-13 were set under the *Waterworks Act 1932* and *Sewerage Act 1929*, although during 2012-13 SA Water transitioned to formal economic regulation under the *Water Industry Act 2012*. From 2013-14 the economic regulator will be responsible for determining SA Water’s maximum allowable revenues.

Water prices increased as a result of investments in critical water security infrastructure to ensure South Australians can access safe, clean and reliable drinking water now and into the future.

Sewerage price increases contribute to improving our sewerage network and treatment of wastewater, including recycling. Water and sewerage charges also support the ongoing operation and maintenance of our existing supply networks.

Water	Relevant daily threshold*	Indicative quarterly threshold (91 days)	Year	Water use price
Usage charge tier 1	0 to 0.3288kL	0 to 30kL	2011-12	\$1.93/kL
			2012-13	\$2.42/kL
Usage charge tier 2	0.3288 to 1.4247kL/day	30 to 130kL	2011-12	\$2.75/kL
			2012-13	\$3.45/kL
Usage charge tier 3	Above 1.4247kL	Above 130kL	2011-12	\$2.98/kL
			2012-13	\$3.73/kL
Annual supply charge			2011-12	\$234.60
			2012-13	\$293.00
Sewerage	Customers		Year	Sewerage prices
Minimum			2011-12	\$325
			2012-13	\$336
Rate in dollar	Metropolitan		2011-12	0.1157%
			2012-13	0.1245%
Rate in dollar	Country		2011-12	0.1526%
			2012-13	0.1639%

## Finance Management Strategy

### Business transformation

In mid-2012, SA Water embarked on a Business Transformation Project to:

- Enhance customer relationships – improving customer satisfaction, and understanding/meeting customer expectations
- Ensure efficient operations – driving down costs where possible, while balancing cost, risk and value
- Ensure ongoing effective investment – investing in capital, maintenance and operations in the most appropriate way, and in line with the expectations of the South Australian Government and our customers
- Create a framework for (and culture of) continuous improvement.

The project recognises that the environment in which SA Water operates has changed significantly, and continues to change. The previous focus on the drought is no longer dominant and SA Water has – through significant infrastructure projects – secured reticulated water sources delivered through SA Water for the future.

However, this necessary investment came at a cost to our customers, who now face higher charges. It was recognised that SA Water needed to adapt to the new environment by finding more efficient and effective ways of working for the future.

The project team looked at major processes used for delivering water and wastewater services and began designing the best approach to changing the way SA Water works, sharpen our customer focus and deliver services more efficiently.

A key part of project has been engaging the SA Water workforce in change. About 1 000 employees have been involved in 50 workshops to collect ideas for building a better future, and issues they face in delivering services to customers and each other.

By 30 June 2013, 33 major cases for change had been developed and were being considered by the Senior Management Team in the areas of customer experience, strategic management, business support, service delivery, asset management and information services.

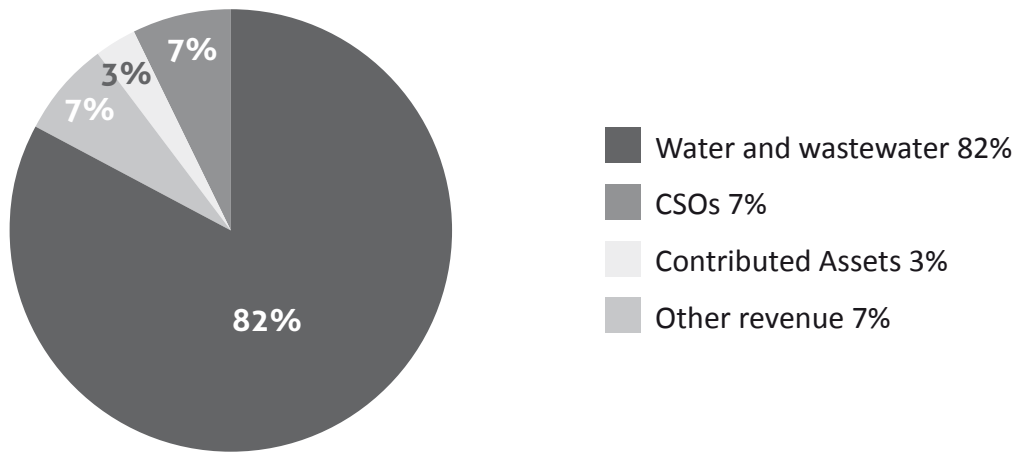
Along with a major restructure of the business, these initiatives have the potential to deliver major benefits over the coming years, including improved customer experience, streamlining of processes, and greater operating and capital efficiencies.

Decisions on the merits of the cases for change, and how the program of work will roll out, were still to be determined at the time of drafting this report.

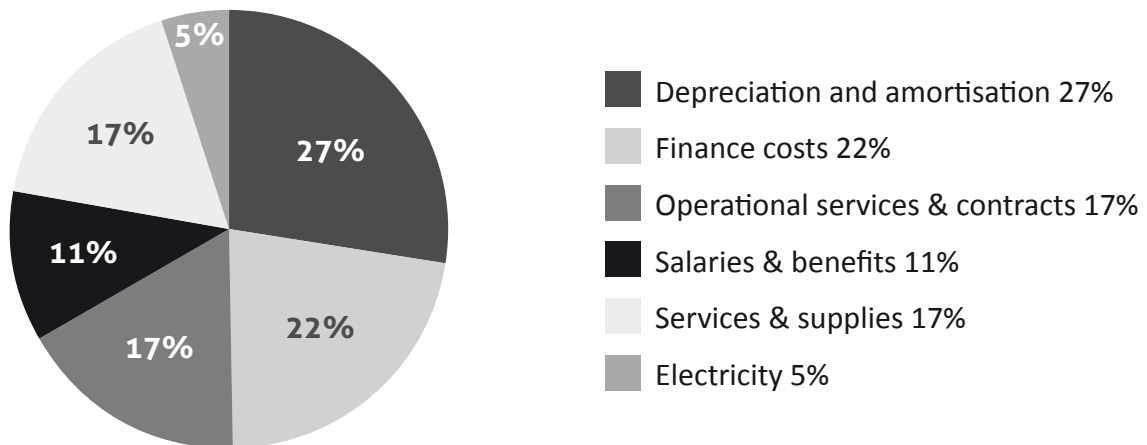


## End of year results

### Where our revenue comes from



### Where we spend our money



## **Contractual Arrangements**

### **1. Annual Spend**

\$811 280 458

### **2. Procurement overview**

In 2012-13 SA Water's external expenditure exceeded \$811 million dollars. SA Water's Procurement Group performs a critical role in the management of this spend by ensuring that procurement activities deliver value for money outcomes for the benefit of its shareholders, internal and external customers, the environment and the community.

The group continued to leverage and build upon the diverse experience and capability within the team to develop and apply best practice procurement strategies. In particular, a major focus during 2012-13 was the establishment of a new range of overarching panel arrangements with a host of key suppliers. These new arrangements improve both the efficiency and effectiveness of supplier engagement and management processes which will in turn drive improved value for money outcomes for the term of these arrangements over the next few years.

### **3. Contractual arrangements**

*(Contracts awarded in 2012-13 that exceed \$4 million (GST inclusive) and extend beyond a single year).*

#### **3.1 Major capital works contracts**

##### **Happy Valley Water Treatment Plant chlorine station upgrade**

*Guidera O'Connor Pty Ltd*

Provision of upgraded chlorination dosing facilities in line with the new Major Hazard Facility regulation requirements. The contract commenced on 25 September 2012 and completion of the works is expected during 2014.

##### **Hendon Upgrade Queensbury Pump Station construction**

*York Civil*

Provision of a new wastewater pump station to replace existing obsolete facility. The contract commenced on 20 December 2012 and completion of the works is expected during 2014.

##### **Mechanical and electrical completion works**

*Water Infrastructure Group*

Provision of mechanical and electrical completion works for the Christies Beach Wastewater Treatment Plant upgrade project. The contract commenced on 10 December 2012 and completion of the works is expected during 2014.

##### **Christies Beach Waste Water Treatment Plant upgrade**

*Kellogg Brown and Root Pty Ltd*

Provision of a range of services in relation to the remaining project delivery and commissioning requirements for the Christies Beach Waste Water Treatment Plant upgrade project. The contract commenced on 1 November 2012 and completion of the works is expected during 2014.

## **3.2 Operational Contracts**

### **Electricity supply**

*Alinta Energy*

SA Water is one of the largest users of electricity in South Australia with over 1 600 connected sites. Considerable energy is required to provide water and wastewater services to our customers due to extremely long pumping distances, poor source water quality and rigorous wastewater quality standards. The purchase of electricity is an ongoing requirement and an agreement with Alinta Energy Retail Sales Pty Ltd has been established to manage SA Water's electricity requirements for the next four years.

### **Treatment chemicals**

*Orica Australia Pty Ltd*

Supply and delivery of treatment chemicals for the provision of water and wastewater services to customers.

### **Distributed computing support services**

*Hewlett Packard Pty Ltd*

The Distributed Computing Support Services contract supports SA Water's production, test and development server environments. Under this contract HP also supports additional supplementary services which consist mainly of server support and virtualisation support components.

### **Meter reading services**

*Service Stream Limited*

This contract provides water meter reading services throughout both metropolitan and regional South Australia.

### **Metropolitan extensions and connections**

*SEM Utilities*

*Senwill Civil*

*BTR Excavations*

Provision of water and wastewater services covering new connections or modifications to existing connections to properties and the extension of water and wastewater mains for new developments. The contracts also provide for delivery of water main relay and third party works within the allocated areas. The contracts each run for three years from 1 July 2013.

### **Use of consultants**

There were 11 consultancies with expenditure less than \$10 000 in 2012-13. The total expenditure for these consultancies was \$53 309.

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

	Description of Work
DELOITTE TOUCHE TOHMATSU	Accounting advice – forward settlement loans
DELOITTE TOUCHE TOHMATSU	Accounting advice – debt instrument accounting
DELOITTE TOUCHE TOHMATSU	Trade Waste pricing review
EDWARDS MARSHALL PTY LTD	United Water expert determination
ERNST & YOUNG	United Water price review
ESKB CONSULTING	Economic regulation review and advice
EVANS & PECK PTY LTD	Asset verification for the Adelaide Desalination Plant
FRONTIER ECONOMICS PTY LTD	Essential Services Commission of South Australia Draft Determination
KPMG	Adelaide Desalination Plant accounting advice
KPMG	Regulation advice
LEADENHALL AUST LTD	Due diligence for potential commercial transaction
SINCLAIR KNIGHT MERZ PTY LTD	Top-down benchmarking/efficiency review

The total expenditure for these consultancies was \$346 972.

### Consultancies with expenditure greater than \$50 000

Name of business	Description of work
AQUENTA CONSULTING PTY LTD	Asset componentisation and registration
DAVID TAYLOR	Infrastructure planning services for remote communities
DAVIDSON TRAHAIRE CORPSYCH	Employee assistance program
LONERGAN EDWARDS & ASSOCIATES	Expert determination - SA Water and United Water
MERCER (AUSTRALIA) PTY LTD	Annual remuneration review
PRICE WATERHOUSE COOPERS	Developer charges review

The total expenditure for these consultancies was \$1 086 981.

The overall total expenditure on all consultancies by SA Water in 2012-13 was \$1 487 262.

## South Australian Industry Participation Policy

The South Australian Government is committed to ensuring that competitive local small and medium enterprises (SME) are given full, fair and reasonable opportunity to be considered for major work being undertaken in South Australia in both the public and private sectors.

The South Australian Industry Participation Policy (SAIPP) was developed to address this commitment. The requirements of this initiative include progress reporting by South Australian Government agencies in their Annual Reports. This policy came into effect on 1 July 2012.

The policy has a tiered structure that necessitates different compliance requirements depending on the contract value. For contracts exceeding \$10M, formal reporting is required by the suppliers demonstrating progress made against their own Industry Participation Plan.

<b>Contracts and Tenders within Scope of SAIPP</b>	
Number of tenders (RFP, RFQ and RFT) released	12
Number of contracts commenced	9
Number of contracts completed	0
Total value of contracts awarded <sup>1</sup>	\$80M
Total value of contracts completed	\$0
Number of eligible contracts commenced necessitating formal supplier reporting	1
Value of eligible contracts commenced necessitating formal supplier reporting	\$12.3M
Value of subcontracts awarded to SME to date <sup>2</sup>	\$1.12M
Value of goods and services produced in South Australia to date <sup>2</sup>	\$5.77M
Value of goods and services produced in Australia to date <sup>2</sup>	\$6.57M

1. Excludes framework arrangements which commenced on 1 July 2013 (estimated value over life of arrangements \$120M).

2. Derived from supplier reports relating to eligible contracts necessitating formal reporting.

## Account Payment Performance

<b>Particulars</b>	<b>Number of accounts paid</b>	<b>Percentage of accounts paid (by number)</b>	<b>Value of accounts paid (\$A)</b>	<b>Percentage of accounts paid (by value)</b>
Paid by due date	57 551	97.90%	983 476 249	98.10%
Paid late, within 30 days of due date	928	1.60%	17 924 954	1.80%
Paid more than 30 days from due date	286	0.50%	1 098 352	0.10%

SA Water paid 97.90% of invoices within 30 days of the receipt of GST compliant invoices, which was above the target of 90% and consistent with the previous two financial years' results of 98.12% and 96.47% respectively. For unpaid invoices, monitoring has identified the majority related to disputes of invoices received and delays in suppliers providing additional supporting information.

## Workforce & Culture Strategy

### Attracting and retaining skilled people

SA Water remains committed to its strategy for workforce planning and replenishment for 2012-17. This includes the continuance of its Workforce Replenishment Program, ensuring we have a pipeline of skilled technical workers in our Operations and Infrastructure Management & Delivery areas where our workforce demographic data indicates no real easing of workforce ageing issues.

SA Water undertakes staff perception surveys every three years to measure employee engagement levels and to seek feedback from our employees. This feedback informs initiatives to be undertaken within the People and Culture Plan and is also used to attract and retain skilled employees. This year we achieved a 79% staff satisfaction result – up from the 2009 result of 75%.

### Growing our capability

SA Water refreshed its Performance Management Process in August 2012 enabling us to continue to drive a performance culture through the setting and monitoring of performance and development goals for all employees. This ensures that individuals are held to account for the achievement of identified goals which are aligned to organisational strategy and business drivers.

In 2012-13, 99% of our workforce completed performance appraisals.

### Leadership development

SA Water continues to utilise its Leadership Capability Framework to build strong and capable leaders to drive future success. This year all leadership programs have been reviewed and enhanced to ensure all leaders have access to current best practice models and experiences which they can apply to workplace demands.

In 2012-13, 267 leaders participated in a leadership development activity or program.

### Training and development expenditure

	Total Cost \$	Percentage of total salary expenditure
Total training and development expenditure	1.923m	1.129%
Total leadership and management expenditure	0.181m	0.106%

## Graduate program

In 2012-13 we recruited 10 graduates with a focus on engineering, science, business and information technology disciplines. Promotional and recruitment activities included attendance at career expos in metropolitan and regional areas, information nights, SA Water tours, TAFE presentations, school group involvement and university guest lecturers. SA Water's standing in the student marketplace is reflected by our ability to attract 546 applicants for our 2013 graduate intake. SA Water was also listed at number four in the Australian Association of Graduate Employers Ltd (AAGE) Top Graduates Employers list, in recognition of providing the most positive workplace experience for graduates.

## Trainees, apprentices and technical cadets

Throughout 2012-13 we employed:

- 39 apprentices, with seven completing their apprenticeships, and all winning ongoing roles
- 22 water industry trainees, with seven appointed to ongoing positions to date
- 10 administration trainees, with six completing their traineeship and four winning ongoing roles
- Seven technical cadets, with one completing the cadetship and winning an ongoing role.

We have been successful in retaining 76% of these employees.

## Scholarships

The SA Water Scholarship Program offered education opportunities to young South Australians in a range of categories. In 2011-12 we awarded scholarships to 181 recipients through our ongoing scholarship partners: The Smith Family, University of South Australia, University of Adelaide, Flinders University, TAFE SA and Tauondi College.

The program provides opportunities to students in a wide variety of areas reflective of SA Water's diverse operations, including women in non-traditional roles, Aboriginal and Torres Strait Islander students, and those experiencing financial hardship.

## Accredited Training

Accredited Training Packages

Completed qualifications in 2012-13

Program	No. Completed
Certificate 3 in Water Operations	133
Diploma of Project Management	13
Certificate IV in Instrumentation	0
<b>Total</b>	<b>146</b>

## Number of employees enrolled in accredited training

<b>Classification Level</b>	<b>No. of Employees</b>
SAW2	9
SAW3	11
SAW4	16
SAW5	10
SAW6	5
SAW7	4
SAW8	1
SAW9	0
<b>Total</b>	<b>56</b>

### **Unions**

SA Water employees have the freedom to choose to be represented by a union. Information about relevant unions is available in the workplace and is provided to new employees as part of a new employee pack received upon their induction. SA Water employees are currently represented by six different unions.

### **Enterprise Agreement**

During 2012 and 2013 SA Water successfully negotiated a new two year Enterprise Agreement. The new SA Water Corporation Enterprise Agreement 2013 covers approximately 70% of the workforce. Negotiated changes include the scope of classification levels covered by the agreement, increased wage and allowance rates, a reduction in the number of allowances payable, and changes to a number of employment working conditions. The parties to the Enterprise Agreement are those employees defined as being within the scope of the agreement, the six unions representing employees and SA Water.

### **Equal Employment Opportunity programs**

SA Water has diversity targets for a number of key groups in the business.

There are currently 35 Aboriginal and Torres Strait Islander employees in various business functions including technical/laboratory work, information technology, field maintenance, apprenticeships, administration and management. Four Aboriginal employees located at Lake Victoria and Lock 7 in NSW undertake cultural heritage and land management duties.

During the year, nine scholarships and targeted traineeships were offered to Aboriginal and Torres Strait Islander applicants.

SA Water's percentage of Aboriginal staff representation currently sits at 2.18% against a 2013 target of 1.8%.

SA Water was a finalist in the 2013 Australian Human Resource Institute (AHRI) Diversity Awards for Indigenous Employment.

SA Water is part of the Department of Further Education, Employment, Science and



Technology (DFEEST) Aboriginal Energy and Water Cluster which brings major organisations within these fields together to increase Aboriginal employment opportunities and numbers.

