

HUNTER WATER
**ANNUAL
REPORT
2021**





ACKNOWLEDGEMENT OF COUNTRY

Hunter Water operates across the traditional country of the Awabakal, Birpai, Darkinjung, Wonaruah and Worimi peoples. We recognise and respect their cultural heritage, beliefs and continuing relationship with the land and water, and acknowledge and pay respect to Elders past, present and future.

Mariin Kaling - All for Water
Saretta Fielding

Our Annual Report 2021 provides an overview of Hunter Water's activities and performance for the period 1 July 2020 to 30 June 2021. It includes our strategic priorities, vision and purpose, highlights from throughout the year, financial reports and statistical information. Past annual reports can be found at hunterwater.com.au/annualreport. We welcome feedback. Please email communications@hunterwater.com.au or write to: Communications and Engagement | Hunter Water | PO Box 5171 | HRMC NSW 2310.

LETTER OF SUBMISSION



The Hon. Matthew Kean MP
Treasurer, and Minister for Energy and Environment
52 Martin Place
SYDNEY NSW 2000

The Hon. Damien Tudehope MLC
Minister for Finance and Small Business
52 Martin Place
SYDNEY NSW 2000

Dear Treasurer and Minister Tudehope

We are pleased to submit the annual report of Hunter Water Corporation (Hunter Water) for the financial year ended 30 June 2021 for presentation to the Parliament of New South Wales.

Our Annual Report 2021 was prepared in accordance with section 24A of the *State Owned Corporations Act 1989* and the *Annual Reports (Statutory Bodies) Act 1984*. The financial statements, which form part of the full report, have been submitted to, and certified by, the Auditor-General of New South Wales.

Yours sincerely

Greg Martin
Chair

Darren Cleary
Managing Director

IN THIS REPORT

ABOUT US 07

- Welcome
- Highlights
- Essential services provision
- Towards 2024
- Our year in review
- Financial highlights
- General statistics
- Structure
- Risk management

DIRECTORS' REPORT 29

- Information on Directors
- Meetings
- Activities
- Committees

FINANCIAL 36

- Independent Auditor's Report
- Audited financial statements
- Statement by accountable authority

APPENDIX 83

- Customer and service performance
- Employees
- Financial
- Legislation

INDEX 107

- Index
- Connect

A MESSAGE FROM OUR CHAIR AND MANAGING DIRECTOR



Greg Martin, Chair



Darren Cleary, Managing Director

As we navigate these uncertain times together, there is one thing that we can be certain of – water will continue to be essential to our region, to our local communities, to our lives.

At the time of publication, our region has just been released from an extended period of stay at home orders, as our state addresses the public health risk posed by the Delta strain of the COVID-19 virus.

As for all Australian businesses, the pandemic played a major role in our year. We commend the efforts of our staff, partners and suppliers for all their work, but particularly in response to the pandemic. Together we have ensured the continued delivery of our essential and valued services to the community of the Lower Hunter. While the impacts of COVID-19 are not unique to Hunter Water, we are proud of our collective response in supporting the region and its people through this time.

This annual report documents the year in review, and transparently shares information with our community on Hunter Water's key achievements, financial position and overall business performance from 1 July 2020 to 30 June 2021.

The financial year commenced with the Hunter still in Level 1 water restrictions, as our region recovered from the worst drought in more than 40 years. Learnings from the drought, including our customers' openness to behavioural change and continued water conservation, have informed the finalisation of the draft Lower Hunter Water Security Plan, our 40 year plan for the region's sustainable and resilient water future.

Following extensive community engagement, economic and financial analysis, and technical investigations

in 2020-21, the draft plan was publicly exhibited in August and September this year, and will be presented to the NSW Government for consideration in early 2022.

Keeping our people and communities safe remains our highest priority. Despite the year's challenges and in the face of rapid change, our people have delivered, both with passion and commitment. They have shown remarkable care for each other and for the people we serve.

Hunter Water's Board and Executive Management Team have maintained a relentless focus on safety and wellbeing, with a concerted effort to improve performance in partnership with our contractors and major project delivery partners. This is reflected in our strong results, including a decrease in the total recordable injury frequency rate (the number of reportable injuries for each million hours worked) from 8.1 in 2019-20 to 6.0. The number of first aid injuries fell from 39 to six over the same period, while the lost time injury frequency rate remained steady.

Our safety culture is underpinned by visible, felt leadership and we have worked across the year to further embed our values of Leading, Learning, Trust, Wellbeing and Inclusion in all we do.

This year we capitalised on gains made in 2019-20 to transform our service offerings, particularly in the digital space, including additional online forms, a new billing system, and improved satellite monitoring of our network. We also provided additional support to our customers facing financial, physical or emotional hardship, and made accessing help easier by reinstating home visits and removing the need for third party referrals to our Payment Assistance Scheme.

Our community continues to Love Water with us, using 8% less water than expected. Hunter Water has also saved 250 million litres through our active leak detection, surveying more than the length of our entire water network (5,187 kilometres of pipes) for leaks. Our partnerships with regional leaders, including councils, have resulted in water savings of 15% across sporting fields, parks, pools, and office premises.

Financially we continue to perform well. The most significant impact to Hunter Water's financial performance was drought and related activities, including the continuation of Level 1 water restrictions until 1 October 2020, followed by a wetter than average summer and autumn period due to the La Nina climatic cycle. This resulted in lower revenue from reduced water usage compared to budget.

As this report confirms, total income for the year was \$351m, down \$17m from 2019-20. Total operating expenses were \$156m, down \$9m from 2019-20. End of year net profit after tax was \$41m (compared with \$52m for the previous year), with a dividend of \$27m paid to our shareholders, the NSW Government.

Over the past year, Hunter Water has evolved our organisational strategy to reflect progress made over the previous four years and to set out a more ambitious agenda for our organisation. Our vision remains being a valued partner in delivering the aspirations for our region.

The Towards 2024 strategy reflects our purpose - to improve and enable the quality of life for our communities - with the focus of putting customers and communities at the heart of all we do; delivering sustainable, resilient and valued services; becoming a high performing and resilient organisation; and being a valued contributor to our stakeholders.

In aspiring to these ambitions, we recognise the importance of achieving the best balance of outcomes for our customers, communities and stakeholders.

In December 2020 we farewelled our Chairman Terry Lawler AO. We thank him for his nine years of leadership.

Terry championed engagement with our community and customers to deliver on their expectations, as well as greater inclusion and diversity. He challenged our people to

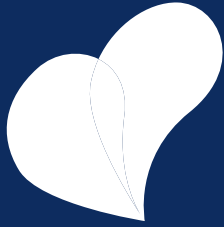
continuously improve, collaborate and learn from others, supporting the development of a learning organisation focused on developing its people to deliver best outcomes.

Two of our Directors, Ruth Lavery and Grahame Clarke, also retired in August 2020 and February 2021, respectively. We thank them for their significant contribution to Hunter Water.

We are proud of our origins as New South Wales' first State Owned Corporation (SOC). Our shareholder, NSW Treasury, has completed a review of state owned corporations, concluding in the 2020 State Budget that: 'public corporations are an effective structure for imposing private sector disciplines on government businesses. They have consistently delivered better service outcomes at a lower cost, while also having a net contribution to the State Budget. Independent boards play a pivotal role in driving the performance of the SOCs, bringing best practice industry expertise and governance experience.'

We now enter a new period of transformation as we rise to meet the goals in our new strategy. We look forward to working with you.





8% reduction
in community
water consumption



\$327,415
in community sponsorships
and partnerships



250 million litres
of water saved by reducing
leakage from our network



1,000 kilowatts
of solar panels powering
our sites



#1 contact centre
for customer service in
Australian water sector



1,840
assistance plans for
those experiencing difficulty



185,522
lab tests to ensure the
highest water quality



50%
of our Executive and 4/9
Board members are women



38%
reduction in network
leakage since 2015-16



Towards 2024
strategy launched to deliver
our region's aspirations



\$48 reduction
in the typical household bill
compared with last year,
under new pricing



\$10 million
in developer construction
contracts awarded,
enabling regional growth

OUR HIGHLIGHTS

PROVIDING ESSENTIAL SERVICES 24/7

Hunter Water provides safe, reliable, high-quality drinking water to more than 600,000 people in homes and businesses across the Lower Hunter. We also provide wastewater, stormwater, trade wastewater, recycled water and raw water services.

Our area of operations is 5,366km² and includes the local government areas of Cessnock, Dungog, Lake Macquarie, Maitland, Newcastle, Port Stephens and a small part of Singleton.

Our proud roots go back to the 1880s when water was first delivered to Newcastle from a temporary pumping station on the Hunter River at Oakhampton via the Newcastle No.1 Reservoir. For 129 years we have worked with, and for, our communities to help deliver their aspirations, innovating to meet the changing needs of our growing region while protecting its health for future generations.

The NSW Government regulates our operations and we are governed by the *State Owned Corporations Act 1989* and the *Hunter Water Act 1991*. We extract water from the Williams, Paterson and Allyn Rivers as well as groundwater sources under conditions set out in licences issued by the NSW Government's Natural Resources Access Regulator under the *Water Management Act 2000*.

Our Operating Licence is set by the Independent Pricing and Regulatory Tribunal (IPART) and is issued by the Governor on the recommendation of our portfolio minister. Our five year Operating Licence came into effect on 1 July 2017. It sets out our operating responsibilities, system and service standards, and customer rights, as well as implementation of management systems for water quality, environment and asset management. Results of IPART's annual independent audit of our compliance are available on its website.

IPART also sets the prices we charge for water supply, sewer services, stormwater drainage and a range of miscellaneous services. Its current determination includes \$653 million for capital infrastructure projects to upgrade our network and deliver water conservation and leakage reduction initiatives, new water recycling infrastructure and stormwater naturalisation works.



Safe, reliable drinking water

The safety of our water is paramount and we take a holistic, preventative multiple barrier approach to managing its quality in compliance with the *Australian Drinking Water Quality Guidelines*. We have an extensive monitoring program from which we test for a wide range of physical, chemical and biological characteristics at all stages of the supply system from catchment to tap. This includes 68 monitoring locations throughout our water network to monitor the water provided to our community. This year we took 22,154 samples for 185,522 laboratory tests. Drinking water supplied by us is consistently of a very high standard and is well within the requirements of the Guidelines. We also work closely with NSW Health to ensure that all current and emerging issues associated with drinking water quality are identified and assessed.

Quality wastewater services

We carefully monitor and treat our wastewater to ensure the protection and health of our beaches and waterways. The Environment Protection Authority issues our licences under the *Protection of the Environment Operations Act 1997* for the wastewater pipe network, pumping stations and treatment systems. The licences stipulate both quality and quantity conditions for discharge from each wastewater treatment works and are reviewed every five years under the legislation. The licences also specify operational controls and performance reporting for the wastewater pipe network and pumping stations. This year we have also been an integral part of the *COVID-19 Sewage Surveillance Program*, assisting Health to track the presence of the virus.

TOWARDS 2024: DELIVERING THE ASPIRATIONS FOR OUR REGION

This year we launched a new strategy to deliver on our vision of being **a valued partner in delivering the aspirations for our region**. Towards 2024 sets our direction for the next four years and positions us to be more resilient, responsive and adaptable to the heightened uncertainty created by COVID-19, climate change, population growth, digital technology and changing customer and community expectations.

Our primary purpose is to **improve and enable the quality of life for our communities**. As an essential service provider, we have a critical role to play in supporting daily life. However we are also a major contributor to enabling our region's growth, economic prosperity, health and liveability.

Our people are key to delivering this vision and purpose, and do so with safety their first priority, supported by a solid, values based culture where the principles of **Leading, Learning, Trust, Inclusion and Wellbeing** underpin everything we do.

Our plan has four strategic priority areas to focus our work over the coming years. Importantly, it includes outcomes and objectives through which we can measure our success, but is flexible in its approach to allow us to incorporate technological advances, new ways of working, external influences and customer and community feedback.

Further information on our strategy, and progress already made, is detailed on pages 13 to 24.



CUSTOMERS AND COMMUNITIES AT THE HEART OF ALL WE DO

Outcomes:

We will build on our already strong performance with our community, enabling better community and customer outcomes and increased advocacy.

We will improve customer ease, success, sentiment and satisfaction by delivering services that meet their expectations.

We will improve understanding of customer and community expectations by turning data into insights and actions.

We will optimise digital platforms to improve customer experience and deliver efficient services.

Objectives:



Increase community trust



Improve customer experience



Improve customer and community understanding



Improve community focus



Increase digital services

DELIVERING SUSTAINABLE, RESILIENT AND VALUED SERVICES

Outcomes:

We will maintain the safety of drinking water. We will improve the wellbeing of our community by providing liveable, green spaces.

We will reduce the impact of dry and wet weather wastewater overflows on our customers and the environment. We will reduce the impact of water cycle disruption and pollution on the waterways in our area of operations.

We will reduce the volume of potable water consumed by residential and commercial customers and by Hunter Water and reduce leakage. We will increase the proportion of water, organics, nutrients and other materials that are reused for beneficial purposes, reduce carbon emissions and regenerate natural systems for improved liveability.

We will use new technologies and data analytics to predict and reduce wastewater overflows, real water losses and consumption. We will improve the delivery success of adaptable long term plans to service our customers and the environment through future thinking.

Objectives:



Maintain safety of drinking water



Improve community liveability



Reduce wastewater overflows



Reduce impact on waterways



Reduce potable water consumption



Improve circular economy



Increase smart systems



Improve future thinking

BUILDING A HIGH PERFORMING AND RESILIENT ORGANISATION

Outcomes:

We will ensure that our people are free from harm and injury, both physical and psychological.

We will enable efficient and effective new ways of working by improving current processes, and establishing agile supporting pathways for prioritising and progressing meaningful initiatives.

Our organisation and its people will be resilient, trusted, inclusive, everyone leads, learns and shares learnings and the wellbeing of our people and the people we serve is the number one priority.

We will improve our capability to turn data into insights for improved decision-making. We will improve the organisation's capability and capacity to deliver and adopt technology that enables faster value delivery.

We will deliver a workplace masterplan for effective and efficient work, in all locations.

We will improve the quality and affordability of our services now and into the future.

Objectives:



Improve safety, health and wellbeing



Improve new ways of working



Improve values-based culture



Increase data insights



Improve the delivery and adoption of technology



Improve effectiveness of workplaces



Improve efficiency and effectiveness of services

BEING A VALUED CONTRIBUTOR TO OUR STAKEHOLDERS

Outcomes:

We will increase our role in shaping the reform agenda to deliver value for our customers, communities and shareholder.

We will increase our capability to contribute and respond to opportunities.

Objectives:



Increase stakeholder value



Increase role in shaping reform



Increase capability to contribute

TOWARDS 2024: OUR FUTURE STATE

We have defined what success looks like.

In 2024:

We have captured, accessed and analysed relevant data to draw insights and gain a deeper understanding of customer and community expectations to deliver the outcomes they desire.

We have improved our services, processes and behaviours and created a customer-centric culture, supported by technology, to deliver better customer experiences and outcomes.

We are leaders in water efficiency and leakage. Through the use of smart systems, we achieved better wastewater outcomes for our customers, the community and the environment.

We have continued to develop our capability to be future thinking and adaptive to enable us to respond quickly to emerging threats and opportunities to reduce water consumption and to improve liveability and resilience.

We have the culture and capability we need to fulfil our purpose. We are safe, engaged, innovative and live our values. We are efficient and effective, having reduced impediments and are supported by fit-for-purpose technology and processes. We continuously improve.

Our understanding of our customers and community, strong reputation, thought leadership and stakeholder relationships have allowed us to play an important and valued role in the development and implementation of policy, regulation, structural and economic reform in the water sector and to be a critical and trusted voice in the development of the region.



OUR YEAR IN REVIEW 2020-21: COVID-19

Our response to COVID-19 has centered on the safety and wellbeing of our customers, community and workforce, while ensuring continuity of our services. This includes support in managing the wide-ranging health and economic challenges of the pandemic, which have had profound impacts on the community we serve and are likely to continue for some time.

Supporting our customers experiencing financial hardship as a result of COVID-19 has been an ongoing focus and we reacted quickly, adapting support options and business rules in recognition of the pressures facing many in our community. We refined our hardship policy using insights from frontline staff and segmentation data, removing the need for third party referrals to access our Payment Assistance Scheme (PAS). This streamlined our customers' ability to access support, with more than 350 customers assisted through the PAS and a further 1,500 through our Account Assistance Support Program.

To ensure our customers can access services readily and safely, we've prioritised making it easier to do business with us, when and where they choose. Over the year we moved a further 12 of our forms online. These new electronic services have been well received by our customers, who submitted almost 40,000 online form requests. Expanding these services will be a key task for 2021-22. We also expanded our social media reach, with total impressions 16.9 million, a 300% increase on the previous year.

Hunter Water has played an important role in the ongoing health response, including through the joint project, ColoSSoS - Collaboration of Sewage Surveillance of SARS-CoV-2, which won the NSW Australian Water Association award for Research and Development Excellence. The program, run by Water Research Australia, tracks the presence of the virus that causes COVID-19 and its persistence in sewage networks around Australia, allowing for integration with health data to help track infections in the community and provide early warning of an increase in infections.

Working with national experts in health, microbiology, laboratory testing and wastewater-based epidemiology, the initiative is a major collaborative effort across water utilities, state health departments (including NSW Health) and researchers. Throughout the year Hunter Water has undertaken sampling at a number of wastewater treatment works. The untreated sewage is tested by microbiologists for fragments of the COVID-19 virus with results published by NSW Health. It will be further expanded in 2021-22.

Our Respect the Throne campaign responded swiftly to an immediate impact on our wastewater systems, as an increasing number of fatbergs were removed from our treatment plants amid the outbreak of the global pandemic and a shortage of toilet paper. The campaign was nominated for 'Best COVID-19 Response' at the Mumbrella CommsCon Awards. It received a Highly Commended for its role in creating genuine conversation and behavioural change on what can and cannot be flushed down the toilet.

We're proud to have worked with local suppliers and business partners throughout the year in support of the regional economy, adapting and managing challenges alongside them to maintain business continuity. We exceeded our target for payment of invoices, and developed Supplier Partnership Principles to support our service delivery commitments in a safe and sustainable way in alignment with the United Nations' Sustainable Development Goals.

Changing how we operate and finding innovative solutions was also a key focus internally, and we have implemented technologies that deliver more productive and efficient ways of working. This year we expanded our New Ways of Working program, including:

- trialling the use of Robotic Process Automation to streamline our invoice payment process
- introducing QR codes for more effective inventory management
- increasing the use of digital forms, such as our facilities portal.

We introduced new online collaboration platforms and smart meeting technology, and delivered the second phase of our digitisation project, moving 34,000 paper files to soft copy. Many of these projects were conceived and delivered by our people, demonstrating the agility and resilient nature of our workforce in embracing accelerated change.

We developed and implemented a Flexible Working Toolkit to empower staff to establish environments and work patterns that enable them to perform at their best and drive high productivity. This has resulted in an increase in staff working part time or flexibly to 13% this year. Further personalisation of work is a target for 2021-22.

We supported our people through this change with additional wellbeing resources, including through our Employee Assistance Program, webinars, a fortnightly safety, health and wellbeing newsletter and video series. Throughout the year we also worked to build change capability across our organisation, giving people the practical skills to manage change, become more agile and resilient. Change leadership workshops have been completed by our senior leaders and training provided in change methodology.

Hunter Water recognises that challenges associated with the pandemic will be ongoing and is ready to respond. We are agile and ready to identify opportunities to learn and lead through this unprecedented, uncertain time.

OUR YEAR IN REVIEW 2020-21: PROGRESS TOWARDS OUR GOALS

As drought conditions ease, our community has continued to Love Water with us, consuming 8% less water than expected, over the year.

Our Love Water campaign continues to drive this positive change in community water use. Its strength is in its empowering promotion of practical, achievable measures that have a large cumulative effect.

These actions were supported by the introduction of Smart Water Choices in October 2020 as the new permanent water conservation measures post-drought.

Our first-ever Love Water Day kicked off that same month. Due to COVID-19 restrictions, the event was run digitally via social media, encouraging advocates across the community to make a change and share how they value our precious resource. A three-part television campaign was also rolled out strategically over spring and summer to reinforce Smart Water Choices behaviours, and was echoed via social and digital platforms, helping drive and reinforce observed behaviour change.

The 2020-21 Love Water Grants program was our biggest ever, with two rounds and a welcome boost to support our region through the hardships of COVID-19. The program distributed more than \$200,000 to 34 community groups and organisations across its two rounds. The large volume of applications demonstrated our community's continued commitment to conserving water for the future.

Hunter Water has embraced the opportunity to conserve water in our network, reducing leakage by 38% over the past four years.

This year we had an average leakage reduction of five litres per service connection per day, with a cumulative reduction of 40 litres per service connection per day since 2015-16, driven by active leak detection. Over the year we surveyed more than 6,400 kilometres of water main using active leak detection to identify and repair leaks, which is more than 100% of our water network and approximately 120 kilometres per week.

As well as active leak detection we are also implementing network monitoring through the installation of flowmeters and tracking of reservoir levels. This data is monitored by a digital technology called TaKaDu to quickly identify leaks. Over the year we increased the area of our network covered by TaKaDu from 38% to 45% of the water network. We have also commenced a program to implement pressure management in existing areas of the network with high pressure, to reduce breaks.

We are continuing to explore alternative and innovative methods for identifying leakage including the trial of advanced acoustic monitoring technology and analysis of network performance through machine learning and artificial intelligence.

Our partnerships with regional leaders have also helped future-proof our region's water supply.

During the most recent drought, our partnership with Lower Hunter councils generated significant water savings, with the councils reducing usage by a combined 15% across sporting fields, parks, pools, and office premises.

Given the success of our drought response plans, this year we showed a commitment to maintain these water efficiency measures and identify alternative supply options, including the use of recycled water for irrigation of public open spaces. We have also offered support to Lower Hunter councils through early leak detection, education on Smart Water Choices, and detailed water audits and benchmarking. Regular meetings are taking place with council representatives to discuss strategic initiatives for water conservation into the coming years, and to collaborate and share learning across our organisations.

Our education program is working to instill the value of conservation in the next generation, and we engaged directly with more than 1,000 students.

Adapting to changing restrictions, we developed digital educational resources which allowed us to engage

through both virtual and small face-to-face sessions. Over the year, we had almost 8,000 views to our schools webpage. We also finalised development of Waterworld, an app designed to encourage water conservation efforts by challenging Year 7 and 8 students to reduce their shower times while learning about local water facts, aiming to change the behaviour of our future customers.

Following the end of a 15-year partnership with Ship O' Fools, the 'Let's Love Water' program was formed with local entertainment group Jollybops Science. The 40-minute show highlights simple ways to save our precious resource each day. Developed for students from preschool to Year 2, it was designed to be incorporated into the Early Years Learning Framework and links to NSW syllabus outcomes. More than 3,200 primary and pre-school students learned how to Love Water and engaged in ways to individually conserve it.

A further 70 students from 11 schools across the Maitland local government area gained valuable insights into issues like water scarcity and sustainable wastewater thanks to our involvement in this year's Maitland Environmental Youth Forum. We were invited to attend the annual event at Walka Water Works to provide education sessions and hands-on demonstrations, which showcased the benefits of creating more environmentally-friendly practices.

Since 2014, we have proudly partnered with Hunter Local Land Services to provide the School Engagement Project. The project offers a series of educational opportunities focused on building teacher and student knowledge around catchment and waterway health, investigating how healthy local waterways are, and engaging the wider community to reduce threats to water quality.

Grants, donations and sponsorships

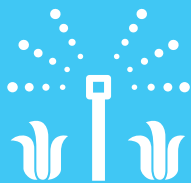
Project	Type	Organisation(s)	Purpose	Amount
Love Water Grants	Community partnership	Feedback Organic	Water wise irrigation and education	\$10,000
		Toronto Centenary Hub	Community garden and water harvesting	\$8,400
		Wyee Hub	Rain water tanks for community facility	\$9,000
		Sugarvalley Neighbourhood Centre	Water wise education, rainwater tanks and community garden	\$3,675
		Trustees of Church Property for the Diocese of Newcastle	Harrison Street Community Garden	\$9,845
		Medowie Christian School	Rainwater tanks and irrigation for agricultural area	\$9,722
		Eastlakes U3A Inc	Improving biodiversity and water-efficiency	\$7,195
		Charlestown Eastlakes Presbyterian Church	Water efficient edible and native garden	\$4,351
		Vacy Sportsground	Water efficient irrigation	\$5,000
		Paterson Sports Ground Reserve	Rainwater capture project	\$6,570
		Cessnock City Council	Water fountain – Bridges Hill Park	\$10,000
		Maitland City Council	Portable bottle refill stations	\$10,000
		Elernmore Vale Public School	Water saving irrigation for vegetable garden	\$2,588
		Charlestown East P&C Association	Food garden and rainwater tank	\$5,630
		Whitebridge High School	Water tank installation and education	\$5,000
		Maryville Community & Throsby Friends	Neighbourhood sustainability project	\$4,000
		St Bede's Catholic College Chisholm	Water conscious community garden and education	\$2,500
		Blacksmiths Public School	Aquaponic fish farm	\$3,300
		St Brigid's Raymond Terrace	Rainwater tanks and irrigation	\$5,310
		Teralba Public School	Rainwater harvesting and sustainable garden	\$4,300
		Elernmore Vale Public School	Water saving and irrigation for garden	\$2,588
		Ronald McDonald House	Repair of hot water system	\$4,000
		CatholicCare Social Services Hunter-Manning	Irrigation and water conservation for community garden	\$6,839
		Macquarie Preschools Co-Op Ltd	Water run-off recycling	\$4,235
		Wangi Bowling Club Co-Op Ltd	Water tank installation	\$8,580
		Boolaroo Public School P&C	Water tank installation and irrigation for community garden	\$6,300
		Cessnock Multipurpose Children's Centre	Installation of two water tanks and pump	\$5,500
		Port Stephens Salvation Army	Irrigation and pump installation for water efficiency	\$3,000
		Newcastle Meals on Wheels	Installation of water tanks and water-wise garden	\$7,500
		Uniting NSW.ACT	Water tank installation and education	\$1,930
		Tenambit Public School	Water efficient permaculture garden and education	\$7,425
		Dudley Public School P&C	Connection of water tank and irrigation, education, and indigenous mural	\$5,732
		Tilligerry Habitat Association	Water efficient irrigation	\$6,000
ATWEA College – Alesco Senior College North Lakes	Rainwater tank installation to support hydroponic farm	\$3,400		
Swansea Belmont SLSC	Recycled water wash bay and water tank	\$5,000		
The Rail Motor Society Inc	Installation of water tanks and water collection	\$5,000		
Bio banking botanic gardens		Hunter Region Botanic Gardens	Ongoing sponsorship (funded by bio banking of Hunter Water land leased by the Gardens)	\$50,000
Koala hospital		Port Stephens Koalas	Support towards development of new koala hospital, an integrated conservation based community education program	\$35,000
WaterAid Partnership	Sponsorship	WaterAid	Contribution to charity partnership enabling clean water in developing countries	\$11,000
Newcastle Regional Show	Event sponsorship	Newcastle Agricultural Horticultural and Industrial Association Inc	Support for the Show which brings the city and regional communities together	\$5,000
Hunter Business Awards		Hunter Business Chamber	Sponsorship for award category recognising water conservation in business	\$6,000
NAIDOC celebration		Awabakal Ltd	Sponsorship for Newcastle NAIDOC event	\$2,000
Newy100		Lifeline Direct Ltd	Sponsorship of 100km walk event raising awareness for mental health and Lifeline	\$8,000
Lake Mac Business Awards		Lake Macquarie City Council	Sponsorship of the event and Small Business category	\$1,000
Total				\$327,415



38% reduction
in leakage over
the past four years



34
community groups
supported by our
Love Water Grants



15%
less water used by
Lower Hunter councils in
partnership with us



>4,200
students engaged
in conservation



200%
increase in the use
of online forms

Developing a deeper understanding of customer and community needs and expectations has been a key driver of our work.

Over the year, we engaged with our people to embed the Voice of Customer (VoC) program in Hunter Water activities. A VoC working group was established in October 2020 to build awareness and help develop a better understanding of how improved customer knowledge can positively influence both operational and strategic decision-making.

A detailed service blueprint was subsequently developed in January 2021 to identify opportunities to streamline and improve our communication processes with customers. Mapping of the end-to-end customer journey involved people from across Hunter Water's operational areas and included consultation with customers.

In 2021-22, our focus will move to implementing the blueprint's recommendations and embedding VoC principles in all planning and decision-making processes.

Our commitment to customer service, ease, sentiment and satisfaction has been recognised, with our Contact Centre ranked first in the water sector for customer experience.

We recorded a satisfaction score of 83.1% as part of the nationally-recognised Customer Experience Mystery Shopping program. This score saw us rank second overall out of 195 organisations throughout Australia in the full year results for 2020-21, jumping up two spots from last year and demonstrating that persistent and consistent effort leads to continuous improvement. We outranked 26 peers to take the position of best performing water utility.

Our Newcastle-based Contact Centre, which is the primary entry point for our customers and community and the first engagement point across multiple channels, handled more than 200,000 interactions across a challenging 12 months. This is a 13% increase compared to the previous year (2019-20) when drought conditions and water restrictions resulted in more interactions and customer activity.

Over the year we also saw a significant shift in online forms being submitted by customers, with an increase of 200% compared to the previous year, in line with COVID-19

and changing customer behaviours and expectations.

Support for our vulnerable customers has also increased through our refreshed outreach strategy.

Hunter Water attended two important community events in 2021 - the Disability Expo and Newcastle's Multicultural Festival. Both of these events provided an opportunity to connect with community groups and create awareness on the various support packages and options we have available.

We have also maintained our strong partnership with the Energy and Water Ombudsman NSW (EWON) to support vulnerable customers, using our virtual Bring Your Bill Day event to ensure continued access to our services. Other ways we have supported our vulnerable customers include:

- Restarting our home visits to initiate contact with customers who may not have engaged or made a payment within the last 12 months, to provide a more personalised approach and solution.
- Using a broad range of engagement channels to proactively communicate with our diverse customer base to ensure we identify hardship early and understand how we can provide flexible support options for customers who may be experiencing short and/or long-term payment difficulty.

We have also implemented an Easy Pay option as part of our new billing system. This allows customers to make smaller, more regular payments to better manage their household budget and water bills.

Our new billing system, Velocity, was delivered in November 2020.

With more than 10,000 hours of testing conducted, 1,000 hours of staff training completed and 100,000 individual bills verified before the system was fully operational for the second billing cycle of the year, the project was the most resource intensive change to our customer billing process in the last 15 years.

The new system has already delivered new efficiencies in our daily process of validating bill accuracy, and will facilitate further innovation to our customer experience in the billing, payment and compliance transactions now performed within the system.

These innovations include the introduction of eBilling for customers in September 2021.

eBilling will allow customers to nominate to receive their bill electronically, while also being provided with access to a customer portal where they can access historical copies of bills and perform low complexity transactions, such as requesting payment extensions and change of delivery method requests. In addition to increasing customer accessibility, it will also have positive impacts for the environment, as we move away from paper bills.

We have responded to support regional growth by expanding our range of online services, listening to feedback to improve service offerings, and adapting processes to respond to increased production pressure.

The initial economic shock caused by COVID-19 was eclipsed by record levels of development activity across the Hunter region, with numbers not seen since the last boom cycle in 2002-03. Over the year we saw a 23% rise in development assessment activity from the previous year, representing the highest increase ever recorded by Hunter Water.

Further, new connections were almost double a typical year (5,727 compared to 3,000), demonstrating the strong levels of building activity taking place in the Hunter. Our service model, incorporating online application lodgement for key service lines, ensures the development industry and its trade allies can successfully work remotely with us.

We routinely engage with our customers to understand what issues they may be facing and share observations of our performance. Each month, Developer Experience (Dx) is measured, with the key components being 'Satisfaction' and 'Ease of doing business'. In 2020-21, an average Dx score of 8.3 out of 10 was achieved – a remarkable result given the rapid changes to our service environment through face-to-face operating restrictions and reliance placed on the reach and stability of our emerging online service channel.

We continue to invest in technology and innovations to further improve our operational efficiency, minimising customer impacts and allowing us to harness opportunities.

In 2019-20 we trialled satellite monitoring using Geospatial Artificial Intelligence (GeoAI) at Grahamstown and, with the pilot deemed a success, expanded the program to include Chichester Dam this year. Satellite data is now providing valuable insights at both dams using state-of-the-art remote monitoring, utilising both national and international expertise. These three-year programs are increasing the frequency and accuracy of monitoring while also reducing inspection costs. By adopting alternatives to traditional measurement surveys and visual inspections, Hunter Water is able to improve resilience and deliver better value to customers.

Over the year we also expanded Internet of Things (IoT) devices across our wastewater network to provide an early indication of potential blockages,

and continued our use of drones to identify issues before any impact on the environment or community.

Our \$70 million upgrade Farley Wastewater Treatment Works (WWTW) reached completion this year.

The upgrade will increase the capacity of the WWTW to cater for future growth and improve the reliability and performance of the plant. The treated wastewater will also be of a higher quality, while recycled water will be supplied to the nearby suburb of Gillieston Heights where 770 homes have recycled water for non-drinking use.

This follows the earlier opening of a new, larger \$28 million Dungog WWTW to cater for future population growth.

The new plant, pictured below, replaces an ageing facility, which was demolished after serving the community for more than 80 years. The Dungog WWTW uses modern technology and an innovative design to produce better quality treated wastewater and deliver greater environmental outcomes.

Construction has also begun on a new wastewater pump station in Dungog, which will replace the existing 75-year-old infrastructure and cater for increased capacity. Work is scheduled for completion next year.

In October 2020, extensive remediation work was completed at Grahamstown Water Treatment Plant. Ageing sedimentation rakes used to clear water treatment residues from the raw water were replaced, helping to improve the plant's operating efficiency.



Major capital works

Project	Cost (\$m)	Commenced	Status (30 June 2021)
Chisholm and Gillieston Heights recycled water schemes	11.4	March 2018	Complete
Chichester Trunk Gravity Main - Duckenfeld to Tarro	47.2	July 2018	Complete
Dungog Water Treatment Plant Upgrades	16.0	July 2018	Complete
Wyee Backlog Sewer Scheme	35.8	February 2019	Complete
Dungog and Kurri Wastewater Treatment Works upgrades including pump stations	47.0	May 2019	Underway
Farley Wastewater Treatment Works stage 3B upgrade	73.3	June 2019	Complete
Potable water substitution - various	1.4	July 2019	Underway
Network chemical dosing unit upgrades	13.4	August 2019	Underway
Tanilba Bay Wastewater Treatment Works upgrade	24.4	October 2019	Underway
Grahamstown sedimentation tanks and sludge rakes	8.4	December 2019	Complete
Switchboard replacements - phase one	6.0	December 2019	Complete
Dora Creek stage 2B - administration building	3.0	July 2020	Underway
Emergency/backup generator connection points - 219 sites	18.6	August 2020	Underway
Onsite renewable energy	9.3	November 2020	Underway
Belmont Wastewater Treatment Works clarification upgrade	8.9	January 2021	Underway
Cessnock Wastewater Treatment Works upgrade	35.0	January 2021	Underway
Programmable Logic Controllers (PLC) and telemetry upgrades 2020-24	4.0	March 2021	Underway
Seaham Weir refurbishment and modification	12.7	April 2021	Underway
Toronto Wastewater Treatment Works upgrades	7.9	June 2021	Underway
Disinfection Optimisation Strategy (DOS)	12.5	July 2021	Underway
Lower Cottage Creek stormwater naturalisation	2.3	July 2021	Underway

Definitions

Underway: design and/or construction commenced. Complete: practical completion achieved, in operation/implemented.

We are continuing our major review of the Lower Hunter Water Security Plan (LHWSP), in partnership with NSW Department of Planning, Industry and Environment, Central Coast Council, the community and other stakeholders, to provide a resilient and sustainable water supply for the Lower Hunter.

Development of the draft plan is complete, placed on public exhibition in August and September 2021.

The LHWSP has considered all water supply and demand options. We asked our community members for their views and preferences across different option types – recycled water, stormwater harvesting, water conservation, water sharing, dams, groundwater, desalination and purified recycled water for drinking - and how open they were to us considering them in our long-term water plan.

The results were consistent over time, with our community members telling us they are open to us considering all options. Those that reduce our demand for drinking water, such as water conservation, recycled water and stormwater harvesting for non-drinking purposes, were strongly supported.

Over the year, more than 1,100 locals participated in our ongoing surveys, we hosted regular meetings with the

LHWSP Community Liaison Group, ran focus groups on purified recycled water for drinking, completed 67 video presentations for local high schools, and conducted seven focus groups with businesses and councils. We also had 1,000 visits to the LHWSP Your Voice web page.

In addition to extensive community engagement, economic and financial analysis, and technical investigations, were completed.

A final LHWSP is due for consideration by the NSW Government early next year.

We are working to reinstate two bore stations in Tomago Sandbeds, which will help increase supply capacity and improve our water quality security.

Bore stations six and 19 were used to extract groundwater in the 1980s, but haven't been operational for more than two decades. This project follows the refurbishment of another station in Tomago last year. Together, these three stations will increase our water capacity by up to 15 million litres per day. Should the borefields need to be used in the future, extracted water will be treated at the upgraded Grahamstown Water Treatment Plant to ensure it meets stringent drinking water quality standards.

We are building solar photovoltaic (PV) systems across a number of assets to reduce electricity costs and protect customers against rising electricity prices, and to reduce greenhouse gas emissions from electricity generation, consistent with our goal to have net zero emissions by 2030.

Construction of a 600 kilowatt solar system at Morpeth WWTW and a 300 kilowatt system at Kurri Kurri WWTW have been largely completed. An extension is also underway at Branxton WWTW following the earlier installation of a 252-panel, 100 kilowatt system in July 2020, while Raymond Terrace and Boulder Bay WWTWs have been identified under stage one of a phased approach.

The rollout of renewable energy projects at wastewater treatment works and pump stations across the region is part of our investment of more than \$15 million to deliver more than six megawatts of solar within the next few years.

Once completed, the renewable energy project is estimated to deliver a 12% reduction in electricity consumption from the grid per year and provide an annual saving of \$1.15 million on our electricity costs.

Over the year we have reduced the amount of power consumed from the grid at our Honeysuckle office and improved energy efficiency, reducing greenhouse gas emissions by more than 90 tonnes of carbon dioxide equivalent.

This result was attained through collaboration with the building owner on a combination of proactive measures, including:

- the installation and commissioning of a high-efficiency inverter technology air conditioning plant
- smart lighting sensors in meeting rooms, offices and utility areas to ensure lights are only lit based on occupation,
- additional solar panels to bring capacity up to 100 kilowatts
- changing external lights from a time clock to a digital light sensor controller so lights are not burning when not required.

We are dedicated to rehabilitating and protecting the environment, including through the development of a Hunter River Estuary Wastewater Management Plan.

The plan will provide strategic direction for the long-term management of five wastewater treatment plants (Farley, Kurri Kurri, Raymond Terrace, Morpeth and Shortland) that release water into the Hunter River Estuary, where water quality is poor. Effluent released from the treatment plants is only one of many factors which influence estuary health. Hunter Water is assessing a range of options to contribute to better environmental and social outcomes for the estuary and the community.

We have been working to eradicate weeds throughout our Shortland WWTW site, along Crawchie Creek, after we received a grant from the NSW Environment Heritage Trust. Works have included weed control and removal, planting of native plants, and the preparation of sites for further planting. The project has been supported by Hunter Wetlands Centre, Hunter Local Land Services and Landcare. We hope to host community planting days at the site in 2021-22.

A partnership with Hunter Local Land Services (HLLS) has rehabilitated more than 16 kilometres of stream bank, led to the planting of 13,000 trees, and encouraged platypus to return to the Lower Hunter as part of a \$900,000 catchment improvement program.

After joining forces with HLLS, Hunter Water invested more than \$400,000 to deliver the Congewai and Quorrobolong Catchment Improvement Program. Using these funds, HLLS implemented a five-year grants initiative targeting local landowners, who also provided about \$500,000 towards the project.

The program, which started in 2016, ultimately aimed to reduce the environmental impact of Paxton WWTW on the catchment area and save money by delaying a further \$1 million upgrade to the facility.

In October 2020, we removed World War II tank traps from our section of the shoreline at Stockton Beach. The traps were removed to improve the safety of swimmers and surfers using this section of the beach.

Some of the concrete tank traps removed from the shoreline have since been relocated towards the front of our land along Fullerton Street, Stockton. This is an interim measure to improve site security and protect the land during rehabilitation work.

Alongside the removal of tank traps, the noxious weed Bitou bush has been removed. Further ground work and the reestablishment of native plant species is planned, while a large amount of dumped rubbish has also been removed.

This year we became the first business partnering with community-driven initiative, Plastic Police, to completely offset our soft plastic use.

Over the past three years, we have collected and diverted more than three tonnes of soft plastic from landfill through our participation in the local engagement program that collects, recycles and reuses soft plastics.

We have implemented soft plastic recycling at our Honeysuckle, Tarro, Tomago and North Lambton sites, and our procurement rate at June 2021 was 63% and climbing, meaning we have purchased items made from 2.4 tonnes of soft plastic, and are well on our way to recycling more soft plastic than we use.

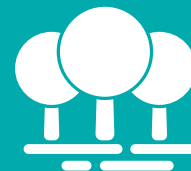
One such project saw us obtain 200 posts made from 2.1 tonnes of recycled soft plastic. The sturdy, steel-reinforced recycled plastic posts, which will be used as markers to locate underground valves, have replaced virgin steel, saving resources and reducing costs by half.



All options considered for our long term water future



\$15 million investment in solar power



13,000 trees planted through our partnership with Local Land Services



3 tonnes of soft plastic diverted from landfill



1,600 truckloads of biosolids recovered for beneficial reuse

Manufactured by Plastic Forests in Albury, the posts are built from 85% recycled plastics, including soft plastic and coffee cups, 10% Australian-made steel, and 5% processing aids and UV stabilisers.

We have continued to focus on increasing resource recovery from our waste streams during the past year. A total of 20,618 tonnes of solid waste was recorded and, of this, 74% as recovered for reuse and recycling.

Spoil, or waste soil, tonnages were slightly up compared to last year due to wetter weather conditions, meaning the soil was not as dry, as well as increased work by our civil infrastructure teams.

Almost 70% of our spoil products were able to be sent for recycling locally, and we significantly increased the spoil able to be classified as recyclable due to our good separation practices and options for additional soil testing.

We applied to the NSW Environment Protection Authority (EPA) for a Resource Recovery Order and Exemption to enable the reuse of recovered soil back in to our works as engineering backfill. We now have the Order and Exemption in place and will work towards setting up our spoil systems to meet the exemption requirements over 2021-22, which will increase soil reuse within our own operations and prevent good soil from being sent to landfill.

All of the large skips from our depots were sent for resource recovery, with an 85% recovery rate. Other achievements in recycling include:

- 80% of our waste generated from major contracts work was recycled
- purchasing more than 200 laptop bags made from recycled plastic bottles, meaning more than 5,000 plastic bottles have now been recycled and used to protect Hunter Water laptops
- compostable organics continued to be collected at our Honeysuckle office and recycled locally for use at local sporting fields.

We will now focus on implementing a total waste management solution through a tender process and seeking innovative recycling and reusable solutions. This includes searching for alternatives to waste streams, such as polyethylene pipe offcuts and hard hats, investigating options for reduction in the waste generated, providing clear

guidance and education to staff and contractors to ensure waste streams are appropriately collected, and continuing to minimise our waste footprint.

We are investigating long-term options for "taking care of business", through biosolids.

Biosolids are the nutrient-rich by-product from our wastewater treatment process. Each year we recover about 1,600 truckloads of biosolids for beneficial reuse. About 70% is used for agricultural purposes and 30% for mine site rehabilitation.

Land application of biosolids helps improve, replenish and maintain healthy soil by adding important nutrients such as nitrogen and phosphorus (which are essential for plant growth), boosting soil water-holding capacity and reducing topsoil runoff, all of which help to improve crop yields and revegetation.

To enable safe and effective land application of biosolids, we need to treat the biosolids to minimise odours. Some of the processes used to treat biosolids can be used to generate renewable energy, like we do at Cessnock WWTW. We are developing a business case to invest in biosolids treatment upgrades to cater for population growth and ensure ongoing compliance with regulatory requirements into the future. The options include how we can get

additional benefits from the biosolids before it is reused, such as increasing renewable energy generation to reduce our carbon footprint.

Other achievements over the year:

- Sponsorship of a three-year PhD project on zero emission sludge lagoons.
- Participation in, and sponsorship of, a Water Research Australia project, as well as an Australian Resource Council training centre for the transformation of Australia's biosolids.
- Continued consultation with industry stakeholders, including regulators, technology providers, councils, and other water authorities.

We are also taking advantage of community partnerships to raise environmental awareness, including helping to reduce single use plastics.

We jumped on board to have a positive impact during this year's World Surf League (WSL) event in Newcastle. Visitors to the Rip Curl Newcastle Cup were encouraged to use our refill stations across the five days of competition, like Archie and Lyla pictured below.

This initiative helped save up to 4,000 plastic bottles from landfill, or accidentally ending up in our beaches and oceans. It forms part of our commitment to think globally and act locally.



Keeping our people and communities safe remains our highest priority.

Despite the year's challenges, including the COVID-19 pandemic, prolonged drought, fires and floods, our people have continued to deliver essential services to our customers with commitment and passion for their roles.

Hunter Water has maintained a relentless focus on our safety and wellbeing culture, with a concerted effort to improve performance in partnership with our contractors and major project delivery partners. As we strive to be free from harm and injury, both physical and psychological, we are continually working to improve our systems and capability. This is reflected in our strong results over the year, including a decrease in the total reportable injury frequency rate (the number of reportable injuries for each million hours worked) from 8.1 in 2019-20 to 6.0. The number of first aid injuries fell from 39 to six over the same period, while the lost time injury frequency rate remained steady.

Our Safety, Health and Wellbeing Strategy 2021 has guided us in achieving these results, through a focus on leadership, improved maturity of our management systems, targeted risk reduction programs and holistic wellbeing. Other achievements over the year include:

- Launch of our Be safe, Live well, Thrive program in December, promoting a safety culture centred on our values and driven by the insight of our people.

- A score of 88% was reached in our staff engagement survey for connecting with our values, with our people identifying trust as our most lived value, followed by wellbeing.
- Implementation of our Cultural Transformation Leadership Program to drive the importance and presence of safety in everything we do, building safety conversations and mindful safe behaviours, improved collaboration and decision-making.
- A move towards visible felt leadership principles and conversation-based safety interactions. Members of our executive management team wrote and signed personal Leadership Commitment Statements.
- Delivery of an upgraded chemical management system providing easier access to safety information, including the introduction of QR codes for quick access to safety data sheets.
- Hundreds of staff participated in our Month of You wellbeing event, which included daily activities for physical and mental health. We also rolled out skin checks, flu vaccinations, and voluntary health assessments.
- Introduction of Move 4 Life program targeting the risk of musculoskeletal injuries for field staff.
- Joining with Water Services Association of Australia (WSAA) for the launch of its Mental Health Framework aimed at driving mental health awareness and management in the water industry.

Employee safety performance category	2020-21	2019-20	2018-19	2017-18	2016-17
Lost time injury frequency rate	2.7	2.7	2.4	4.5	1.3
Total reportable injury frequency rate	6.0	8.1	7.3	12.4	5.4
Lost time injuries	5	5	4	7	1
First aid injuries	6	39	28	40	7
Medical treatment injuries	12	10	7	12	7



129 years
delivering essential services through drought, war, pandemic and storm



8,079 hours
of training completed by our staff



485
employees working to provide 24/7 coverage



\$3,600
raised for cancer support and research



Trust
is our most lived value according to our staff

Our people have led a number of charity and volunteer events, finding opportunities to give back to the communities we operate in.

This was supported by our Community Service Leave, which offers employees one day of leave per year to volunteer in the local region. In 2020-21 our staff:

- helped Lifeline Hunter raise \$40,000 for suicide prevention and crisis support services through the Newy100. Eight staff joined forces, in two teams of four, to complete a 100-kilometre relay running race
- raised more than \$3,600 for cancer support and research through our Biggest Morning Tea virtual events
- donated almost \$1,000 to boost men's health, including mental health, suicide prevention and cancer, through Movember
- planted 890 koala feed trees in Port Stephens
- supported programs for people with a disability
- planted trees, pruned and weeded at Hunter Wetlands and Crawchie Creek.

At Hunter Water we encourage a thirst for knowledge, leadership at all levels, and a focus on personal and professional development.

In November 2020 we launched our first employee learning app, allowing our staff to access learning records, request training, join online webinars and training sessions, and view targeted development content. This platform will be further expanded to provide a one-stop-shop that makes learning easy to access from anywhere, on any device.

On average, our people completed 20 hours of training each, on topics including safety, quality, leading teams, goal-setting, change management and personal resilience. We also targeted emerging leaders across Hunter Water, who took part in 171 hours of virtual workshops and coaching to enhance their leadership capability.

Externally, Hunter Water is a member of the innovation initiative W-Lab, a network of water experts and industry stakeholders leveraging technology and learning together to secure the future of the industry.

We released our second Inclusion and Diversity Strategy, building on our work to create an inclusive culture where we value individuals' unique capabilities, backgrounds, experiences and characteristics.

Highlights across our focus areas are:

Gender equity

- Continuing our Women's Mentoring Program, connecting female leaders from across our business.
- Sponsoring eight women to undertake a Master of Business Administration through the University of Newcastle's (UON) WiMBA (Women in MBA) program. A recipient of our inaugural WiMBA scholarship in 2018 has now completed her degree.
- Regular internal women's networking sessions.
- Issuing a Women in STEM (Science, Technology, Engineering and Mathematics) scholarship at UON.
- Signing on to the *I Stand for Respect* campaign by the Diversity Council of Australia.
- Celebrating International Women's Day.
- Increasing female membership on our Executive Management Team to 50% and on our Board of Directors to 44%.

Disability equity

- Participating in the Stepping into Internship program, providing four weeks of full-time paid work experience to two university students as part of our continued membership with the Australian Network on Disability.
- Continuing our scholarship of a student with a disability at UON.

Cultural and linguistic equity

- Developing a staff engagement strategy covering important observance days for different cultures and religions, including celebration of Harmony Week.
- Publishing a Living in Australia toolkit to support new staff members who have migrated to Australia.

Generational diversity

- Celebrating Champion Age Diversity Day.
- Providing superannuation sessions for employees at all ages and life stages.
- Providing retirement sessions for those wanting to transition.

LGBTIQ+ equity

- Celebrating and acknowledging Wear it Purple Day and the International Day Against Homophobia Biphobia, Intersexism and Transphobia.

Indigenous equity

- Creating employment opportunities through identified roles in our maintenance teams
- Continuing two Indigenous scholarships with the University of Newcastle.
- Developing an Indigenous Cultural Protocols Guide to help staff understand the difference between Acknowledgement to Country and Welcome to Country and when to use them.
- Joining in celebration of National Reconciliation Week and NAIDOC Week through sponsored events, video projects and internal Lunch and Learn events.
- Delivering cultural capacity training (at 30 June, more than three quarters of our staff had completed).

In 2021-22 Hunter Water will continue to focus on driving increased diversity in the workplace. While our performance has steadily improved annually in regards to the representation of Equal Employment Opportunity groups, we are yet to meet our targets. More information can be found on page 85.

Hunter Water has a crucial role in supporting the growth and liveability of our region, which is forecast to grow to a population of 675,000 by 2036.

In addition to the Lower Hunter Water Security Plan, we are progressing planning and investment that supports the life our communities desire.

In June 2021, we commissioned the Wyee Sewer Scheme, a \$36 million project delivered in partnership with the NSW Government. The scheme provides 400 properties with access to the reticulated sewer network for the first time, with the capacity for up to 2,750 new homes in the future. Wyee residents and businesses stand to save thousands of dollars per year, with the average septic system costing \$2,500 annually, including frequent pump out costs. Under the new scheme the cost reduces to approximately \$700 per year, which is the Hunter Water standard sewer service charge. Importantly, the regional investment delivers improved public health outcomes and reduced environmental concerns, while unlocking development potential.

We have seen continued support of our Funding of Growth Infrastructure standard, which we adopted to help unlock the region's growth potential. In total, six projects valued at \$7.8 million were completed in 2020-21, providing water and wastewater infrastructure to approximately 6,700 new residential lots. A total of \$5.3 million in developer construction contracts were awarded and we committed a further \$10.4 million to support 10,500 lots of future regional growth projects, yet to start.

At Hunter Water we recognise that working together and leveraging each other's skills and efforts is fundamental to achieving success.

Our collaboration with the University of Newcastle (UON) on the Awabakal and Worimi Hunter Water story project was named a finalist in the 2020 Green Gown Awards in the 'benefitting society' category, highlighting sustainability through care, reconciliation, creation and culture.

Our children's book 'Where's Our Water?' was developed with local Aboriginal and education communities, aimed at helping educate young people about the value of water and the role we all play in conserving our precious resource.

We also collaborated with UON on an internship in the Faculty of Science, offering an Honours student the chance to gain industry experience during their candidature. This saw us nominated for a UON Employability Excellence Award. We coordinated school excursions through sponsorship of the HunterWiSE program, encouraging students, particularly girls, to pursue careers in STEM. A number of our female employees also spoke publicly about their careers to further encourage more women to take up STEM careers.