SA Water has workplace diversity targets in place for women within the SA Water workforce. The number of women in senior and middle management roles at hierarchical levels 1, 2 and 3 was 39.1% against a target of 33%. The number of women in core water services roles who have an engineering or science qualification was 29.7% against a target of 33%. The Women in SA Water Consultative Group, which commenced in 2011, continues to provide a program to support women in achieving professional and personal growth at SA Water. A key objective of this group is to provide advice and recommendations to management on initiatives to assist in achieving Strategic Diversity Targets. This includes the promotion of policies, processes and a workplace culture that encourages the full participation of women and provides women with opportunities for growth and personal career development at all levels across SA Water.

**Diversity statistics as at 30 June 2013**

<b>Workforce &amp; Culture</b>	<b>Workforce diversity - gender (senior/middle management)</b>	<b>Monthly</b>	<b>Percentage</b>	<b>39.06%</b>
	Number of staff in senior/middle management positions		Number	64
	Number of female staff in senior/middle management positions		Number	25
	<b>Workforce diversity - gender (core water services)</b>	<b>Monthly</b>	<b>Percentage</b>	<b>29.71%</b>
	Number of staff in core water services positions		Number	175
	Number of female staff in core water services positions		Number	52
	<b>Workforce diversity - indigenous employment</b>	<b>Monthly</b>	<b>Percentage</b>	<b>2.18%</b>
	Total number of SA Water staff		Number	1 606
	Number of indigenous employees		Number	35

## Work Health and Safety and Injury Management

Risk management is at the core of the Work Health and Safety (WHS) strategy. A whole of corporation WHS Risk Profile has been established to drive priority projects that identify and manage areas of high risk. This is supplemented by an 'on-the-job' hazard management system implemented across the business to manage hazards at the point of exposure. The safety management system is being rebuilt and the recent WorkCover evaluation recognised the level of improvement achieved in this area over the last 12 months. SA Water achieved 98% of the planned actions in the WHS plan.

To support the risk management strategy, there has been a specific focus on skills training to ensure WHS competency across the business. This resulted in a 28% increase in participation compared to last year, with particular emphasis in high risk operational areas.

Nearly 1 000 employees responded to a safety survey with an overall 75% favourable response and a score of 3.5 on a safety culture maturity scale of five. This was a strong result and saw SA Water comparing favourably across national safety standards. The survey results indicated that our employees value safety and that people leaders have reinforced and demonstrated its importance. SA Water's value of 'Put Safety Above All Else' is well recognised and supported with 95% of respondents stating that they will stop work if they feel unsafe or are concerned for the safety of others. An area for improvement was in reporting hazards and near misses, and the subsequent focus resulted in double the average monthly rate in both May and June, 2013.

The health and wellbeing program has been reviewed and a new targeted program will be delivered in 2013-14. Highlights were:

- A preventative stretch program piloted in a regional depot
- The mental health week program
- Monthly health tips distributed throughout the business.

The injury management early intervention strategy has involved managers and supervisors in injured workers' rehabilitation and recovery, with positive feedback received by employees. Return to work rates showed 89% of injured employees that required rehabilitation returned to their full pre-injury duties and hours within three months.

SA Water continued to reduce the number of significant injuries in 2012-13, however there was one more Lost Time Injury compared to 2011-12 and the severity rate increased due to three injuries requiring surgical repair. SA Water has achieved conformance to a majority of the targets established in the South Australian Government's *Safety and Wellbeing in the Public Sector Framework 2010-15*.

While six occurrences were notified to SafeWork SA, a precautionary approach was taken due to the change in legislation and only one of the six warranted any follow up from the regulator.

**SA Water WHS performance indicators**

Key outcome	2010-11 target	2010-11 actual	2011-12 target	2011-12 actual	2012-13 target	2012-13 actual
Significant Injury Frequency Rate *1	16.40	15.75	16.40	11.79	10.7	10.98
Severity Rate	5.62	4.23	5.62	4.89	5.0	9.7
Lost Time Injury Frequency Rate *2	2.72	7.88	2.72	3.22	3.58	3.66

NOTE:

\*1 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.

\*2 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 day/shift or more, reported as a frequency rate based on number of these incidents per million hours worked.

**Table 1 - Work Health and Safety prosecution, notices and corrective action**

Number of notifiable occurrences pursuant to WHS Act Part 3	6
Number of notices served pursuant to <i>WHS Act</i> Sections 90, 191 and 195 ( <i>provisional improvement, improvement and prohibition notices</i> )	0

**Table 2 - Workers compensation gross expenditure for 2012-13 compared with 2011-12**

Expenditure	2012-13 (\$m)	2011-12 (\$m)	Variation (\$) + (-)	% Change + (-)
Income Maintenance	0.061	0.092	-0.031	-34%
Lump Sum Settlements Redemptions – Section 42 Permanent Disability – Section 43	0.607	0.499	0.121	+21%
Medical/Hospital Costs combined	0.256	0.201	0.055	+27%
Other	0.102	0.076	-48 627	+34%
<b>Total Claims Expenditure</b>	<b>1.07M</b>	<b>0.868</b>	<b>+0.102</b>	<b>+18%</b>

**Table 3 - Meeting safety performance targets**

	2009-10	Performance: 12 months to end of June 2013*			2015 Final Target
	Actual	Actual	Notional Qrtly Target**	Variation	Numbers or %
1. Workplace Fatalities	0	0	0	0	0
2. New Workplace Injury Claims	55	46	47	-1	41
3. New Workplace Injury Claims Frequency Rate	22.75	NA	NA	NA	17.06
4. Lost Time Injury Frequency Rate	7.86	NA	NA	NA	5.90
5. New Psychological Injury Frequency rate	2.11	1.57	1.79	-0.22	1.58
<b>6. Rehabilitation and return to work</b>					
6.a Early Assessment within 2 days	76%	78%	80%	-2%	80%
6.b Early Intervention within 5 days	80%	96%	90%	+6%	90%
6.c Days Lost <= 10 days	58%	63%	60%	+3%	60%
<b>7. Claim Determination</b>					
7.a Claims determined for provisional liability within 7 calendar days	7%	85%	100%	-15%	100%
7.b Claims determined in 10 business days	79%	79%	75%	+4%	75%
7.b Claims still to be determined after 3 months	4%	7%	3%	+4%	3%
<b>8. Income Maintenance - Payments for recent injuries</b>					
8.a 2011-12 Injuries (at 24 months development)		\$21 524	\$60 757	-\$39 233	Below previous 2 years average
8.b 2012-13 Injuries (at 12 months development)		\$32 074	\$25 097	+\$6 976	Below previous 2 years average

NOTE:

\* Except for target 8, which is YTD. For targets 5, 6c, 7b & 7c, performance is measured up to the previous quarter to allow reporting lag.

\*\* Based on cumulative reduction from base at a constant quarterly figure.

Lost time injury frequency rate is the injury frequency rate for new time lost injury/disease for each one million hours worked. The frequency rate is calculated for benchmarking and is used by the WorkCover Corporation.

**\*\*\*Formula for lost time Injury Frequency rate (new claims):**

Number of new cases of lost time injury/disease for year X 1 000 000 number of hours worked in the year

**NOTE:** 'Lost time' in Claims data is based on the number of claims that have received income payments not the number of full shifts lost as in the WHS LTIFR data.

## Employee Statistics 2012-2013

### Employee numbers, gender and status

	2008-09	2009-10	2010-11	2011-12	2012-13
Total employees (people)	1 505	1 572	1 567	1 640	1 579
Male	1 105	1 144	1 139	1 194	1 155
Female	400	428	428	446	424
Total FTEs	1 469.24	1 537.92	1 526.59	1 593.0	1 534.52
Total male	1 100.70	1 142.15	1 135.50	1 189.5	1 148.36
% male	74.92	74.27	74.38	74.67	74.83
Total female	368.54	395.77	391.09	403.5	386.16
% female	25.08	25.73	25.62	25.33	25.17
Number of people separated from the organisation	121	134	193	176	203
Number of people recruited to the organisation	218	223	177	254	147
Excluded employees: people on leave without pay as at 30 June *exceeding 22 days	15	28	17	22	27

### Employees by salary bracket

Salary bracket	Male	Female	Total
\$0 - \$53,199	250	120	370
\$53,200 - \$67,699	247	100	347
\$67,700 - \$86,599	292	109	401
\$86,600 – \$109,299	191	52	243
\$109,300 +	175	43	218
Total	1 155	424	1 579

### Status of employees in current position

FTEs	Ongoing	Short-term Contract	Long-term Contract	Other (Casual)	Total
Male	1 019.30	33.5	95.20	0.36	1 148.36
Female	326.77	29.7	29.18	0.51	386.16
TOTAL	1 346.07	63.2	124.38	0.87	1 534.52
Persons	Ongoing	Short-term Contract	Long-term Contract	Other (Casual)	Total
Male	1 022	34	96	3	1 155
Female	362	31	30	1	424
TOTAL	1 384	65	126	4	1579

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

Note these are classified as 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
EX A (SW10)			1		17	7			18	7
EX B (SW11)					4				4	1
EX C (SW12)					7	1			7	
EX D (SW13)										
EX E (SW14)					1				1	

### Percentage of women by classification levels

	2012-2013
SAW1	50.00%
SAW2	24.41%
SAW3	23.30%
SAW4	31.76%
SAW5	28.13%
SAW6	31.78%
SAW7	25.60%
SAW8	25.50%
SAW9	26.09%
SW10	25.93%
SW11	0.00%
SW12	12.50%
SW14	0.00%
Trainees	13.33%

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

	2008-09	2009-10	2010-11	2011-12	2012-13
Sick Leave days taken	6.42	6.42	6.55	7.36	7.15
Family Carers Leave taken	0.97	1.08	1.27	1.19	1.39
Special leave with pay	0.14	0.25	0.39	0.63	0.46
Total Average days taken per FTE employee	7.53	7.75	8.21	9.18	9.00

**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 people employed, cultural diversity and disability is based on information we have been able to gather.

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

Salary bracket	Aboriginal staff	Total staff	% Aboriginal	% Target*
\$0 - \$53,199	19	370	5.14%	2.0%
\$53,200 - \$67,699	8	347	2.31%	2.0%
\$67,700 - \$86,599	6	401	1.50%	2.0%
\$86,600 – 109,299	1	243	0.41%	2.0%
\$109,300 +	1	218	0.46%	2.0%
TOTAL	35	1 579	2.18%	2.0%

\* Target from South Australia's Strategic Plan

**Cultural and linguistic diversity**

	Male	Female	Total	% SA Water	% SA Community*
No. of employees born overseas	132	67	199	12.39%	20.3%
No. who speak language other than English at home	112	81	193	12.02%	16.6%

\* Benchmarks from ABS Publication Basic Community Profile (SA) Cat No. 2001.0, 2006 census.

**Number of employees with disabilities\***

Male	Female	Total	% SA Water
16	4	20	1.25%

\* 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	2013 Workforce Benchmark
15-19	22	2	24	1.49%	6.2%
20-24	79	27	106	6.60%	9.7%
25-29	105	71	176	10.96%	10.9%
30-34	147	81	228	14.20%	9.8%
35-39	128	69	197	12.27%	10.1%
40-44	137	53	190	11.83%	11.8%
45-49	155	48	203	12.64%	11.2%
50-54	112	44	156	9.71%	11.3%
55-59	152	38	190	11.83%	9.0%
60-64	96	14	110	6.85%	6.1%
65+	25	1	26	1.62%	3.7%
<b>TOTAL</b>	<b>1 158</b>	<b>448</b>	<b>1 606</b>	<b>100.00%</b>	<b>100%</b>

\*Confirmed total Workforce Benchmark calculates to 99.8% due to rounding provided by Department of the Premier and Cabinet

## Voluntary flexible working arrangements

Leave Type	Male	Female	Total	% of all SA Water employees
Purchased Leave	27	19	46	2.86%
Working From Home	10	19	29	1.81%
Flexitime	880	357	1 237	77.02%

## Reconciliation Action Plan

The development and rollout of SA Water's 2012-14 Reconciliation Action Plan (RAP) has increased the profile of Aboriginal employment opportunities and initiatives across the organisation. The implementation of action items outlined in our inaugural 2011 RAP has seen an increase in successful employment outcomes, as well as other areas and initiatives across SA Water, including:

- Supporting National Reconciliation Week and NAIDOC Week
- Continuing Cultural Heritage management planning
- Seeking funding for research projects on responsible water use and conservation, including development of community water conservation plans in remote regional communities
- 'Yarnin Together', SA Water's Personal and Professional Support Program for Aboriginal staff.



**Employees' overseas travel – for 2012-13 Financial year**

<b>Number of employees</b>	<b>Destination/s</b>	<b>Reason for travel</b>	<b>Total cost to SA Water (\$)</b>
1	Singapore	To attend Singapore International Water Week (SIWW) and present a paper at the invitation of the Program Committee. The 2012 theme of SIWW was <i>Water Solutions for Liveable and Sustainable Cities</i> .	2 500
1	Toronto, Canada	To attend the 2012 Water Quality Technology Conference Toronto, Ontario, Canada to present a paper and attend a Project Advisory Committee (PAC) meeting for the International Water Research Foundation/Water Quality Research Australia partnership project, <i>Optimisation of conventional treatment for the removal of toxic cyanobacteria</i> .	5 000
1	Tainan, Taiwan	To attend the formal launch for the new international Global Water Quality Research Centre developed by the National Cheng Kung University (NCKU); China Steel Corporation (CSC) and SA Water.	Nil (funded through external partnership)
1	Manassas, USA	To work with collaborators on the Water Research Foundation/Water Quality Research Australia project <i>Comprehensive assessment of the impacts of climate change on reservoir water quality in a range of climatic regions</i> . Participant received instruction and training in the coupling of the models which are critical to this project.	2 750
1	Paris, France  Paris, France  Le Pecq, France	Attend and present paper at Suez Environment Technical World Congress.  Meetings with Alliance partners.  Meetings with International Centre on Water and Environmental Research (CIRSEE) technical staff including visit to <i>Memlab and Water Treatment Plant of Tomorrow</i> .	3 500
1	Austin, College Station, San Antonio, San Marcos, Reno and Las Vegas, USA	University Study tour visiting research experts in karstic groundwater systems.	Nil (funded through external scholarship)

1	Korea	Attend International Water Association (IWA) World Water Congress and give keynote presentation at IWA Utility Leaders Forum in Busan.	11 220
	Japan	As guest of Mitsubishi Corporation (majority shareholder of TRILITY) visit Kandatsu Water Recycling Centre (Tsuchiura-city), Kurobe Wastewater Treatment Plant (Kurobe-city) and Awao Wastewater Treatment Plant (Kawasaki-city).	
1	United Kingdom	Attend Chartered Institution of Water and Environmental Management (CIWEM) Conference (London, UK)  Meet with representatives of Ernst & Young (London, UK).	11 240
	Spain	Attend Global Water Summit 2013 (including Global Water Intelligence Leaders' Forum) and Global Water Awards Ceremony and Gala Dinner.	
1	Toronto, Canada	Attend the World Conference on Disaster Management as a requirement of the role of State Controller Engineering Functional Service (June 2013).	Nil (funded through CSO)
1	Phoenix, USA	Attend 17th Annual Water Reuse & Desalination Research conference while in the US on annual leave	800
1	Spain	Attend Global Water Summit 2013 (including Global Water Intelligence Leaders' Forum) and Global Water Awards Ceremony and Gala Dinner.	6 360
<b>TOTAL \$</b>			<b>43 370</b>

## Planning for the Future

2012-13 Performance Summary				
<u>Statement of Intent:</u> <ul style="list-style-type: none"> <li>To plan for a sustainable future through integrated water planning and stewardship of our physical and natural assets.</li> </ul> <u>Key Strategies:</u> <ul style="list-style-type: none"> <li>Integrated Water Planning</li> <li>Asset Stewardship</li> </ul>	Key Performance Indicator	2012-13 Target	2012-13 Result	
		Water Licence Compliance - extraction within allocation	100%	100%
		Water Licence Compliance - licence conditions	100%	100%
		Number of properties with 3+ unplanned water interruptions per year	< 2 300	1 244
		Number of properties with an internal sewer overflow caused by a sewer mains choke per year	< 78	43

SA Water is compliant with all water licences and work is continuing on developing procedures to maintain compliance in the longer term.

SA Water achieved both asset related targets. These targets indicate SA Water's commitment to maintaining assets to a high standard to ensure continuity of water and sewerage services.

### Water Security Planning

During 2012-13 SA Water continued to develop new and innovative ways of balancing water security with energy costs and water quality. This allows SA Water to provide water supplies in an efficient, responsive, sustainable and accountable manner into the future. This work included policy initiatives and new approaches associated with SA Water's major water sources and working closely with key researchers in the water sector. In particular, during 2012-13 SA Water began work on a Water Security Plan for the South East region. This plan will ensure SA Water continues to deliver quality drinking water services to the region. Our Water Security Plans enable us to develop a framework to evaluate the water resources ability to meet future demand and help guide decision making processes around the management of, and investment in, our water infrastructure. Initial focus of the Water Security Plan for the South East will be on the long term security of water supply for Mount Gambier, the region's largest urban centre, before focusing on the remaining regional supply systems. The Water Security Plan for the South East is due for completion by the end of 2014 to allow time for supporting studies and work by SA Water and other agencies to be completed.

## Asset Stewardship Strategy

### Catchment, land and natural resource management

SA Water develops, implements and maintains plans for the management of the corporation's land, property, supply catchments and water assets which deliver strategic, risk, regulatory and on-ground outcomes.

In 2012-13, particular focus was given to land management that supports and works congruently with whole-of-government bushfire risk reduction efforts. This also included our participation in interagency bushfire and natural hazard management arrangements, the development of detailed fire management plans for SA Water land and active contribution to South Australia's prescribed burn targets.

Catchment inflows are one of the primary components 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) the corporation puts special emphasis on working collaboratively with other natural resources management agencies. To achieve positive water quality outcomes that benefit our customers, efforts in the past year have concentrated on catchment risk assessments and specific investigations into the sources and mitigation of pathogens (*Cryptosporidium* risk). Routine water quality monitoring information from primary supply catchments in the Mount Lofty Ranges watershed is provided through over 10 automated flow and water quality composite samplers.

### Adelaide Desalination Project (ADP)

Through successfully delivering a state-of-the-art desalination plant, the Adelaide Desalination Project (ADP) has provided a climate independent water supply for the people of South Australia and an insurance policy against future droughts. The completed desalination plant has been operated and tested to achieve in excess of its nameplate rating of 100 billion litres (100 gegalitres) of desalinated drinking water each year, which is approximately half of Adelaide's current drinking water needs. As the largest water infrastructure project to ever be completed in South Australia, the ADP has delivered what has been assessed as the most capital efficient plant in Australia, also having the lowest operating cost per litre of desalinated drinking water produced.