Our graduate program continued in partnership with Lake Macquarie City Council, providing four young professionals the opportunity to develop their skills in the workplace.

We are engaging with local councils, the Indigenous Chamber of Commerce, UON and other government agencies to identify opportunities to drive the United Nations' Sustainable Development Goals (SDGs) regionally. The 17 interconnected SDGs, pictured below, are aimed at addressing global challenges including poverty, inequality, climate change, environmental degradation and justice. They provide a common framework for engagement with stakeholders across all industries to achieve global goals supporting a triple bottom line of better social, environmental and economic outcomes. Hunter Water is especially well placed to drive goal six, clean water and sanitation. This year we aligned the SDGs to our values and Procurement Strategy, launched new Supplier Partnership Principles and published our first Modern Slavery Statement, further embedding sustainability as a key consideration of our management systems and business as usual.



Hunter Water continues to deliver the projects and objectives identified in its first Reconciliation Action Plan (RAP).

The plan, launched in 2018, outlines how we will contribute to reconciliation with Aboriginal and Torres Strait Islander peoples within our organisation and in the communities in which we operate. It has guided our activities over the past three years, including creation of our RAP artwork All for Water by Saretta Fielding, Aboriginal artist of the Awabakal and Wonaruah nations (as featured on page 2). In late 2020 we unveiled a mural by Aboriginal artist Jasmine Craciun and street artists Up'n'Up on our facilities building at Finnan Park beside Grahamstown Dam, and also painted a local pump station with the help of Jasmin and Aboriginal children from Mayfield West Demonstration School. These colourful face lifts are a visual reminder of our commitment to move to a place of equity, justice and partnership.

Our membership of the NSW Indigenous Chamber of Commerce has helped us identify procurement opportunities with local Aboriginal suppliers.

In 2021-22 we will develop our second RAP, focused on creating opportunities, further developing relationships and raising awareness of the culture, history and traditions of our First Nations peoples.



18
collaborative research
and development
projects



6,700
new residential lots
provided with water and
wastewater infrastructure



76%
of our people
completed cultural
capacity training



2
Indigenous
scholarships provided



\$36 million
Wyeew Sewer
Scheme delivered

Our research and development (R&D) program is focused on providing the right knowledge to improve decision making, take advantage of new opportunities, address emerging challenges and identify critical knowledge gaps.

Over the year, we participated in R&D projects covering water quality, wastewater, asset management, ecology and catchment management. This was conducted with research partners such as UON, University of Technology Sydney and Water Research Australia.

In December we farewelled our Chairman Terry Lawler AO and, in January, welcomed Greg Martin.

Throughout Terry's nine years of leadership at Hunter Water (1 January 2012 to 31 December 2020), he championed engagement with our community to deliver on its expectations, as well as greater inclusion and diversity. He challenged our people to continuously improve, collaborate and learn from others, supporting development of a learning organisation focused on developing its people to deliver best outcomes.

During his time as Chairman, Terry played a crucial role in providing governance, accountability and in

ensuring we met our performance obligations and commitments. This was over a period of rapid change and challenge, including major events such as the 2015 Super Storm, 2019-20 drought and the COVID-19 pandemic, throughout which we continued to deliver high quality, safe drinking water, reliable wastewater services and community support. We launched Love Water, improved our safety and wellbeing performance, increased productivity, and implemented our first Reconciliation Action Plan and Inclusion and Diversity Strategy. We strengthened our financial performance, enhanced our sustainability and commissioned our largest recycled water scheme and first residential recycled water schemes.

New Hunter Water Chair Greg Martin has more than 40 years of experience in the utilities, energy, resources and financial services sectors. Greg is leading the Board of Directors in ensuring we deliver on the aspirations of the Lower Hunter through our ambitious Towards 2024 strategy. His focus includes improving water efficiency, both in our network and within the community, as well as building on existing best practice corporate governance culture.

Collaborative R&D projects with expenditure in 2020-21

Partners	Project	Funding (\$)
University of Newcastle	eDNA Method for Benthic Infauna for Wastewater Impact Monitoring	34,846
	Algae Modelling Research	33,144
	Distribution and Ecology of Hornwort in Williams River and Balickera Canal	18,546
	Oyster Biomonitor of Endocrine Disrupting Chemicals	4,800
Water Research Australia	Catchment Health Metrics Tool 'Catchmetrics'	60,000
	Protocols for Algal Bloom Management	7,000
	Carbon Sink or Swim: Biochar	15,000
	Granular Media Filtration Validation	10,000
	Guidance for Integration of Toxin Gene Testing in Cyanobacteria Management	15,000
	Stormwater Quality Knowledge for AGWR	10,000
	Lake Hydrodynamic Models with Pathogen Modules to assist with Quantitative Microbial Risk Assessment	30,000
Australian Laboratory Services Pty Ltd	Utility Benchmarking Study	10,000
	National Drugs in Wastewater Project	7,639
Safegroup Automation Pty Ltd	Sampling Drug Resistant Bacteria	1,257
	Clear SCADA and Azure Integration	9,800
Jacobs Group (Aust) Pty Ltd	Root Cause Phase 3 WW Network	29,737
University of Technology Sydney	Role of Coves and Embayments in Algal Bloom Development in Grahamstown Dam	79,000
Lake Macquarie City Council	Environmental Research Grants	10,000
Total		385,769

FINANCIAL HIGHLIGHTS

As a Stated Owned Corporation, Hunter Water is legally obligated to operate as efficiently as any comparable business and maximize the net worth of the NSW Government's investment, while exhibiting a sense of social responsibility for the community in which we operate, conduct our operations in compliance with the principles of ecologically sustainable development, and exhibit a sense of responsibility towards regional development of the Hunter.

Each year, our Board of Directors agrees on a Statement of Corporate Intent (SCI) with our Shareholders, the Treasurer and the Minister for Finance and Small Business. It includes key business objectives, commercial performance and income targets, operational expenditure and capital investment. The SCI is tabled in NSW Parliament and forms the basis of our yearly budget.

In 2020-21, our net profit after tax was \$41 million, approximately \$5 million below the SCI target of \$45.5 million. We recognised a dividend of \$27 million, which was \$5 million lower than the SCI target of \$32 million.

The decrease in profit was due to lower usage compared to budget, as a result of water conservation and Level 1 restrictions, followed by a wetter than average summer and

autumn period due to the La Nina climatic cycle. Operating expenses were slightly below budget.

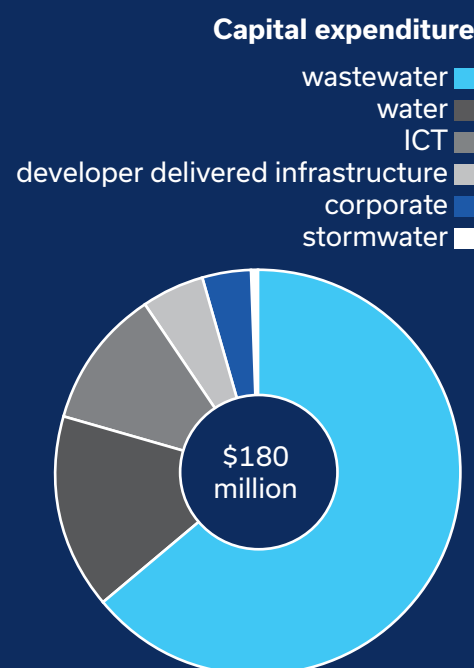
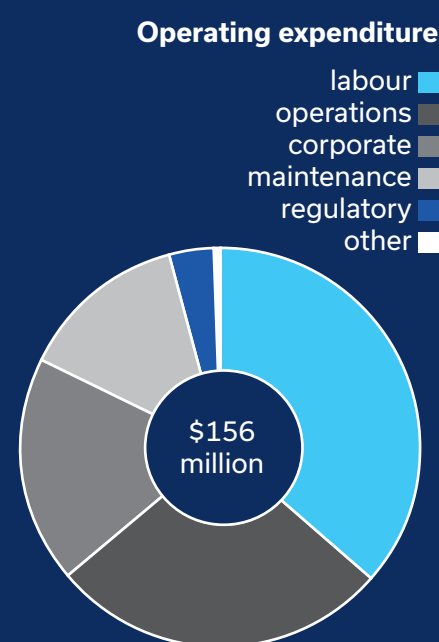
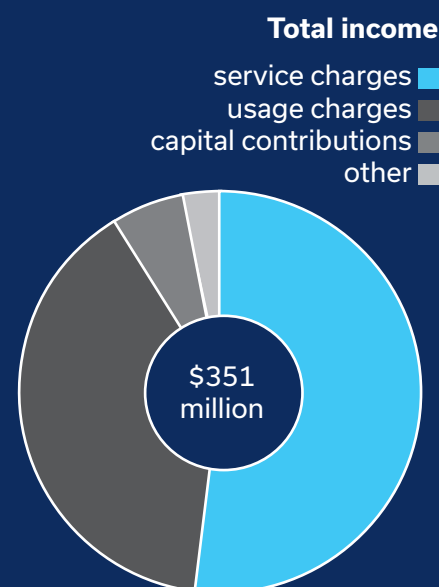
Earnings before interest, tax, depreciation and amortisation for the year was \$195 million, \$5 million under the SCI target of \$201 million.

Hunter Water's total assets are valued at \$3.1 billion, with capital expenditure in 2020-21 of \$180 million.

The financial impacts of the COVID-19 pandemic on Hunter Water have not been material to date. Hunter Water has managed, and continues to actively manage, the risks arising from COVID-19 and has implemented a number of initiatives in response to the pandemic. These initiatives include measures to protect the safety and wellbeing of our customers and our people, and measures to support customers facing hardship including account payment extensions, waivers of late payment fees and interest charges and, at the time of writing, a suspension of debt recovery activities.

For further information on Hunter Water's financial performance, please refer to the accompanying audited financial statements on pages 40-81.

Financial performance (\$m)	2020-21	2019-20	2018-19	2017-18
Total income	351	368	376	368
Operating expenditure	156	165	155	149
Earnings before interest, tax, depreciation and amortisation (EBITDA)	195	203	220	219
Depreciation, amortisation, revaluations and loss on asset disposals	76	66	59	60
Borrowing expenses	61	66	64	65
Total expenses	293	297	279	274
Net profit before tax	58	71	96	94
Income tax expense	17	19	23	39
Net profit after tax	41	52	73	56
Dividend	27	33	144	43



Note: excludes capitalised borrowing costs and lease additions

GENERAL STATISTICS

Year	2020-21	2019-20	2018-19	2017-18	2016-17
Water					
Population in area	616,150	606,308	601,172	591,192	589,955
Population supplied with water	608,816	593,537	586,951	577,856	571,389
Properties where water is available	289,856	279,354	263,086	265,263	255,016
Properties connected to water (metered) ¹	277,588	259,134	254,221	250,314	246,011
Capacity of major sources (ML)	269,199	270,686 ⁴	270,686 ⁴	276,686	276,686
Total supply from sources (ML) ²	64,184	66,384	71,888	72,522	70,103
Average day net supply (ML) ²	167.3	176.8	191.0	198.7	192.1
Maximum day net supply (ML) ²	244.2	232.7	287.8	330.0	299.7
Maximum week net supply (ML/day) ²	215.6	220.5	264.6	290.4	263.1
Minimum day net supply (ML) ²	131.2	132.3	140.9	132.3	132.3
Average consumption per residential tenement (kl/annum)	150.1	158.1	171.7	181.2	172.0
Five year rolling average consumption	166.6	169.9	171.8	173.7	172.6
Water mains laid during year (km)	43.3	55.6	67.5	71.5	67.5
Water mains abandoned during year (km)	28.2	11.8	17.8	22.0	22.6
Water main length revisions during the year (km)	7.3	0.8	-1.2	-8.5	1.4
Total water mains in service (km)	5,187	5,165	5,120	5,072	5,031
Length of water main per connected property (m)	19.56	19.93	20.14	18.33	18.18
Supplied free of charge: charitable, public and miscellaneous purposes (kl)	312,125	401,143	470,790	441,900	399,487
Supplied free of charge: dollar value (\$)	758,464	950,710	1,082,817	1,016,369	898,846
Wastewater					
Population supplied with water and sewer	563,155	569,480	563,155	556,021	546,348
Properties where sewer is available ¹	277,619	263,029	251,279	255,099	243,244
Properties connected to sewer ¹	265,245	246,717	242,189	238,559	234,376
Sewer mains laid during the year (km)	60.0	67.3	64.0	70.6	53.7
Sewer mains abandoned during the year (km)	3.5	4.2	6.1	6.1	4.5
Sewermain length revisions during the year (km)	10.5	0.2	72.4	6.7	3.7
Total sewer mains in service (km)	5,380	5,313	5,249	5,119	5,048.0
Length of sewer main per liable property (m)	21.63	20.5	20.6	20.5	20.5
Wastewater supplied free of charge: dollar value (\$)	110,224	152,776	161,273	154,433	137,136
Drainage					
Properties liable ¹	75,006	74,349	71,737	71,218	70,620
Dissection of population					
Region	2020-21				
	Population in area	Served water	Served sewer		
Newcastle	169,155	169,155	168,377		
Lake Macquarie	209,649	204,072	196,579		
Maitland	89,624	90,181	83,240		
Cessnock	62,527	56,568	49,032		
Port Stephens	75,531	74,474	64,891		
Dungog	9,664	4,956	942		
Sub total	616,150	599,406	563,061		
Singleton (part Branxton)	-	294	94		
Total	616,150	1,199,106	1,126,216		
	2020-21	2019-20	2018-19	2017-18	2016-17
Ratio of properties connected to water and sewer, and water only ³	95.55	95.95%	95.95%	95.88%	95.60%

1. Property numbers have been revised: includes Hunter Water properties.

2. Supply and consumption figures are based on Water Year (12 months ending 19 April).

3. Includes five main local government areas only.

4. Number corrected

OUR STRUCTURE

Hunter Water operates through a robust corporate governance framework. Our Board of Directors sets our strategic direction and risk appetites, and ensures we achieve our business and regulatory commitments. It oversees our policies, management and performance, supported by its Committees and the Executive Management Team.

The Board comprises nine members including an independent Chair, seven independent Non-Executive Directors, and the executive Managing Director, in line with the *Hunter Water Act 1991*. The Chair and Non-Executive Directors are appointed by our voting shareholders, the NSW Treasurer and Minister for Finance and Small Business.

All Non-Executive Director positions are skills-based and for an initial three year term. Directors may be appointed for a further term or terms.

For full profiles of our Directors, please refer to pages 29-31.

Four Committees have been established by the Board to provide strategic guidance and strengthen our corporate governance culture. Each Committee meets at least four times per year.

For details on each Committee's purpose, membership and attendance, refer to pages 32-34.

The Managing Director leads the Executive Management Team.

It oversees the operation of the seven divisions at Hunter Water, as detailed on the next page. Its key responsibilities include accountability for operational safety, providing leadership to employees, delivering Hunter Water's strategic vision, managing operations in keeping with the Board's risk appetites, and ensuring compliance with regulatory frameworks.

Hunter Water Board of Directors

Greg Martin	Non-Executive Chair
Darren Cleary	Managing Director
Christine Feldmanis	Deputy Chair and Non-Executive Director
Rod Harrison	Non-Executive Director
Jayne Drinkwater	Non-Executive Director
Michelle Vanzella	Non-Executive Director
Geoff Crowe	Non-Executive Director
Eric De Rooy	Non-Executive Director
Julie Savet Ward	Non-Executive Director

Committees

Audit and Risk
Corporate Governance
Sustainability
Investment

Executive Management Team

Darren Cleary	Managing Director
Emma Berry	Executive Manager Strategy and Engagement
Jenny Francis	Executive Manager Digital
Jen Hayes	Executive Manager Finance and Business Performance
Ian Pike	Executive Manager People and Culture
Keiran Smith	Executive Manager Customer Services (acting)
Clint Thomson	Executive Manager Customer Delivery
Laura Hails	Executive Manager Governance and Assurance General Counsel and Company Secretary

RISK MANAGEMENT

The Board recognises that effective management of risk is essential to good corporate governance and as such has adopted a consolidated approach to risk management which incorporates governance, compliance, risk appetite and business continuity management. This approach is consistent with the Australian and New Zealand Standard on Risk Management (ISO 31000:2018).

The Board has developed a **Risk Appetite Statement** which sets out the levels of acceptable risk, the Board's tolerance within which risks are managed and controlled, and activities or consequences that the Board will not accept. This frames the decision making of our Executive Management Team (EMT) and the Board.

The Board oversees and annually reviews that an effective Risk Management Framework is in operation and has delegated to management responsibility for risk management activities, following a 'three lines of defence' model:

- Line 1 - Ownership: owning and managing risk through management controls and internal control measures such as internal policies and procedures.
- Line 2 - Oversight: monitoring of risk through our risk management, compliance and safety functions.
- Line 3 - Assurance: independent assurance through an internal audit function.

Hunter Water is exposed to a range of **material risks** which may vary over time. Hunter Water puts processes in place to reduce inherent risks and manage residual risks, including the EMT participating in quarterly risk workshops to review Hunter Water's Strategic Risk Register and Operational Risk Register. Business resilience is included, with monitoring and management of pandemic-related risks ongoing. Details of key risks assessed with a high controlled risk and associated treatment actions are outlined in the table below.

Hunter Water has a comprehensive **insurance** program with the NSW Treasury Managed Fund. The central types of cover held include public liability, motor vehicles, workers compensation and property.

Key risks	Description	Treatment actions
Asset failure	Examines identified structural deficiencies of key assets and the impact on ability to deliver core services should failure occur	Deliver asset condition assessment programs Deliver capital works upgrades
Environmental compliance	Reviews business practice outcomes that do not meet environmental obligations	Implement Environmental Compliance Improvement Strategy Deliver upgrade strategies for wastewater treatment works Implement Environmental Management Plan Implement Hazardous Chemicals Management Program Develop Climate Change Adaptation Strategy
Unsafe work environment/ behaviours	Reviews work practices that do not sufficiently ensure the safety of employees and the community	Implement Fatal Risk Program Implement Manual Task Program Health and Wellbeing Program COVID-19 Communication and Wellbeing Plan COVID-19 Incident Management Team

DIRECTORS' REPORT

The Directors submit the following report made in accordance with a resolution of the Directors of the Economic Entity for the year ended 30 June 2021.

The names and details of the Directors of the Economic Entity at any time during or since the end of the year are:

Greg Martin	Chair	(from 1 January 2021)
Terry Lawler	Chair	(retired 31 December 2020)
Darren Cleary	Managing Director	
Christine Feldmanis	Deputy Chair and Non-Executive Director	
Rod Harrison	Non-Executive Director	
Jayne Drinkwater	Non-Executive Director	
Michelle Vanzella	Non-Executive Director	
Eric De Rooy	Non-Executive Director	(from 25 August 2020)
Geoff Crowe	Non-Executive Director	(from 31 August 2020)
Julie Savet Ward	Non-Executive Director	(from 1 March 2021)
Ruth Lavery	Non-Executive Director	(retired 31 August 2020)
Grahame Clarke	Non-Executive Director	(retired 28 February 2021)

Company Secretary Laura Hails.

Auditors Audit Office of New South Wales.

Bankers Commonwealth Bank of Australia.

Information on Directors



Greg Martin

B.Ec LLB FIML MAICD
Since 01/01/2021

Greg has 40 years of utilities experience, including previously serving as the Managing Director and Chief Executive Officer of Australia's largest energy provider, AGL.

Greg is currently Chairman of ASX-listed Iluka Resources Limited and of US OTC Markets-listed Mawson Infrastructure Inc.; Deputy Chair of Western Power and a Non-Executive Director of ASX-listed Spark Infrastructure.

Greg was previously Chairman of the Sydney Desalination Plant, Prostar Capital, Everest Financial Group, NGC Holdings Limited (NZ), Empresa de Gas de la V Region S.A. (Chile), Kyungnam Energy Co. Limited (South Korea), and the NSW Royal Botanic Gardens and Domain Trust.

Greg previously worked and lived in the Hunter as Manager of the former Newcastle Gas Company Limited.

Greg holds degrees in Economics and Law from the University of Sydney and University of Western Sydney respectively, is a Fellow of the Institute of Managers and Leaders and a Member of the Australian Institute of Company Directors.



Darren Cleary

BE(Hons) ME
Since 29/04/2020

Darren has more than 25 years of experience working for utilities in the water sector, including in infrastructure planning, capital delivery and operations. He leads the Executive Management Team and is responsible for the management and day-to-day operations of Hunter Water.

Darren is also a Director of the Committee for the Hunter, a member of the Faculty of Business and Law Advisory Board of the University of Newcastle, the Advisory Board for the Newcastle Institute of Energy & Resources, and the Utility Excellence Committee of the Water Services Association of Australia.

Prior to being appointed Managing Director, Darren held a number of executive roles at Hunter Water including Chief Investment Officer, Executive Manager of Strategy and Planning, and Chief Operating Officer.

Darren holds a Bachelor of Engineering (Environmental) with Honours from the University of New South Wales and a Masters of Engineering Management from the University of Technology Sydney.



Christine Feldmanis

FAICD SFFin TFASFA CPA CSA
BCom MAppFin JP
Since 08/09/2016

Christine has more than 30 years of experience in the financial arena, spanning both government and private sectors, including in investment management, finance, accounting and risk management, legal and regulatory compliance, governance and business building (listed and unlisted financial products markets). She formerly held senior executive positions with firms including Deloitte, Elders Finance, Bankers Trust, NSW TCorp and Treasury Group.

Christine is a Non-Executive Director and Chair of the Audit and Risk Committees of Omni Bridgeway Limited (ASX: OBL), FIIG Securities Limited and Utilities Trust Australia, and Chair of Bell Asset Management Limited. She has worked as a professional independent Non-Executive Director since 2013 and her previous directorships have included Delta Electricity, Uniting Financial Services Limited, Netball NSW and Perpetual Equity Investments Company Limited.

Christine holds a Bachelor of Commerce, Master of Applied Finance and is a Justice of the Peace. She is a Fellow of the Australian Institute of Company Directors, Senior Fellow of the Financial Services Institute of Australasia, Trustee Fellow of the Association of Superannuation Funds of Australia and a Certified Public Accountant.

Information on Directors continued



Geoff Crowe
BCom FCPA GAICD
Since 31/08/2020

Geoff was previously employed as Chief Executive Officer at Port of Newcastle. Geoff has experience in the ports, shipping, resources and logistics sectors, having held senior executive roles with Port Waratah Coal Services, BHP, Yancoal and Coal and Allied, among others.

Geoff is Chair of the University of Newcastle Faculty of Business and Law Advisory Board and a past Director of the Hunter Business Chamber.

Geoff is an experienced executive and Non-Executive Director with experience and skills gained in commercial, legal, operational, logistics, safety, projects, change management and strategy setting, having also been heavily involved in the coal industry's development of the Capacity Framework Arrangement, as well as a past Director of the Hunter Valley Coal Chain Coordinator and Ports Australia.

Geoff holds a Bachelor of Commerce from the University of Newcastle, is a Fellow of the Certified Practising Accountants Australia, and Graduate Member of the Australian Institute of Company Directors.



Jayne Drinkwater
BEc MBA (with Merit) GAICD
Since 21/02/2019

Jayne brings a wealth of experience having held previous roles as Interim Chief Executive Officer nib New Zealand, Chief Marketing Officer and Chief Operating Officer at nib Health Funds, and as a senior executive in operations, information technology, customer service and marketing.

Jayne is currently a Non-Executive Director of Greater Bank, Greater Charitable Foundation, Greater Investment Services, CBHS Corporate Health and a member of the University of Newcastle Faculty of Business and Law Advisory Board.

An experienced Director and Committee Chair, Jayne is currently Chair of the Greater Bank Board Remuneration Committee and a member of the Board Transformation Governance Committee and Succession Planning Committee.

An advocate for the Hunter region, Jayne has also held roles as Non-Executive Director of the Newcastle Anglican Church Corporation, Hunter Economic Development Corporation, Hunter Sporting Venues Authority, Trustees of Church Property Anglican Diocese of Newcastle and Bishop Tyrrell Anglican College.

Jayne holds a Bachelor of Economics, a Master of Business Administration with merit and is a Graduate Member of the Australian Institute of Company Directors.



Eric De Rooy
BE(Civil)(Hons) MBA GAICD
Since 25/08/2020

Eric is a water industry professional with more than 40 years of experience, predominantly with Sydney Water, ensuring the delivery of essential water-related products and services to more than five million people. He operated as a key member of the Sydney Water executive team, and was directly accountable for the commercial, customer-focused operations and compliance outcomes for the organisation.

Eric has extensive experience and skills in asset management/investment, strategic business planning, business development and risk management.

Eric was previously an appointed member of Dams Safety NSW, helping to govern the introduction of the new regulatory approach to dam safety on behalf of the public of NSW. He is also a Non-Executive Director for Scripture Union NSW (religious charity), operating as Deputy Chair of the Board, Chair of the Finance and Audit Committee, and member of the Risk Working Group.

Eric holds a Bachelor of Engineering (Civil), a Master of Business Administration and is a Graduate Member of the Australian Institute of Company Directors.

Information on Directors continued



Julie Savet Ward
BSc(Hons) MLandPlan FAICD
Since 01/03/2021

Julie has more than 25 years of experience on government, private sector and not-for-profit boards, including significant experience as a Chairperson. Julie was a member of the NSW Environment Protection Authority Board for nine years until December 2020. She is also a Non-Executive Director of Australasian management consulting company, Morrison Low.

Julie has an environmental planning, assessment and management background of more than 35 years experience in planning, construction, management, determination and delivery of large-scale infrastructure and property projects. She has significant experience and a deep passion for water infrastructure. Julie is also a State Member of the Sydney North Planning Panel determining regionally significant development applications of \$30-100m in value.

Julie has a Bachelor of Science in Applied Physical Geography with Honours, and a Master of Landscape Planning, both from the University of New South Wales. In 1998, Julie was a finalist in the Telstra Business Women's Awards and is a Fellow of the Australian Institute of Company Directors.



Rod Harrison
BCom Dr of Business
(honoris causa) MAICD
Since 22/02/2018

Rod has more than 40 years of experience in industrial relations. Based in Newcastle, he has been involved in the shipbuilding, ship repair, major civil and mechanical construction industries and held senior roles at a regional, state and national level in the Australian coal industry. Rod is currently Principal Associate with Australian Business Lawyers & Advisors.

With 28 years of experience as a judicial officer, Rod held a dual commission as Deputy President of the NSW Industrial Relations Commission and the Australian Industrial Relations Commission (now the Fair Work Commission) and an occasional appointment to the Tasmanian Industrial Commission. Rod is widely recognised for his innovative and collaborative approach to workplace improvement.

Rod was the inaugural Chair of the University of Newcastle's Human Resources, Employment Relations and Management Industry Advisory Group. He was also a member of the Establishment Board of the University of Newcastle Foundation and Chair of an advisory committee to the Newcastle Knights Limited.

Rod holds a Bachelor of Commerce and Doctor of Business (honoris causa) from the University of Newcastle.



Michelle Vanzella
BEc Lib(Hons) MBA GAICD
Since 22/02/2018

Michelle has an extensive combination of customer, marketing, digital, data and commercial legal skills built across multiple industries including technology, retail, property and financial services.

Michelle is currently an independent Non-Executive Director of Collaborate Corporation Limited (ASX:CL8), holding roles as Chair of the Nomination and Remuneration Committee and member of the Audit & Risk Committee. She is also currently a Non-Executive Director at Abbotsleigh School and Chair of the Strategic Planning Committee.

Michelle practised corporate and commercial law at Allens and has held senior executive positions with iconic Australian brands including Westfield, Suncorp and AAMI. She was also previously an independent Non-Executive Director of Canteen Australia and Chair of the People and Performance Committee.

Michelle holds a Bachelor of Economics, Bachelor of Laws with Honours and a Master of Business Administration, and is a Graduate Member of the Australian Institute of Company Directors.

Meetings of Directors

	Board meetings		Committee Meetings							
			Audit and Risk		Corporate Governance		Investment		Sustainability	
	A	B	A	B	A	B	A	B	A	B
Greg Martin ^a	5	5	2	2	2	2	*	*	*	*
Terry Lawler ^b	6	6	1	2	2	2	1	2	*	*
Ruth Lavery ^c	2	2	0	0	*	*	1	1	*	*
Grahame Clarke ^d	8	8	*	*	*	*	3	3	2	2
Christine Feldmanis	11	11	4	4	3	4	*	*	*	*
Michelle Vanzella	10	11	*	*	*	*	4	4	4	4
Rod Harrison ^e	11	11	2	3	4	4	*	*	1	1
Jayne Drinkwater ^f	11	11	1	1	2	2	4	4	1	1
Darren Cleary	11	11	4	4	4	4	4	4	4	4
Eric de Rooy ^g	9	9	*	*	*	*	3	3	3	3
Geoff Crowe ^h	9	9	3	3	*	*	*	*	3	3
Julie Savet Ward ⁱ	3	3	*	*	*	*	0	0	1	1

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office or was a member of the Committee during the year.

* = Not a member of the relevant Committee.

a = Greg Martin appointed as new Board Chair effective 1 January 2021, automatic appointment as Chair of the Corporate Governance Committee as at 1 January 2021, appointed member of the Audit and Risk Committee on 20 January 2021.

b = Terry Lawler retired as Board Chair on 31 December 2020.

c = Ruth Lavery retired as a Board member on 31 August 2020.

d = Grahame Clarke retired as a Board member on 28 February 2021.

e = Rod Harrison ceased being a member of the Audit and Risk Committee and joined the Sustainability Committee effective 21 April 2021.

f = Jayne Drinkwater ceased being a member of the Sustainability Committee effective 21 October 2020 and became a member of the Corporate Governance Committee. Jayne Drinkwater also ceased being a member of the Investment Committee and joined the Audit and Risk Committee effective 21 April 2021.

g = Eric de Rooy appointed as a new Board member effective 25 August 2020 and commenced as Chair of the Investment Committee and member Sustainability Committee from 21 October 2020.

h = Geoff Crowe appointed as a Board member effective 31 August 2020 and commenced membership of the Audit and Risk Committee and Sustainability Committee from 21 October 2020.

i = Julie Savet Ward appointed a Board member effective 1 March 2021 and commenced membership of the Sustainability Committee and Investment Committee effective 21 April 2021.

Principal activities

The principal activities of the Economic Entity in the course of the year were the harvesting, distribution and preservation of water; the provision of sewerage facilities; and the construction, control and maintenance of certain stormwater channels.

Financial results

The operating profit before income tax for the full year ended 30 June 2021 was \$58.2m compared with \$71.2m for the previous year. An annual dividend of \$26.9m has been declared for the year ended 30 June 2021. The reduction in operating profit before tax was driven by lower water usage with water restrictions in place until 1 October 2021 followed by a wetter than average summer and autumn period due to the La Nina climatic cycle.

The financial impacts of COVID-19 to Hunter Water has not been material to date. Hunter Water has managed, and continues to actively manage, the risks arising from COVID-19 and has implemented a number of initiatives in response to the pandemic. These initiatives include measures to protect the safety and wellbeing of our customers, and our employees. Measures have also been put in place to maintain the quality of water and wastewater services.

In relation to our customers, we have recognised the financial hardship associated with the pandemic and have implemented a number of initiatives to support our customers, including account payment extensions, waivers of late payment fees and interest charges on late payments, and a reduction in debt recovery activities.

Operationally, measures have been taken in relation to ensuring the ongoing availability of critical supplies, conducting testing on wastewater for COVID-19 markers and adjustments to our capital program to ensure the implementation of COVID-19 safety plans.

Review of operations financial

The terminology used in reporting the results is as follows:

- Economic Entity: Hunter Water Corporation is referred to as the Economic Entity. Hunter Water Corporation has no controlled entities or subsidiaries. Hunter Water Corporation previously had a subsidiary being Hunter Water Australia Pty Limited which was deregistered on 14 May 2019. The Economic Entity is a consolidated entity for tax purposes.

Subsequent events

In July 2021, the NSW Government following NSW Health advice implemented COVID Safe measures including restrictions across the state in response to heightened public exposure to COVID-19 and the emergence of the delta strain. Operations have been impacted by the NSW Government COVID Safe measures to ensure the ongoing health and safety of employees, customers and the community. These operational changes include working from home, implementation of face masks when at Hunter Water work places, capacity limits in work areas and in Hunter Water vehicles, use of QR codes when at Hunter Water places of work, increased cleaning and physical distancing and closing of face-to-face counter services for customers plus others.

It is uncertain what the medium to long term impact of the pandemic will be on the business. Hunter Water will continue to align our response to the COVID-19 pandemic with the NSW Government and liaise broadly across the utility sector and with our key stakeholders to understand the potential business impacts through this exceptional and uncertain time. Hunter Water is committed to aligning with all public health orders and NSW Government directions to ensure the ongoing safety of employees, customers and the community.

There were no other matters or circumstances that have arisen since the end of the year which significantly affected or may affect the operations of the Economic Entity, the results of those operations, or the state of affairs of the Economic Entity in future financial years.

Directors' indemnification

Hunter Water Corporation has an agreement to indemnify the Directors of the Economic Entity.

The indemnity relates to any:

- civil liability to a third party (other than Hunter Water Corporation or a related entity) unless the liability arises out of conduct involving lack of good faith
- costs or expenses of defending proceedings in which judgement is given in favour of the officer.

No liability has arisen under these indemnities as at the date of this report.

Change in state of affairs

Other than matters reported under Subsequent Events in the Directors' Report, in the opinion of Directors there were no significant changes in the state of affairs of the Economic Entity during the year ended 30 June 2021.

Audit and Risk Committee

Hunter Water Corporation has established an Audit and Risk Committee to provide independent assistance to the Board by monitoring, reviewing and providing advice about Hunter Water Corporation's governance processes, risk management and control frameworks, and its external accountability obligations.

Hunter Water Corporation has established an Audit and Risk Committee to provide independent assistance to the Board by monitoring, reviewing and providing advice about Hunter Water Corporation's governance processes, risk management and control frameworks, and its external accountability obligations.

The Committee's main objectives are listed below:

- Review the integrity and quality of the financial information to be provided to the shareholders and the public.
- Review the systems and processes that management has in place to identify and manage areas of significant risk, including financial risk.
- Review the effectiveness of both the internal audit function and the Corporation's external auditors.
- Oversee Hunter Water Corporation's fraud and corruption control policies and plans.

The membership of the Committee at reporting date was as follows:

Christine Feldmanis	Non-Executive Director, Committee Chair
Greg Martin	Chair
Geoff Crowe	Non-Executive Director
Jayne Drinkwater	Non-Executive Director
Darren Cleary	Managing Director (ex officio member)

Corporate Governance Committee

The Corporate Governance Committee has been established to ensure that the system of corporate governance within Hunter Water Corporation provides an effective and ethical framework within which the Board and Management address their respective responsibilities.

The Committee's main objectives are listed below:

- Advise the Board on remuneration policy in accordance with the NSW Treasury Commercial Policy Framework: *Guidelines for Boards of Government Businesses* (TPP17-10).
- Advise on all matters concerning the evaluation of Board performance including the composition of the Board and the skills required of individual Directors in allowing it to discharge its responsibilities.
- Review the development and implementation of principles, policies and practices of Corporate Governance, and make recommendations to the Board in relation to these matters, as appropriate.
- Provide advice on appropriately managing the remuneration and performance of employees.

The membership of the Committee at reporting date was as follows:

Greg Martin	Chair, Committee Chair
Christine Feldmanis	Non-Executive Director
Rod Harrison	Non-Executive Director
Jayne Drinkwater	Non-Executive Director
Darren Cleary	Managing Director

Investment Committee

The Investment Committee has been established to assist the Board in fulfilling its responsibilities in relation to investment of funds, governance, composition and delivery performance of allocated funds.

The Committee's main objectives are listed below:

- Review objectives, strategies and policies in relation to the investment of funds, both capital and operating.
- Review the short and long term investment plans and recommend adoption to the Board as required.
- Consider the impact of short term investment plans on long term goals such as intergenerational equity, future investment options and flexibility.

The membership of the Committee at reporting date was as follows:

Eric de Rooy	Non-Executive Director, Committee Chair
Michelle Vanzella	Non-Executive Director
Julie Savet Ward	Non-Executive Director
Darren Cleary	Managing Director

Sustainability Committee

The Sustainability Committee assists the Board in overseeing the strategic approach to delivering our services with a customer centric and sustainability focus. The Committee also assists the Board in relation to the strategic approach to managing the safety, health and wellbeing of our people, customers and community.

The Committee's main objective is listed below:

- Review, provide guidance and make recommendations to the Board and the Investment Committee on customer, community, human health, safety health and wellbeing, environmental and sustainability issues of a strategic nature to be considered in the current and future operations of the Corporation.

The membership of the Committee at reporting date was as follows:

Michelle Vanzella	Non-Executive Director, Committee Chair
Eric de Rooy	Non-Executive Director
Geoff Crowe	Non-Executive Director
Rod Harrison	Non-Executive Director
Julie Savet Ward	Non-Executive Director
Darren Cleary	Managing Director

Directors' benefits

During or since the end of the year 30 June 2021 no Director of the Economic Entity has received or become entitled to receive a benefit by reason of a contract entered into by the Economic Entity with:

- a Director, or
- a firm of which a Director is a member, or
- an Entity in which a Director has a substantial financial interest.

Code of Conduct

The Economic Entity has a Code of Conduct that must be adhered to by all employees. All employees are required to maintain high standards of ethical behaviour in the execution of their duties and comply with all applicable laws and regulations in Australia.

Environmental regulation

Operations of the Economic Entity are subject to licences issued under the *Protection of the Environment Operations Act 1997*. During the financial year the Economic Entity materially complied with all requirements in respect to these licences and associated legislation.



Greg Martin
Chair



Darren Cleary
Managing Director

Newcastle
26 August 2021

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

Hunter Water Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Hunter Water Corporation (the Corporation), which comprise the Directors' Declaration, the Income Statement and Statement of Other Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act) and the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- present fairly the Corporation's financial position, financial performance and cash flows.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2021. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Fair value of system assets	
<p>At 30 June 2021, the Corporation's statement of financial position reported \$2.7 billion of system assets measured at fair value. System assets are highly specialised and account for 91 per cent of the total property, plant and equipment balance.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none">the system assets are financially significant to the statement of financial positionthe discounted cash flow (DCF) model used to value the system assets is complex and involves significant judgements and assumptionschanges in assumptions, such as the discount rate, terminal value, demand growth expectations, price and cost assumptions, can significantly affect the fair value. <p>Further information on the valuation techniques, inputs and sensitivity of the reported balance for system assets is disclosed in Note 10 and Note 13.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none">obtained an understanding of the Corporation's approach to estimating the fair value of system assetsassessed whether the DCF model incorporated all key assumptions and inputs relevant to valuing system assets of a water entity and met the requirements of Australian Accounting Standardsreviewed the reasonableness of key assumptions and sensitivity of the conclusions to changes in the assumptionsreviewed the model's mathematical accuracyassessed the adequacy of the financial statement disclosures against the requirements of the Australian Accounting Standards.
Valuing of defined benefit superannuation liabilities	
<p>At 30 June 2021, the Corporation's statement of financial position reported defined benefit superannuation liabilities totalling \$67.3 million. This liability balance is provided to the Corporation by the Administrator of the SAS Trustee, based on an independent actuarial assessment.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none">the defined benefit superannuation liability is financially significant to the statement of financial positionthe underlying liability valuation model (the model) is complex due to the significant degree of judgement required to determine key assumptions used to value the liabilitythe value of the liability is sensitive to minor changes in valuation inputs. <p>Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 23.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none">obtained an understanding of the processes and key controls in place supporting the:<ul style="list-style-type: none">membership data used in the modeldefined benefit superannuation liability calculationassessed the completeness and accuracy of the membership data used in the modelwith the assistance of actuarial experts, reviewed the methodology and key assumptions for reasonablenessassessed qualifications, competence and objectivity of actuarial expertsevaluated the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Directions.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How my audit addressed the matter
Accrued unbilled water usage charges <p>At 30 June 2021, the Corporation's statement of financial position reported \$20.7 million accrued unbilled revenue accrual for customer water usage. This is an estimate of customer's water usage where meters data is not known at 30 June 2021.</p> <p>I considered this to be a key audit matter because there is significant judgement and uncertainty involved in calculating this accrual, such as the:</p> <ul style="list-style-type: none">• amount of water loss in transit between the dam and the end customer• different rates and product offerings for residential and commercial customers• complexity in estimating water usage across a large number of customers, which can be influenced by many factors including weather and individual circumstances. <p>Further information on recognition and measurement for accrued unbilled water usage charges is disclosed in Note 2(i) and Note 8.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none">• obtained an understanding of the processes and key controls the Corporation has in place to determine the estimated unbilled usage charges.• evaluated reasonableness of the key assumptions for water loss factors, volume and rates used to determine unbilled water usage charges• tested the mathematical accuracy of the model used to support the accrual balance• assessed the historical accuracy of the estimate against subsequent billings.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulations, Treasurer's Directions and the *State Owned Corporations Act 1989*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar6.pdf . The description forms part of my auditor's report.

INDEPENDENT AUDITOR'S REPORT

The scope of my audit does not include, nor provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

27 August 2021
SYDNEY

FINANCIAL STATEMENTS

Start of audited Financial Statements

Income Statement for the year ended 30 June 2021

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Revenue			
Services	2	351,371	368,343
Other income	2	-	13
Total revenue		351,371	368,356
Expenses			
Operational expenses	3	(149,001)	(157,131)
Depreciation and amortisation	4(a)	(74,833)	(64,314)
Finance costs	4(b)	(60,884)	(65,898)
Superannuation expense	4(c)	(7,383)	(7,880)
Asset revaluation increment/(decrement)	4(d)	(69)	(44)
Other	4(e)	(1,023)	(1,898)
Total expenses		(293,193)	(297,164)
Profit before income tax		58,178	71,192
Income tax expense	5(a)	(17,448)	(19,409)
Profit after income tax		40,730	51,784
Profit for the year		40,730	51,784
Profit is attributable to:			
Owners of Hunter Water Corporation		40,730	51,784
		40,730	51,784

The Income Statement should be read in conjunction with the accompanying notes.

Statement of Other Comprehensive Income for the year ended 30 June 2021

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Profit for the year		40,730	51,784
Other comprehensive income			
Items that will not be reclassified to Income Statement:			
Net increase in assets revaluation reserve	20(a)	22,486	(32,043)
Income tax effect relating to net (increase)/decrease in asset revaluation reserve	20(a)	(5,926)	7,974
Remeasurement of defined benefit superannuation liability	23(j)	13,301	8,661
Income tax effect relating to remeasurement of defined benefit superannuation liability		(3,990)	(2,598)
Other comprehensive income for the period, net of tax		25,870	(18,006)
Total comprehensive income for the year		66,600	33,777
Total comprehensive income for the year is attributable to:			
Owners of Hunter Water Corporation		66,600	33,777
		66,600	33,777

The Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2021

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	7	8,903	5,809
Trade and other receivables	8	49,904	42,687
Current tax assets	15	3,263	3,162
Inventories	9	3,059	3,080
Total current assets		65,129	54,737
Non-current assets			
Property, plant and equipment	10	2,952,048	2,805,480
Intangible assets	11	55,247	45,130
Right-of-use assets	12	32,974	35,948
Other non-current assets	8	367	436
Total non-current assets		3,040,635	2,886,994
Total assets		3,105,765	2,941,732
Current liabilities			
Trade and other payables	14	97,905	109,322
Borrowings	16	267,913	169,881
Provisions	17	50,354	54,537
Total current liabilities		416,173	333,739
Non-current liabilities			
Borrowings	16	1,321,882	1,284,649
Provisions	17	72,504	80,206
Deferred tax liabilities	18	110,759	101,047
Total non-current liabilities		1,505,144	1,465,902
Total liabilities		1,921,318	1,799,641
Net assets		1,184,448	1,142,090
Equity			
Share capital	19	119,196	116,539
Reserves	20(a)	341,148	327,320
Retained earnings	20(b)	724,104	698,232
Total equity		1,184,448	1,142,090

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2021

Economic Entity	Notes	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2020		116,539	327,320	698,232	1,142,090
Profit for the year		-	-	40,730	40,730
Transfer from revaluation reserve to retained earnings on disposal	20	-	(2,731)	2,731	-
Other comprehensive income		-	16,560	9,311	25,870
Total comprehensive income for the year		-	13,828	52,772	66,600
Transaction with owners in their capacity as owners:					
Distributions to owners:					
Dividends provided for or paid	6	-	-	(26,900)	(26,900)
Contributions from owners:					
Equity injections	19	2,657	-	-	2,657
Balance at 30 June 2021	19 & 20	119,196	341,148	724,104	1,184,448
Balance at 1 July 2019		116,539	352,451	672,224	1,141,213
Profit for the year		-	-	51,784	51,784
Transfer from revaluation reserve to retained earnings on disposal	20	-	(1,062)	1,062	-
Other comprehensive income		-	(24,069)	6,063	(18,006)
Total comprehensive income for the year		-	(25,131)	58,909	33,777
Transaction with owners in their capacity as owners:					
Distributions to owners:					
Dividends provided for or paid	6	-	-	(32,900)	(32,900)
Contributions from owners:					
Equity injections		-	-	-	-
Balance at 30 June 2020	19 & 20	116,539	327,320	698,232	1,142,090

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2021

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		349,035	361,110
Payments to suppliers and employees (inclusive of goods and services tax)		(179,895)	(177,998)
		169,140	183,112
Interest received		-	17
Proceeds from environmental levy and developers		29	7,594
Borrowing costs		(51,298)	(54,829)
Income taxes paid		(17,754)	(25,814)
Net cash flows from operating activities	21	100,118	110,080
Cash flows from investing activities			
Purchases of property, plant and equipment		(186,376)	(171,288)
Proceeds from sales of property, plant and equipment		580	24
Net cash flows from investing activities		(185,796)	(171,264)
Cash flows from financing activities			
Proceeds from borrowings		370,341	477,921
Repayment of borrowings		(247,838)	(268,262)
Payment of principal portion of lease liabilities		(3,488)	(3,262)
Equity contribution		2,657	-
Dividends paid	6	(32,900)	(144,370)
Net cash flows from financing activities		88,772	62,027
Net increase/(decrease) in cash and cash equivalents		3,094	843
Cash and cash equivalents at beginning of the year		5,809	4,966
Cash and cash equivalents at end of the year	7	8,903	5,809

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below and through the notes to the financial statements. These policies have been consistently applied to both years presented, unless otherwise stated.

The terminology used in reporting results is as follows:

- Hunter Water Corporation is referred to as the Economic Entity.

The Economic Entity's financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 26 August 2021.

A. Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with and are compliant with Australian Accounting Standards (and Interpretations) issued by the Australian Accounting Standards Board (AASB), mandates issued by NSW Treasury and other mandatory and statutory reporting requirements, including NSW Treasury Circulars, the *Government Sector Finance Act 2018*, the *State Owned Corporations Act 1989*.

The Directors have determined that Hunter Water Corporation is a for-profit entity for financial reporting purposes. In preparing the financial statements, the accounting policies described below are based on the requirements applicable to for-profit entities in these mandatory and statutory requirements.

The financial statements have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Certain classes of property, plant and equipment and intangibles are measured at fair value.
- Assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.
- Defined benefit superannuation liabilities are stated at the present value of accrued benefit obligation less net assets available to pay benefits of the fund assets.
- Employee benefit provisions are stated at the present value of the future obligation for the relevant liabilities concerned
- Borrowings are measured at amortised cost.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements:

- Fair Value refer to Note 13
- Provisions refer to Note 17
- Employee Benefits (Superannuation) refer to Note 23.

In response to the global COVID-19 pandemic management has considered the impact on the Economic Entity's financial statements for the year ended 30 June 2021. The impact of COVID-19 on financial results is included in the financial statements and notes for the year. The past 15 months have seen volatility in financial markets and impacts to businesses across the country. Hunter Water has assessed the operating environment and customer impacts of COVID-19 since the start of the pandemic and whilst business operations have been impacted at balance date, the impact of the COVID-19 pandemic on Hunter Water's financial performance and position was not financially material.

Management has assessed the impact of COVID-19 including key judgements and assumptions used in the following notes to the financial statements:

- Receivables (note 8)
- Inventories (note 9)
- Property, plant & equipment (note 10)
- Intangibles (note 11)
- Leases (note 12)
- Fair value assessment (note 13)
- Provisions (note 17)
- Superannuation (note 23)
- Contingent liabilities (note 25).

All amounts contained in this report have been rounded to the nearest thousand dollar and are expressed in Australian Dollars.

Note 1. Summary of significant accounting policies continued

B. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of the GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST of cash flows from investing and financing activities that are recoverable from the Australian Tax Office are classified as cash flows from operating activities.

Commitments are disclosed inclusive of GST where applicable.

C. Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

D. Australian Accounting Standards and Interpretations issued but not yet effective

Certain new accounting standards and interpretations applicable to the Economic Entity have been published that are not mandatory for 30 June 2021 reporting periods. NSW Treasury has mandated that the Economic Entity may not early adopt any of these new standards and interpretations.

The Economic Entity assessment of the impact of these new standards and interpretations which may impact the Economic Entity are set out below:

Standard/interpretation	Issued date	Applicable to periods beginning on or after	Applicable reporting period
AASB 2020-7 Amendments to Australian Accounting Standards - COVID-19 - Related Rent Concessions: tier 2 disclosures	August 2020	1 July 2021	2021-2022
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current	March 2020	1 January 2023	2022-2023
2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	June 2020	1 January 2023	2022-2023

For the year ending 30 June 2021, the IFRS Interpretations Committee (IFRIC) had issued two agenda decisions related to accounting for Software-as-a-Service (SaaS) arrangement. Refer Note 11 for further information and impact on the Economic Entity.

The above Accounting Standards are not expected to have a material impact on the financial results of the Economic Entity in the reporting period when they become operative.

E. Newly effective Australian Accounting Standards

AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) is effective for the Economic Entity from 1 July 2020. At the same time NSW Treasury Policy and Guideline Paper TPP 06-8 *Accounting for Privately Financed Projects* (TPP 06-8) was withdrawn effective from 1 July 2020. Service Concession Arrangements are contracts between an operator and a grantor, where the operator provides public services related to a service concession asset on behalf of the grantor for a specified period of time and manages at least some of those services.

The Economic Entity has reviewed in detail this new standard and has assessed there is no impact on the financial results of the Economic Entity in the reporting period ended 30 June 2021.

Several other amendments and interpretations apply for the first time in the 2020-21 financial year but do not have an impact on the Financial Statements of the Economic Entity.

Note 2. Revenue

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Regulated revenue from contracts with customers			
Tariff - service charges		167,120	173,092
Tariff - usage charges		136,564	128,725
Environmental charge		1	7,638
Other revenue		4,960	5,225
		308,645	314,680
Unregulated revenue from contracts with customers			
Developer contributions – cash		28	(72)
Developer contributions – assets		20,675	29,887
Unregulated revenue		517	569
		21,220	30,385
		329,865	345,065
Timing of revenue recognition			
Over time		306,366	311,584
At a point in time		23,499	33,482
		329,865	345,065
Revenue recognition for 'overtime' supply primarily relates to the provision of water and wastewater services that forms part of the continuous supply to customers. Revenue generated from 'at a point in time' activities mainly relates to inspections, permits and other fees from stand alone transactions with customers.			
Other revenue			
Gain/(Loss) on disposal of assets		216	(62)
Government grants - rebates		17,238	16,542
Sundry revenue		4,052	6,797
		21,506	23,278
		351,371	368,343
Other income			
Interest income		-	13
		-	13
		351,371	368,356

Revenue recognition

Revenue is measured at the fair value of the consideration or contribution received or receivable. Revenue is recognised when the entity satisfies a performance obligation by passing on control of the good or services, where it is probable that the economic benefits will flow to the entity and the amount of revenue can be reliably measured. Revenue is recognised for the major business activities as follows:

(i) Regulated revenue from contracts with customers

Service revenue reflects revenue raised for the provision of core water and sewer services and includes both fixed service charges and volumetric charges for water. Prices are determined by the Independent Pricing and Regulatory Tribunal (IPART). Regulated revenue is revenue received from our regulated services as declared under the IPART Order 1997.

Revenue is recognised in respect of these services on an accrual basis as the services are provided. Estimated water usage recorded in unread meters is brought to account at 30 June. The estimate is derived by calculating revenue based on water supply that has left water sources (using system flow data), less a component for non-revenue generating supply.

(ii) Developer contributions

Contributions from developers can be in the form of both monetary and non-monetary assets. In accordance with AASB 15 *Revenue from Contract with Customers*, where physical asset contributions are received in return for connection to a service delivery network, contributions are recognised as revenue and assets at fair value upon connection. Subsequent measurement of the assets is in accordance with AASB 13 *Fair Value Measurement* using the income approach.

Cash contributions received from developers are recognised as revenue upon connection of services. Environmental levy receipts are considered revenue in nature and are shown at their cash value.

(iii) Unregulated revenue

Unregulated revenue relates to the revenue raised through the provision of recycled water services.

(iv) Property sales

Revenue is recognised on the signing of an unconditional contract of sale. There were no sales of property during the year ended 30 June 2021.

(v) Government grants

State Government grants are received to offset customer service obligation rebates. Government grants relate to pensioner, environmental levy and exempt property rebates.