The ADP has received significant recognition from independent judges, professional organisations and industry bodies during the period, including:

- The Project Management Institute (PMI) Australia as the National Project of the Year 2013 Award on 2 May 2013 in Sydney. This award is a strong recognition at national level of a project that has been delivered with superior performance through the application of outstanding project management principles.
- A Distinction award in the category of Desalination Plant of the Year 2013 at the Global Water Intelligence Awards in Seville, Spain 23 April 2013. The Global Water Awards winners are chosen by subscribers to Global Water Intelligence and Water Desalination Report as well as members of the International Desalination Association. The judges recognised the project as one of the most technically accomplished reverse osmosis (RO) plants ever built.
- The Water Industry Alliance (WIA) Smart Water Award 2013 in the Planning and Delivery category.

- The Australian Water Association (SA Branch) Infrastructure Project Innovation Award and Civil Contractors Federation (CCF) 2012 'Earth Awards' recognising civil construction, environment and project management.

### **1. Completion of project works**

Handover for Operations milestone for the whole project, including the 100-gigalitre per annum expansion works, was achieved on 12 December 2012, 19 days ahead of the original Cabinet and Parliamentary Public Works Committee (PWC) approval date of end December 2012. The ADP has also been delivered successfully within the original approved budget of \$1.824 billion (approved by the Cabinet and PWC in June 2009).

### **2. Operation and maintenance**

Since achieving the Handover for Operations milestone, AdelaideAqua Pty Ltd, an equal joint venture between ACCIONA Agua and TRILITY, has been responsible for the operation and maintenance of the desalination plant for a period of 20 years. The desalination plant is currently undergoing a two-year 'proving' period until the end of 2014, during which time the plant will operate at various capacities and produce various volumes of desalinated drinking water. Since Handover for Operations, the desalination plant has supplied over 25 billion litres of desalinated drinking water into the existing customer supply network, with approximately 42 billion litres produced since October 2011. During the financial year 2012-2013, the desalination plant produced approximately 39 billion litres of desalinated drinking water.

SA Water has contracted with AGL to supply 100% renewable energy from GreenPower accredited sources in South Australia, for a period of 20 years. Under this arrangement, AGL will supply accredited renewable energy and renewable energy certificates to match all of the energy consumed by the desalination plant as metered at the plant boundary, and SA Water will only pay for electricity that is used. This contract ensures that all renewable energy will come from AGL's existing South Australian generators accredited under the GreenPower Program and from AGL projects in South Australia either under construction or in its development pipeline which also meet GreenPower accreditation standards.

SA Water's metropolitan operator, The Allwater Alliance, continues to be responsible for the ongoing operation of the Transfer Pipeline System, which pumps desalinated drinking water produced by the desalination plant through the pipeline to the Happy Valley water filtration plant and into the customer supply network.

Both AdelaideAqua Design and Construct (D&C) Consortium and AdelaideAqua Pty Ltd continue to demonstrate high standards of safety at the desalination plant site, with both entities maintaining a presence on site.

### **3. Parliamentary select committee**

In December 2010, a Parliamentary Upper House Select Committee was established to inquire into the management and administration of the ADP. Several hearings have since been conducted with SA Water providing evidence and responses to the Select Committee as required. SA Water provided evidence before the Select Committee most recently at a hearing on 28 March 2013. The Select Committee is currently continuing its inquiry.

#### **4. The environment**

An extensive revegetation program has been implemented at the desalination plant site which, at this stage, is substantially complete, with approximately 350 000 local indigenous plants established across the site. The sensitive urban stormwater wetland system is also operating effectively, improving the quality of stormwater leaving the site and providing habitat for local fauna.

Being one of the most energy efficient large scale desalination plants in Australia, our desalination plant integrates a number of innovative energy recovery initiatives and efficiency features that culminate in significant energy savings. Our plant also has one of the lowest carbon footprints of any other desalination plant in the world. All discharge water requirements specified by the Environmental Protection Authority have been met, which includes periods when the desalination plant has been operated at maximum production rates.

#### **5. Community education, engagement and involvement**

The community remains involved and informed even after completion of the desalination plant, through the Kauwi Interpretive Centre located at the desalination plant site. The centre offers a diverse range of learning programs that cater to a wide audience including school students and teachers, industry and technical groups, university and TAFE groups, and the general public, leaving a lasting positive project legacy. From January 2013, the centre has taken 75 bookings totalling 1 069 attendees, with a further 19 bookings totalling 430 attendees for the remainder of the year to end December 2013. Feedback from all attendees has been overwhelmingly positive.

#### **North South Interconnection System Project (NSISP)**

The NSISP is a \$403 million project that connects Adelaide's northern and southern water supply networks. Works include construction of three new pump stations, over 30 kilometres of new pipe work, installation of a number of pressure regulating and sustaining valves and a range of ancillary works across the SA Water metropolitan water supply network.

The NSISP has delivered new levels of flexibility and reliability of water supply through a significant increase in network transfer capability to meet future demand across the Adelaide metropolitan area.

The NSISP is a ground breaking project for SA Water and has already changed the way we operate the network. The benefits of this system are only beginning to be realised and will ensure we are better able to serve the needs of our customers well into the future.

In August, 2012 the NSISP team was the recipient of a major safety award – The Self Insurers of South Australia (SISA) Excellence in Contractor Health and Safety Management. In October, 2012 the NSISP team was the recipient of a second Safety Award – winner in the SA Water Values Week category of "Putting Safety Above All Else".

Project Operational Handover is due on 31 December 2013 and Project Close-out is due 30 June 2014.

Major work undertaken in the 2012-13 financial year included:

- 1.8 million hours worked as of June 2013 without a recorded Lost Time Injury (LTI)
- Commissioning of remaining infrastructure in accordance with the August 2012 milestone date

- Demolition of the old Clapham Pump Station and construction of the stormwater detention basin
- Completion of the Northern Pressure Regulating Valve (PRV) facility including the ability to operate the facility in an automatic, unstaffed mode
- Completion and commissioning of the Northern Pipeline and commissioning of the Central Pipeline and commissioning of the Western Pipeline
- Completion and operation of the Seacliff Pressure Regulating Valve (PRV) facility
- Completion and operation of the Happy Valley and SA Water House control facilities
- Commencement of a minor works package (construction finalisation) contract awarded to Leed Engineering and a Construction Contract awarded to Gilkes for the supply of the mini-hydro equipment for the Seacliff Mini-Hydro facility
- Contract awarded to John Holland/Leed Joint Venture for the design of the main switchboard, installation and commissioning of the Seacliff Mini Hydro equipment
- Completion and operation of the Operational Monitoring and Control Tools (OMCT) – Network Status Display (NSD), Network Operations Model (NOM) and Demand Forecasting Tool (DFT) within the SA Water Control Facilities
- Completion of Operational Monitoring and Control Infrastructure (OMCI)
- Achieving Practical Project Completion on 30 June 2013 in accordance with the project schedule
- Completion of Operations Management and Control Systems on 30 June 2013 in accordance with the project schedule.

### Capital projects highlights

In 2012-13, SA Water's overall capital expenditure exceeded \$400 million with a range of water, wastewater and recycled water projects either 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, including high voltage and low voltage switchboards, earthing system upgrade and associated cables.

Major work undertaken in the 2012-13 financial year:

- commenced detailed design
- completion of stage 1 building fit-outs (new high voltage switch rooms)
- upgrade of site access to two of the pumping stations
- manufacture of new high voltage switchboards.

**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. Activities included development of possible options, concept development and community engagement.



**Murray Bridge Wastewater Treatment Plant upgrade:** To accommodate an anticipated population increase in the Murray Bridge area and cater for the continued expansion of the region, SA Water began planning a project to construct a treatment plant at a new location and decommission the existing plant.

Major work undertaken in the 2012-13 financial year included:

- investigations to realise the potential for a combined wastewater treatment plant servicing both Murray Bridge and Mount Barker with timing of construction to be aligned with the growth rate of residential development in the region
- an assessment of the capacity and integrity of the existing Murray Bridge Wastewater Treatment Plant to ensure its capability to service Murray Bridge until at least the 2015-16 to 2019-20 Regulatory Period
- engaging with a community reference group, local council, government agencies and other key stakeholders to seek input into the development of a preferred solution.

**Barker Inlet – stormwater re-use scheme:** An \$8.85 million project to harvest, treat, store and distribute stormwater collected from the Barker Inlet wetlands at Wingfield to industrial, commercial and irrigation customers in the Regency Park area.

The Barker Inlet wetlands are fed by four stormwater drainage systems, carrying urban and industrial stormwater runoff from approximately 4 500 hectares of north western Adelaide. It is anticipated that the scheme will provide 350 million litres of dual reticulation standard stormwater for industry use each year, reducing the use of potable water and thereby improving the security of water supplies for metropolitan Adelaide.

Major work undertaken in the 2012-13 financial year included:

- completion of site construction
- investigation, concept design and quotation of a new filtration stage proposed as a potential solution to the wetland water quality issues
- investigation of the true impact of mature wetland carp on water turbidity
- investigation of other potential wetland improvement solutions.

The scheme is expected to be commissioned in 2014-15.



**Adelaide Airport – stormwater scheme:** This \$9.8 million project involves the harvesting and treatment of up to 270 million litres of stormwater from the Brownhill and Keswick Creek networks. Following a full season of injection, water will be available for subsequent extraction and sale to Adelaide Airport and surrounding industry, reducing the use of potable water and thereby improving the security of water supplies for metropolitan Adelaide.

Construction of all major components of the project was largely complete by the end of the 2012-13 financial year with commissioning and trials expected in the first quarter of the 2013-14 financial year.

Major work undertaken in the 2012-13 financial year includes:

- completion of the tender process and awarding of the construction contract
- completion of all design activities
- installation of security fencing, treatment infrastructure, aquifer bores and key components of the distribution mains.

**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. Rehabilitation works to existing plant and equipment has commenced and will progress into 2014.

Work undertaken in the 2012-2013 financial year included:

- completion of site security upgrade including fencing
- commissioning of waste gas power generation facilities
- rehabilitation of existing treatment plant infrastructure
- completion of the wetlands earthworks for the former Port Noarlunga sludge lagoons
- orders placed for the landscaping contract for planting of the wetlands
- ongoing community engagement for the Christies Beach plant works and the wetlands works.

**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 will deliver 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 addresses customer expectations.

Site works are expected to commence in the last quarter 2013, subject to awarding of the design and construction contract and confirmation of the contractor's program.

Major work undertaken in the 2012-13 financial year included:

- identification and endorsement of a preferred option
- development of the preferred option's design and estimated total cost
- full financial approval with SA Water Board endorsement, ministerial approval and Public Works Committee reporting
- continued engagement with stakeholders including the Flinders Ranges Council and the local community
- tenders called for the plant's design and construction.

**Hope Valley and Happy Valley water treatment plants upgrade:** 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.

Major work undertaken in the 2012-13 financial year included:

- completion of final design, including undertaking filter trials
- engagement of contractors
- procurement of principal supplied materials, including under-drain filter blocks, 16 large filter outlet valves and filter media
- refurbishment of all required filters at Hope Valley and Happy Valley
- installation of all new instrumentation and controls
- trialling of new instruments and systems.

**Bolivar WWTP 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 July 2012 and the anticipated completion is mid 2014.

Major work undertaken in the 2012-2013 financial year included:

- replacement of building roof
- installation of external access to roof
- installation of new building ventilation system
- installation of new high voltage transformers, switchboards and variable speed drives and commencement of commissioning of new electrical supply system
- commencement of first sewer pump installation.

**Bolivar WWTP energy utilisation optimisation:** A \$25.8 million project to connect natural gas to the Bolivar site, convert the existing gas turbine to natural gas operation and install new infrastructure to create electricity from the available biogas which is created as a by-product of the sewage treatment process.

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

Construction commenced in August 2012, with completion expected by the end of 2013.

Major work undertaken in the 2012-2013 financial year included:

- delivery and placement of new generation sets
- installation of engine enclosures and bulk of auxiliary systems
- installation of new high voltage switch room and switchboards
- award of contract to SEAGAS for installation of a natural gas supply
- completion of the ferrous chloride dosing facility.

**Port Wakefield water supply upgrade:** This \$17.1 million project involves the construction of a 43km long potable water pipeline from the existing Upper Wakefield Storage (near Auburn) to Port Wakefield township via Balaklava and Bowmans in order to:

- facilitate the expansion of the existing poultry industry
- enable potential increase in residential development in the region
- provide water to Rex Minerals' proposed mining operations at Hillside Mine on the Yorke Peninsula.

The Wakefield Regional Council, in partnership with SA Water, secured grant funding of \$5.7 million from the Federal Government through the Regional Development Australia Fund (RDAF) toward part of the project cost. An agreement was reached with Rex Minerals to contribute funds for the upsizing of the pipeline to provide the additional capacity required for its mining operation. SA Water will own and operate the infrastructure once construction is complete.

Major work undertaken in the 2012-13 financial year included:

- approval for construction with the tabling of the Public Works Committee report in March 2013
- signing of a contract with Leed Engineering on 28 March 2013 for the design and construction of the pipeline
- delivery to site of the glass reinforced plastic pipe, manufactured in South Australia, in May 2013.

The major construction activity is planned to commence in July 2013 with completion expected in early 2014.

**Marion Road, Holbrooks Road trunk water main renewal:** The 6.9km trunk water main between Anzac Highway and Grange Road was originally constructed in 1898 and is one of the oldest in the state. Due to the age and continued deterioration of the asset, the main has experienced above average bursts and was identified for replacement.

Delivery of this project will reduce the incidence of unplanned disruptions to water supply in the surrounding area, resulting in improved security of water supply to customers.

Major work undertaken in the 2012-13 financial year included:

- design of the project
- sourcing Cabinet financial approval and Public Works Committee reporting
- site mobilisation and delivery of materials and equipment
- completion of approximately 40% of construction.

**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 (MHF) requirements under the new Work Health and Safety (WHS) Regulation which came into effect in South Australia from 1 January 2013.

The project received full financial approval in April 2011 from Cabinet and the Public Works Committee.

Project construction commenced in November 2012, after obtaining contract award approval from Cabinet on 24 September 2012. The project completion including testing, commissioning and decommissioning of the existing facility is expected in late 2014.

Major construction works undertaken in the 2012-13 financial year included:

- detailed design development works including electrical and controls new building bulk earthworks, civil, structural and underground pipework preparations for the installation of mechanical and electrical equipment installations scheduled for early August 2013.

**Queensbury Wastewater Pump Station:** An \$18 million project to replace the existing waste water pump station that is 78 years old and has 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 will see 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 will include construction of an odour control plant to address a history of odour complaints from local residents.

Construction commenced in January 2013 and completion is anticipated in mid 2014.

Major work undertaken in the 2012-2013 financial year included:

- excavation works for the pump station foundations
- construction of pump station base slab
- financial contribution to the upgrade of an open space reserve adjacent the site to be undertaken by the City of Charles Sturt.

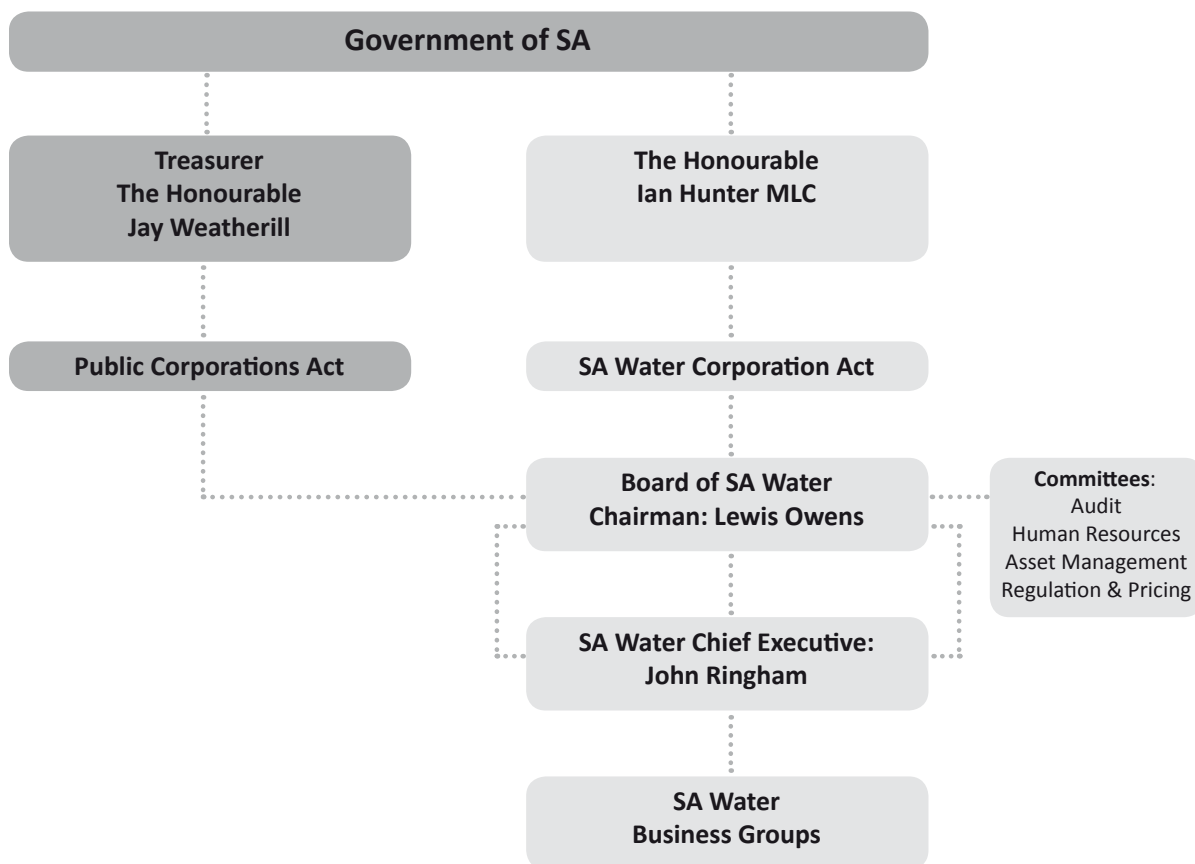
**Paralowie, Bolivar Road wastewater trunk rehabilitation:** A \$12.65 million project to rehabilitate 6.2 km of the existing wastewater trunk main.

This critical trunk main runs from Gawler to Bolivar wastewater treatment plant, collecting wastewater from Gawler and a significant portion of the Playford District.

The existing main was at the end of its practical life. The trunk main is being refurbished by inserting a structural PVC lining into the existing pipe. The project scope also includes refurbishing the existing manholes as well as installing additional manholes.

Construction commenced in February 2013, with practical completion expected by the end of July 2013.