Government grants relating to assets are recognised as deferred income with the income presented in profit or loss on a systematic basis over the useful life of the asset.

(vi) Interest income

Represents earnings on surplus cash invested in the Economic Entity's bank accounts and other deposits with financial institutions.

Interest revenue is recognised as the interest accrues using the effective interest method in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

Note 3. Operational expenses

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Employee related		49,564	50,544
Maintenance		20,623	22,134
Operations		43,077	41,490
Regulatory		6,330	8,761
Corporate*		28,884	33,543
Other		523	659
		149,001	157,131
Operational expenses relating to maintenance:			
Employee related expenses		14,372	15,051
Other		21,494	22,813
		35,866	37,864
*Corporate operational expenses include:			
Lease expense - short term or low value	12	302	418

Recognition and measurement

Expenses are recognised in profit or loss when incurred or as part of ordinary course of business.

Note 4. Expenses

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Profit before income tax includes the following specific net gains and expenses:			
(a) Depreciation and amortisation			
Amortisation	11(a) and (b)	6,505	5,501
Depreciation	10(b) and (c)	63,730	54,446
Depreciation - right of use assets	12	4,598	4,367
Total depreciation and amortisation expense		74,833	64,314
(b) Finance costs			
Amortisation of discount/(premium) on loans		14,946	15,072
Long term borrowings - interest		26,267	31,880
Short term borrowings - interest		30	256
Interest expense from lease liabilities	12	1,555	1,570
Other interest expense		83	246
Government guarantee fee		22,715	22,706
Capitalised finance costs		(4,714)	(5,831)
Total finance costs		60,884	65,898
(c) Superannuation expense			
Superannuation expense - defined benefit funds		2,328	2,532
Superannuation expense - contributions		5,055	5,348
Total superannuation expense		7,383	7,880
(d) Asset revaluation decrement/(increment)		69	44
(e) Net (gain)/loss on retirement of property, plant and equipment		1,023	1,898
(f) Expenses include:			
Other charges against assets - bad and doubtful debts	8(a)	(11)	10

Recognition and measurement

Interest and other borrowing costs are expensed as incurred unless they relate to the capitalisation of borrowing costs in which case they are capitalised as part of the cost of those assets.

The Government Guarantee Fee represents a fee paid by the Economic Entity to NSW Treasury in relation to the Economic Entity's borrowings.

Note 5. Income tax

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
A. Income tax expense			
Current tax		17,653	21,274
Deferred tax	18	(205)	99
Under/(over) provision		-	(1,964)
		17,448	19,409
Income tax expense is attributed to:			
Continuing operations		17,448	19,409
		17,448	19,409
Deferred income tax revenue/(expense) included in income tax expense comprises:			
Decrease/(increase) in deferred tax liabilities		(475)	(993)
(Decrease)/increase in deferred tax assets		679	894
Income tax expense is attributed to:			
Profit from continuing operations		58,179	71,192
B. Reconciliation between income tax expense and profit before income tax			
Profit before income tax excluding dividend		58,179	71,192
Tax rate of 30% (2020 - 30%)		17,454	21,358
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Entertainment non-deductible expenses		0	6
Non-deductible expenses		27	39
Australian owned research and development concession claim		116	106
		17,597	21,508
Under/(over) provision in prior years		-	(1,964)
Research and development tax offset		(149)	(135)
Income tax expense		17,448	19,409
C. Tax expense/(income) relating to items of comprehensive income			
Net increase/(decrease) in property, plant and equipment revaluation reserve	18	5,926	(7,974)
Actuarial gains/(losses) on defined benefit funds	18	3,990	2,598
	18	9,917	(5,376)
D. Income tax			

The Economic Entity is subject to the National Tax Equivalent Regime (NTER). An “equivalent” or “notional income tax” is payable to the NSW Government through Revenue NSW. The liability for income tax is primarily assessed in accordance with the *Income Tax Assessment Acts of 1936 and 1997* (ITAA) and is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the tax payable on the current period’s taxable income based on the tax rate enacted at the reporting date adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Note 6. Dividends paid or provided for

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Opening balance		32,900	144,370
Add: dividend declared at 22.6 cents per share (2020: 28.2 cents per share)	17(a)	26,900	32,900
Less: dividend paid at 28.2 cents per share (2020: 123.9 cents per share)		(32,900)	(144,370)
		26,900	32,900

Under the National Tax Equivalent Regime, the Parent Entity is not required to maintain a dividend franking account.

Note 7. Cash and cash equivalents

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Cash at bank and on hand		8,903	5,809
		8,903	5,809

There were no deposits at call at 30 June 2021 (2020: nil).

Deposits at call during the year bore interest rates between 0.00% and 0.20% (2020: 0.00% and 0.20%).

A. Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial years.

Cash and cash equivalents (per Statement of Financial Position)	8,903	5,809
Cash and cash equivalents (per Statement of Cash Flows)	8,903	5,809

For the purpose of the presentation of the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Refer note 29 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Note 8. Trade and other receivables

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Current			
Trade debtors		26,102	18,971
Allowance for impairment on other debtors		(182)	(193)
Accrued revenue - unbilled water usage		20,677	21,517
		46,597	40,295
Prepayments		3,308	2,392
		3,308	2,392
Total current		49,904	42,687
Non-current			
Stock receivable		367	436
Total non-current		367	436
A. Movement in the allowance for impairment			
Balance at beginning of the year		193	183
Amounts written off during the year		(23)	(67)
Amounts recovered during the year		(51)	(48)
Increase/(decrease) in allowance recognised in Income Statement		63	125
Balance at end of year		182	193

Details regarding market risk, liquidity risk and credit risk, including financial assets that are either past due or impaired, are disclosed in note 29.

B. Trade receivables

Trade receivables are recognised at original invoice amount less allowance for impairment. Recognition of original invoice amount is adopted as this is not materially different to amortised cost, given the short-term nature of receivables.

Accrued revenue for unbilled water usage represents an estimate of the value of consumption by all customers from the time their meter was last read, up until 30 June 2021. The accrual is calculated utilising actual quantities of water supplied from all water sources, less an estimate for non-revenue generating supply to derive an estimate of billable consumption. The difference between the estimate of billable consumption and the value of usage charges already billed represents the value of the usage accrual. Estimation of the accrual is inherently complex due to Hunter Water's large and diverse customer base, which can be influenced by many factors including weather, individual consumption patterns and variances in prices paid by different customers in different locations. Once meters are read, customers are billed for charges reflecting consumption per actual meter readings.

Trade debtors for service availability and usage charges receivable are required to be settled within 21 days. Other trade debtors receivable are generally required to be settled within 30 days.

Collectability of receivables is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due. All customer debts, other than those provided for, are considered collectable.

Hunter Water has assessed the collectability of receivables in relation to the economic impact of the COVID-19 pandemic. Hunter Water provides hardship assistance programs and support services to customers. At balance date, the impact of the COVID-19 pandemic and associated customer hardship has not been financially material.

Any non-current receivables are measured at discounted amortised cost.

Note 9. Inventories

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Current			
Consumable stores at cost		3,059	3,080
		3,059	3,080

Inventories are valued at the lower of cost and net realisable value using the weighted average basis of valuation for the purposes of determining cost. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Note 10. Property, plant and equipment

A. Property, plant and equipment

Economic Entity	System assets \$'000	General support \$'000	Land \$'000	Buildings \$'000	Work in progress \$'000	Total \$'000
At 1 July 2019 fair value						
Cost	-	-	-	-	158,212	158,212
Fair value - market valuation	-	-	7,972	5,821	-	13,793
Fair value - income approach	2,514,787	12,201	-	-	-	2,526,988
	2,514,787	12,201	7,972	5,821	158,212	2,698,993
At 30 June 2020 - fair value						
Cost	-	-	-	-	229,398	229,398
Fair value - market valuation	-	-	8,129	11,189	-	19,318
Fair value - income approach	2,539,163	17,600	-	-	-	2,556,763
	2,539,163	17,600	8,129	11,189	229,398	2,805,480
At 1 July 2020 - fair value						
Cost	-	-	-	-	229,398	229,398
Fair value - market valuation	-	-	8,129	11,189	-	19,318
Fair value - income approach	2,539,163	17,600	-	-	-	2,556,763
	2,539,163	17,600	8,129	11,189	229,398	2,805,480
At 30 June 2021 - fair value						
Cost	-	-	-	-	239,885	239,885
Fair value - market valuation	-	-	8,139	9,883	-	18,022
Fair value - income approach	2,677,002	17,139	-	-	-	2,694,141
	2,677,002	17,139	8,139	9,883	239,885	2,952,048

B. Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the previous financial year (excluding work in progress) are set out below:

Economic Entity 30 June 2020	System assets \$'000	General support \$'000	Land \$'000	Buildings \$'000	Total \$'000
Net carrying amount 1 July 2019	2,514,787	12,201	7,972	5,821	2,540,781
Additions	107,368	8,782	9	6,636	122,794
Disposals	(1,000)	(5)	-	-	(1,005)
Transfers between classes	(149)	-	149	-	-
Revaluation increment/(decrement)	(32,034)	-	-	(9)	(32,043)
Depreciation expense	(49,809)	(3,379)	-	(1,258)	(54,446)
Net carrying amount 30 June 2020	2,539,163	17,600	8,129	11,189	2,576,081

Note 10. Property, plant and equipment continued

C. Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year (excluding work in progress) are set out below:

Economic Entity 30 June 2021	System assets \$'000	General support \$'000	Land \$'000	Buildings \$'000	Total \$'000
Net carrying amount 1 July 2020	2,539,163	17,600	8,129	11,189	2,576,081
Additions	173,967	4,149	10	-	178,126
Disposals	(683)	(117)	-	-	(800)
Revaluation increment/(decrement)	22,513	(2)	-	(25)	22,486
Depreciation expense	(57,958)	(4,492)	-	(1,281)	(63,730)
Net carrying amount 30 June 2021	2,677,002	17,139	8,139	9,883	2,712,163

Refer to note 13(B) and (D) for further information on the valuation process.

D. Property, plant and equipment

Acquisitions and capitalisation

All items of property, plant and equipment are recognised initially at cost. Subsequent to initial recognition, certain classes of assets are revalued in accordance with the Economic Entity's revaluation policies (see fair value below).

Cost is the amount of cash or cash equivalents paid or other consideration given to acquire the asset, including costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

Items costing greater than \$500 individually and having a minimum expected operational life of over one year are capitalised.

The Economic Entity recognises the entire infrastructure system as one asset, comprising the entire water network regardless of the type of water that the network is managing at the various stages of its cycle.

In respect of system assets constructed by the Economic Entity for its own use, cost includes:

- costs associated with the design of the asset
- materials used in construction
- direct labour and an appropriate proportion of overhead costs
- contractors' services
- major inspection costs
- an estimate, where relevant, of the costs to dismantle, decommission and remove the assets and restore the site on which it is located.

System assets are capitalised as completed assets when each facility, or operating unit within a facility, becomes operational and available for use.

Assets acquired at no cost, are initially recognised at their fair value at the date of acquisition.

In line with AASB 123 *Borrowing Costs*, the entity capitalises borrowing costs which are directly attributable to the acquisition or construction of a qualifying asset. The interest rate which has been used to capitalise borrowing costs is currently 4.1% (2020: 4.56%). This rate is based on the total cost of debt which is inclusive of a Government Guarantee Fee (GGF).

Fair value

The Economic Entity values its non current assets in accordance with AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* and NSW Treasury's Accounting Policy TPP14-01 *Valuation of Physical Non-Current Assets at Fair Value*. Non-current assets are valued at fair value using the income approach. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at reporting date. Non-operational land and buildings are revalued every three years and at least every five years for other classes of property, plant and equipment.

AASB 13 determines fair value to be an exit price and one that a market participant would pay in an orderly transaction. Assumptions that are included in determining the most appropriate measure of fair value include:

- The principal or most advantageous market in which an orderly transaction would take place for the asset/(liability)
- The highest and best use of the asset/(liability)
- If the asset is used in combination with other assets or on a stand-alone basis.

Note 10. Property, plant and equipment continued

For each asset subject to valuation, revaluation increments are credited to the asset revaluation reserve through the Statement of Other Comprehensive Income. Where a revaluation decrement or impairment loss reverse a revaluation increment previously credited to the asset revaluation reserve, the revaluation decrement or impairment loss is debited to that reserve. In other cases the decrement or impairment loss is recognised in the Income Statement.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

Any gain or loss on the disposal of revalued assets is determined as the difference between the carrying value of the asset at the time of disposal and the proceeds from disposal, and is included in the Income Statement. It is policy to transfer the amounts included in the revaluation reserve in respect of those assets to retained earnings.

The entity assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the entity estimates the assets recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount.

Refer to note 13 for details of fair value assessment and non-current asset disclosures.

Right-of-use assets acquired by lessees

From 1 July 2019, AASB 16 *Leases* requires a lessee to recognise a right-of-use asset for most leases. The Economic Entity has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained at note 12.

Depreciation

Depreciation is calculated using the straight line method on all property, plant and equipment, other than freehold land, at rates calculated to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. Land is not a depreciable asset.

It is the Economic Entity's policy to recognise a 'residual value' in respect to assets which can be practically rehabilitated to 'as new' service potential at a cost that is less than the cost of construction of a complete new asset. This reflects the reality of economic decision making. Consequently, a residual value is recognised for example, in respect of gravity sewer mains and some large gravity water mains for which it is economical to implement relining technologies, as well as in respect of civil components of some other assets.

The estimated useful lives for each class of assets are stated below. These lives have been updated so as to reflect the composition of the asset base at balance date.

Class of fixed asset	Useful life (years)
System assets	
Sewer	
- Sewer mains	80-120
- Sewer pump stations	10-50
- Wastewater treatment works	10-100
Water	
- Water mains	80-150
- Water chlorinators	15-100
- Water pump stations	10-121
- Water resources	20-150
- Water treatment works	10-100
- Meters	15-20
- Recycled water	80-150
Stormwater	100-150
General support	
- Fleet	5-15
- General equipment	3-50
Buildings	25-100

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance date.

Note 11. Intangible assets

Economic Entity	Easements \$'000	Software \$'000	Environmental credits \$'000	Other \$'000	Work in progress \$'000	Total \$'000
At 1 July 2019 - Fair value						
Cost	3,205	-	-	-	18,979	22,183
Fair value - market approach	-	-	3,102	-	-	3,102
Fair value - income approach	-	4,167	-	3,599	-	7,766
	3,205	4,167	3,102	3,599	18,979	33,051
At 30 June 2020 - Fair value						
Cost	3,657	-	-	-	28,133	31,790
Fair value - market approach	-	-	2,996	-	-	2,996
Fair value - income approach	-	5,401	-	4,944	-	10,344
	3,657	5,401	2,996	4,944	28,133	45,130
At 1 July 2020 - Fair value						
Cost	3,657	-	-	-	28,133	31,790
Fair value - market approach	-	-	2,996	-	-	2,996
Fair value - income approach	-	5,401	-	4,944	-	10,344
	3,657	5,401	2,996	4,944	28,133	45,130
At 30 June 2021 - Fair value						
Cost	3,725	-	-	-	14,013	17,738
Fair value - market approach	-	-	2,570	-	-	2,570
Fair value - income approach	-	30,912	-	4,026	-	34,938
	3,725	30,912	2,570	4,026	14,013	55,247

Refer to note 11(A) and (B) for reconciliations in movement of intangible assets.

A. Reconciliations

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the previous financial year are as follows:

Economic Entity 2020	Easements \$'000	Software \$'000	Environmental credits \$'000	Other \$'000	Total \$'000
Net carrying amount 1 July 2019	3,205	4,167	3,102	3,599	14,073
Additions	452	4,438	-	3,641	8,531
Disposals	-	-	(106)	-	(106)
Amortisation expense	-	(3,204)	-	(2,296)	(5,501)
Net carrying amount 30 June 2020	3,657	5,401	2,996	4,944	16,997

B. Reconciliations

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the current financial year are as follows:

Economic Entity 2021	Easements \$'000	Software \$'000	Environmental credits \$'000	Other \$'000	Total \$'000
Net carrying amount 1 July 2020	3,657	5,401	2,996	4,944	16,997
Additions - acquired separately	68	29,494	-	107	29,668
Additions - internal development	-	1,499	-	-	1,499
Disposals	-	-	(426)	-	(426)
Amortisation expense	-	(5,481)	-	(1,024)	(6,505)
Net carrying amount 30 June 2021	3,725	30,912	2,570	4,026	41,233

Note 11. Intangible assets continued

C. Intangible assets

Intangible assets consist of easements, software, environmental credits and other intangible assets (including some development projects). Research expenditure is recognised as an expense as incurred. Costs incurred on development projects whereby research findings are applied to the development of substantially new or improved products or processes (for example, relating to the design of new improved systems) are capitalised when:

- it is probable that the project will result in future economic benefits
- the project is technically or commercially feasible
- its costs can be measured reliably
- there are sufficient resources to complete development.

If development costs are capitalised they are recorded as intangible assets and amortised from the point at which benefits are recognised on a straight-line basis over their useful life which is generally five years.

Consistent with NSW Treasury policy, easements (the right of access over land) are recognised as intangible assets and are not amortised. Environmental credits are intangible assets and not amortised as they are deemed to have an indefinite useful life. Software is also classified as an intangible asset and is amortised (generally over five years).

Intangible assets including easements and purchased environmental credits are initially recognised at cost. All other environmental credits are initially recorded at fair value. After initial recognition all intangible assets with the exception of easements and environmental credits are carried at fair value in accordance with AASB 13 *Fair Value Measurement* using the income approach. After initial recognition environmental credits are carried at fair value using the market approach.

The IFRS Interpretations Committee issued an agenda decision *Configuration or Customisation Costs in a Cloud Computing Arrangement* in March 2021. The decision confirms that a cloud computing customer should expense the costs of configuring or customising the supplier's application software in a Software as a Service (SaaS) arrangement. Hunter Water has assessed the current categorisation of expenditure in relation to capital projects and work-in-progress as well as expenditure allocated to the fixed asset register. To date there has been no expenditure that has been identified as being incorrectly allocated. Hunter Water will continue to review and monitor expenditure relating to intangible assets in partnership with NSW Treasury and external auditors guidance to ensure expenditure allocations are accurate. Any material expenditure that is identified as being incorrectly allocated will be amended in future reporting periods.

Refer to notes 10 and 13 for details on fair value assessment.

Refer to notes 10 and 13 for details of fair value non-current asset disclosures.

Note 12. Leases

The Economic Entity leases various property and fleet vehicles. Lease contracts are typically made of fixed periods of four to ten years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of contract terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The Economic Entity does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and fleet vehicle leases. These terms are used to maximise operational flexibility in terms of managing contracts. Extension and termination options held are exercisable only by the Entity and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and this is within the control of the lessee.

The Economic Entity has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new. The Economic Entity's short-term and low value leases comprise mainly of fleet vehicles leased on a short-term basis.

Note 12. Leases continued

Right-of-use assets under leases

Economic Entity 30 June 2021	General support \$'000	Buildings \$'000	Total \$'000
Balance as at 1 July 2020	4,113	31,835	35,948
Additions	4,178	-	4,178
Disposals	(2,667)	-	(2,667)
Depreciation expense	(2,235)	(2,363)	(4,598)
Remeasurement	-	113	113
Balance as at 30 June 2021	3,389	29,585	32,974

Economic Entity 30 June 2020	General support \$'000	Buildings \$'000	Total \$'000
Balance as at 1 July 2019	5,523	34,089	39,611
Additions	2,271	20	2,291
Disposals	(1,587)	-	(1,587)
Depreciation expense	(2,093)	(2,274)	(4,367)
Balance as at 30 June 2020	4,113	31,835	35,948

Lease liabilities

The following table presents liabilities under leases:

	Notes	2021 \$'000	2020 \$'000
Balance as at 1 July		(37,033)	(39,611)
Additions		(4,178)	(2,270)
Interest expense		(1,555)	(1,570)
Payments		5,043	4,830
Disposals		2,667	1,587
Remeasurement		(116)	-
Balance as at 30 June	16	(35,172)	(37,033)

Represented by:

Current	(3,101)	(2,997)
Non-current	(32,071)	(34,036)
	(35,172)	(37,033)

The following amounts were recognised in the Statement of Comprehensive Income during the period in respect of leases where the Entity is the lessee:

	2021 \$'000	2020 \$'000
Depreciation expense of right-of-use assets	4,598	4,367
Interest expense on lease liabilities	1,555	1,570
Expense relating to short-term leases	302	418
Income from subleasing right-of-use assets	-	(4)
Total amount recognised in the Statement of Comprehensive Income	6,456	6,352

The Economic Entity had total cash outflows for leases of \$5.9m including GST in the 2020-21 financial year (2020: \$5.8m).

Recognition and measurement

The Economic Entity assesses at contract inception whether a contract is or contains a lease as per AASB 16 *Leases*. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

Note 12. Leases continued

A. Right-of-use assets

The Economic Entity recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer B below), adjusted for any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets, as follows:

- General Support - Fleet Vehicles 2-6 years
- Building 15 years

If ownership of the leased asset transfers to the Entity at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The entity assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the entity estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

B. Lease liabilities

At the commencement date of the lease, the Economic Entity recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include:

- Fixed payments (including in substance fixed payments) less any lease incentives receivables
- Variable lease payments that depend on an index or a rate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease.

If that rate cannot be readily determined the lessee's incremental borrowing rate is used, being the rate that the Economic Entity would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement of the lease, the amount of the lease liabilities are increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease terms, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in assessment of an option to purchase the underlying asset.

The Economic Entity's lease liabilities are included in borrowings (refer to note 16).

Note 13. Fair value measurement of non-financial assets

A. Fair value hierarchy

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

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

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

- quoted prices in active markets (level 1)
- other observable inputs (level 2)
- unobservable inputs (level 3).

Note 13. Fair value measurement of non-financial assets continued

Economic Entity 2021	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
System assets	-	2,677,002	2,677,002
Land and buildings	18,022	-	18,022
General support	-	17,139	17,139
Environmental credits	2,570	-	2,570
Other intangibles	-	34,938	34,938
	20,592	2,729,079	2,749,671

Transfers into and out of fair value hierarchy levels are recognised at the end of the reporting period. There were no transfers between level 1 or 2 during the period. For transfers in and out of level 3 measurements see (c) below.

Economic Entity 2020	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
System assets	-	2,539,163	2,539,163
Land and buildings	19,318	-	19,318
General support	-	17,600	17,600
Environmental credits	2,996	-	2,996
Other intangibles	-	10,344	10,344
	22,314	2,567,107	2,589,420

B. Valuation techniques, inputs and processes

Asset category	Fair value approach	Inputs into fair value assessment
System asset	At initial recognition fair value is based on a cost approach. Income approach adopted based on future cash-flows.	Income approach is adopted by discounting future cash-flows expected to be generated from the use of these assets. No active market exists for these assets. Level 3 input
Land and buildings (non-operational)	At initial recognition fair value is based on a cost approach. Most recent external expert revaluation based on market conditions in an active market occurred in 2018-19. Hunter Water has assessed these amounts are materially accurate.	Market approach is adopted based on the external expert valuations undertaken in 2018-19 which Hunter Water assesses as being materially accurate. An active property market exists in the regions that land and buildings are held. Valuation based on market prices from observable inputs from comparable assets. Level 2 input
General support	At initial recognition fair value is based on a cost approach. Income approach adopted based on future cash-flows.	Income approach is adopted by discounting future cash-flows expected to be generated from the use of these assets. Level 3 input
Environmental credits	At initial recognition fair value is based on a market approach with the exception of purchased environmental credits which are initially recorded at cost. Valuation based on an active market and similar assets (not identical).	Market approach is based on the environmental credit market. An active market exists. Valuation based on market prices from observable inputs from comparable assets. Level 2 input
Other intangibles	At initial recognition fair value is based on a cost approach. Easements are measured at cost. Income approach adopted based on future cash-flows for all other intangible assets.	Easements are carried at cost. For other intangible assets the income approach is adopted by discounting future cash-flows expected to be generated from the use of these assets. No active market exists for these assets. Level 3 input

Note 13. Fair value measurement of non-financial assets continued

C. Reconciliation of recurring level 3 fair value measurements

(i) The following table represents the changes in level 3 items for the year ended 30 June 2021 for recurring fair value measurements:

Economic Entity 2021	System assets \$'000	Other fixed assets \$'000	Other intangibles \$'000	Total recurring level 3 fair value \$'000
Fair value as at 1 July 2020	2,539,163	17,600	10,344	2,567,107
Additions	173,967	4,149	31,099	209,215
Disposals	(683)	(117)	-	(800)
Revaluation increment/(decrement)	22,513	(2)	-	22,511
Depreciation/amortisation	(57,958)	(4,492)	(6,505)	(68,955)
Fair Value at 30 June 2021	2,677,002	17,139	34,938	2,729,079

Transfer between level 2 and 3 measurements

There were no transfers between level 2 and level 3 measurements during 2020-21.

(ii) The following table represents the changes in level 3 items for the year ended 30 June 2020 for recurring fair value measurements:

Economic Entity 2020	System assets \$'000	Other fixed assets \$'000	Other intangibles \$'000	Total recurring level 3 fair value \$'000
Fair value as at 1 July 2019	2,514,787	12,201	7,766	2,534,754
Additions	107,368	8,782	8,079	124,228
Disposals	(1,000)	(5)	-	(1,005)
Revaluation increment/(decrement)	(32,034)	-	-	(32,034)
Depreciation/amortisation	(49,809)	(3,379)	(5,501)	(58,688)
Transfers to level 2	(149)	-	-	(149)
Fair Value at 30 June 2020	2,539,163	17,600	10,344	2,567,107

Transfer between level 2 and 3 measurements

A transfer from system assets (level 3) to non-system land (level 2) occurred during 2019-20.

Note 13. Fair value measurement of non-financial assets continued

D. Measurement of fair value

The following tables summarise the quantitative information about the significant unobservable inputs in recurring level 3 fair value measurements.

Description	Fair value at 30 June 2021 \$'000
System assets	2,677,002
Other fixed assets	17,139
Other Intangibles	34,938

System assets - unobservable input item	30 June 2021 Calculation of fair value	Relationship of unobservable inputs to fair value
Time period	Forecast cash flows for a five year period with the Regulated Asset Base (RAB) as the terminal value in year five.	The terminal value reflects the ability of the CGU to operate into perpetuity.
Real discount rate	Post-tax real discount rate: 2.4% (2020: 2.6%)	The higher the discount rate, the lower the fair value.
Estimates of future revenues	Estimates of revenue streams have been based on Hunter Water's 2021-22 Business Plan which was submitted to NSW Treasury in June 2021.	The higher the discounted future revenues, the higher the fair value.
Estimates of future expenditure	Operating expenditure is as per the 2021-22 Business Plan.	Changes in expenditure have little effect on asset values as it has been assumed that future expenditure will be recovered in future IPART pricing determinations.
	All capital expenditure is as per the 2021-22 Business Plan.	Changes in capital expenditure have little impact on asset values as the increase capital outflows is offset by an increase in revenue ('return on' and 'return of' capital building block allowances) and a higher RAB terminal value.

i) Hunter Water adopts the income approach to determine the fair value of its property, plant and equipment under AASB13 *Fair Value Measurement*. The income approach is a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the asset. This approach is used as there is no active market against which Hunter Water's asset base could be readily valued against. The fair value has been estimated using a 5 year Discounted Cash Flow (DCF) analysis, with the RAB as the terminal value in year five. Significant assumptions underpinning the modelling process have been based on the 2021-22 Business Plan. Estimates of future cash-flows have been discounted to present value at a real post-tax discount rate of 2.4%.

Hunter Water's Cash Generating Unit (CGU) includes all assets with the exception of non-operational land, non-operational buildings, right-of-use assets and environmental credits, which are valued separately. Each asset in the main CGU is reliant on the other to generate cash inflows for Hunter Water.

Outcomes from Hunter Water's fair value model are sensitive to variations in the forecast expenditure and expected rate of return and as such, revaluation outcomes can vary. In 2020-21 Hunter Water's fair value model calculated a valuation increment of \$22.5m (2020: \$32.0m decrement) being the difference between the written down value of the entity's fixed assets and the present value of cash flows. This adjustment was made to the asset carrying amounts.

Sensitivity analysis was undertaken on two key components within the valuation model being the pricing weighted average cost of capital return (WACC) and the discount rate. The results of this analysis with all other inputs remaining unchanged is summarised below. After assessment of the sensitivity analysis it was determined that if these movements did occur there would be no material impact on the Income Statement.

	Change in valuation	
	2021 \$m	2020 \$m
Revenue cashflows (30 basis point increase change in WACC)	38	42
Discount rate (30 basis point increase change)	(87)	(83)
	(49)	(41)

ii) There is not an open market for the sale of infrastructure assets owned by the Economic Entity. It is not envisaged that there will be significant variation in the assumptions noted above.

Note 14. Trade and other payables

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Current			
Trade creditors		20,372	15,048
Deposits received for services		11,159	10,748
Accrued expenses		57,296	74,985
Contractual liabilities		9,078	8,541
		97,905	109,322

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year which are unpaid. Payables are recognised at cost, which is considered to approximate amortised cost due to the short-term nature of payables. They are not discounted as the effects of discounting is not material.

Trade accounts payable are paid according to contract terms, the majority being within 30 days.

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in note 29.

Contractual liabilities relate to consideration received in advance from customers in respect of tariff services and usage charges and will be recognised as revenue when the services are performed. The balance of contract liabilities at 30 June 2021 is expected to be recognised as revenue in the 2021-22 financial year.

Note 15. Current tax liabilities

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Provision for income tax payable			
Opening balance		(3,162)	1,395
Under/(over) provision for income tax in prior year		-	(17)
Amount received/(paid) relating to prior year		3,162	(1,378)
Amount payable for current year	5	17,653	21,274
Amount paid relating to current year		(20,916)	(24,436)
		(3,263)	(3,162)

Current tax balances attributable to amounts recognised in other comprehensive income or directly in equity, are similarly recognised in other comprehensive income or directly in equity.

Note 16. Borrowings

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Overdraft		13,611	9,000
Other loans		1,541,012	1,408,497
Lease liability	12	35,172	37,033
		1,589,795	1,454,530
Represented by:			
Current		267,913	169,881
Non-current		1,321,882	1,284,649
		1,589,795	1,454,530

Hunter Water borrows through NSW Treasury Corporation (TCorp) in the form of liquid and marketable TCorp stocks. As part of its debt management activities, NSW TCorp act as the Debt Liability Advisor for Hunter Water's debt portfolio.

Borrowings are classified as current when they are due to be settled within 12 months from reporting date.

Hunter Water has an overdraft facility with NSW TCorp of \$50m (2020: \$30m) of which \$13.6m was used at 30 June 2021 (2020: \$9.0m).

Hunter Water has a contingent loan facility with Commonwealth Bank of Australia of \$0.1m which was not drawn down at 30 June 2021 and a purchase card facility with National Australia Bank of \$1.0m at 30 June 2021. The borrowings are classified as non-trading liabilities and are unsecured.

The Treasurer approved funding of up to \$2,000m with NSW TCorp (2020: \$1,600m), of which \$1,541m was used at 30 June 2021 (2020: \$1,408m).

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in note 29.

Borrowings classified as financial liabilities are measured initially at cost, being the fair value of consideration received less any transaction costs associated with the borrowing. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method.

All borrowings are held at fair value.

Lease liabilities are determined in accordance with AASB 16 *Leases*. Lease liabilities are disclosed as borrowings at balance date.

Note 17. Provisions

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Current			
Dividends	6	26,900	32,900
Other		3,958	2,218
Employee benefits - short term		781	1,064
Employee benefits - long term*		18,716	18,354
		50,354	54,537
Non-current			
Employee benefits		67,971	80,206
Other		4,533	-
		72,504	80,206
*Employee benefits expected to be settled after 12 months		12,326	12,144

(a) Movements in dividends provision 2021	Economic Entity Current
Carrying amount 1 July 2020	32,900
Less: dividend paid	(32,900)
Add: dividend declared	26,900
Carrying amount at 30 June 2021	26,900

(b) Movements in other provision 2021	Economic Entity Non current
Carrying amount 1 July 2020	2,218
Additional provisions recognised	2,964
Amount used	(1,225)
Carrying amount at 30 June 2021	3,958

(c) Movements in other non-current provisions 2021	Economic Entity Non current
Carrying amount 1 July 2020	-
Additional provisions recognised	7,494
Amount used	(2,961)
Carrying amount at 30 June 2021	4,533

A. Dividends

Provision is made for any dividend declared, being authorised via the Economic Entity's Statement of Corporate Intent and confirmed by the shareholder, on or before the end of the financial year but not distributed at balance date.

B. Restoration provisions

Restoration and other provisions exist when: the entity has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The total provision as 30 June 2021 is nil.

C. Other provisions

Other provisions compose of three different provisions: provision relates to customer refunds from charges made in error, a provision for a claim related to a water treatment plant project and a provision for developer delivered infrastructure.

At 30 June 2019 a provision of \$0.08m for customer refunds was raised based on historical information and management assessment of probable outcomes. The provision relates to customers that no longer reside at the property for charges that were made in error. All reasonable efforts have been made to refund these amounts and at 30 June 2021 the provision is nil (2020: \$0.04m) as the requirement to recognise a provision no longer exists.

At 30 June 2021 a provision of \$0.15m was raised for a claim on a large variation for costs related to a water treatment plant project. The Economic Entity has a constructive obligation to settle the claim and the amount of the claim is based on a reliable estimate. The provision exists when payment is settled which is expected within three months of the reporting date.

The provision for developer delivered infrastructure exists where the Economic Entity has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision relates to Hunter Water's investment in regional assets to support urban development in key growth assets. The provision exists for amounts which are to be repaid to developers once certain contract criteria are met. The total provision at 30 June 2021 is \$8.3m (2020: \$2.2m).

Note 17. Provisions continued

D. Employee benefits

Short-term obligations

(i) Wages and salaries, annual leave and sick leave

Liabilities for salaries and wages (including non-monetary benefits) and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts of the benefits.

The provision for sick leave represents 50% of the value of untaken leave accrued by wages employees prior to 15 February 1993.

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

Annual leave that is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service is measured at present value in accordance with AASB 119 *Employee Benefits*. Actuarial advice obtained by NSW Treasury has confirmed the use of a nominal approach for the annual leave on annual leave liability. In accordance with NSW Treasury Circular TC21-03 *Accounting for Long Service Leave and Annual Leave* a factor of 8.4% of the nominal value of annual leave has been used to calculate the present value of the annual leave liability. Hunter Water has assessed that there is no material difference in the nominal approach plus the 8.4% factor compared to a discounted rate to determine the net present value of this leave liability. The discount rate used in this assessment was 2.5% (2020: 2.5%).

Other long-term employee benefit obligations

(ii) Long service leave

The liability for long service leave is recognised as an employee benefit and is 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 expected future salary and wage levels, trends of employee departures and periods of service. Non-current expected future payments are discounted using the applicable high quality corporate bond rate.

(iii) Termination benefits

Termination benefits are employee benefits payable as a result of an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.

A liability and expense for redundancy benefits are recognised when there is a demonstrated commitment to provide termination benefits to affected employees. This is usually when specific employees affected by restructures have elected to take redundancy termination benefits as at the reporting date. Earlier recognition via a general provision is only recognised when a detailed formal plan has been approved and communicated to employees and unions.

The liability for redundancy benefits for specific employees that have accepted redundancy is measured at the calculated entitlement that will be paid to those employees. This is usually in the following reporting period and thus is not discounted. For a general provision, an estimate is calculated on the basis of the number of employees expected to accept an offer of redundancy in accordance with the formal detailed plan. The liability is only discounted if termination benefits are to fall due more than 12 months after the reporting date.

(iv) Retirement benefit obligations

Employees within the Economic Entity are members of either defined benefit superannuation funds or defined contribution superannuation funds.

Defined contribution superannuation schemes

The Economic Entity contributes to the defined contribution superannuation schemes. Contributions to these schemes are recognised in the profit or loss as incurred. The liability recognised at the reporting date represents the contributions to be paid in the following month that relate to the period up to reporting date.

Defined benefit superannuation schemes

The defined benefit superannuation funds provide defined lump sum benefits based on years of service and final average salary. The Economic Entity contributes to three defined benefit superannuation schemes in the NSW public sector Pooled Fund. These are: State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and State Authorities Non-Contributory Superannuation Scheme (SANCS).

The Economic Entity's net obligation in respect of these schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods. That benefit is discounted to determine its present value and the fair value of any scheme assets is deducted.

Where the present value of the defined benefit obligation in respect of a scheme exceeds the fair value of the scheme's assets, a liability for the difference is recognised in the Statement of Financial Position. Where the fair value of a scheme's assets exceeds the present value of the scheme's defined benefit obligation, an asset is recognised in the Statement of Financial Position.

Refer to note 23 for more details of Hunter Water's defined benefit superannuation schemes.

Note 18. Deferred tax liabilities

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Stock on hand		1,028	1,055
Accruals		(420)	(327)
Borrowing costs		2,157	3,466
Provisions		(26,972)	(30,707)
Prepayments		252	248
Property, plant and equipment		135,381	127,643
Right-of-use assets		(666)	(332)
		110,759	101,047

Economic Entity	Opening balance at 1 July 2020	Prior year (under)/over provision	To profit or loss	Directly to equity	Closing balance at 30 June 2021
Movements					
Stock on hand	1,055	-	(27)	-	1,028
Accruals	(327)	-	(94)	-	(420)
Borrowing costs	3,466	-	(1,309)	-	2,157
Provisions (including doubtful debts)	(30,707)	-	(255)	3,990	(26,972)
Prepayments	248	-	3	-	252
Property, plant and equipment	127,643	-	1,811	5,926	135,380
Right of use assets	(332)	-	(334)	-	(666)
	101,047	-	(205)	9,917	110,759

Economic Entity	Opening balance at 1 July 2019	Prior year (under)/over provision	To profit or loss	Directly to equity	Closing balance at 30 June 2020
Movements					
Stock on hand	931	-	123	-	1,055
Accruals	(405)	-	79	-	(327)
Borrowing costs	2,258	-	1,208	-	3,466
Provisions (including doubtful debts)	(32,748)	-	(556)	2,598	(30,707)
Prepayments	239	-	9	-	248
Property, plant and equipment	137,995	(1,947)	(432)	(7,974)	127,643
Right of use assets	-	-	(332)	-	(332)
	108,270	(1,947)	99	(5,376)	101,047

The deferred tax liability that is expected to be settled within the next twelve months for the Economic Entity is \$0.2m (2020: \$0.1m deferred tax liability).

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the tax rate enacted at the reporting date adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or the liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. The current tax rate is 30% and this is used to calculate the deferred tax amounts.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity, are similarly recognised in other comprehensive income or directly in equity.

Note 19. Share capital

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
At 1 July: ordinary shares each fully paid		116,539	116,539
Shares fully paid and issued during year		2,657	-
At 30 June: ordinary shares each fully paid		119,196	116,539

Hunter Water Corporation's two shareholders at 30 June 2021 were:

- the Minister for Finance and Small Business
- the Treasurer.

Each shareholder holds their shares non-beneficially on behalf of the NSW Government. The shares entitle the NSW Government to a dividend from Hunter Water Corporation, the amount of which is determined as part of the annual process of negotiating and agreeing the entity's Statement of Corporate Intent with the shareholders. Shares issued and fully paid at 30 June 2021 total 119,196,092 (2020: 116,539,000).

During the reporting period, an additional 2,657,092 shares had been issued by Hunter Water Corporation due to an equity cash contribution from shareholders of \$2,657,092. The shares have been issued and fully paid during the reporting period.

The equity injection relates to the NSW Government's Housing Acceleration Fund 2 scheme.

Note 20. Reserves and retained earnings

	Economic Entity	
	2021 \$'000	2020 \$'000

A. Reserves

Asset revaluation	341,148	327,320
	341,148	327,320

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. Refer to note 10.

Movement in reserves

Asset revaluation		
Balance at beginning of year	327,320	352,451
Asset revaluation increments/(decrements) from revaluations		
System assets	22,511	(32,034)
Buildings	(25)	(9)
Land	-	-
Environmental credits	-	-
Total revaluation increments/(decrements)	22,486	(32,043)
Transfer of reserve on disposal	(2,731)	(1,062)
Total transfers from revaluation reserve	(2,731)	(1,062)
Total revaluation reserve increment/(decrement)	19,755	(33,105)
Tax effect - deferred tax liability on revaluation reserve	(5,926)	7,974
Total tax effect on revaluation reserve	(5,926)	7,974

Closing Balance at 30 June 2021	341,148	327,320
--	----------------	----------------

B. Retained earnings

Retained earnings at 1 July 2020	698,232	672,224
Net profit	40,730	51,784
Transfer from revaluation reserve to retained earnings	2,731	1,062
Net income/(loss) recognised direct in equity	9,311	6,063
Dividends	(26,900)	(32,900)
Retained earnings at 30 June 2021	724,104	698,232

Note 21. Statement of Cash Flows - operating activities

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Reconciliation of profit after income tax to the net cash flows from operating activities:			
Net profit for the year from operations		40,730	51,784
Net superannuation (income)/expense	4	2,328	2,532
Revaluation (increment)/decrement	4	69	44
Depreciation and amortisation	4	74,833	64,314
Amortisation of deferred discounts on loans (non-cash)	4	14,946	15,072
(Profit)/loss on sale of non-current assets		807	1,960
Capital asset (non-cash) contributions	2	(20,675)	(29,887)
Change in operating assets and liabilities:			
(Increase)/decrease in trade debtors		(6,321)	11,015
(Increase)/decrease in inventories		20	(455)
(Increase)/decrease in other operating assets		(927)	37
Increase/(decrease) in trade creditors		180	7,583
Increase/(decrease) in other operating liabilities		331	(1,642)
Increase/(decrease) in provision for income taxes payable		(101)	(4,558)
Increase/(decrease) in net deferred tax liabilities (recognised on the Income Statement)		(205)	(1,848)
(Increase)/decrease in capitalised borrowing costs		(4,714)	(5,831)
Increase/(decrease) in other provisions		(1,183)	(39)
Net cash inflow from operating activities		100,118	110,080

Note 22. Contractual commitments

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Aggregate capital expenditure contracted for at balance date but not recognised as liabilities:			
Payable within one year		44,990	100,294
Payable later than one year but not later than five years		20,897	19,736
Payable later than five years		128	1,167
		66,015	121,197

GST component of total contractual commitments for the Economic Entity at 30 June 2021 totals \$6.0m (2020: \$11.0m).

Note 23. Superannuation

A. Superannuation plan

All employees are entitled to benefits on retirement, disability or death. The defined benefit superannuation schemes are administered by Pillar Administration and provide defined benefits based on years of membership and final average salary. All funds are invested at arm's length through independent fund managers. Employees contribute to the plans at various percentages of their wages and salaries. The Economic Entity also contributes to these schemes.

The Economic Entity contributes to the following defined benefit superannuation schemes which are held in trust within the NSW public sector Pooled Fund. These defined benefit schemes are:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes with at least a component of the final benefit being derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All of these schemes are now closed to new members.

The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *Police Regulation (Superannuation) Act 1906*, *State Authorities Non-Contributory Superannuation Act 1987*, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS)*. The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2018. The next actuarial investigation will be performed at 30 June 2021.

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- Administration of the Fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules.
- Management and investment of the fund assets.
- Compliance with other applicable regulations.

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- Investment risk - the risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- Longevity risk - the risk that pensioners live longer than assumed, increasing future pensions.
- Pension indexation risk - the risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- Salary growth risk - the risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk - the risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

During the year ended 30 June 2021 there were no fund amendments, curtailments or settlements.

Note 23. Superannuation continued

B. Reconciliation of the net defined benefit liability/(asset)

Economic Entity at 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2021	Total \$'000 2020
Net defined benefit liability/(asset) at beginning of the year	22,729	2,807	53,596	79,132	87,236
Current service cost	326	166	137	630	832
Net interest on the net defined benefit liability/(asset)	663	72	1,592	2,328	2,532
Actual return on fund assets less interest income	(2,999)	(223)	(9,417)	(12,638)	858
Actuarial (gains)/losses arising from changes in demographic assumptions	1,712	29	(42)	1,699	-
Actuarial (gains)/losses arising from changes in financial assumptions	(255)	(126)	3,317	2,936	(8,028)
Actuarial (gains)/losses arising from liability experience	(42)	170	(5,426)	(5,297)	(1,491)
Employer contributions	(779)	(745)	-	(1,524)	(2,807)
Net defined benefit liability/(asset) at end of the year	21,357	2,150	43,757	67,264	79,132

C. Reconciliation of the fair value of fund assets

Economic Entity at 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2021	Total \$'000 2020
Fair value of fund assets at beginning of the year	30,400	2,298	96,813	129,511	135,034
Interest income	865	69	2,767	3,701	3,854
Actual return on fund assets less interest income	2,999	223	9,417	12,638	(858)
Employer contributions	779	745	-	1,524	2,807
Contributions by participants	287	-	129	416	517
Benefits paid	(1,872)	(345)	(7,034)	(9,251)	(11,192)
Taxes, premiums and expenses paid	289	(235)	1,035	1,089	(650)
Fair value of fund assets at end of the year	33,746	2,757	103,127	139,629	129,511

D. Reconciliation of the defined benefit obligation

Economic Entity at 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2021	Total \$'000 2020
Present value of defined benefit obligations at beginning of the year	53,129	5,105	150,409	208,643	222,270
Current service cost	326	166	137	630	832
Interest cost	1,528	142	4,359	6,029	6,386
Contributions by participants	287	-	129	416	517
Actuarial (gains)/losses arising from changes in demographic assumptions	1,712	29	(42)	1,699	-
Actuarial (gains)/losses arising from changes in financial assumptions	(255)	(126)	3,317	2,936	(8,028)
Actuarial (gains)/losses arising from liability experience	(42)	170	(5,426)	(5,297)	(1,491)
Benefits paid	(1,872)	(345)	(7,034)	(9,251)	(11,192)
Taxes, premiums and expenses paid	289	(235)	1,035	1,089	(650)
Present value of defined benefit obligations at end of the year	55,103	4,907	146,884	206,894	208,643

E. Reconciliation of the effect of the asset ceiling

Economic Entity at 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Interest on the effect of asset ceiling	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

Note 23. Superannuation continued

F. Fair Value of fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

Asset category	Total (A\$'000)	Level 1 (A\$'000)	Level 2 (A\$'000)	Level 3 (A\$'000)
Short term securities	5,108	2,399	2,710	-
Australian fixed interest	904	-	904	-
International fixed interest	1,755	45	1,710	-
Australian equities	8,311	8,308	2	-
International equities	13,890	13,885	5	-
Property	3,288	627	-	2,661
Alternatives	8,530	1	2,710	5,819
	41,785	25,264	8,041	8,480

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash notes government, semi-government and corporate bonds unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property unlisted shares unlisted infrastructure distressed debt hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

The percentage invested in each asset class at the reporting date is:

As at	30 June 2021
Short term securities	12.2%
Australian fixed interest	2.2%
International fixed interest	4.2%
Australian equities	19.9%
International equities	33.2%
Property	7.9%
Alternatives	20.4%
	100.0%

G. Fair value of fund assets

All fund assets are invested by SAS Trustee Corporation at arm's length through independent fund managers.

The disclosures below relate to total assets of the Pooled Fund.

The fair value of the Pooled Fund assets as at 30 June 2021 include \$41.4m (2020: \$36.9m) in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$328m (30 June 2020: \$340m).

Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$443m (30 June 2020: \$343m).

Note 23. Superannuation continued

H. Significant actuarial assumptions at the reporting date

As at	30 June 2021
Discount rate	2.98%
Salary increase rate (excluding promotional increases)	2.74% pa 21/22 to 25/26; 3.2% pa thereafter
Rate of CPI increase	1.50% for 20/21; 1.75% for 21/22 and 22/23; 2.25% for 23/24, 24/25 and 25/26; 2.50% for 26/27; 2.75% for 27/28, 3.00% for 28/29; 2.75% for 29/30; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are those to be used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report when available from the trustee's website. The report will show the pension mortality rates for each age.

Sensitivity analysis

The entity's total defined benefit obligation as at 30 June 2021 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2021.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	as above	as above -0.5% pa	as above +0.5% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	206,894	220,074	194,914

	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	206,894	219,125	195,673

	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation (A\$'000)	206,894	207,955	205,866

	Base Case	Scenario G lower mortality ¹	Scenario H higher mortality ²
Defined benefit obligation (A\$'000)	206,894	209,109	204,706

¹ Assumes the short term pensioner mortality improvement factors for years 2021-2026 also apply for years after 2026.

² Assumes the long term pensioner mortality improvement factors for years post 2026 also apply for the years 2021 to 2026.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

Note 23. Superannuation continued

I. Funding arrangements

Employer contributions to the defined benefit section of the plan are based on the recommendations of the plan's actuary. The last triennial update used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken at 30 June 2018.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding Method. The method adopted affects the timing of the cost to the employer. Under the aggregate funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payment to existing members, taking into account the current value of assets and future contributions.

The economic assumptions used by the actuary to make the funding recommendation were:

- Expected rate of return on fund assets backing current pension liabilities of 6.5% pa (2020: 7.0% pa)
- Expected rate of return on fund assets backing other liabilities of 5.7% pa (2020: 6.0% pa)
- Expected salary increase rate of 2.74% pa 21/22 to 25/26; 3.2% pa thereafter (2020: 3.2% pa)
- Expected rate of CPI Increase of 2.0% pa (2020: 2.0% pa)

Expected contributions

	SASS \$'000	SANCS \$'000	SSS \$'000
Expected employer contributions for the Economic Entity	779	745	-

Contribution rates are set after discussions between the employer, SAS Trustee Corporation and NSW Treasury.

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation for the Economic Entity is 12.5 years (2020: 12.6 years).

In accordance with AASB 1056 *Superannuation Entities*, the plan's net financial position is determined as the difference between the present value of the accrued benefits and the market value of plan assets. This has been determined as at 30 June 2021 and a surplus of \$0.1m (2020: \$6.8m deficit) was reported for the Economic Entity.

Economic Entity	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
2021				
Accrued benefits	40,949	4,012	94,618	139,579
Net market value of fund assets	(33,746)	(2,757)	(103,127)	(139,629)
Net (surplus)/deficit	7,203	1,255	(8,509)	(51)
2020				
Accrued benefits	38,922	4,032	93,311	136,265
Net market value of fund assets	(30,400)	(2,298)	(96,813)	(129,511)
Net (surplus)/deficit	8,522	1,734	(3,502)	6,754

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

Note 23. Superannuation continued

J. Profit or loss and other comprehensive income impact

Economic Entity Profit or loss impact	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2021	Total \$'000 2020
Current service cost	326	166	137	630	832
Net interest	663	72	1,592	2,328	2,532
Past service cost	-	-	-	-	-
(Gains)/loss on settlement	-	-	-	-	-
Profit or loss component of the defined benefit cost	990	239	1,729	2,957	3,364

Other comprehensive income	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2021	Total \$'000 2020
Actuarial (gains) losses on liabilities	1,415	73	(2,151)	(662)	(9,519)
Actual return on fund assets less interest income	(2,999)	(223)	(9,417)	(12,638)	858
Change in the effect of asset ceiling	-	-	-	-	-
Total remeasurement in other comprehensive income	(1,583)	(150)	(11,568)	(13,301)	(8,661)

Note 24. Consultancies

The total amount paid or payable to consultants engaged by Hunter Water during the reporting period was \$4.2m (2020: \$4.3m).

Note 25. Contingent liabilities

The Economic Entity does not have any contingent liabilities at balance date (2020: \$0.0m).

No significant claims for damages are being negotiated at 30 June 2021 (2020: nil). This does not include matters covered by insurance.

Note 26. Auditors' remuneration

	Notes	Economic Entity	
		2021 \$'000	2020 \$'000
Audit Office of New South Wales			
Audit of current year financial statements		317	261
Other audit fees*		-	18
		317	279

* Additional audit fees were incurred for the 2019-20 audit as a result of additional audit scope required by NSW Treasury and the Audit Office of NSW. Prior year comparisons have been adjusted.

Note 27. Related party disclosures

Transactions between related parties are conducted using commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

A. The following related party transactions occurred during the financial year

Entity	Economic Entity	
	2021 \$'000	2020 \$'000
Purchases		
Services received		
- Peoplefusion Pty Ltd	1,216	1,219
- Learning Emergence/JEARNI	-	150
- Department of Planning, Industry & Environment (DPIE)*	-	1,473
- Ampcontrol Pty Ltd	50	57
Goods received		
- Ampcontrol Pty Ltd	13	56
Outstanding balances with related parties		
Payables		
- Peoplefusion Pty Ltd	-	70
- Department of Planning, Industry & Environment (DPIE)*	-	100

*Transactions with the (DPIE) corresponds with the secondment of Dr Jim Bentley to DPIE during the financial year. All services provided to Hunter Water by DPIE were under normal commercial terms and conditions. Dr Bentley ceased employment with Hunter Water in February 2020 and DPIE at that time ceased to be a related party.

The Economic Entity also transacted with NSW Treasury Corporation under normal commercial terms.

Transactions with related parties of Directors and Senior Management were made under normal commercial terms and conditions no more favourable than those available to other parties and in accordance with the principles of good governance.