## Corporate Governance



### Our charter

Under section 12 of the *Public Corporations Act 1993*, the corporation's Minister and the Treasurer, in consultation with the corporation, are required to prepare a charter for SA Water and to review it annually. The charter is effectively a statement from the government which guides the board in pursuing its functions under the *South Australian Water Corporation Act 1994*. The charter seeks to balance community service with prudent commercial principles in the conduct of SA Water's business.

The 2012 review of the charter considered the changing legislative and regulatory environment as SA Water undertook its first revenue determination with the Essential Services Commission of South Australia. The review concluded that changes to the charter were not necessary for 2012-13.

As required by the Act, the charter will be reviewed again in the 2013-14 year.

### 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 function 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. All delegations are reviewed annually by the Audit Committee and referred to the board for approval. 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 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 2012-13 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. One director declared a conflict of interest in relation to a matter listed for decision and was absent from the meeting when the decision was taken.

### **Directors' benefits**

In 2012-13, 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**

The Board has four standing Committees to assist with the discharge of its responsibilities. 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. The charters are reviewed annually and are available on request. Membership of the Committees is reviewed regularly.

### **Audit Committee**

In 2012-13 the members of the Audit & Risk Management Committee were:

- Frank Blevins, Chair
- Sybella Blencowe
- Cathy Cooper
- Kevin Osborn.

As required under the *Public Corporations Act 1993*, we maintain an Audit Committee and an internal audit function. Our Business Assurance and Risk team plays a key role in providing independent and objective analysis of business processes and internal control systems.

The Audit Committee also monitors our risk management framework (including treasury risk) and legal and trade practices compliance programs. More information on our risk management can be found on page 74.



In 2012-13 a feature of the Audit Committee's work was its continued focus on enhancing the effectiveness of risks management and reporting, and improvements in procurement.

### **Asset Management Committee**

In 2012-13 the members of the Asset Management Committee were:

- Kevin Osborn, Chair
- Lewis Owens
- Sybella Blencowe.

The Asset Management Committee has a particular focus on issues arising from our stewardship of substantial and essential infrastructure. The committee's primary concern is the condition, performance, reliability and efficiency of SA Water assets, both in absolute terms and in terms of comparison with other water utilities.

A particular focus during 2012-13 was capital planning, benchmarking and issues related to metering.

### **Human Resources Committee**

In 2011-12, the members of the Human Resources Committee were:

- Cathy Cooper, Chair
- Sybella Blencowe
- Lewis Owens.

This Committee reviews and makes recommendations to the Board on conditions of employment including the level of remuneration paid to the Chief Executive and other senior executives. During the year the committee took particular interest in issues relating to workplace health and safety and remuneration policy.

### **Regulation and Pricing Committee**

In August 2011 the Board established a Regulation and Pricing Committee. This Committee was disbanded in August 2012:

- Lewis Owens (Chair)
- Frank Blevins
- John Ringham
- Kevin Osborn.

This Committee provided support and advice on matters associated with the corporation's approach to and performance of its various regulatory obligations and on the corporation's working relationships with regulatory agencies.

## Directors' meetings

The number of meetings of the Board of Directors (including meetings of committees of directors) held in 2012-13 was:

- Board of Directors – 11 meetings
- Audit Committee – 4 meetings
- Asset Management Committee – 4 meetings
- Human Resources Committee – 7 meetings
- Regulation and Pricing Committee – 2 meetings.

The number of meetings attended by each of the directors during the financial year is shown in the following table:

2012-13

	Board		Special Board		Audit Committee		Human Resources		Asset Management		Regulation & Pricing	
	A	B	A	B	A	B	A	B	A	B	A	B
Sybella Blencowe	11	11	4	4	4	4	7	7	4	4		
Frank Blevins	11	9	4	4	4	3					2	2
Catherine Cooper	11	10	4	3	4	4	7	7				
Kevin Osborn	11	11	4	4	4	4			4	4	2	1
Lewis Owens	11	11	4	3			7	7	4	4	2	2
John Ringham	11	10	4	4	4	4	7	6	4	4	2	2

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

## Fraud

We have a code of conduct in place to inform staff members of what activities might constitute fraud and to warn employees 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. As at 30 June 2013, the policy and procedures are undergoing a review for the impending requirements under the new *Independent Commission Against Corruption Act 2012*.

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 Audit Committee.

SA Water has 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. For the year ended 30 June 2013, no reports were received through this facility.

We also undertake proactive fraud detection exercises in which irregularities are identified and investigated, supplemented with a corporation wide fraud risk assessment. Where appropriate, suspected fraudulent activities are referred to relevant law enforcement agencies.

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 to 30 June 2013 these exercises did not uncover any instances of fraud or corruption.

### **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 has agreed to indemnify and keep 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 Audit Committee has been delegated responsibility, via the Audit Committee 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 can fulfil its corporate governance and supervisory responsibilities. The Audit 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 both the Chief Executive and the Audit Committee:

- The General Manager Business Assurance and Risk reports, via the Corporation Secretary, to the Audit 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 Management Team, other management, employees, contractors and our key partners) play a role in the identification, assessment and management of risks.

### **Compliance with legislative requirements**

SA Water is committed to best practice and the highest standards of compliance with legislative requirements. Several systems have been developed to assist managers in monitoring compliance with a range of legislation. Training is also provided as required, with particular focus on areas such as environmental law and the *Competition & Consumer Protection Act 2010*. Six-monthly monitoring and reporting programs are in place to ensure adherence to laws, standards, treasury instructions and internal policy. The results of the monitoring programs and the resolution of matters recorded are reported to the Audit Committee.

Most provisions of the Water Industry Act 2012 came into operation on 1 July 2012 and the remaining provisions commenced on 1 January 2013. The Water Industry Regulations 2012 also came into operation on 1 January 2013. A comprehensive examination of all obligations under the Act, Regulations, Retail Licence and Water Retail Code was undertaken to ensure the corporation is fully cognisant of, and prepared to meet, its legal obligations. These obligations have been inculcated into the corporation's Legal Compliance Framework.

### **Policy development**

Our Policy Management Framework supports the development of strategic (Board approved) and management (Senior Management Team approved) policies that are aligned to our corporate strategic objectives. Our policies cover a broad range of areas including environmental, financial management, procurement, human resource management and WHS. They are supported by a suite of procedures and guidelines. Targeted and general consultation of draft documents is undertaken when developing new policy at SA Water, along with development of implementation plans and performance indicators that measure policy effectiveness. Continuous improvement remains at the core of our policy development, with the policy framework, our policies, procedures and guidelines all subject to periodic review.

### **Freedom of Information**

SA Water is committed to openness, transparency and accountability while at the same time recognising the right of stakeholders to privacy. Throughout 2012-13 we continued to ensure our website delivered a broad scope of free educational and informative material to the public.

In 2012-13 SA Water received 98 new applications for information under the *Freedom of Information Act 1991* (FOI Act). Nine applications were also carried over from

2011-12, leading to an overall total of 107 applications in 2012-13. Members of Parliament submitted 77 applications for information, the public made 18 applications, lawyers/agents made two applications and the insurance industry made one application under the FOI Act.

The outcome of the applications received in 2012-13 was as follows:

- Access granted in full – 25
- Access granted in part – 40
- Applications refused – 24
- Applications withdrawn – 6
- Applications transferred to other departments – 1.

Eleven applications are being carried over into the 2013-14 period.

In addition to the FOI applications received, SA Water responded to 15 third party consultation requests from local, state and federal government departments.

SA Water received three applications for internal review and one application for external review by the Ombudsman.

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

## Operations Overview 2012-13

<b>Length of mains</b>	<b>2012-13</b>
Total length of water mains	26 674
Metropolitan	9 047
Country	17 627
<b>Major pipeline lengths</b>	
Murray Bridge to Onkaparinga	48
Morgan/Whyalla no 1 via Port Augusta	356
Morgan/Whyalla no 2 undersea from Baroota	281
Mannum Adelaide	60
Swan Reach/Paskeville	183
Tailem Bend/Keith	133
Lincoln Gap/Kimba	131
<b>Major pipeline rated capacities (ML per day)</b>	
Murray Bridge/Onkaparinga	514
Morgan/Whyalla	206
Mannum/Adelaide	380
Swan Reach/Swanport	80
Tailem Bend/Keith	31
Lincoln Gap/Kimba	4.5
<b>Length of sewers (km)</b>	
Total length of sewers	8 767
Metropolitan	7 309
Country	1 458
<b>Length of recycled water mains (km)*</b>	
Metropolitan	186
Country	23
<b>Accounts</b>	
Accounts billed	739 360
<b>Number of water treatment plants</b>	
Metropolitan	7

Country	24
<b>Number wastewater treatment plants</b>	
Metropolitan	5
Country	19
<b>Wastewater reuse</b>	
Metropolitan	32.4%
Country	22.3%
<b>Population served water supply (at 30 June)</b>	
Estimated population supplied metropolitan	1 162 000
Estimated population served country	430 000
Total	1 592 000
<b>Population served wastewater (at June 30)</b>	
Estimated population served metropolitan	1 102 000
Estimated population served country	168 000
Total	1 270 000
<b>Average volume water delivered statewide for past five years (ML)</b>	
Metropolitan	137 847
Country	74 696
<b>Statewide water consumption facts</b>	
Total volume delivered (ML)	223 482
Average residential consumption per household (kL)	187
Highest daily consumption recorded in 24 hours to 8am (ML) Metro	794
<b>Metropolitan water consumption facts</b>	
Total volume delivered (ML)	146 657
Average residential consumption per household (kL)	192
<b>Country water consumption facts</b>	
Total volume delivered (ML)	76 826
Average residential consumption per household (kL)	171
<b>Water sources</b>	
Total water (ML)	223 482
% provided by River Murray	55
% provided by surface water	23
% provided by ground water	6
% provided by sea water	16

## Five Year Comparisons 2012-13

	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Water supply</b>					
<b>Adelaide</b>					
Volume delivered (ML)	138 300	139 753	129 000	135 276	146 657
Average daily volume delivered (ML)	378	383	353	370	402
Average daily per capita consumption, including commercial, industrial and residential (L)	339	340	310	323	346
Estimated population served	1 117 000	1 125 000	1 140 000	1 149 000	1 162 000
Length of mains (km)	8 933	8 980	9 020	8 997	9 047
<b>Country</b>					
Volume delivered (ML)	79 900	76 378	67 665	72 868	76 826
Estimated population served	408 000	411 000	417 000	427 000	430 000
Length of mains (km)	17 217	17 297	17 532	17 594	17 627
<b>Total (rounded)</b>					
Total water (ML)	218 170	216 131	196 665	208 144	223 483
% provided by River Murray	86	44	46	45.6	55
% provided by surface water	8	50	48	46.6	23
% provided by ground water	6	6	6	6	6
% provided by sea water	<0.1	<0.1	<0.1	1.8	16
<b>Wastewater</b>					
<b>Adelaide</b>					
Number of wastewater treatment plants	4	4	4	5	5
Estimated population served	1 057 000	1 064 000	1 076 000	1 087 000	1 102 000
Length of sewers (km)	7 147	7 202	7 252	7 267	7 309
Length of recycled wastewater supply main (km)	74	82	127	168	186
% wastewater re-use	31.8	29.5	22.5	26.4	32.4
<b>Country</b>					
Number of wastewater treatment plants	20	20	20	19	19
Estimated population served	159 000	161 000	163 000	167 000	168 000
Length of sewers	1 418	1 436	1 451	1 436	1 458
Length of recycled wastewater supply main (km)*	6	9	9	12	23
% wastewater reuse	24	25.7	20.1	19.3	22.3
<b>Wastewater re-use</b>					
Total %	27.9	27.7	21.3	25.6*	31.3



	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Finance</b>					
<b>Revenue</b>					
Water sales and rates	347 585	396 367	492 885	646 718	840 872
Sewerage rates	282 582	292 175	305 729	325 636	339 015
Contributions and grants	68 864	65 023	69 883	63 995	50 361
CSO funding	183 087	198 547	180 780	153 274	106 773
Sundries	107 317	113 934	105 424	80 341	98 984
Total revenue	989 435	1 066 046	1 154 702	1 269 964	1 436 005
<b>Operating expenditure</b>					
Operations and services	445 980	440 051	456 392	479 743	549 923
Interest	106 908	143 562	206 297	228 586	233 873
Depreciation	177 696	211 129	234 293	245 514	290 080
Total operating expenditure	730 581	794 742	896 982	953 843	1 073 876
<b>Capital expenditure</b>					
Water supply	536 000	875 048	456 064	469 636	278 562
Sewerage	142 798	120 269	181 574	98 667	110 109
Other	52 674	174 185	55 486	35 155	45 648
Total capital expenditure	731 472	1 169 502	693 124	603 458	434 319
<b>Water/wastewater services</b>					
Total expenses per customer \$	927	1 102	1 243	1 289	1 356
<b>Expenses recovery</b>					
Revenue as a % of expenses	139.2	134.0	129	133	134
<b>Contracts customer service</b>					
% of developer contracts prepared within 90 days	100	100	100	100	100
<b>Improving water quality</b>					
% of filtered water distributed into Adelaide system	100	100	100	100	100
<b>Water supply performance</b>					
<b>Metropolitan</b>					
Service calls per 1 000 customers	92	91	91	86.6	83.9
Number of priority calls, bursts, leaks per 1000 customers	2.21	2.18	2.10	3	2.4
Service interruptions restored in 5 hours (target 80%)	91	90	87	91.3	89
Water quality complaints per 1 000 customers	0.61	0.73	1.05	1.23	1.18
% of samples free from <i>E. coli</i>	99.96	100	99.96	100	99.96
Operating expenses per customer (\$)***	273	251	243	299	393

	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Country</b>					
Mainbreaks per 1000 customers	4.9	7.5	8.7	9	9
Mainbreaks per 100 km of main	5.5	8.9	11	10	10
% interruptions responded to within 1 hour	93.5	93	98	97	96
% of samples free from <i>E. coli</i> **	99.95	99.99	99.94	99.94	99.91
Operating expenses per customer (\$)***	589	558	643	676	633
<b>Wastewater services performance</b>					
<b>Metropolitan</b>					
Chokes in sewer mains per 100 km of main	54.9	48.8	48.4	39	57
Chokes in sewer mains per 1 000 customers	8.05	7.11	7.01	6	8
Chokes in property connections per 1 000 customers	34.2	30.9	28.71	35	38
Restoration of service, mains and connections (full loss of service) restored within 5 hours (target >75%)	97	97	97	90	90
Restoration of service, mains and connections (partial loss of service) restored within 18 hours (target >90%)	98	98	98	84	91
Wastewater overflows reported, % attended within 4 hours	100	100	100	92*	99
Treated wastewater total BOD - Christies Beach, Glenelg, Bolivar HS - mg/L (target <20)	3.1	3	2.8	3.0	3.0
Treated wastewater soluble BOD - activated sludge plant - Bolivar - mg/L (target <10)	2.1	2.2	2.2	2.1	2.0
Treated wastewater suspended solids / Bolivar High Salinity, Glenelg, Christies Beach	9.1	8.6	8.3	4.0	7.0
Treated wastewater % compliance with EPA targets	100	100	100	100	100
Operating expenses per customer (\$)***	195	185	179	156	224

	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Country</b>					
Chokes in connections per 1 000 customers	13.2	17	12.9	19	20
Chokes in sewers per 100 km of sewer	18.5	11	14.1	15	15
% internal overflows responded to within one hour	100	98	100	96	100
Treated wastewater BOD (activated sludge/extended aeration plant) mg/L	2	<2	<2	<2	2
Treated wastewater soluble BOD (lagoon plants) mg/L	2	2	2	<2	2
Treated wastewater suspended solids (activated sludge/extended aeration) mg/L	3	5	3	3	4
Operating expenses per customer (\$)***	372	305	405	368	384

\* Reported incorrectly in Annual Report 2011-12 and adjusted to the correct figure for this report.

\*\* *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.

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# South Australian Water Corporation **Charter**

June 2010



Government  
of South Australia



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## Part 1 Preliminary

### Purpose

The purpose of this Charter is to set out the Government's strategic objectives, operating arrangements, priorities and requirements for the South Australian Water Corporation's Board.

### Charter's Design

The Minister has prepared this Charter with input from the Treasurer following consultation with the South Australian Water Corporation.

### Governance Context

This Charter should be read in conjunction with the:

*Public Corporations Act 1993*

*South Australian Water Corporation Act 1994*

*Sewerage Act 1929*

*Waterworks Act 1932*

*Metropolitan Drainage Act 1935*

*Rates and Land Tax Remission Act 1986*

*Public Finance and Audit Act 1987*

*Public Sector Management Act 1995*

Code of Conduct for South Australian Public Sector Employees March 2005.

This Charter aims to meet the following Australian and New Zealand Standards:

AS8000 2003 Good Governance Principles

AS4360 2004 Risk Management.

### Definitions

Under this Charter the following definitions apply:

**'Act'** means the *South Australian Water Corporation Act 1994*

**'board'** means the Board of Directors established as the governing body of South Australian Water Corporation

**'commercial'** means engaging in commerce with a view to building business value by making long term, ethical, sustainable returns on capital invested. This includes taking into account the cost of negative externalities from commercial activities

**'director'** means a member of the Board

**'Minister'** means the Minister for Water Security

**'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 Treasurer after consultation with the Corporation under section 13 of the *Public Corporations Act 1993*



**'stewardship'** means acting as an ethical trustee and fiduciary to manage, maintain, preserve and enhance the assets, resources and relationships of the Corporation

**'the Corporation'** means the South Australian Water Corporation

**'the Government'** means the Government of South Australia

**'Treasurer'** means the Treasurer for the South Australian Government

**'water'** includes water from any source and of any class

**'water services', 'water industry' or 'water systems'** means water products, supplies, services and systems

**'whole-of-government policy'** means objectives for Government approved by Cabinet from time to time and relate to the functions or operations of all or various public sector agencies. This includes South Australia's Strategic Plan.

### **Fundamental Governance Arrangements**

1. The Corporation shall discharge its duties under the legislation listed above as well as under any other piece of legislation which has an impact on SA Water activities.
2. The Corporation owns assets for and on behalf of the Crown for the benefit of South Australians and has the powers of a natural person and those conferred on it by the Acts of Parliament.
3. The Minister and the Treasurer are shareholders of the Corporation for and on behalf of the people of South Australia.
4. The Board through the Chair is accountable to the Minister for:
  - 4.1.1. sound management and stewardship of the Corporation and its assets for and on behalf of its shareholders in accordance with the law
  - 4.1.2. attainment of performance objectives as established in the 'performance statement'.
5. The Minister and the Treasurer, after consultation with the Corporation, must prepare an annual performance statement in accordance with section 13 of the Public Corporations Act 1993.
6. The Minister and Treasurer will assess the Board's performance as against the Board's annual performance objectives.
7. The Chief Executive, appointed by the Board, is accountable to the Board for day-to-day management of the Corporation and the implementation of the Board's decisions, directions and policies and discharge of delegated powers or functions.