B. Key management personnel

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

Compensation is shown in C. for the Directors and the senior executive managers only. The NSW Legislature pays the Ministers their compensation and this is not reimbursable from the Corporation.

C. Key management personnel compensation

	Economic Entity	
	2021 \$'000	2020 \$'000
Short term employee benefits	2,809	2,606
Termination payments	317	-
Long term employee benefits	53	20
Post employment benefits	307	249
	3,486	2,875

During the year Hunter Water did not incur any costs in key management personnel services paid to an external service provider in addition to amounts disclosed above (2020: \$0.24m).

Note 28. Segment information

The Economic Entity operates in the water industry as one business segment in the provision of water and water-related services to its customers in Australia. It operates predominantly in the one geographical segment of NSW in Australia.

Note 29. Financial instruments

The Economic Entity is exposed to different types of risk as a result of the financial instruments (financial assets and liabilities) that it holds. These risks are managed through Board approved policies and procedures (as outlined below), review of monthly reports from NSW Treasury Corporation (NSW TCorp), regular internal audits, setting of benchmarks to facilitate performance evaluation and other internal reporting and control mechanisms.

Price risk is the potential for the decline in the price of an asset or security relative to the rest of the market. Exposure to other price risk primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than operational purposes. The Economic Entity did not hold any investments with NSW TCorp Investment Facilities during the financial year.

Cash investments are held by Hunter Water at fair value - refer to Note 13 for details on fair value approaches and the fair value hierarchy. All borrowings are held at fair value - refer to Note 17 for details.

Financial instrument categories:

Financial assets	Note	Category
Cash and cash equivalents	7	Financial assets
Trade and other receivables	8	Loans and receivables at amortised cost
Financial liabilities	Note	Category
Borrowings and lease liabilities	16	Financial liabilities measured at amortised cost
Trade and other payables	14	Financial liabilities measured at amortised cost

Treasury operations are not one of the core functions of the Economic Entity and due to the high level of expertise required to effectively manage financial liabilities the Economic Entity is provided assistance with treasury management functions via an external specialist (currently NSW TCorp). NSW TCorp act as an advisor to the Economic Entity and provide assistance in the management of the Economic Entity's debt portfolio.

An analysis of the various risks is outlined below:

A. Market risk

(i) Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities. The Economic Entity's debt portfolio is all held at fixed interest rates, with the exception of a small amount of CPI linked debt. The \$50m overdraft facility held with NSW TCorp has a floating rate.

The weighted average interest rates are shown below:

Economic Entity 2021	Weighted average effective interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non interest bearing \$'000	Total \$'000
Financial assets					
Cash and cash equivalents	0.01%	8,902	-	1	8,903
Trade and other receivables	4.10%	-	14,859	26,408	41,267
Other financial assets	n/a	-	-	-	-
		8,902	14,859	26,409	50,170
Financial liabilities					
Borrowings	1.60%	13,611	1,541,012	-	1,554,623
Lease liabilities	4.16%	-	35,172	-	35,172
Trade and other payables	n/a	-	-	86,839	86,839
		13,611	1,576,184	86,839	1,676,634

The weighted average effective interest rate is based on the coupon rate (interest paid). The weighted average yield at 30 June 2021 was 2.80%. Both rates do not include the Government Guarantee Fee.

Note 29. Financial instruments continued

The comparative information with regard to the 2020 year is as follows:

Economic Entity 2020	Weighted average effective interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non interest bearing \$'000	Total \$'000
Financial assets					
Cash and cash equivalents	0.24%	5,801	-	8	5,809
Trade and other receivables	4.25%	-	10,207	23,512	33,718
		5,801	10,207	23,520	39,527
Financial liabilities					
Borrowings	1.83%	9,000	1,408,497	-	1,417,497
Lease liabilities	4.10%	-	37,033	-	37,033
Trade and other payables	n/a	-	-	98,942	98,942
		9,000	1,445,530	98,942	1,553,472

Sensitivity analysis

The table below shows the effect on profit and equity after tax if interest rates at balance date had been 100 basis points higher or lower than current levels, with all other variables held constant.

Economic Entity	Increase/(decrease) to post-tax profit		Increase/(decrease) to equity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash and Cash Equivalents				
If Interest rates are 100 basis points higher	46	51	46	51
If Interest rates are 100 basis points lower	(46)	(51)	(46)	(51)
Borrowings				
If Interest rates are 100 basis points higher	(521)	(886)	(521)	(886)
If Interest rates are 100 basis points lower	521	886	521	886

B. Liquidity risk

Effective liquidity risk management involves ensuring that the Economic Entity has sufficient funds and cash flows to meet its obligations and commitments at any point in time. The Economic Entity's liquidity is controlled through the preparation of detailed cash flows that incorporate future projections for a period of at least 10 years.

As part of its neutral benchmark debt portfolios the Economic Entity has also established the specific target for when total debt exceeds more than \$50m (2020: \$50m), that no more than 25% of the total face value debt (based on the portfolio in the year of maturity) is to mature in any 12 month period.

When preparing the Statement of Corporate Intent, the Economic Entity must also submit to Directors for endorsement the proposed financial accommodation that will be required for the coming years. If required a formal request is then submitted to NSW Treasury for accommodation increases which are then approved by the Treasurer of NSW.

In order to further manage liquidity risk, the Economic Entity has a \$50m (2020: \$30m) overdraft facility with NSW TCorp which is used to meet short-term cash flow requirements as deemed by management. Any surplus funds are invested in an at call deposit ("11am") account, also held with NSW TCorp.

While current liabilities exceed current assets at 30 June 2021 the Economic Entity continues to trade as a going concern. The Economic Entity has sufficient funds to meet its obligations until 30 June 2022.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. Management have assessed the Economic Entity's exposure to liquidity risk as insignificant based on prior period data and current assessment of risk.

Thus, the Economic Entity's financial statements have been prepared on a going concern basis.

Liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular TC 11-12: *Payment of Accounts*. TC 11-12 specifies that supplier payments are to be made within 30 days unless an alternative period is provided.

Note 29. Financial instruments continued

The following are the contractual maturities of financial liabilities, including interest payments:

Economic Entity 2021	Carrying amount \$'000	Total contractual cash flows \$'000	Maturity dates			
			Within 1 Year \$'000	Within 1-2 Years \$'000	Within 2-5 Years \$'000	Over 5 Years \$'000
Trade and other payables	86,839	86,839	86,839	-	-	-
Borrowings	1,554,623	1,703,352	293,818	290,917	649,457	469,160
Lease liabilities	35,172	45,704	4,517	3,933	12,594	24,659
	1,676,634	1,835,895	385,174	294,850	662,052	493,819

Economic Entity 2020						
Trade and other payables	98,942	98,942	98,942	-	-	-
Borrowings	1,417,497	1,586,504	191,817	262,927	668,915	462,845
Lease liabilities	37,033	48,933	4,466	4,045	12,412	28,011
	1,553,472	1,734,379	295,225	266,972	681,327	490,856

C. Credit risk

Credit risk refers to the risk that indebted counter-parties will default on their contractual obligations, resulting in financial loss to the Economic Entity. Exposures to credit risk exist in respect of financial assets such as trade and other receivables, cash and cash equivalents and investments in marketable securities.

In respect of trade and other receivables, the Economic Entity monitors balances outstanding on an ongoing basis and has policies in place for the recovery and write-off of amounts outstanding. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position. All long term investments are held as Government bonds with any of the appropriately rated (A+ or better) State Governments, and any short-term investments are held in a NSWTC (NSW TCorp) at call deposit account or bank term deposit. The Economic Entity limits its exposure to credit risk by only investing cash and cash equivalents in liquid securities with reputable financial organisations, namely NSW TCorp and other financial institutions. The Economic Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into.

The only financial assets that are past due or impaired are sales receivables of the Statement of Financial Position.

	Economic Entity		
	Total ¹ \$'000	Past due but not impaired ¹ \$'000	Considered impaired \$'000
30- 90 days overdue	10,820	10,820	-
> 90 days overdue	4,039	3,857	182

¹ The ageing analysis excludes statutory receivables and prepayments, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the total will not reconcile to the receivables total recognised in the Statement of Financial Position.

Note 30. Events occurring after balance date

In July 2021, the NSW Government following NSW Health advice implemented COVID safe measures including restrictions across the state in response to heightened public exposure to COVID-19 and the emergence of the delta strain. These restrictions specifically applied to the Hunter region and Hunter Water's area of operations. Operations have been impacted by these NSW Government COVID safe measures to ensure the ongoing health and safety of employees, customers and the community. Operational changes include working from home, implementation of face masks when at Hunter Water work places, capacity limits in work areas and in Hunter Water vehicles, use of QR codes when at Hunter Water places of work, increased cleaning and physical distancing and closing of face-to-face counter services for customers plus others.

The financial impact of COVID-19 to Hunter Water has not been material to date. All financial reporting has incorporated an assessment of COVID-19 risk as part of the preparation and disclosures of the financial statements and notes to 30 June 2021. It is uncertain what the medium to long term impact of the pandemic will have on the business. Hunter Water will continue to align our response to the COVID-19 pandemic with the NSW Government and liaise broadly across the utility sector and with our key stakeholders to understand the potential business impacts through this exceptional and uncertain time. Hunter Water is committed to aligning with all public health orders and NSW Government directions to ensure the ongoing safety of employees, customers and the community.

All financial impacts resulting from the COVID-19 pandemic will continued to be disclosed in financial statements.

No matters or circumstances other than those noted above have arisen since the end of the financial year which significantly affected or may affect the operations of the Economic Entity, the results of those operations, or the state of affairs of the Economic Entity in future financial years.

End of audited Financial Statements

Statement by the accountable authority

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the *Government Sector Finance Regulation 2018* and the Treasurer's directions,
- present fairly Hunter Water Corporation's financial position, financial performance and cash flows, and
- there are reasonable grounds to believe that Hunter Water Corporation will be able to pay its debts as and when they become due and payable.

We are not aware of any circumstances, which would render any particulars included in these statements to be misleading or inaccurate.



Greg Martin
Chair



Darren Cleary
Managing Director

Newcastle
26 August 2021

CUSTOMER AND SERVICE PERFORMANCE

Customer and Community Advisory Group

Hunter Water's Customer and Community Advisory Group (CCAG) is an advisory forum comprising of community representatives who provide advice on customer and community interests. It enables two-way, open communication between Hunter Water and local councils, customer representatives, and environmental and community organisations.

In 2020-21 the CCAG considered a range of issues. A summary of key matters addressed at the quarterly meetings follows.

Hunter Water strategic direction

At each meeting as part of the Managing Director's report, Hunter Water updated CCAG members on corporate performance, including against the 2017+3 and Towards 2024 strategies, and quarterly Corporate Scorecard results. Performance against the National Performance Report indicators was also considered and reported.

Drought

At each meeting Hunter Water provided an update on current water storage levels, and drought impacts, both within its area of operations and across the broader region. This included discussion about the integrated Love Water water conservation campaign, Water Restrictions (Level 1, Level 2 and Smart Water Choices), support for business and residential customers to reduce water usage, the role of Community Water Officers, the drought tankering program with local councils, and providing water donations to the broader Hunter community.

Lower Hunter Water Security Plan

At each meeting the group received a presentation on the Lower Hunter Water Security Plan, including customer and community engagement processes and results, and phased investigations. This included discussions on community engagement across the development of the plan. Questions from members guided the development of presentations to ensure thorough responses.

Recycled water

Members nominated the topic of recycled water for discussion. Hunter Water led a discussion on recycled water opportunities, including purified recycled water. Members provided guidance and advice on recycled water in their respective communities, including partnership opportunities with local authorities and other water users.

Hunter Water's levels of service

Prior to the August 2020 CCAG meeting, members were requested to complete a Service Levels Survey, regarding community perception and expectations of the service levels provided by Hunter Water. The survey, undertaken as part of a broader statistically representative survey of Hunter Water customers, was designed to understand customer expectations on value for money. The results of the research are being used to inform the review of Hunter Water's Operating Licence, routine pricing reviews, and regulatory framework.

Hunter River Estuary Wastewater Masterplan

Hunter Water is developing a Hunter River Estuary Wastewater Masterplan to inform how we manage our five treatment plants that release wastewater into the Hunter River Estuary over the next 30 years.

Hunter Water wants to understand how its investment in these plants can help deliver on the aspirations for our region shared by the community and multiple government agencies.

Biosolids management and renewable energy

Hunter Water led a discussion with CCAG members on biosolids and renewable energy generation. This included a presentation introducing biosolids, explaining their value as a natural resource, and the opportunities to deliver improved environmental, social and economic outcomes, including to improve crop production, soil health and reduce erosion.

Customer hardship support

Due to COVID-19 social distancing, CCAG meetings were held virtually. The group participated in a discussion about the impacts of COVID-19 on Hunter Water customers, including efforts underway to support customers experiencing adversity as a result of the pandemic.

Membership and attendance

Representative	Organisation	Attendance at meetings held	
		A	B
Cr Paul Le Mottee	Port Stephens Council (Chair)	2	3
Cr Brian Adamthwaite	Lake Macquarie City Council	2	3
Cr Robert Aitchison	Maitland City Council	3	3
Mr David Beins		3	3
Ms Ange Bevan	Hunter Commercial Services	0	3
Ms Linda Bowden	Save the Williams River Coalition	2	3
Ms Sally Corbett	Alt representative for Save the Williams River Co-alition	1	
Ms Thea Bray	Public Interest Advocacy Centre	0	3
Ms Kerindy Clarke		1	3
Mayor John Connors	Dungog Shire Council	3	3
Ms Camilla Cowley	Hunter Local Land Services	0	3
Cr Melanie Dagg	Cessnock City Council	2	3
Ms Amy de Lore	Hunter Business Chamber	1	3
Cr Jason Dunn	City of Newcastle	0	3
Dr Troy Gaston	University of Newcastle	2	3
Ms Sue Hirsch	Medowie Progress Association	0	3
Ms Suzanne Johns	National Seniors Association - Newcastle Branch	1	3
Mr William Lennox	Maitland Masonic Centre	3	3
Ms Jean McGarry	LM Sustainable Neighbourhood Alliance	3	3
Mr Joseph Popov	Community Disability Alliance Hunter	3	3
Mr Leroy Wilkinson		3	3

A = Number of meetings attended.

B = Number of meetings (including extraordinary meetings) held during the time the member was part of the committee.

Customer base

Customer	Number of properties 2020-21	Income raised 2020-21 \$m actual
Residential	195,310	219.6
Multi residential ¹	51,083	45.2
Commercial	10,409	29.1
Industrial	1,302	9.7
Bulk supply	2	4.0
Other ²	468	14.2
Total	258,574	\$321.8

¹ Includes total number of individual flats.

² Includes some Hunter Water properties from which no revenue is raised.

Consumer response

The ongoing analysis of complaints is a key component of our corporate Voice of Customer program, which is focused on understanding and utilising information about the expectations, preferences and pain points of our customers and acting to improve overall customer experience and community outcomes. We undertake regular working group sessions using customer complaint information to prioritise customer journey map development, refine customer communication and education, and feed into longer term customer and community strategy development.

In 2020-21, there was a 39% decrease in total water and sewerage complaints compared to 2019-20.

Billing and account complaints decreased by 56% in 2020-21, driven by fewer meter reading complaints. This improvement has largely been driven by improved billing accuracy through advanced meter reading software that incorporates the use of photos to confirm higher or lower than normal meter readings. In addition to this, our new billing system which was implemented in November 2020 has enabled more proactive bill validation to occur, leading to more accurate billing outcomes.

Water quality complaints decreased by 35% in 2020-21 due to ceasing the operation of Tomago Borefields in early 2020 (when drought restrictions eased), lessening the concentration of manganese in the water network which typically leads to 'dirty water' complaints. Other water service complaints decreased by 33% in 2020-21, due to less unplanned outages and easing drought conditions. Overall sewer service complaints decreased by 26% in 2020-21, with sewer odour complaints decreasing by 25% largely stemming from increased rainfall events throughout the year. This is because increased rainfall results in lower detention times and higher flows flushing out biofilms within the wastewater network.

We have continued to focus on improving customer complaint responsiveness and closing longer-term outstanding complaints more efficiently. This has been driven by new systems, business processes and a live complaint dashboard for complaint management. Across 2020-21, on average 94% of complaints were resolved within 10 working days.

External complaints

Hunter Water supports the operation of the Energy and Water Ombudsman of NSW (EWON) which is an independent complaint resolution organisation. It provides customers with access to an external dispute resolution body offering an independent review of complaints if customers require this option. One hundred percent of cases referred by EWON were provided with a prompt response within two business days across 2020-21. Across the last 12 months, Hunter Water and EWON have undertaken regular engagement sessions via monthly round table sessions, as a way to build knowledge, understand insights and collaborate more effectively to achieve better customer outcomes. As a result, escalated complaints referred to the Ombudsman have decreased by 8% in 2020-21, compared to last year.

We make it easy for customers to make a complaint via Hunter Water or EWON, and publish information on the process at our website.

Commitment tracker

At times, complaints cannot always be resolved within a short timeframe and require delivery of long-term capital project works. These capital project works aim to enhance water and wastewater network system performance and provide overall improvement to services for our customers. To ensure continued focus in this space, these projects are tracked via our customer commitment tracker, with progress regularly reported to our Customer Case and Service Level Committee and escalated to the Executive Management Team as required. A project dedicated to reducing repeat customer impacts (i.e. hotspots) is underway to look at short term and long terms options, and is a key strategic initiative under Towards 2024.

Total number of complaints

Total number of complaints (excluding EWON)

	2020-21	2019-20	2018-19	2017-18	2016-17
Total water and sewer complaints	547	900	966	872	764
Per 1,000 properties	2.1	3.5	3.5	3.5	3.2

Main features of complaints by category

	2020-21	2019-20	2018-19	2017-18	2016-17
Water quality	133	204	175	169	221
Per 1,000 properties	0.51	0.8	0.7	0.7	0.9
Water services	28	42	46 ¹	28 ¹	29 ¹
Per 1,000 properties	0.11	0.16	0.18 ¹	0.11 ¹	0.12 ¹
Sewer services	231	313	311	300	247
Per 1,000 properties	0.92	1.3	1.3	1.2	1.0
Drainage	2	2	0	0	1
Per 1,000 properties	0.08	0.03	0.00	0.00	0.00
Billing	149	341	447	382	291
Per 1,000 properties	0.57	1.3	1.8	1.6	1.2

¹An interpretation error was made previously. Figures have been rectified, endorsed and updated by BOM/IPART.

EWON complaints

	2020-21	2019-20	2018-19	2017-18	2016-17
EWON	69	75	90	100	103

¹ Hunter Water reports on water supply and water consumption information for the period 20 April to 19 April. This time frame allows a more accurate estimate of customer water use which relies on the four monthly cycle of billing meter reads.

Rainfall received (millimetres) - 12 months ending 19 April for each year¹

Year	Newcastle	Grahamstown	Chichester
2020-21	1,411	1,859	1,700
2019-20	830	878	859
2018-19	856	977	991
2017-18	750	826	955
2016-17	1,037	982	1,239
Long term average	1,118	1,121	1,301
Years of record	156	54	94

¹ Hunter Water reports on water supply and water consumption information for the period 20 April to 19 April. This time frame allows a more accurate estimate of customer water use which relies on the four monthly cycle of billing meter reads.

Water supplied (megalitres) - 12 months ending 19 April for each year¹

Source	2021	2020	2019	2018	2017	2016
Chichester	23,753	17,769	24,847	21,843	23,026	19,606
Tomago	5,150	19,179 ⁴	1,235	1,269	1,255	5,993
Grahamstown	32,954	26,335	44,711	46,758	43,057	39,837
Total major sources	61,858	63,284	70,793	69,869	67,337	65,437
Anna Bay ²	1,004	674	1,279	1,786	1,931	2,195
Lemon Tree Passage	745	738	787	867	834	828
Total³	63,607	64,696	72,859	72,522	70,102	68,460

¹ Hunter Water reports on water supply and water consumption information for the period 20 April to 19 April. This time frame allows a more accurate estimate of customer water use which relies on the four monthly cycle of billing meter reads.

² Above figures for Anna Bay include water supplied from the Glovers Hill and Anna Bay Water Treatment Plants.

³ Total includes losses from Dungog Water Treatment Plant and process water used at Grahamstown Water Treatment Plant.

⁴ Tomago Borefield was placed online 04/06/19 and was operational for drinking water until 30/07/20 as a drought response measure.

Water consumption (megalitres) - 12 months ending 19 April for each year¹

Source	2021		2020		2019		2018		2017	
	ML	(%)	ML	(%)	ML	(%)	ML	(%)	ML	(%)
Domestic	37,268	58%	38,209	58%	41,273	56%	42,737	58%	39,834	57%
Non-domestic	14,595	23%	17,143	26%	17,875	24%	19,374	26%	19,062	27%
Bulk supply	3,869	6%	1,782	3%	3,663	5%	516	1%	487	1%
Total consumption	55,732	87%	57,134	86%	62,811	86%	62,627	86%	59,383	84%
Authorised (HWC own use)	1,732	3%	2,021	3%	2,264	3%	2,051	3%	1,924	3%
Apparent losses	1,117	2%	1,192	2%	1,277	2%	1,340	2%	1,272	2%
Real losses	5,600	9%	6,037	9%	6,751	9%	7,177	10%	7,917	11%
Gross non-revenue generating	8,449	13%	9,250	14%	10,291	14%	10,569	14%	11,113	16%
Total supply²	64,181		66,384		73,102		73,196		70,496	

¹ Hunter Water reports on water supply and water consumption information for the period 20 April to 19 April. This time frame allows a more accurate estimate of customer water use which relies on the four monthly cycle of billing meter reads.

² Includes water received from a bulk supplier: 393ML in 2017, 675ML in 2018, 195ML in 2019, 1,637ML in 2020 and 531ML in 2021.

Water system incidents

Incident/solution	2020-21	2019-20	2018-19	2017-18	2016-17
Poor pressure	65	73	140	123	66
Pump problem	11	6	4	7	4
Seepage	489	336	202	132	198
Main flush	1,177	1,944	1,516	1,846	2,211
Main repair	1,049	1,461	1,383	1,522	1,248
Hydrant defect	1,358	1,551	1,168	1,066	1,038
Valve defect	295	387	309	269	230
Repair pathcock/maincock	4,114	4,460	3,772	3,179	3,080
Meter defect	618	759	686	544	651
Service defect repaired by Hunter Water	2,724	3,232	2,654	2,517	2,367
Service defect repaired by private plumber	826	1,028	716	705	746
Complaint unconfirmed	521	562	399	397	398
Other	1,071	1,511	1,404	1,366	1,439
Tap rewashers	8	42	27	27	30
Trunkmain repairs	86	207	847	1,325	2,463
Total	14,412	17,559	14,547	15,031	16,370

Water transport system reliability

	2020-21	2019-20	2018-19	2017-18	2016-17
Main breaks per 100kms main - trunkmains included in length of mains	20.2	28.3	27.0	30.0	24.8
Discoloured water complaints per 1,000 properties connected (tenancy)	3.0	3.5	2.1	3.5	3.8

Wastewater system incidents

Incident/solution	2020-21	2019-20	2018-19	2017-18	2016-17
Choke cleared - main	1,625	2,110	2,212	2,464	2,374
Choke cleared - branch	1,999	2,370	2,424	2,315	2,129
Private plumber's job ¹	432	421	393	424	449
House drains cleared	5	14	8	4	6
Storm overflow	665	218	124	224	60
Gravity sewer break	53	50	67	51	56
Rising main break	37	38	28	32	30
Pump station malfunction	0	3	5	3	3
Vacuum sewer jobs	100	85	65	8	40
Pump effluent line	24	15	11	10	5
No work required	126	109	137	109	128
Complaint unconfirmed	320	312	266	278	281
Charge job ²	0	0	0	1	0
Other	61	634	637	578	609
Total	6,067	6,379	6,377	6,501	6,170

¹ Problem in customer's private drains or fittings.

² Completed by Hunter Water and customer billed.

Wastewater transport system reliability 2020-21

	Number of main breaks and chokes	Length of sewer main (km)	Ratio of main breaks/chokes per 100kms of main
Total	1,806	5,184	33.6
	Number of property breaks and chokes	Number of wastewater properties	Ratio of property breaks/chokes per 1,000 properties
Total	2,062	265,245	7.8

EMPLOYEES

Workforce profile

	2021	2020	2019	2018	2017	2016
Males	317	323	309	316	325	322
Females	168	167	158	143	141	134
Total	485	490	467	459	466	456
Permanent	399	400	403	394	406	393
Temporary	32	32	8	8	5	9
Part-time	54	58	56	57	55	54
Total	485	490	467	459	466	456
Redundancies	6	3	7	4	2	13
Recruitment	41	60	53	34	46	39
Unplanned absences (%)	2.8	3.45	3.48	2.80	3.20	3.10

Permanent: full time employees who are either ongoing or are fixed term for a period of more than three years.

Temporary: fixed term employees whose contract length is less than five years and apprentices/trainees.

Part-time: employees who work less than full time hours. Employees may be ongoing or fixed term.

Human resources policies and practices

Category	Policies and standards
Attraction and recruitment	Recruitment and Selection Standard Recruitment, Selection and Appointment Policy Remuneration and Salary Band Review Standard Remuneration Policy
Training and development	Education Assistance Standard Learning and Development Policy Learning and Development Standard Support for Professional Memberships and Continuing Professional Development Young Professionals Standard
Performance and reward	Annual Incentive Standard Performance Management Standard Performance Management, Misconduct and Discipline Standard Remuneration and Salary Band Review Standard Remuneration Policy Senior Management Benefits Policy
General employment conditions	Breastfeeding in the Workplace Community Service Leave Standard Domestic and Family Violence Leave and Support Standard Dress Code Standard Employee Identification Card Standard Employee Records Standard Flexible Working Arrangements Standard Keeping in touch with the Primary Carer Leave Standard Parental Leave Standard
Ethics and behaviour	Bullying & Harassment Prevention Standard Bullying & Harassment Prevention Policy Code of Conduct Code of Conduct Standard Complaints and Allegations Fact Sheet Complaints and Allegations Policy Complaints and Allegations Standard Diversity and Inclusion Policy Diversity and Inclusion Standard Equal Employment Opportunity Standard Fair and Just Approach Grievance Resolution Policy Grievance Resolution Standard Indigenous Cultural Protocols Misconduct and Discipline Standard Performance Management, Misconduct and Discipline Standard Social Media Standard

Multicultural Policies and Services Program (previously EAPS)

We strive to cater for the needs of all employees, customers and stakeholders, including those from culturally and linguistically diverse (CALD) backgrounds, to ensure there is genuine equality of access to our corporate services. Providing opportunities and supporting our CALD employees and community members is an important component of our Inclusion and Diversity Strategy, which will continue into 2021-22. We rely on these diverse perspectives to drive innovation and collaboration, to deliver the best outcomes for our customers and communities. We strongly encourage those from CALD backgrounds to apply for job vacancies at Hunter Water and support current CALD employees in development and progression opportunities.