## **Part 2 Purpose and Direction**

### **Function Of The Corporation**

8. The function of the Corporation is to provide services:
  - 8.1. for the supply of water by means of reticulated systems
  - 8.2. for the storage, treatment and supply of bulk water
  - 8.3. for the removal and treatment of wastewater by means of sewerage systems
  - 8.4. to carry out research and works to improve water quality and wastewater disposal and treatment methods
  - 8.5. to provide consultancy and other services within areas of the Corporation's expertise
  - 8.6. to develop commercially and market products, processes and intellectual property produced or created in the course of the Corporation's operations
  - 8.7. to advise users of water in the efficient and effective use of water
  - 8.8. 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 subject to section 9 of the SA Water Corporation Act 1994 and only where there is a clear public benefit
  - 8.9. to undertake any other function conferred on the Corporation by the Act, any other Act or the Minister or delegated to the Corporation by the Minister.

### **Government Policies And Directions**

9. In pursuing its statutory functions and exercising its powers, the Corporation shall:
  - 9.1. work to advance the Government's vision and direction
  - 9.2. act in accordance with the Government's:
    - 9.2.1. governance framework for public corporations
    - 9.2.2. policies generally applying to its commercial agencies and
    - 9.2.3. policies specifically applying to the Corporation
  - 9.3. work collaboratively with other Government agencies.
10. The Government requires the Corporation to play its part to support the objectives, targets and priority actions in South Australia's Strategic Plan and other whole-of-government policies and to work with other public sector agencies to achieve strategic objectives under the plan.
11. The Government seeks, through the Corporation's strategic plan, its associated targets and projects, to implement whole-of-government policies as per South Australia's Strategic plan objectives to:
  - Grow prosperity
  - Improve well being
  - Attain sustainability
  - Foster creativity
  - Build communities
  - 11.1. Expand opportunity.

## Part 3 Operational Matters

### Corporation's Operations

12. The Corporation shall operate in a sustainable manner. This includes undertaking activities in the following contexts:
  - long term
  - global
  - local
  - economic
  - financial
  - social
  - environmental.
13. For the purposes of the Public Corporations Act 1993, all operations of the Corporation are commercial operations, except for those operations referenced as non-commercial operations as outlined in the **Schedule** to this Charter.

### Scope Of Commercial Operations

14. The Corporation shall undertake and develop commercial operations consistent with its strategic business plan and in particular:
  - 14.1. *Customer Service & Water Quality* – to deliver quality water services and be responsive to its customers needs
  - 14.2. *System Performance* – to plan, develop, operate and maintain our infrastructure to consistently meet the needs of its customers and owner
  - 14.3. *Sustainable Future* – to play a leading role in providing a sustainable and secure water supply for the community and minimise its impact on the environment in accordance with governance policy
  - 14.4. *People & Culture* – to develop a high achieving culture with a talented and diverse workforce and aspire to a zero harm workplace
  - 14.5. *Commercial Success* – to drive operating and capital efficiency and meet the financial expectations of its owner.
15. The Corporation may undertake other commercial operations within South Australia, including where such operations:
  - 15.1. support or are ancillary to or utilise by-products of its primary operations
  - 15.2. involve water trading to secure supplies to meet demand and
  - 15.3. relate to research and development to support primary or ancillary operations.
16. The Corporation may pursue opportunities beyond South Australia in accordance with risk management and other financial arrangements agreed with the Minister and the Treasurer including where such operations:
  - 16.1. support or are ancillary to or utilise by-products of its primary operations
  - 16.2. involve water trading to secure supplies to meet demand
  - 16.3. relate to research and development to support primary or ancillary operations.

17. With the approval of the Treasurer and the Minister the Corporation may pursue commercial opportunities through subsidiaries, joint ventures or other appropriate arrangements, provided that the services delivered under the arrangements relate to water or ancillary services.

### **Scope Of Non-Commercial Operations**

18. The Corporation's non-commercial operations, in terms of the Public Corporation Act, include those operations:
  - 18.1. listed in the **Schedule** to this Charter
  - 18.2. subject to a community service agreement between the Corporation and a purchasing Minister
  - 18.3. agreed to be non-commercial by the Minister and the Treasurer.
19. The Corporation is required to perform all non-commercial operations so as to minimise their negative impact on the State.
20. Non-commercial operations are to be costed and funded in accordance with arrangements determined by the Minister and Treasurer.
21. The Corporation may undertake approved non-commercial operations within or outside the State.

### **Service Standards**

22. The Corporation shall comply with service standards that are prescribed by legislation or regulatory requirements and guidelines.
23. The Corporation shall propose, in consultation with the community and any customer council appointed by the Minister, other service standards that shall be approved by the Minister and the Treasurer.
24. The Corporation shall maintain and review every three years those service standards that have been approved by the Minister and the Treasurer.
25. The Corporation shall report annually to the Minister and the Treasurer on benchmarking of price and service quality based on national reporting requirements required by the National Water Initiative.

### **Financial and Commercial Management**

26. All accounts and financial records must be kept in accordance with legislative requirements under the Public Finance and Audit Act and associated Regulations and Treasurer's Instructions.
27. The Corporation must prepare a general purpose financial report in accordance with applicable Australian Accounting Standards (including Australian equivalents to International Financial Reporting Standards), other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the Treasurer's Instructions and Accounting Policy Framework issued pursuant to the Public Finance and Audit Act.

## 28. Pricing

28.1. The Corporation shall adopt rates, fees and other charges set by:

28.1.1. the Minister under the Waterworks Act and Sewerage Act

28.1.2. regulation by the Governor in Executive Council pursuant to the Waterworks Act, Sewerage Act and Fees Regulation Act

28.1.3. the Corporation by agreement, under the Waterworks Act and Sewerage Act

28.1.4. the Corporation on a commercial basis, for other services not covered by the above.

## 29. Capital Structure

29.1. In accordance with the policy guidelines for the capital structure of Public Non Financial Corporations, the Corporation shall maintain a capital structure commensurate with the capital intensity of its operations and the risk profile of its operating revenue and expenses. In addition, consideration will also be given to the:

- impact of alternative asset valuation methods on business value
- dividend requirements
- credit rating objectives
- need for financial flexibility and
- ability to finance approved capital expenditure.

### **Accounting and Internal Auditing Systems and Practices**

30. The Corporation must establish and maintain:

30.1. effective internal auditing of its operations in accordance with appropriate standards of practice and the Public Corporations Act

30.2. a register of governance arrangements for all subsidiaries and audit committees.

## **Part 4 The Board**

### **Board Powers**

31. The Board is empowered under the Act to make binding decisions for the implementation of the Act.

32. The Board shall have authority to interpret the meaning of this Charter and any other matter relating to the affairs of the Board on which this Charter is silent.

33. The Board (through the Chair) may make recommendations to the Minister about improvements or modifications to the Charter.

### **Board Responsibilities**

34. The Board is responsible to the Minister for overseeing the operations of the Corporation to:

34.1. secure sustainable supplies of water for the benefit of the Corporation's customers

- 34.2. protect the long term viability of the Corporation and the Crown's financial interests in SA Water
- 34.3. secure continuing improvements in the Corporation's performance.

### **Board Activities**

35. The Board's activities will include:

- 35.1. Meeting the Government's expectations by:
  - 35.1.1. setting the long term strategic direction for the Corporation, mindful of expectations set by the Minister and the Treasurer in performance statements and this Charter
  - 35.1.2. optimising the value of the Corporation for the long term whilst achieving other key requirements of Government
  - 35.1.3. ensuring organisational and operational congruence with whole-of-government policy and in particular contributing to South Australia's Strategic Plan
  - 35.1.4. collaborating with others in the public sector to ensure congruence with Government policy and activities
  - 35.1.5. providing advice and reports to the Minister in accordance with the reporting obligations outlined in this Charter
  - 35.1.6. making recommendations to the Minister on the impacts on the Corporation, or implementation, of relevant water policy.
- 35.2. Providing good strategic management and sound stewardship of the Corporation by:
  - 35.2.1. modeling high standards of corporate and business ethics and fostering a positive, dynamic and ethical culture by appropriate investment in the development of the Corporation's human resources
  - 35.2.2. good decision making on material matters that effect the Corporation and resource allocation
  - 35.2.3. setting:
    - strategic directions and corporate strategy
    - broad policy of the Corporation
    - strategic objectives, key performance indicators, targets and their respective priorities
  - 35.2.4. monitoring:
    - the Corporation's ability to meet its statutory obligations and functions
    - performance to ensure strategic objectives are achieved and continuous operational improvement
    - governance arrangements to ensure good governance principles are applied by the Corporation and its subsidiaries
    - the Corporation's capacity and competence to meet future anticipated requirements.

- 35.3. Setting operational management parameters by:
- 35.3.1. empowering the Chief Executive to manage the Corporation's operations
  - 35.3.2. setting annual expectations of the Chief Executive and assessing the Chief Executive's performance against those expectations
  - 35.3.3. requiring the Corporation and its subsidiaries to aim to:
    - adopt a customer centric approach to service delivery
    - work constructively with other public sector organisations
    - operate in a sustainable manner (financially, socially and environmentally) to maximize long-term business value
    - promote demand management, water conservation and the use of recycled water consistent with Government policy
    - adopt appropriate systems and practices for the management and financial planning and control of all assets and liabilities
    - undertake appropriate risk management in all decision making throughout the organisation
    - maintain processes and procedures to ensure staff demonstrate high levels of honesty and accountability and appropriately manage any conflicts of interest.

### **Board's Methodology in Monitoring the Corporation's Performance**

36. The Board will:
- 36.1. approve the Corporation's strategic direction and priorities and ensure they are communicated to all staff and stakeholders. It will ensure that the expectations of the Minister and commitments from the Board to achieve those expectations are incorporated into plans and implemented
  - 36.2. approve a strategic resource allocation plan that aligns resources against strategic objectives and its nominated priorities
  - 36.3. approve strategic key performance indicators as they link to the strategic plan and will expect regular reports on the Corporation's performance against those indicators
  - 36.4. review reports by the Corporation on attainment of its strategic and financial objectives and consider recommendations to adjust its strategies to ensure achievement of its objectives
  - 36.5. review and approve the Corporation's annual report, which will assess performance on a triple bottom line basis.
37. The Board may use internal audit functions to assess whether the Corporation is performing in accordance with its stated directions.

## **Board Membership**

38. The Board is comprised of:
  - the chief executive and
  - six directors appointed by the Governor
  - one director (who must not be the chief executive) will be appointed by the Governor to Chair meetings of the Board.
39. The Governor may appoint a director (who must not be the chief executive officer) to be the deputy of the director appointed to Chair meetings of the Board. The deputy may perform or exercise the functions and powers of that director in their absence.
40. Membership of the Board is subject to review and confirmation by the Minister and Governor.
41. The Board's membership must include persons who together have, in the Minister's opinion, the abilities and experience required for the effective performance of the Corporation's functions and the proper discharge of its business and management obligations.
42. At least two directors must be women and two men.
43. A director will be appointed for a term, not exceeding three years, specified in the instrument of appointment and will, at the expiration of a term of appointment, be eligible for reappointment.
44. The Governor may remove an appointed director from office on the recommendation of the Minister.
45. The Minister may recommend removal of an appointed director on any ground the Minister considers sufficient including a failure to meet agreed performance expectations.
46. The office of an appointed director becomes vacant if the director:
  - dies or
  - completes a term of office and is not reappointed or
  - resigns by written notice to the Minister or
  - becomes bankrupt or applies to take the benefit of a law for the relief of insolvent debtors or
  - is convicted of an indictable offence or sentenced to imprisonment for an offence or
  - is removed from office under the Act.
47. Where an office of a director becomes vacant the Chair, who has been duly informed, will notify the Minister of the circumstances and seek a replacement appointment.
48. A current list of directors and their contact particulars will be kept by the Corporation Secretary and on a register kept by the Department of Premier and Cabinet.
49. Where a director ceases to be a director for whatever reason, any Board papers in their possession must be returned to the Corporation Secretary as soon as practicable.

## **Duties Of Board Directors**

50. Directors are required to:
  - 50.1. follow written directions of the Minister
  - 50.2. comply with all statutory and legal obligations



- 50.3. continuously improve their skills and knowledge relevant to their Board membership
- 50.4. be accountable for their actions
- 50.5. act in good faith
- 50.6. abstain from any involvement in any decision where there may be a conflict of interest
- 50.7. support and implement decisions of the Board
- 50.8. exercise a reasonable degree of care and diligence in the performance of their functions, and (without limiting the effect of the foregoing) for that purpose:
  - 50.8.1. must take reasonable steps to inform themselves about the Corporation and its subsidiaries, their businesses and activities and the circumstances in which they operate and
  - 50.8.2. must take reasonable steps through the processes of the Board to obtain sufficient information and advice about all matters to be decided by the Board or pursuant to a delegation to enable themselves to make conscientious and informed decisions and
  - 50.8.3. must exercise an active discretion with respect to all matters to be decided by the Board or pursuant to a delegation
- 50.9. exercise reasonable diligence in attendance at and preparation for Board meetings but are not bound to give continuous attention to the affairs of the Corporation
- 50.10. act honestly at all times in the performance of the functions of their office, whether within or outside the State
- 50.11. model high levels of corporate ethics and values of a public sector corporation director
- 50.12. ensure that neither a director or an associate of the director is either directly or indirectly involved in a transaction with the Corporation or its subsidiary unless they have written approval from the Minister
- 50.13. ensure all Board papers are secure whilst in their possession.

### **Director Training**

- 51. It is incumbent on each director to undertake:
  - 51.1. induction and training on appointment to the Board
  - 51.2. ongoing training and development to model continuous improvement in their skills and knowledge.
- 52. The Chair must ensure that induction and training is provided to all directors.

### **Board Decision Making**

- 53. The Board will have documented decision-making procedures in place which exemplify good governance practice and meet the Minister's expectation.

## **Part 5 Reporting**

### **Reporting on Financial Matters**

54. The Board is obliged to:
- 54.1. advise the Minister, as soon as practicable, of any material development that 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
  - 54.2. ensure that all information furnished to the Minister by the Corporation or any of its subsidiaries is accurate and comprehensive
  - 54.3. provide advice on dividends to the government and dividend returns to Government in accordance with the Public Non-Financial Corporations Ownership Framework 2004.

### **Reporting Statement on Operations**

55. In addition to statutory reporting, the Corporation must provide the following reports to the Minister and the Treasurer:
- 55.1. quarterly, a statement of financial position, statement of financial performance, capital investment report and a statement of cash flows
  - 55.2. quarterly reports on any commercial operations beyond South Australia
  - 55.3. annually for the budget planning process, a forward estimates report covering the Budget year and the four out years
  - 55.4. annual reports on performance against customer service standards
  - 55.5. other information as requested from time-to-time by the Minister or the Treasurer.

### **Annual Reporting**

56. The Board must report annually to the Minister on:
- 56.1. achieving its statutory obligations, functions and expectations of the Minister
  - 56.2. achievements in implementing whole-of-government policy
  - 56.3. comparisons between strategic plan targets and actual results
  - 56.4. why targets were not achieved or exceeded and lessons from the process
  - 56.5. compliance with legislative obligations
  - 56.6. activities of the Corporation in implementing policies.

### **Date of Operation**

57. This Charter comes into operation upon signing by the Minister and the Treasurer, and is binding on the Corporation.
- Charter was signed by Paul Caica, Minister for Water on 23 June 2010
  - Charter was signed by Paul Holloway, Acting Treasurer on 4 July 2010

## **Schedule of Non-Commercial Operations (Refer Clause 13)**

### **Operations Of SA Water**

1. Services that are funded by the South Australian Water Corporation:
  - 1.1. plumbing standards administration
  - 1.2. flood mitigation and environmental schemes
  - 1.3. water services pursuant to the Water Conservation Act
  - 1.4. construction and maintenance on behalf of the constructing authority to the Murray Darling Basin Commission (MDBC) in South Australia and upstream to Lock 9 (reimbursed by the MDBC)
  - 1.5. manage and operate assets on behalf of the MDBC
  - 1.6. irrigation and drainage services within Government Reclaimed Irrigation Districts
  - 1.7. works management under the River Torrens Linear Park and the South West Suburbs Drainage Act assets
  - 1.8. management and administration of water industry economic development agreements on behalf of the Government for South Australia
  - 1.9. in cooperation with the economic development agencies of Government, facilitate and support the Water Industry Development Program and the Water Industry Alliance and
  - 1.10. fluoride dosing of water supplies where the Department of Health deems that dosing is appropriate.

### **Non-Commercial Operations**

2. Until further notice from the Minister, the Corporation is required to provide the non-commercial operations listed in this Schedule.
3. Services for which funding is provided by Government or other agencies:
  - 3.1. provision of country water and wastewater services
  - 3.2. manage and apply pensioners remissions
  - 3.3. provide exemptions to properties in accord with the Waterworks Act and the Sewerage Acts
  - 3.4. administer the River Murray levy
  - 3.5. provide water and wastewater services to emergency services at no cost and
  - 3.6. maintain water services free of charge to the City of Port Adelaide and Enfield as provided under s.27 of the Waterworks Act.

## Glossary and acronyms

ADP	Adelaide Desalination Project
ADWG	Australian Drinking Water Guidelines
AWQC	Australian Water Quality Centre
BOD	Biochemical Oxygen Demand
CE	Chief Executive
CEO	Chief Executive Officer
CSIS	Customer Services Information System
CSO	Community Service Obligation
DWQMS	Drinking Water Quality Management System
EPA	Environmental Protection Authority
ESCOSA	Essential Services Commission of South Australia
FOI	Freedom of Information
FTE	Full Time Equivalent (employee)
GL	Gigalitre – 1 billion litres
IPOS	Irrigated Public Open Space (Code of Practice)
KL	Kilolitre – 1 000 litres
km	Kilometre
KPI	Key performance indicator
LTIFR	Lost Time Injury Frequency Rate
MDBA	Murray Darling Basin Authority
ML	Megalitre – 1 million litres
MLC	Member of the Legislative Council
MOU	Memorandum of Understanding
MP	Member of Parliament
MWh	Megawatt hours
NSISP	North South Interconnection System Project
NWC	National Water Commission
PJ	Petajoule
RAP	Reconciliation Action Plan
SCADA	Supervisory Control, Automation and Data Acquisition
SIFR	Significant Injury Frequency Rate
SMT	Senior Management Team, SA Water
VLBC	Volume load based charges
WIA	Water Industry Alliance
WHS	Work Health Safety
WSAA	Water Services Association of Australia
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 2013



Government  
of South Australia



**South Australian Water Corporation  
Annual Financial Statements  
for the year ended 30 June 2013**



9th Floor  
State Administration Centre  
200 Victoria Square  
Adelaide SA 5000  
DX 56208  
Victoria Square  
Tel +618 8226 9640  
Fax +618 8226 9688  
ABN 53 327 061 410  
audgensa@audit.sa.gov.au  
www.audit.sa.gov.au

**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 2013. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2013
- a Statement of Financial Position as at 30 June 2013
- a Statement of Changes in Equity for the year ended 30 June 2013
- a Statement of Cash Flows for the year ended 30 June 2013
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, Chief Executive Officer and the Group Financial Controller.

**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 determines 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 2013, 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 'S O'Neill', with a small flourish at the end.

**S O'Neill**  
**AUDITOR-GENERAL**  
26 September 2013

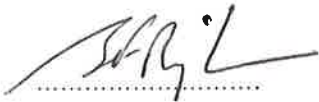


### Certification of the Financial Statements

We certify that the:

- Financial statements of SA Water Corporation:
  - are in accordance with the accounts and records of the authority; and
  - comply with relevant Treasurer's instructions; and
  - 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



Peter Prodanovski  
Group Financial Controller



Lew Owens  
Chairman

Date 19/09/2013



**South Australian Water Corporation**  
**Statement of comprehensive income**  
**For the year ended 30 June 2013**

	Notes	2013 \$'000	2012 \$'000
<b>Income</b>			
Revenue from ordinary activities	4	1,436,005	1,269,964
Other income	5	576	1,258
<b>Total income</b>		<u>1,436,581</u>	<u>1,271,222</u>
<b>Expenses</b>			
Depreciation and amortisation expense	6	(290,080)	(245,514)
Borrowing costs	6	(233,873)	(228,586)
Electricity expense		(54,560)	(28,886)
Services and supplies		(187,713)	(171,838)
Operational and service contracts	6	(184,335)	(155,135)
Employee benefits expense		(123,315)	(123,884)
<b>Total expenses</b>		<u>(1,073,876)</u>	<u>(953,843)</u>
<b>Profit before income tax equivalents</b>		<b>362,705</b>	<b>317,379</b>
Income tax expense	7	(98,982)	(95,283)
<b>Profit after income tax equivalents</b>		<u>263,723</u>	<u>222,096</u>
<b>Other comprehensive income</b>			
Gain on revaluation of infrastructure, plant and equipment assets	29(a)	(141,879)	146,331
Revaluation of financial assets		1,812	1,741
Income tax relating to components of other comprehensive income	7(c)	40,310	(39,934)
<b>Other comprehensive income for the year, net of tax</b>		<u>(99,757)</u>	<u>108,138</u>
<b>Total comprehensive result</b>		<u>163,966</u>	<u>330,234</u>
Total comprehensive result for the year is attributable to: The SA Government as owner		<u>163,966</u>	<u>330,234</u>

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

**South Australian Water Corporation**  
**Balance sheet**  
**As at 30 June 2013**

	Notes	2013 \$'000	2012 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	26	1,856	1,878
Receivables	8	224,985	171,526
Inventories	9	5,113	4,834
Derivative financial instruments	22	-	154
Other current assets	10	10,862	7,212
<b>Total current assets</b>		<u>242,816</u>	<u>185,604</u>
<b>Non-current assets</b>			
Available-for-sale financial assets	11	23,919	22,107
Deferred tax assets	12	36,527	34,845
Intangible assets	13	198,593	214,143
Infrastructure, plant and equipment	14	13,330,507	13,317,783
<b>Total non-current assets</b>		<u>13,589,546</u>	<u>13,588,878</u>
<b>Total assets</b>		<u>13,832,362</u>	<u>13,774,482</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	15	147,614	204,640
Financial Liabilities /Borrowings	16	23,364	21,691
Tax liabilities	17	36,469	9,468
Provisions	18	18,010	18,122
Derivative financial instruments	22	-	249
Other current liabilities	19	37,027	17,501
<b>Total current liabilities</b>		<u>262,484</u>	<u>271,671</u>
<b>Non-current liabilities</b>			
Payables	20	2,631	2,985
Financial Liabilities /Borrowings	21	3,649,107	3,480,471
Deferred tax liabilities	23	1,631,583	1,694,677
Provisions	24	32,934	34,920
Other non-current liabilities	25	403,715	368,041
<b>Total non-current liabilities</b>		<u>5,719,970</u>	<u>5,581,094</u>
<b>Total liabilities</b>		<u>5,982,454</u>	<u>5,852,765</u>
<b>Net assets</b>		<u>7,849,908</u>	<u>7,921,717</u>
<b>EQUITY</b>			
Contributed equity		173,610	173,610
Asset revaluation surplus	29(a)	7,395,614	7,497,824
Retained earnings	29(b)	280,684	250,283
<b>Total equity</b>		<u>7,849,908</u>	<u>7,921,717</u>

*The above balance sheet should be read in conjunction with the accompanying notes.*

*The total equity is attributable to the SA Government as owner.*

**South Australian Water Corporation**  
**Statement of changes in equity**  
**For the year ended 30 June 2013**

	Notes	Asset			Total \$'000
		Contributed equity \$'000	revaluation surplus \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2011</b>		173,610	7,404,010	231,909	7,809,529
Profit for the year		-	-	222,096	222,096
Gain on revaluation on infrastructure, plant and equipment assets	29	-	146,331	-	146,331
Revaluation of investment in unlisted shares	29	-	1,741	-	1,741
Transfer to retained profits on disposal	29	-	(14,324)	-	(14,324)
Transfer from infrastructure, plant and equipment revaluation surplus	29	-	-	14,324	14,324
Income tax relating to components of other comprehensive income	7(c)	-	(39,934)	-	(39,934)
<b>Total comprehensive result for the year</b>		-	93,814	236,420	330,234
<b>Transactions with the SA Government in their capacity as owners:</b>					
Dividends provided for or paid	33	-	-	(218,046)	(218,046)
<b>Balance at 30 June 2012</b>		173,610	7,497,824	250,283	7,921,717

	Notes	Asset			Total \$'000
		Contributed equity \$'000	revaluation surplus \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2012</b>		173,610	7,497,824	250,283	7,921,717
Profit for the year		-	-	263,723	263,723
Loss on revaluation on infrastructure, plant and equipment assets	29	-	(141,879)	-	(141,879)
Revaluation of investment in unlisted shares	29	-	1,812	-	1,812
Transfer to retained profits on disposal	29	-	(2,453)	-	(2,453)
Transfer from infrastructure, plant and equipment revaluation surplus	29	-	-	2,453	2,453
Income tax relating to components of other comprehensive income	7(c)	-	40,310	-	40,310
<b>Total comprehensive result for the year</b>		-	(102,210)	266,176	163,966
<b>Transactions with the SA Government in their capacity as owners:</b>					
Dividends provided for or paid	33	-	-	(235,775)	(235,775)
<b>Balance at 30 June 2013</b>		173,610	7,395,614	280,684	7,849,908

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 2013**

	Notes	2013 \$'000	2012 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		1,311,630	1,095,457
Payments to suppliers and employees		(621,095)	(539,452)
Receipts from Community Service Obligation funding		106,659	153,047
Receipts from contributions		19,534	21,453
Receipts from Government Grants		47,489	233,316
Interest received		920	1,537
Borrowing costs paid		(230,721)	(228,484)
Income taxes paid		(96,447)	(100,237)
<b>Net cash inflow from operating activities</b>	27	<u>537,969</u>	<u>636,637</u>
<b>Cash flows from investing activities</b>			
Payments for construction and purchase of infrastructure, plant and equipment		(466,904)	(598,810)
Payments for intangible assets		(11,266)	(9,558)
Proceeds from sale of intangible assets		4,364	5,598
Proceeds from sale of Infrastructure, plant and equipment		1,281	395
<b>Net cash (outflow) from investing activities</b>		<u>(472,525)</u>	<u>(602,375)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,366,700	1,389,540
Repayment of borrowings		(1,190,700)	(1,200,198)
Dividends paid	33	(235,775)	(218,046)
Repayments of finance lease liability		(5,691)	(5,090)
<b>Net cash(outflow) from financing activities</b>		<u>(65,466)</u>	<u>(33,794)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(22)</b>	<b>468</b>
Cash and cash equivalents at the beginning of the financial year		<u>1,878</u>	<u>1,410</u>
<b>Cash and cash equivalents at end of year</b>	26	<u>1,856</u>	<u>1,878</u>

*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 repeals 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 provision 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 2013.

### (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, thereby ensuring that 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); and
- 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.

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

The Statement of Cash Flows has been prepared on a cash basis.

## 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 currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

The financial statements were authorised for issue by the Board.

#### Change in accounting policy

There have been no changes to accounting policy during the 2012 - 2013 financial year.

#### Historical cost convention

These financial statements have been prepared in accordance with the historical cost convention, except for infrastructure, land, buildings, available for sale non current 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 interest in the Joint Venture operation is brought to account by including its proportionate share of the Joint Venture assets, liabilities, expenses and revenues on a line by line basis. For disclosure of the Corporation's interest in the Joint Venture 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 ended 30 June 2013. Refer to note 3.

#### 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 supplied.

## 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 and public schools.

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) Subdividers who make contributions where either:
  - a) water and sewerage infrastructures are constructed by Subdividers 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 Subdivider's request.

Contributed assets are recognised at fair value when the assets are received. Contributions to constructed assets are recognised when the assets are constructed. Revenue received in advance of the assets construction is recorded as unearned revenue. Refer to note 19 .

#### 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.

The Corporation received grant funding in 2012 - 2013 amounting to \$46.2m (2012: \$232.4m). For 2012 - 2013 the projects are: Adelaide Airport Stormwater Scheme, the Port Wakefield Supply upgrade and the Adelaide Desalination Plant. Refer note 19 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 includes all cost related to employment including wages and salaries, non monetary benefits and leave entitlements. These are recognised when incurred.

#### Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Corporation to the superannuation plan in respect of current 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. All costs involved with the major cyclical maintenance are recorded as an expense unless they add to the service potential of the existing infrastructure asset.

#### Operational and service contracts

Operational and service contracts include the Metro Alliance contract (Allwater), Adelaide Desalination Plant/ Project Operations and maintenance contract, contracts relating to ICT and 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.

The Corporation has not capitalised borrowing costs in 2012 - 2013 as they were 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 14.

## 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 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.

The Corporation uses both Directors' valuation and independent valuation methods to measure fair value.

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 whereas 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 any major class of infrastructure assets, are subjected to independent review when a change in the valuation method occurs. The most recent independent review was completed by GHD Pty Ltd and Ernst and Young in March 2008. The review concluded that the Corporation's valuation methodology provided a reasonable basis of determining assets' current values. There have been no changes to valuation methods since that time.

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.

Accordingly the Corporation has adopted the following asset valuation methods:

##### Infrastructure assets

The fair value of an asset is determined by its written down current cost being the lower of reproduction or replacement cost. The cost of replacing or reproducing excess capacity or over engineering of the asset is excluded from the value.

Infrastructure assets during the year 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 2012. These rates are applied to the actual lengths of pre defined modern equivalent asset types for water mains and sewer mains.
- Water dosing stations and earth storages were independently valued by Aquenta Consulting as at 1 July 2012. Reservoirs were independently valued by Entura (Hydro Tasmania) as at 1 July 2012.
- Other infrastructure assets were either independently valued or valued using Directors' valuations as at 1 July 2012 based on the current construction data rates. These assets are indexed in between intervening years of comprehensive valuations using the PPI.

##### Land and buildings

Land is valued at market value generally using valuations provided from the State Valuer General. In isolated cases, the Corporation may use independent valuations performed by an appropriately qualified Valuer.

Buildings and depots were last independently valued by WT Partnership as at 1 July 2010 and have been indexed as at 1 July 2012 using the PPI.

## 1 Summary of significant accounting policies (continued)

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

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

##### Valuations (continued)

##### Plant and equipment

Plant and equipment is valued at historical cost.

##### Other assets

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

##### 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 assets	7 - 170 years
-Water and sewer leased assets	20 - 50 years
-Buildings	50 years
-Other	2 - 50 years
-Plant and equipment	3 - 15 years

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

##### Financial assets (Available for sale)

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

The Corporation's investment in nonvoting 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.

##### 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.

## 1 Summary of significant accounting policies (continued)

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

#### Intangible assets (continued)

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.

Licence 222596 Western Mount Lofty Ranges

River Murray water rights are conferred via multiple instruments:

Licence 2333 River Murray Licence for Metropolitan Adelaide.

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),

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 intangible assets in the accounts and are expensed as the water is used.

## 1 Summary of significant accounting policies (continued)

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

#### Intangible assets (continued)

##### Prescription of the Mount Lofty Ranges

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

##### Easements

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

##### Application software

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

##### ADP Intangible Asset

An intangible asset has been recognised 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 has been recognised as an intangible asset and is measured at the 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 dependent as per AASB 138 *Intangible Assets*. As with other non-current assets, the useful life of the intangible asset was assessed during the year ended 30 June 2013 and was changed to 41.75 years. Bringing the ADP assets to account revealed its major asset components had shorter useful lives than previous estimates indicated. This reduced the average useful life of the ADP assets and therefore the useful life of the intangible asset. Its useful life will continue to be assessed annually. The ADP intangible asset is amortised using the straight line method. The impact of the change in useful life on the prior year amortisation is disclosed at Note 6.

### (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 2013 and given the absence of an indication 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 so as to reflect the risks and benefits incidental to ownership.

## 1 Summary of significant accounting policies (continued)

### (g) Leases (continued)

#### 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. Payments are made in equal installments 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 and the Corporation obtains ownership of the asset at the end of the lease term.

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 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 and are disclosed in note 6. There were nil payments for the year ended 30 June 2013.

### (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.

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

### **(i) Taxes (continued)**

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 - Department of Treasury and Finance, based on valuations supplied by the Valuer General.

#### Goods and Services Tax

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

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

-receivables and payables, which are stated with the amount of GST included.

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.

## 1 Summary of significant accounting policies (continued)

### (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.

The Corporation's long service leave liability for 30 June 2013 is 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 WorkCover 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 2013 provided by KPMG Actuarial Pty Ltd.

### (o) Insurance

The South Australian Government Financing Authority, 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.



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

### **(p) Payables (continued)**

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.

#### 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 note 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 1st 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**

The Corporation's Treasury Risk Management Policies provide a prudential framework for the management of the Corporation's financial risks including interest rate risk, foreign exchange price risk and commodity price risk. Within the parameters of the Corporation's Permitted Treasury Instruments Policy, SA Water utilises derivative financial instruments to implement appropriate financial risk mitigation strategies and to minimise overall borrowing costs.

## 1 Summary of significant accounting policies (continued)

### (s) Derivatives (continued)

#### Interest rate derivatives

The Corporation's exposure to movements in interest rates arises from its borrowings and from any funds that it might have on deposit. To manage interest rate risk the Corporation uses interest rate swaps and interest rate futures contracts. These derivatives are used to reconfigure interest rate risk profiles and manage refinancing exposures. The Corporation does not trade physical debt with no trades of physical debt occurring in 2012 - 2013. As at 30 June 2013 SA Water had no interest rate derivatives.

#### 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 2013, 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. 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 'held for trading' under *AASB 139 Financial Instruments: Recognition and Measurement* and do not qualify for hedge accounting. Any changes in fair value are recognised immediately in profit or loss in other income or other expenses. The fair value of interest rate swaps is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance dates.

Interest payments and receipts under interest rate swaps are recognised on an accrual basis in the Statement of Comprehensive Income as other income or other expenses. Gains or losses on early termination of interest rate swaps will be recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income. Interest rate futures contracts are remeasured to fair value on a daily basis based on quoted market prices via the Sydney Futures Exchange. Gains and losses on interest rate futures contracts are recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income.

Consistent with SA Water's Treasury Policy, derivative financial instruments 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.

## 1 Summary of significant accounting policies (continued)

### (t) Administered items (continued)

#### Pensioner concessions

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

### (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 Project

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. Project Handover of the 100 GL/a plant to the Operator was achieved on 12 December 2012. Following Project Handover, the plant will undergo a 24 month Proving and Warranty Period in accordance with contractual requirements.

In addition, the Corporation has entered into contracts to:

Operate and Maintain the Adelaide Desalination Plant 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 Adelaide Desalination Plant 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 voluntarily change any of its accounting policies during 2012 - 2013.

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 2013. 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 the benchmark debt duration, which reflects the average term to maturity of the Corporation's core debt portfolio. As part of a review of the Corporation's debt duration parameters during 2012-2013, the benchmark duration was increased from 2.75 years to 2.95 years based on advice from the Corporation's debt advisor and manager - the South Australian Financing Authority (SAFA). The benchmark duration 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 and changes in fair values of derivatives. The movement in interest expense is estimated by applying the interest rate movement to the balance of floating rate debt outstanding at balance date. For interest rate swaps the profit and loss sensitivity reflects the impact of the change in interest rates on the fair value of swaps outstanding at balance date over their remaining terms.

At 30 June 2013 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 0.5% upwards and 1.0% downwards.

	Carrying amount \$'000	Interest rate risk			
		-1.0%	+0.5%	Profit	Equity
		Profit	Equity	Profit	Equity
		\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2013</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1,856	(13)	(13)	6	6
<b>Financial liabilities</b>					
Short Term Borrowings	(17,000)	119	119	(60)	(60)
<b>Total increase/ (decrease)</b>		106	106	(54)	(54)

## 2 Financial risk management (continued)

### (a) Market risk (continued)

At 30 June 2012	Carrying amount \$'000	Interest rate risk			
		-1.0%		+0.5%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	1,878	(13)	(13)	7	7
Derivatives - held for trading	154	-	-	-	-
<b>Financial liabilities</b>					
Derivatives - held for trading	(249)	(1)	(1)	-	-
Short Term Borrowings	(16,000)	112	112	(56)	(56)
Long Term Borrowings	(3,380,000)	175	175	(88)	(88)
<b>Total increase/ (decrease)</b>		<u>273</u>	<u>273</u>	<u>(137)</u>	<u>(137)</u>

### (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.

For sundry debtors the Corporation trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Corporation's policy to securitise its receivables.

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.

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

### (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 by management on a daily basis and reported to the Board monthly.

## 2 Financial risk management (continued)

### (c) Liquidity risk (continued)

#### Contractual maturities

The table below analyses the non derivative financial liabilities and net settled derivative financial assets and 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. For floating rate borrowings and the floating leg of interest rate swaps, the cash flows have been estimated using implied forward interest rates applicable at the reporting date. Maturing borrowings are included in the table at their maturity date and are rolled over into a new market borrowing rate.

	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 2013</b>					
<b>Non-derivatives</b>					
Non-interest bearing liabilities*	97,195	-	-	-	97,195
Finance lease liabilities	22,067	22,067	66,201	110,945	221,280
Floating rate borrowings	17,007	-	-	-	17,007
Fixed rate borrowings	966,765	821,199	1,222,197	1,403,964	4,414,125
<b>Total non-derivatives</b>	<b>1,103,034</b>	<b>843,266</b>	<b>1,288,398</b>	<b>1,514,909</b>	<b>4,749,607</b>
<b>At 30 June 2012</b>					
<b>Non-derivatives</b>					
Non-interest bearing liabilities*	161,153	-	-	-	161,153
Finance lease liabilities	21,695	21,695	65,084	130,120	238,594
Floating rate borrowings	41,808	-	-	-	41,808
Fixed rate borrowings	1,121,090	713,972	1,088,657	1,180,044	4,103,763
<b>Total non-derivatives</b>	<b>1,345,746</b>	<b>735,667</b>	<b>1,153,741</b>	<b>1,310,164</b>	<b>4,545,318</b>
<b>Derivatives - Financial Assets</b>					
Net settled (interest rate swaps)	(181)	-	-	-	(181)
<b>Derivatives - Financial Liabilities</b>					
Net settled (interest rate swaps)	605	-	-	-	605
<b>Total derivatives</b>	<b>424</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>424</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

#### (i) Fair value of financial liabilities

Fair value of financial liabilities is the amount at which the liability could be settled, in a current transaction between willing parties after allowing for transaction costs. 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:

	2013		2012	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Long Term Borrowings	3,555,000	3,676,226	3,380,000	3,543,172

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

#### (ii) Fair value of financial assets

The following table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

The level within which the financial instrument is classified is determined based on the lowest level of significant input to the fair value measurement.

	Quoted market price (Level 1) \$'000	Valuation technique - market observable inputs (Level 2) \$'000	Valuation technique - non-market observable inputs (Level 3) \$'000	Total \$'000
<b>30 June 2013</b>				
<b>Assets</b>				
Available-for-sale financial assets				
Unlisted shares	-	-	23,919	23,919
<b>Total assets</b>	-	-	23,919	23,919

The following table presents the changes in level 3 instruments for the year ended 30 June 2013

## 2 Financial risk management (continued)

### (d) Fair value measurements (continued)

	Available-for-sale financial assets - Unlisted Shares \$'000	Total \$'000
<b>Opening balance 1 July 2012</b>	22,107	22,107
Gains recognised in other comprehensive income	1,812	1,812
<b>Closing balance 30 June 2013</b>	<u>23,919</u>	<u>23,919</u>

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 6% (30 June 2012: 6%) 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 \$1.2M (30 June 2012: \$1.3M). If the discount rate was 1% lower, while all other variables were held constant, the carrying amount of the shares would increase by \$1.3M (30 June 2012: \$1.4M).



### 3 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))
- Borrowing costs (refer note 1(d))
- 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))
- Provisions (refer note 1(q))
- Valuation of derivatives (refer note 1(s))

### 4 Revenue from ordinary activities

	2013 \$'000	2012 \$'000
Community Service Obligations	106,773	153,274
Water and wastewater rates and charges	1,179,888	972,354
Recoverable works	60,094	57,460
Fees and charges	25,191	19,975
Miscellaneous*	10,692	114
Government grants	7,267	3,376
Contributed assets	43,094	60,619
Rents	1,260	1,118
Interest	1,746	1,674
	<u>1,436,005</u>	<u>1,269,964</u>

\* Includes settlement amount from United Water - refer to note 1 (x) of 2011/2012 Financial Statements.

## 5 Other income

	2013 \$'000	2012 \$'000
Net gain on disposal of infrastructure, plant and equipment	330	176
Net gain on disposal of water allocations	-	826
Reversal of prior year infrastructure, plant and equipment revaluation decrement	246	256
	<u>576</u>	<u>1,258</u>

## 6 Expenses

	2013 \$'000	2012 \$'000
<b>Profit before income tax includes the following specific expenses:</b>		
Depreciation (note 14)		
Buildings	1,822	1,638
Plant and equipment	4,949	4,806
Other	15,706	13,072
Infrastructure assets - water	156,832	138,909
Infrastructure assets - sewer	91,838	78,490
Amortisation (note 13)		
Computer Software *	16,799	7,826
ADP Intangible **	2,134	773
Total depreciation	<u>290,080</u>	<u>245,514</u>

\* During 2012-13 the useful life of Computer Software was revised. The effect on the prior year's amortisation would have been an increase of \$6,371,094.

\*\* During 2012-13 the useful life of the ADP intangible asset was revised. The effect on the prior year's amortisation would have been an increase of \$434,158.

### Borrowing Costs

Interest paid/ payable for borrowings not at fair value through profit and loss	221,980	216,222
Finance charges on capitalised leases	11,893	12,364
Total borrowing costs	<u>233,873</u>	<u>228,586</u>

### Net losses from fair value adjustments of derivatives held for trading

Interest rate derivatives	3	7
Foreign currency derivatives	26	-
	<u>29</u>	<u>7</u>

Finance lease contingent rentals	4,272	4,120
Operating lease minimum lease payments	10,363	9,466

## 6 Expenses (continued)

Net bad and doubtful debts expense including movements in allowance for doubtful debts	117	276
Infrastructure, plant and equipment revaluation decrement	38	83
Write-down in value of infrastructure, plant and equipment	13,851	5,709
Write-off value of capital works in progress	8,905	2,949
Superannuation contribution	15,951	15,260
Consultancy costs	1,293	2,368
Net loss on disposal of purchased water rights/ allocations	880	-

## 7 Income tax expense

### (a) Income tax expense

	2013 \$'000	2012 \$'000
Current tax	118,114	87,914
Deferred tax	(24,466)	7,140
Amounts under/(over) provided in prior years	5,334	229
	<u>98,982</u>	<u>95,283</u>

Deferred income tax (revenue) expense included in income tax expense comprises:

(Increase) decrease in deferred tax assets (note 12)	(1,682)	(2,060)
(Decrease) increase in deferred tax liabilities (note 23)	(22,784)	9,200
	<u>(24,466)</u>	<u>7,140</u>

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

	2013 \$'000	2012 \$'000
Profit from continuing operations before income tax expense	362,705	317,379
Tax at the Australian tax rate of 30.0% (2012 - 30.0%)	108,812	95,214
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
(Gain)/ loss on sale of Land	(75)	-
Loss on Sale of purchased water rights/ allocations	264	-
Revaluation decrement	14	40
Government Grants	(1,467)	(123)
Provision for employee benefits	(18)	(77)
	<u>107,530</u>	<u>95,054</u>
Amounts under/(over) provided in prior years	<u>(8,548)</u>	<u>229</u>

## 7 Income tax expense (continued)

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

	2013 \$'000	2012 \$'000
Income tax expense	<u>98,982</u>	<u>95,283</u>

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

	2013 \$'000	2012 \$'000
Gains on revaluation of infrastructure, plant and equipment assets	(40,854)	39,412
Revaluation of investment in unlisted shares	544	522
	<u>(40,310)</u>	<u>39,934</u>

## 8 Current assets - Receivables

	2013 \$'000	2012 \$'000
<b>Receivables</b>		
Rates receivable (water and wastewater)	169,131	124,701
Sundry debtors	43,187	34,250
Allowance for doubtful debts	(118)	(96)
	<u>212,200</u>	<u>158,855</u>
<b>Other receivables</b>		
Community Service Obligations	12,785	12,671
	<u>224,985</u>	<u>171,526</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:

	2013 \$'000	2012 \$'000
More than 90 days overdue	118	96

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

At 1 July	96	85
Provision for impairment recognised during the year	94	35
Amounts written off	(72)	(24)
At 30 June	<u>118</u>	<u>96</u>

## 8 Current assets - Receivables (continued)

### (b) Past due but not impaired

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

	2013 \$'000	2012 \$'000
Past due 0-69 days	22,804	15,451
More than 69 days	12,890	11,293
	<u>35,694</u>	<u>26,744</u>

The other balances within rates receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due rates receivables with renegotiated terms at balance date is \$13.597m (2012: \$8.970m).

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

	2013 \$'000	2012 \$'000
Past due 0-30 days	1,955	1,670
Past due more than 30 days	1,155	1,093
	<u>3,110</u>	<u>2,763</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 \$1.073m (2012: \$1.072m).

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.

**9 Current assets - Inventories**

	2013 \$'000	2012 \$'000
Raw materials and stores	5,882	5,764
Allowance for obsolete stock	(1,321)	(1,286)
Work in progress - sundry debtors	552	356
	5,113	4,834

**10 Current assets - Other current assets**

	2013 \$'000	2012 \$'000
Interest receivable	1,018	192
Prepayments	3,274	2,607
Renewable Energy Certificates *	6,570	4,413
	10,862	7,212

\*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 cost. These RECs are expected to be utilised in satisfying the Corporation's 2013-14 GHG emission targets and will be expensed at time of surrender.

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

	2013 \$'000	2012 \$'000
Unlisted shares at fair value	<u>23,919</u>	<u>22,107</u>

**12 Non-current assets - Deferred tax assets**

	2013 \$'000	2012 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Doubtful debts	35	29
Obsolete stock	396	386
Infrastructure, plant and equipment	3,280	3,824
Pooled assets	53	73
Payables	1,367	1,485
Audit fee payable	121	119
Government grants	10,587	10,547
Employee benefits	13,699	14,247
Deferred lease incentives	413	453
Unearned Income-customer contributions	3,721	647
Provision for site rehabilitation	106	176
Provision for asset disposal	30	35
Provision for damages and claims	163	209
Provision for workers compensation	221	205
Derivative financial liability	<u>(2,683)</u>	<u>(2,608)</u>
	<b>31,509</b>	<b>29,827</b>
 <i>Amounts recognised directly in equity</i>		
Derivative financial liability	2,683	2,683
Unearned Income-customer contributions	2,335	2,335
Net deferred tax assets	<u>36,527</u>	<u>34,845</u>
	<b>2013 \$'000</b>	<b>2012 \$'000</b>
<b>Movements:</b>		
Opening balance at 1 July	34,845	32,785
Credited to the Statement of Comprehensive Income (note 7)	1,682	2,060
Closing balance at 30 June	<u>36,527</u>	<u>34,845</u>
Deferred tax assets expected to be recovered within 12 months	12,507	10,477
Deferred tax assets expected to be recovered after more than 12 months	24,020	24,368
	<u>36,527</u>	<u>34,845</u>

### 13 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 2012</b>							
Opening net book amount	6,058	4,500	23,520	-	42,272	-	76,350
Additions from external acquisitions	91	-	22,041	70,982	3,642	-	96,756
Disposals	-	-	-	-	(4,772)	-	(4,772)
Transfers	-	-	-	-	-	54,408	54,408
Amortisation charge	-	-	(7,826)	(773)	-	-	(8,599)
Closing net book amount	6,149	4,500	37,735	70,209	41,142	54,408	214,143
<b>At 30 June 2012</b>							
Cost	6,149	4,500	90,760	70,982	41,142	54,408	267,941
Accumulated amortisation and impairment	-	-	(53,025)	(773)	-	-	(53,798)
Net book amount	6,149	4,500	37,735	70,209	41,142	54,408	214,143



**13 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 2013</b>							
Opening net book amount	6,149	4,500	37,735	70,209	41,142	54,408	214,143
Additions from external acquisitions	64	-	12,862	-	-	-	12,926
Disposals	-	-	-	-	(9,544)	-	(9,544)
Amortisation charge	-	-	(16,798)	(2,134)	-	-	(18,932)
Closing net book amount	6,213	4,500	33,799	68,075	31,598	54,408	198,593
<b>At 30 June 2013</b>							
Cost	6,213	4,500	103,622	70,982	31,598	54,408	271,323
Accumulated amortisation	-	-	(69,823)	(2,907)	-	-	(72,730)
Net book amount	6,213	4,500	33,799	68,075	31,598	54,408	198,593

### 14 Non-current assets - Infrastructure, plant and equipment

	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 2012</b>										
Opening net book amount	2,149,795	343,222	26,459	20,709	26,628	6,525,351	3,553,837	136,170	92,552	12,874,723
Revaluation	-	15,123	836	654	-	234,003	(74,565)	(32,464)	2,920	146,507
Additions	603,457	4,013	1,132	2,686	4,268	287,172	238,124	-	11,410	1,152,262
Disposals	-	-	-	-	(210)	-	-	-	-	(210)
Transfers	(609,926)	-	-	-	-	-	-	-	-	(609,926)
Depreciation charge	-	-	(1,638)	(623)	(4,806)	(132,168)	(77,867)	(6,741)	(13,072)	(236,915)
Asset write down	(2,949)	-	-	-	-	(4,155)	(1,554)	-	-	(8,658)
Closing net book amount	2,140,377	362,358	26,789	23,426	25,880	6,910,203	3,637,975	96,965	93,810	13,317,783
<b>At 30 June 2012</b>										
Cost	2,140,377	362,358	-	-	59,638	-	-	-	-	2,200,015
Valuation	-	-	69,558	27,487	-	12,060,229	5,977,221	187,891	178,952	18,863,696
Accumulated depreciation	-	-	(42,769)	(4,061)	(33,758)	(5,150,026)	(2,339,246)	(90,926)	(85,142)	(7,745,928)
Net book amount	2,140,377	362,358	26,789	23,426	25,880	6,910,203	3,637,975	96,965	93,810	13,317,783

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

	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 2013</b>										
Opening net book amount	2,140,377	362,358	26,789	23,426	25,880	6,910,203	3,637,975	96,965	93,810	13,317,783
Revaluation	-	(6,071)	973	851	-	(204,361)	60,002	3,525	3,409	(141,672)
Additions	434,319	308	1,730	-	6,177	1,562,031	228,396	-	16,131	2,249,092
Disposals	-	(876)	-	-	(68)	-	-	-	-	(944)
Transfers	(1,799,848)	-	-	-	-	-	-	-	-	(1,799,848)
Depreciation charge	-	-	(1,822)	(726)	(4,949)	(149,845)	(91,113)	(6,987)	(15,706)	(271,148)
Asset write down	(8,905)	-	-	-	-	(6,793)	(7,058)	-	-	(22,756)
Closing 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
<b>At 30 June 2013</b>										
Cost	765,943	-	-	-	63,164	-	-	-	-	829,107
Valuation	-	355,719	73,758	28,486	-	13,325,113	6,258,671	194,721	201,513	20,437,981
Accumulated depreciation	-	-	(46,088)	(4,935)	(36,124)	(5,213,878)	(2,430,469)	(101,218)	(103,869)	(7,936,581)
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

## 14 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:

	2013 \$'000	2012 \$'000
<b>Freehold land</b>		
Cost	44,920	44,612
Net book amount	<u>44,920</u>	<u>44,612</u>
<b>Buildings</b>		
Cost	48,148	46,418
Accumulated depreciation	(25,501)	(24,045)
Net book amount	<u>22,647</u>	<u>22,373</u>
<b>Leased Sewer Infrastructure</b>		
Cost	18,792	18,792
Accumulation depreciation	(3,758)	(3,289)
Net Book Amount	<u>15,034</u>	<u>15,503</u>
<b>Water Infrastructure</b>		
Cost	3,782,513	2,244,874
Accumulated depreciation	(814,467)	(770,135)
Net book amount	<u>2,968,046</u>	<u>1,474,739</u>
<b>Sewer infrastructure</b>		
Cost	1,870,154	1,664,590
Accumulated depreciation	(654,096)	(596,762)
Net book amount	<u>1,216,058</u>	<u>1,067,828</u>
<b>Leased Water Infrastructure</b>		
Cost	124,183	124,183
Accumulation depreciation	(62,670)	(58,332)
Net Book amount	<u>61,513</u>	<u>65,851</u>
<b>Other</b>		
Cost	166,317	150,186
Accumulated depreciation	(81,559)	(67,798)
Net book amount	<u>84,758</u>	<u>82,388</u>

### 15 Current liabilities - Payables

	2013 \$'000	2012 \$'000
Interest payable	37,479	34,327
Trade creditors	94,439	160,090
Other creditors	15,696	10,223
	147,614	204,640

### 16 Current liabilities - Financial Liabilities /Borrowings

	2013 \$'000	2012 \$'000
Lease liabilities note (note 30)	6,364	5,691
Short term borrowings	17,000	16,000
	23,364	21,691

The Corporation has a \$100 million short term borrowing facility with the South Australian Government Financing Authority (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

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.

### 17 Current liabilities - Tax liabilities

	2013 \$'000	2012 \$'000
Provision for current income tax movements during the year were as follows:		
Balance at the beginning of the year	9,468	21,547
Income tax paid	(96,447)	(100,237)
Current year's income tax provision	118,114	87,914
Amounts under/(over) provided in prior years	5,334	244
	36,469	9,468

## 18 Current liabilities - Provisions

	2013 \$'000	2012 \$'000
Employee benefits	16,042	15,348
Asset disposal	20	20
Site rehabilitation	355	588
Damages and claims	544	898
Workers compensation	1,049	1,268
	<u>18,010</u>	<u>18,122</u>

### (a) Movements in provisions

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

2013 Current	Asset disposal \$'000	Site rehabilitation \$'000	Damages and claims \$'000	Workers compensation \$'000	Total \$'000
Carrying amount at the start of the year	20	588	898	1,268	2,774
Payments made during the year	(16)	(103)	(279)	(935)	(1,333)
Transfer from non-current provision	16	-	-	-	16
Re-measurement adjustments	-	(130)	(670)	(1,109)	(1,909)
Additional provision recognised	-	-	595	1,825	2,420
Carrying amount at end of year	<u>20</u>	<u>355</u>	<u>544</u>	<u>1,049</u>	<u>1,968</u>

## 19 Current liabilities - Other current liabilities

	2013 \$'000	2012 \$'000
Government grants	11,020	6,155
Lease incentives	134	134
Unearned income	23,818	9,941
Deposits from contractors	1,273	1,271
Carbon Trading Scheme*	782	-
	<u>37,027</u>	<u>17,501</u>

Under the Clean Energy Act 2011 (Cth), SA Water is obligated to surrender carbon units to the Clean Energy Regulator, to offset its greenhouse gas emissions from the Bolivar Waste Treatment Facility. The liability for these carbon units is calculated at the legislated amount of \$23 per tonne of carbon dioxide equivalent. In order to discharge its obligations under the Clean Energy Act 2011 (Cth), SA Water is required to surrender the carbon units by 1 February 2014.

## 20 Non-current liabilities - Payables

	2013 \$'000	2012 \$'000
Other payables	2,631	2,985

## 21 Non-current liabilities - Financial Liabilities /Borrowings

	2013 \$'000	2012 \$'000
Lease liabilities (note 30)	94,107	100,471
Long term borrowings	3,555,000	3,380,000
	<u>3,649,107</u>	<u>3,480,471</u>

## 22 Derivative financial instruments

	2013 \$'000	2012 \$'000
<b>Current assets</b>		
Interest rate swaps - held for trading	-	154
<b>Total current derivative financial instrument assets</b>	<u>-</u>	<u>154</u>
<b>Current liabilities</b>		
Interest rate swaps - held for trading	-	249
<b>Total current derivative financial instrument liabilities</b>	<u>-</u>	<u>249</u>

## 23 Non-current liabilities - Deferred tax liabilities

	2013 \$'000	2012 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Prepayments	343	290
Rates Receivable	-	20,098
Derivative financial asset	-	46
Unlisted shares at fair value	(2,406)	(2,406)
Seasonal Water Allocations	16,322	16,322
Depreciation and amortisation	70,181	72,872
	<u>84,440</u>	<u>107,222</u>
<i>Amounts recognised directly in equity</i>		
Revaluation of infrastructure, plant and equipment	1,542,017	1,582,872
Unlisted shares at fair value	5,126	4,583
	<u>1,547,143</u>	<u>1,587,455</u>

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

	2013 \$'000	2012 \$'000
Total deferred tax liabilities	<u>1,631,583</u>	<u>1,694,677</u>
<b>Movements:</b>		
Opening balance at 1 July	1,694,677	1,645,559
Credited to the Statement of Comprehensive Income (note 7)	(8,901)	9,200
Charged to equity (note 29)	(40,854)	39,412
Unlisted shares at fair value	544	522
Amounts under provided in prior years	(13,883)	(16)
Closing balance at 30 June	<u>1,631,583</u>	<u>1,694,677</u>
Deferred tax liabilities to be settled within 12 months	343	20,434
Deferred tax liabilities expected to be settled after more than 12 months	<u>1,631,240</u>	<u>1,674,243</u>
	<u>1,631,583</u>	<u>1,694,677</u>

### 24 Non-current liabilities - Provisions

	2013 \$'000	2012 \$'000
Employee benefits	29,620	32,143
Workers compensation	3,233	2,680
Asset disposal	81	97
	<u>32,934</u>	<u>34,920</u>

#### (a) Movements in provisions

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

	Workers compensation \$'000	Asset disposal \$'000	Total \$'000
<b>2013</b>			
<b>Non-current</b>			
Carrying amount at start of year	2,680	97	2,777
Transfer to current provision	-	(16)	(16)
Re-measurement adjustments	553	-	553
Carrying amount at end of year	<u>3,233</u>	<u>81</u>	<u>3,314</u>

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

	2013 \$'000	2012 \$'000
Government grants	402,472	366,664
Lease incentives	1,243	1,377
	<u>403,715</u>	<u>368,041</u>



## 26 Reconciliation of cash

	2013 \$'000	2012 \$'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	1,856	1,878
<b>(a) Fair Value</b>		

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

	2013 \$'000	2012 \$'000
<b>Net profit for the year</b>	<b>263,723</b>	<b>222,096</b>
<b>Add/(less) non-cash items:</b>		
Depreciation and amortisation	290,080	245,514
Amortisation of government grant revenue	(7,267)	(3,376)
Contributed assets	(27,675)	(38,545)
Net gain on disposal of infrastructure, plant and equipment	(338)	(188)
Net loss(gain) on disposal of purchased water rights/ allocations	880	(826)
Infrastructure, plant and equipment revaluation decrement reversal	(246)	(256)
Infrastructure, plant and equipment revaluation decrement	38	83
Write-down in value of infrastructure, plant and equipment	13,851	5,709
Write-off value of capital works in progress	8,905	2,949
<b>Change in assets and liabilities:</b>		
(Increase) in rates and sundry receivables	(48,706)	(42,060)
(Increase)/ Decrease in inventories	(280)	757
(Increase) in prepayments	(668)	(28)
(Increase) in other operating assets	(826)	(137)
Decrease in fair value of derivative financial assets	154	25
(Increase) in deferred tax assets	(1,679)	(2,059)
(Decrease)/ Increase in trade creditors	(13,657)	5,276
(Decrease)/ Increase in provision for employee benefits	(1,829)	6,924
Increase in provision for workers compensation	334	1,258
Increase in other operating liabilities	12,325	6,324
(Decrease) in fair value of derivative financial liabilities	(249)	(1,070)
Increase in government grants	47,489	233,316
(Decrease)/ Increase in provision for deferred income tax	(22,787)	9,184
(Decrease) in other provisions	(604)	(2,154)
Increase/(Decrease) in provision for income taxes payable	27,001	(12,079)
<b>Net cash inflow from operating activities</b>	<b>537,969</b>	<b>636,637</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 to maintain optimal returns to the State Government (as sole shareholder) and benefits for other stakeholders.

The framework for SA Water includes a target range for debt to total assets (gearing) ratio of 15% to 25%.

The Corporation's strategy, which is unchanged from 2011 -2012, was to maintain a gearing ratio within 15% to 25%. The gearing ratios based on continuing operations at 30 June 2012 and 30 June 2013 were as follows:

	2013 \$'million	2012 \$'million
Interest bearing liabilities (notes 16, 21)	3,672	3,502
Less: Cash and cash equivalents (note 26)	<u>(2)</u>	<u>(2)</u>
Net debt	3,670	3,500
Total assets	<u>13,832</u>	<u>13,774</u>
<b>Gearing ratio</b>	<b>26.5%</b>	<b>25.4%</b>

Outside of the Financial Ownership Framework, the Corporation is not subject to any externally imposed capital requirements.

SA Water and the State Government continue to review the parameters of the Financial Ownership Framework to ensure the appropriateness of the targets.

## 29 Asset Revaluation surplus and retained profits

### (a) Asset revaluation surplus

	2013 \$'000	2012 \$'000
Infrastructure, plant and equipment revaluation surplus	7,383,653	7,487,131
Available-for-sale financial assets revaluation surplus	<u>11,961</u>	<u>10,693</u>
	<u>7,395,614</u>	<u>7,497,824</u>

	2013 \$'000	2012 \$'000
<b>Movements:</b>		
<i>Infrastructure, plant and equipment revaluation surplus</i>		
Balance 1 July	7,487,131	7,394,536
Revaluation - gross	(141,879)	146,331
Movements in deferred tax liability (note 23)	40,854	(39,412)
Transfer to retained profits on disposal	<u>(2,453)</u>	<u>(14,324)</u>
Balance 30 June	<u>7,383,653</u>	<u>7,487,131</u>

## 29 Asset Revaluation surplus and retained profits (continued)

### (a) Asset revaluation surplus (continued)

	2013 \$'000	2012 \$'000
<i>Available-for-sale investments revaluation surplus</i>		
Balance 1 July	10,693	9,474
Revaluation of investment in unlisted shares	1,812	1,741
Movements in deferred tax liabilities (note 23)	(544)	(522)
Balance 30 June	11,961	10,693

### (b) Retained profits

Movements in retained profits were as follows:

	2013 \$'000	2012 \$'000
Balance 1 July	250,283	231,909
Net profit for the year	263,723	222,096
Dividends (note 33)	(235,775)	(218,046)
Transfers from Infrastructure, plant and equipment revaluation surplus	2,453	14,324
Balance 30 June	280,684	250,283

### (c) Nature and purpose of other asset revaluation surplus

#### (i) Infrastructure plant and equipment revaluation surplus

The asset 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

### (a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:

	2013 \$'000	2012 \$'000
Within one year	95,348	170,372
Later than one year but not later than five years	42,045	71,421
	137,393	241,793

### 30 Commitments (continued)

#### (b) Operating lease commitments

	2013 \$'000	2012 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	10,750	10,307
Later than one year but not later than five years	45,452	38,625
Later than five years	66,982	70,275
	123,184	119,207

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, 3% 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

	2013 \$'000	2012 \$'000
Future other expenditure commitments not provided for in the financial statements are payable as follows:		
Within one year	170,623	158,116
Later than one year but not later than five years	613,194	520,517
Later than five years	1,261,336	1,312,422
	2,045,153	1,991,055

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).

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

	2013 \$'000	2012 \$'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	81,223	98,807
Minimum lease payments	169,142	186,726
Future finance charges	(68,671)	(80,564)

### 30 Commitments (continued)

	2013 \$'000	2012 \$'000
Recognised as a liability	<u>100,471</u>	<u>106,162</u>
Total lease liabilities	<u>100,471</u>	<u>106,162</u>
Representing lease liabilities:		
Current (note 16)	6,364	5,691
Non-current (note 21)	<u>94,107</u>	<u>100,471</u>
	<u>100,471</u>	<u>106,162</u>

The present value of finance lease liabilities is as follows:

Within one year	6,364	5,691
Later than one year but not later than five years	33,941	30,344
Later than five years	<u>60,166</u>	<u>70,127</u>
Minimum lease payments	<u>100,471</u>	<u>106,162</u>

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

#### (i) 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:

	2013 \$'000	2012 \$'000
Within one year	4,483	4,111
Later than one year but not later than five years	17,933	16,443
Later than five years	<u>29,722</u>	<u>31,314</u>
	<u>52,138</u>	<u>51,868</u>

The amount of contingent rentals paid during the year is disclosed in note 6.

#### (e) Remuneration commitments

	2013 \$'000	2012 \$'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	15,027	14,937
Later than one year but not later than five years	<u>21,843</u>	<u>21,301</u>
	<u>36,870</u>	<u>36,238</u>

### 31 Interests in Joint Venture

#### Jointly controlled operations

The Corporation holds an interest of 50% in the output of the Joint Venture operation named SA Water/Lofty Ranges Power - Joint Venture 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 Joint Venture, recorded in accordance with the accounting policies described in note 1(b), under the following classifications:

	2013 \$'000	2012 \$'000
<b>Current assets</b>		
Cash and cash equivalents	44	33
Receivables	3	3
Other Current Assets	-	8
Total current assets	47	44
<b>Non-current assets</b>		
Infrastructure, plant and equipment	1,610	1,605
Total assets	1,657	1,649
<b>Current liabilities</b>		
Payables	21	21
Total liabilities	21	21
Net assets	1,636	1,628

### 32 Remuneration of auditors

	2013 \$'000	2012 \$'000
Audit fees paid/payable to the Auditor General's Department relating to the audit of financial statements. No other services were provided.	401	396
	401	396

### 33 Dividends

	2013 \$'000	2012 \$'000
Dividends paid	235,775	218,046
	235,775	218,046

The dividends paid to the South Australian Government were based on the recommendation of the Board and approved by the Treasurer pursuant to section 30(2) of the Public Corporations Act 1993.

### 34 Remuneration of employees

	2013 Number of Employees	2012 Number of employees
The number of employees whose remuneration paid and payable falls within the following bands is:		
\$134,000 - 137,999*	10	24
\$138,000 - 147,999	48	38
\$148,000 - 157,999	34	17
\$158,000 - 167,999	18	11
\$168,000 - 177,999	13	7
\$178,000 - 187,999	9	6
\$188,000 - 197,999	8	11
\$198,000 - 207,999	2	1
\$208,000 - 217,999	3	1
\$218,000 - 227,999	2	3
\$228,000 - 237,999	1	2
\$238,000 - 247,999	2	1
\$248,000 - 257,999	-	2
\$258,000 - 267,999	1	1
\$268,000 - 277,999	2	3
\$278,000 - 287,999	2	-
\$288,000 - 297,999	2	1
\$298,000 - 307,999	1	1
\$308,000 - 317,999	2	-
\$358,000 - 367,999	-	1
\$368,000 - 377,999	1	1
\$378,000 - 387,999	-	1
\$388,000 - 397,999	1	-
\$538,000 - 547,999	1	-
\$568,000 - 577,999	-	1

The total remuneration paid and payable for those employees was \$28.1 million (2012: \$23.2 million). This amount includes separation payments, lump sum payments for annual leave and long service leave, fringe benefits and superannuation payments.

\* This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration for 2011-12.

### 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 Note 34 and 36.

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

	2013 Number of directors	2012 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:		
\$30,000 - \$39,999	-	2
\$40,000 - \$49,999	1	2
\$50,000 - \$59,999	3	1
\$80,000 - \$89,999	1	1

The total remuneration paid and payable for those Directors was \$0.29 million (2012: \$0.30 million) 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, F.T. Blevins, C.S. Cooper, K.G. Osborn, L.W. Owens, and J.F. Ringham.

Ms Blencowe is an independent member of the Primary Industries SA Audit Committee, and a Specialist Member of the City of Port Adelaide Development Assessment Panel.

Mr Blevins is a Board member of the Law Foundation of South Australia Inc and a member of the board of the Adelaide Park Lands Authority.

Ms Cooper is Chair of the Dairy Authority of SA, Fisheries Council of SA, Fisheries Research and Agriculture Council, Dairy Authority of SA and Fleurieu Regional Waste Authority, Director of Rural Solutions and Lawguard Pty Ltd, Company Secretary of CRC CARE Pty Ltd and a member of the (energy markets) Consumer Advocacy Panel, Motor Accident Commission Third Party Claims Committee, District Court Panel Experts and an independent member of the City of Marion Audit Committee.

Mr Osborn is Director of Pateka Pty Ltd., Tristar Properties Pty Ltd., Chair of Invest in South Australia and Deputy Chair of the Economic Development Board of SA, Port Adelaide Football Club and Director of the Accounting Professional & Ethical Standards Board (APESB). He was formerly Chair of the Adelaide Desalination Cross Agency Steering Committee, Director of Adelaide University Business School Advisory Board and Director of Viterra Inc.

Mr Owens is Chair of SA Water, SA Country Arts Trust, Adelaide University Business School Advisory Board, Director of Petrathern and Regional Arts Australia Ltd and Reconciliation Ambassador for Reconciliation SA and Member of Resources and Energy Sector Infrastructure Council, member of the City of Marion Audit Committee.



### 36 Related party disclosures (continued)

#### (a) Directors (continued)

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

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 2013 and 2012 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	Total \$'000
2013	15	2,601	943	78	3,622
2012	16	2,668	785	72	3,525

### 37 Statement of Administered items

	2013		2012	
	River Murray Levy \$'000	Pensioner concessions \$'000	Total \$'000	Total \$'000
<b>Administered Income</b>				
Revenue	26,808	29,100	55,908	55,162
<b>Total Administered Revenues</b>	<b>26,808</b>	<b>29,100</b>	<b>55,908</b>	<b>55,162</b>
Expenses	26,808	29,100	55,908	55,162
<b>Total Administered Expenses</b>	<b>26,808</b>	<b>29,100</b>	<b>55,908</b>	<b>55,162</b>
<b>Operating Surplus</b>	-	-	-	-
<b>Current Assets</b>				
Cash and cash equivalents	160	2	162	374
Receivables	1,640	-	1,640	1,247
<b>Total Current Assets</b>	<b>1,800</b>	<b>2</b>	<b>1,802</b>	<b>1,621</b>
<b>Total Administered Assets</b>	<b>1,800</b>	<b>2</b>	<b>1,802</b>	<b>1,621</b>
<b>Current Liabilities</b>				
Payables	1,800	2	1,802	1,621
<b>Total Current Liabilities</b>	<b>1,800</b>	<b>2</b>	<b>1,802</b>	<b>1,621</b>
<b>Total Administered Liabilities</b>	<b>1,800</b>	<b>2</b>	<b>1,802</b>	<b>1,621</b>
<b>Net Assets</b>	-	-	-	-

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

	2013		2012	
	River Murray Levy \$'000	Pensioner concessions \$'000	Total \$'000	Total \$'000
<b>Cash flows from operating activities</b>				
Cash inflows	26,415	29,100	55,515	55,144
<b>Total Cash Inflows</b>	<b>26,415</b>	<b>29,100</b>	<b>55,515</b>	55,144
Cash outflows	26,381	29,346	55,727	55,506
<b>Total Cash Outflows</b>	<b>26,381</b>	<b>29,346</b>	<b>55,727</b>	55,506
<b>Net cash (outflows) from operating activities</b>	<b>34</b>	<b>(246)</b>	<b>(212)</b>	(362)
<b>Net (decrease) in cash held</b>	<b>34</b>	<b>(246)</b>	<b>(212)</b>	(362)
Cash at the beginning of the reporting period	126	248	374	736
<b>Cash at the end of the reporting period</b>	<b>160</b>	<b>2</b>	<b>162</b>	374

### 38 SA Government transactions

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

	2013 \$'000	2012 \$'000
Rates and charges	63,847	56,197
Community service obligations	106,773	153,274
Recoverable works	3,567	4,065
Fees and charges	20	36
Miscellaneous	2	2
Government grants	672	1,789
Interest received	907	1,628
<b>Total revenue - SA Government entities</b>	<b>175,788</b>	<b>216,991</b>

(b) Expenses

Supplies and services

Provided by entities within the SA Government

Operational services	33,210	37,118
Administration	33,589	31,421
Materials & Other	993	-
<b>Total Supplies and Services - SA Government entities</b>	<b>67,792</b>	<b>68,539</b>

Operational and service contracts

Provided by entities within the SA Government

Operational and service contracts	4,718	2,373
<b>Operational and Service Contracts provided by entities within the SA Government</b>	<b>4,718</b>	<b>2,373</b>

Borrowing costs

Provided by entities within the SA Government

Interest expense	221,980	216,222
<b>Total Borrowing Costs provided by entities within the SA Government</b>	<b>221,980</b>	<b>216,222</b>

(c) Receivables

**38 SA Government transactions (continued)**

**(c) Receivables (continued)**

**Receivables from SA Government entities**

Community service obligations	12,785	12,671
Rates receivable (water and wastewater)	7,180	812
Sundry debtors	6,247	7,232
	<u>26,212</u>	<u>20,715</u>

**(d) Payables**

**Current**

**Payables to SA Government entities**

Trade creditors	5,093	4,666
Interest payable	37,479	34,327
Other creditors	4,470	4,698
	<u>47,042</u>	<u>43,691</u>

**Non-Current**

**Payables to SA Government entities**

Other creditors	<u>1,511</u>	<u>1,638</u>
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## Contacting us

### SA Water Corporation

ABN 69 336 525019

### Head office

250 Victoria Square / Tarntanyangga  
Adelaide SA 5000

### Postal address

GPO Box 1751  
Adelaide SA 5001

### Website

[www.sawater.com.au](http://www.sawater.com.au)

This report was prepared by SA Water's Strategy, Planning & Regulation Group. Enquiries related to this report should be directed to our Customer Service Centre on 1300 650 950 or via [customerservice@sawater.com.au](mailto:customerservice@sawater.com.au).

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