We have established a Cultural and Linguistic Diversity Working Group which is responsible for driving initiatives to support staff and community members from different backgrounds. The group created a video for Harmony Week with staff from various backgrounds discussing their native culture and heritage. Harmony Week is an important event at Hunter Water and something that is celebrated each year. It has been a positive initiative to highlight diversity by promoting understanding and tolerance of those from different backgrounds. At Hunter Water we firmly believe in Harmony Day's message 'Everyone belongs'.

We also include information about significant events or days of different countries and cultures in our regular staff communications. The purpose is to raise awareness and understanding of the diversity we have within our community and workforce, and to promote cultural safety.

For our customers from culturally and linguistically diverse backgrounds, we continue to work with Northern Settlement Services which assists migrants and refugees in their settlement into Australian life. We assist approximately 100 customers per year through these services which include:

- Payment Assistance credit - this financial assistance allows them to set up smaller more regular payments to avoid the stress of having to pay a large lump sum at once
- affordable arrangements
- interest holds
- educational sessions and information on water savings
- translation services - available for customers from non-English speaking backgrounds through our customer centre.

Additionally, we work with the Multicultural Neighbourhood Centre to support customers and are part of the working group for the coordination and delivery of the annual Multicultural Neighbourhood Centre Services Expo.

Trends in the representation of Equal Employment Opportunity (EEO) groups^{1,2}

EEO target groups	Benchmark /target	% of total					
		2021	2020	2019	2018	2017	2016
Women	50.0%	34.4	34.4	34.1	29.3	28.0	29.0
Aboriginal people and Torres Strait Islanders	2.7%	2.4	2.4	2.1	1.7	1.1	0.6
People whose first language was not English	10.0%	6.4	6.4	5.1	4.5	4.3	4.6
People with a disability	N/A	2.4	2.4	2.1	1.7	2.2	5.0
People with a disability requiring work-related adjustment	N/A	1.2	1.2	1.5	1.3	1.9	4.1

¹ Employee numbers are as at 30 June 2021.

² Excludes casual employees.

Note: The significant variation in participation of people with a disability and people with a disability requiring adjustment from 2016 to 2017 is due to an audit and review of employee data. The review included a move to employees self identifying.

Data from employees with a physical disability, Aboriginality and people whose first language was not English, is collected on a voluntary basis. Employees can elect to withdraw this information from their employment profile.

Trends in the distribution of EEO groups^{1,2,3}

Distribution Index

EEO target groups	Benchmark /target	% of total					
		2021	2020	2019	2018	2017	2016
Women	100	92	92	89	91	91	89
Aboriginal people and Torres Strait Islanders	100	76	76	74	72	66	N/A
People whose first language was not English	100	111	111	109	101	103	101
People with a disability	100	97	91	97	90	85	95
People with a disability requiring work-related adjustment	100	95	83	90	82	84	93

¹ Employee numbers are as at 30 June 2021.

² Excludes casual employees.

³ The calculations are based on average salaries for the equity groups as a percentage of the average salary for all employees.

Data from employees with a physical disability, Aboriginality and people whose first language was not English, is collected on a voluntary basis. Employees can elect to withdraw this information from their employment profile.

Executive positions at 30 June 2021

Position	Key responsibilities	Senior officer	Qualifications
Managing Director	Operational safety Leadership Delivery of strategic vision and direction Oversight of operating activities, capital programs and projects Compliance	Darren Cleary	BE (Environmental), MEM
Executive Manager Customer Services (Acting)	Retail services Development services Customer experience Revenue Voice of Customer program	Keiran Smith	B Bus/BA (International Studies)
Executive Manager Governance & Assurance General Counsel and Company Secretary	Assurance Legal and governance Property, facilities and fleet Information resources Resilience Environment Management systems and risk	Laura Hails	B Fin, B Law/Dip Legal Practice, Grad Dip Applied Corporate Governance
Executive Manager Finance & Business Performance	Financial control Accounts payable Payroll Accounting Inventory/stores Economics Procurement Business reporting Investment assurance	Jennifer Hayes	B Bus (Accounting), MBA, CPA, GAICD
Executive Manager Digital	Technology strategy and architecture Technology service delivery Planning and assurance Project delivery Digital and data Field Service Management program	Jennifer Francis	BSc, GAICD
Executive Manager Strategy & Engagement	Corporate strategy Communications and engagement Strategic planning Sustainability Science and Research & Development Innovation and continuous improvement	Emma Berry	BE (Environmental), MBA
Executive Manager Customer Delivery	Water, wastewater, recycled water and stormwater services Asset lifecycle: planning, delivery, operations and maintenance Information, control systems, and energy management Intelligent networks digital program Program management	Clint Thomson	BE (Mechanical), MEM
Executive Manager People & Culture	Human resources Safety, health and wellbeing Change capability	Ian Pike	BSc (Environmental Health), GAICD

Average total remuneration package of executives at 30 June 2021

2021 Statutory and Other Offices Remuneration Tribunal (SOORT) Band equivalent	Average remuneration		Gender 2021		Gender 2020	
	2021 (\$)*	2020 (\$)*	Female	Male	Female	Male
Band 4	-	-	-	-	-	-
Band 3	416,461	468,894	1	1	-	1
Band 2	306,359	300,957	1	1	2	4
Band 1	265,247	232,663	2	3	-	2
Total			4	5	2	7

* Including superannuation and performance pay.

Note: as a State Owned Corporation, Hunter Water does not use the NSW Public Service Senior Executive Remuneration Framework.

In 2020-21, 4.79% of Hunter Water's employee related expenditure was related to senior executives compared with 4.71% in 2019-20. This calculation includes salaries, wages, overtime and bonuses paid in 2020-21. Oncosts are not included. Executive expenditure includes all senior executives at 30 June.

Overseas travel

In 2020-21 there were zero Hunter Water overseas trips requiring Ministerial approval.

FINANCIAL

Information on the statement of financial position of the Economic Entity

Receivables

Receivables are shown as an asset on the Statement of Financial Position and total \$50.27m.

	June 2021 \$m	June 2020 \$m
Tariff income - billed	19.07	10.99
Tariff income - unbilled	20.68	21.52
Sundry debtors	0.42	0.70
Net GST receivable from ATO	5.70	7.01
Community service obligations	0.92	0.26
Prepayments	3.31	2.39
Miscellaneous debtors	0.37	0.44
	50.45	43.32
Less provision for doubtful debts	(0.18)	(0.19)
Total receivables	50.27	43.12

Information regarding the major categories follows.

A	Tariff income – unbilled: This item is an estimate of unbilled water and sewer usage for properties up to the reporting date that has been accrued.
B	Net GST receivable from ATO: The Economic Entity is liable to pay GST on all taxable acquisitions. For the Economic Entity GST is only collected on a few taxable revenue items (e.g. external sales). In accordance with relevant Accounting Standards and NSW Treasury Circulars, the balance of receivables and payables are recorded as GST-inclusive. As the majority of sales by the Economic Entity are GST-free, but its purchases predominantly include GST, the Economic Entity receives a net refund of GST paid from the Australian Taxation Office on a monthly basis. The net amount refundable for the Economic Entity at 30 June 2021 (inclusive of accruals) and included in receivables was \$5.70m.
C	Community Service Obligations: The Economic Entity seeks financial reimbursement for providing services other than on a commercial basis. These services are titled Community Service Obligations (CSO's). Claims for reimbursement of CSO's are submitted each year to the relevant government department for endorsement and inclusion in the State Budget.

Approval for payment of the CSO claim is provided as part of Parliament's sanction of the State Budget, after which a payment schedule is agreed with the Department of Planning, Industry and Environment. The Economic Entity's CSO claims for 2020-21 were for rebates given to pensioners and exempt properties, for example churches. The 2020-21 claim and cash received were as follows:

	Amount claimed \$m	Cash received \$m	Outstanding (prepayment) \$m
Pensioner rebate	14.83	14.04	0.79
Exempt properties	2.13	2.02	0.11
Pensioner Assistance Scheme	0.09	0.08	0.01
Facilitation costs	0.19	0.17	0.01
Total CSO claim and cash received	17.24	16.31	0.92

Investments

The Economic Entity's investment powers are as set out in Part 6 of the *Government Sector Finance Act 2018*. A profile is as follows:

	June 2021 \$m	June 2020 \$m
Cash at bank	8.90	5.81
Interest earned	0.00	0.01
Average interest (on average monthly investment balance)	0.01%	0.24%

All investments noted above are classified as current on the Statement of Financial Position.

Fixed Assets - Property, Plant and Equipment

	June 2021 \$m	June 2020 \$m
Opening WDBV	2,576.08	2,540.78
Less - depreciation charge	(63.73)	(54.45)
Less - disposals	(0.80)	(1.01)
Add - additions	157.45	92.91
Add - externally funded assets	20.67	29.89
Revaluation - increment/(decrement)	22.49	(32.04)
Total fixed assets - property, plant and equipment	2,712.16	2,576.08

The total assets of \$2,712.2m at 30 June 2021 represents an increase of \$136.1m on the balance of \$2,576.1m as at 30 June 2020.

Intangible Assets

	June 2021 \$m	June 2020 \$m
Opening WDBV	17.00	14.07
Less - amortisation charge	(6.51)	(5.50)
Less - disposals	(0.43)	(0.11)
Add - additions	31.17	8.53
Revaluation - increment/(decrement)	-	-
Total intangible assets	41.23	17.00

The Economic Entity's intangible assets consist of easements (a right of access to property), software, environmental credits and other intangible assets.

Borrowings

NSW Treasury Corporation (TCorp) is Hunter Water's Liability Advisor and assists in the management and structuring of the debt portfolio. Management of the portfolio is in accordance with NSW Treasury requirements and Board approved parameters. During 2020-21 the capital value of the Economic Entity's financial liability portfolio increased by \$135.26m. The weighted average yield for the cost of debt held at 30 June 2021 was 2.62% (this excludes the Government Guarantee Fee).

Lease liabilities are determined in accordance with AASB 16 *Leases* and are disclosed as borrowings at the balance date in the Statement of Financial Position. The weighted average interest rate of lease liabilities was 4.16% at 30 June 2021.

A profile of the Economic Entity's financial liability portfolio is as follows:

	June 2021 \$m	June 2020 \$m
Number of loans	38	37
Face value	1,580.69	1,467.73
Net premium/(discount) on loans and indexation	(26.06)	(50.24)
	1,554.62	1,417.50
Lease liabilities - discounted	35.17	37.03
Current capital value	1,589.79	1,454.53
Market value - loans	1,625.94	1,523.56
Come and Go facility	13.61	9.00
Lease liabilities - undiscounted	45.70	48.93
Interest bearing liabilities included in the Statement of Financial Position are:		
Current	267.91	169.88
Non-current	1,321.88	1,284.65
Total capital value borrowings	1,589.79	1,454.53
Borrowings maturity profile		
Within 1 year	267.92	169.89
Between 1-5 years	880.29	855.99
Over 5 years	441.58	428.65
Current capital value	1,589.79	1,454.53

Employee provisions

At 30 June 2021 the liability for employee provisions totalled \$87.47m representing a decrease of \$12.16m during the year.

	June 2021 \$m	June 2020 \$m
Long Service Leave (LSL)	14.16	13.77
Defined-benefit superannuation	67.26	79.48
Accrued sick/annual leave	6.05	6.38
	87.47	99.63

These liabilities are split on the Statement of Financial Position into:

	June 2021 \$m	June 2020 \$m
Current	19.50	19.42
Non-current	67.97	80.21
	87.47	99.63

At 30 June 2021 the Economic Entity's defined benefit superannuation provision was \$67.26m (2020: \$79.48m).

Note: the LSL entitlements have been disclosed at the present value of expected future cash outflows in accordance with accounting standard AASB119 *Employee Benefits*.

Breakdown of landholdings as at 30 June 2021

Code	Description	Number of properties	Value \$m
1	Land fully utilised as an integral part of the Parent Entity's system	390	22.95
2	Land partly used with the unused residue required for future integral needs	3	0.34
3	Land not currently used but fully required for future integral needs	7	1.40
4	Land partly used, the residue having potential for alternative use	23	5.41
5	Land with significant potential for alternative use	28	5.65
6	Land not currently used but potentially required for future integral needs	10	0.35
Total breakdown of landholdings as at 30 June 2021		461	36.11

Land holdings are valued and assessed in accordance with the NSW Treasury Accounting Policy (TPP14-01) *Valuation of Physical Non-Current Assets at Fair Value*. The last independent external land valuation was undertaken during 2018-19.

Land holdings in all codes have been valued in accordance with NSW Treasury Policy and Guidelines.

Property disposals

There were no property transactions with a value greater than \$5 million that did not go to public auction or tender in the 2020-21 financial year.

Material capital expenditure contracts as at 30 June 2021 (GST-exclusive) (Contracted for at balance date but not provided for)

Contract number	Contract description	Committed amount \$m
CS1260A	Cessnock Wastewater Treatment Plant: Upgrade	25.53
CS1098	Farley Wastewater Treatment Works: Upgrade, Design and Construction	8.11
CS1135	Drought Response Belmont Plant: Design and Construction	5.30
CS0910A	Dungog Wastewater Treatment Plant: Upgrade	4.56
CS1232	Kurri Kurri WWTW Chemical Dosing System Upgrade	4.19
CP3443	Link Road South Gravity Sewer Main Construction	2.53
CS1264	Onsite Renewable Energy - Solar Package 1	1.65
CS1144	Generator Connection Point Program Package 1A	1.62
CS0566B	Supply and Installation of Customer Billing System	1.18
CS3443	Wyee 2 Wastewater Pump Station Upgrade	0.70
CS1115	Contact Centre Replacement Project	0.51
	Other commitments less than \$0.5m	4.15
		60.01

Financial summary and ratio analysis of the Economic Entity

Operating Program 2021

Economic Entity

A summary of actual and budgeted results for 2020-21 and comparisons with 2019-20 results and budget is as follows:

	Actual 2021 \$m	Budget 2021 \$m	Actual 2020 \$m	Budget 2020 \$m
Income				
Net tariff income	325.88	332.41	331.22	344.40
Interest on investments	0.00	0.02	0.01	0.05
Profit/(loss) on sale and disposal of assets	(0.81)	(1.17)	(1.96)	(1.23)
External sales	0.52	0.46	0.57	0.46
Contribution from capital works	20.70	24.11	29.82	27.67
Other (including non-regulated income)	4.05	3.09	6.80	5.35
Total income	350.35	358.92	366.46	376.70
Expenditure				
Operating expenses	154.06	154.82	162.48	151.90
Superannuation interest expense	2.33	2.94	2.53	3.39
Revaluation increment/(decrement)	0.07	-	0.04	-
Depreciation and amortisation	74.83	73.14	64.31	65.14
Interest expense	39.82	39.61	45.05	51.35
Financial charges	21.06	23.56	20.84	23.96
Total expenditure	292.17	294.07	295.27	295.75
Operating profit before tax	58.18	64.85	71.19	80.95

Operating Program 2022

Economic Entity

	Budget 2022 \$m
Income	
Net tariff income	342.30
Interest on investments	0.00
Profit/(loss) on sale and disposal of assets	(1.16)
Contribution from capital works	23.20
Other (including non-regulated income)	3.27
Total income	367.61
Expenditure	
Operating expenses	154.58
Superannuation interest expense	2.67
Depreciation and amortisation	82.76
Interest expense	40.39
Financial charges	24.26
Total expenditure	304.66
Operating profit before tax	62.95

Five year financial summary and ratio analysis

1. Statement of financial position (Economic Entity)

	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Current assets					
Cash and cash equivalents	8.90	5.81	4.97	33.20	11.67
Trade and other receivables	49.90	42.69	53.74	45.94	43.46
Current tax assets	3.26	3.16	-	-	-
Inventories	3.06	3.08	2.63	2.67	2.57
Assets held for sale	-	-	-	-	30.83
Total current assets	65.13	54.74	61.33	81.80	88.53
Non-current assets					
Fixed assets	3,007.29	2,850.61	2,732.04	2,681.02	2,594.68
Right-of-use assets	32.97	35.95	-	-	-
Investments/other	0.37	0.44	0.48	0.44	0.37
Total non-current assets	3,040.64	2,886.99	2,732.52	2,681.46	2,595.05
Total assets	3,105.76	2,941.73	2,793.85	2,763.26	2,683.58
Current liabilities					
Trade and other payables	97.91	109.32	99.21	100.72	79.50
Current tax liabilities	-	-	1.40	3.92	3.69
Borrowings	267.91	169.88	209.68	72.86	88.01
Provisions	50.35	54.54	162.43	64.42	59.24
Other liabilities	-	-	-	-	4.12
Total current liabilities	416.17	333.74	472.71	241.92	234.57
Non-current liabilities					
Borrowings	1,321.88	1,284.65	983.49	1,056.50	1,013.34
Provisions/other	183.26	181.25	196.44	196.20	220.63
Total non-current liabilities	1,505.14	1,465.90	1,179.93	1,252.70	1,233.98
Total liabilities	1,921.32	1,799.64	1,652.63	1,494.61	1,468.54
Net assets	1,184.45	1,142.09	1,141.21	1,268.65	1,215.04
Equity					
Share capital	119.20	116.54	116.54	116.54	112.19
Reserves	341.15	327.32	352.45	388.43	389.50
Retained profits	724.10	698.23	672.22	763.68	713.35
Total equity	1,184.45	1,142.09	1,141.21	1,268.65	1,215.04

2. Income statement (Economic Entity)

Trading Operations	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Revenue					
Tariff	308.65	314.68	320.02	306.56	279.13
Other	22.01	23.85	21.93	28.96	23.22
Less: operating costs	149.00	157.13	147.95	140.72	122.55
Gross margin	181.66	181.40	194.00	194.80	179.80
Other income					
Investments	0.00	0.01	0.09	0.19	0.06
Other expenditure					
Financing charges	60.88	65.90	64.40	64.55	62.85
Depreciation and amortisation	74.83	64.31	58.06	59.08	51.99
Superannuation adjustment	7.38	7.88	7.53	8.32	7.99
Other	1.09	1.94	1.37	1.12	7.93
Profit before contributions for capital works	37.47	41.38	62.73	61.93	49.11
Contributions for capital works	20.70	29.82	33.53	32.41	33.16
Net Profit	58.18	71.19	96.26	94.34	82.27

3. Financial ratios

Profit included in calculating ratios is profit before superannuation adjustments and contributions for capital works.

	2021	2020	2019	2018	2017
A - Gross profit (%)	54.94	53.58	56.73	58.06	59.47
B - Working capital (ratio)	0.16	0.16	0.13	0.34	0.38
C - Cash ratio	0.02	0.02	0.01	0.14	0.05
D - Equity to total liabilities (ratio)	0.62	0.63	0.69	0.85	0.83
E - Interest cover (times)	2.59	2.25	2.50	2.50	2.32
F - Return on equity (%)	5.32	6.04	8.91	7.98	6.92
G - Real rate of return (%)	3.63	4.16	5.04	5.12	4.69
H - Return on total net assets (%)	3.79	4.31	6.16	5.54	4.70

Comments on financial ratios

For ratios calculated with reference to profit, it is the profit before superannuation adjustments that has been used. It is believed that due to the inherent variability of the superannuation adjustment between financial years, if this was included in profit then valid ratio comparisons between years could not be performed.

A - Gross Profit

Gross profit is calculated as gross margin divided by total revenue. Increasing margins are an indication of potential profitability and the increases should correlate to increases in gross operating revenue and thus ensure that the benefits of increased income from services are not being eroded by increased costs of providing the services. Performance for 2020-21 has increased slightly compared to the prior year. This is due to the drought conditions easing in September 2020 and the removal of water restrictions on customer water use compared to the previous year.

B - Working Capital

Working capital is calculated as current assets divided by current liabilities and provides an indication of liquidity and capacity to realise current assets to meet current commitments. This ratio remains consistent with the prior year.

C - Cash Ratio

Cash ratio is calculated as current investments divided by current liabilities and is similar to the working capital ratio in that it provides an indication of liquidity. The ratio remains consistent with the prior year.

D - Equity to Total Liabilities

Equity to total liabilities is calculated as total equity divided by total liabilities. This ratio provides an indication of the longer term solvency of Hunter Water, in that it shows the level of financial equity in the business as represented by how many times net assets if liquidated would cover total liabilities. This ratio has decreased slightly compared to prior years due to the increase in borrowings to fund operations and the capital works program.

E - Interest Cover

Interest cover is calculated as funds from operations adjusted for by non-cash items (depreciation, non-cash contributions, etc.) divided by interest expense and financial charges. This ratio provides an indicator of the ability to meet interest commitments from operating profits. This ratio shows that Hunter Water is achieving operating profits sufficient to cover financing costs.

F - Return on Equity

Return on equity is calculated as operating profit less non cash revenue divided by the sum of Issued Capital and retained profits. Return on equity for 2020-21 is 5.32%, this is lower than prior years due to a decrease in operating profit mainly as a result of lower revenue from water sales and increasing depreciation costs.

G - Real Rate of Return

Real rate of return (RRR) is calculated as operating profit plus net interest and financial charges divided by written down book value of infrastructure assets and capital work-in-progress. RRR reflects the implicit rate of return generated from operating activities. For inter-agency comparison purposes the Water Services Association of Australia (WSAA) utilises a RRR in order to capture the major economic indicators of commercial performance i.e. capital costs, recurrent costs and revenue. The rate of return Hunter Water may earn is used to pay real interest costs on debt and a return on equity which may in fact be a contribution to the State Government by way of dividends or re-investment in the organisation. The current year's result is 3.63% and lower than previous years due to the decrease in profit compared to previous years compounded by the growth in asset values.

H - Return of Total Net Assets

Return on total net assets (RONA) is calculated as operating profit divided by the difference between total assets and total liabilities. This ratio is used to facilitate comparisons with making an investment in a risk free environment or other investment opportunities where greater security is offered for the investment made. The 2020-21 return on total net assets is 3.79%, which is lower than prior years due to a decrease in operating profit this financial year compared to previous years.

Pricing structure

The Independent Pricing and Regulatory Tribunal (IPART) sets the prices that Hunter Water charges for water supply, sewer services, stormwater drainage and a range of miscellaneous services. IPART conducted a public review of Hunter Water's prices for water, sewerage, stormwater and other services throughout 2019-20. IPART's Final Determination for Hunter Water was released in June 2020 and applies for the four-year period from 1 July 2020 to 30 June 2024.

Water

Water service charge (\$) filtered and unfiltered (metered and unmetered)		2020-21	2019-20	2018-19	2017-18	2016-17
Residential properties		\$24.26	\$100.40	\$75.01	\$51.12	\$25.69
Non-residential properties meter size (mm)	Meter equivalent ¹	2020-21	2019-20	2018-19	2017-18	2016-17
20mm standalone	-	\$24.26	\$100.40	\$75.01	\$51.12	\$25.69
20mm	1.00	\$24.26	\$100.40	\$78.52	\$56.12	\$30.17
25mm	1.56	\$37.91	\$156.89	\$122.68	\$87.68	\$47.13
32mm	2.56	\$62.11	\$257.04	\$201.02	\$143.68	\$77.23
40mm	4.00	\$97.04	\$401.63	\$314.08	\$224.48	\$120.67
50mm	6.25	\$151.63	\$627.54	\$490.76	\$350.75	\$188.55
65mm	10.56	\$256.25	\$1,060.48	\$829.37	\$592.77	\$318.67
80mm	16.00	\$388.16	\$1,606.49	\$1,256.33	\$897.92	\$482.67
100mm	25.00	\$606.50	\$2,510.14	\$1,963.01	\$1,402.99	\$754.18
150mm	56.25	\$1,364.63	\$5,647.83	\$4,416.79	\$3,156.74	\$1,696.91
200mm	100.00	\$2,426.00	\$10,040.58	\$7,852.05	\$5,611.97	\$3,016.71
250mm	156.25	\$3,790.63	\$15,687.50	\$12,268.75	\$8,768.75	\$4,714.06
300mm	225.00	\$5,458.50	\$22,590.00	\$17,667.00	\$12,627.00	\$6,788.25
350mm	306.25	\$7,429.63	\$30,747.50	\$24,046.75	\$17,186.75	\$9,239.56
Unmetered	Other ¹	\$467.06	\$527.68	\$496.62	\$464.63	\$430.69

¹ Unmetered properties are deemed to have a single 20mm meter. If there is no previous metered period, they are deemed to have been supplied 180kL of water per year. This is included in the above service charge.

Water usage charge (metered properties only) (\$/kL)		2020-21	2019-20	2018-19	2017-18	2016-17
Tier 1 (≤50,000 kL)						
Filtered water		\$2.46	\$2.37	\$2.34	\$2.30	\$2.25
Raw water ¹		\$0.38	\$2.17	\$2.10	\$2.02	\$1.92
Tier 2 - filtered water (>50,000 kL)						
Kurri Kurri		\$2.44	\$2.35	\$2.32	\$2.27	\$2.22
Lookout		\$2.30	\$2.22	\$2.19	\$2.14	\$2.10
Newcastle		\$2.24	\$2.16	\$2.13	\$2.09	\$2.05
Seaham - Hexham		\$2.03	\$1.96	\$1.94	\$1.90	\$1.86
South Wallsend		\$2.35	\$2.26	\$2.23	\$2.18	\$2.14
Tomago - Kooragang		\$1.98	\$1.91	\$1.89	\$1.85	\$1.81
Dungog - charges only for water sourced from Chichester Dam within Shire		\$1.98	\$1.91	\$1.89	\$1.85	\$1.81
All other locations		\$2.46	\$2.37	\$2.34	\$2.30	\$2.25
Bulk Water transfer between Hunter Water Corporation and Central Coast Council (\$/kL)		\$0.33	\$0.70	\$0.69	\$0.67	\$0.66

¹ The raw water charge was previously named the unfiltered water charge. The name changed in 2020-21.

Sewer

Sewer service charge (\$) (metered and unmetered)		2020-21	2019-20	2018-19	2017-18	2016-17	
Residential properties¹							
Houses		\$694.43	\$649.28	\$635.85	\$618.89	\$604.34	
Multi Premises (Residential) - i.e. Flats and Units							
Per each residential property located in a multi premises (minimum charge) ¹		\$590.27	\$535.66	\$508.67	\$479.63	\$453.25	
Non-residential properties ^{2,3,4} meter size (mm)		Meter equivalent ¹	2020-21	2019-20	2018-19	2017-18	2016-17
20mm standalone		-	\$817.10	\$838.91	\$809.28	\$774.94	\$743.81
20mm		1.00	\$817.10	\$838.91	\$944.21	\$1,033.63	\$1,180.28
25mm		1.56	\$1,276.72	\$1,265.58	\$1,436.70	\$1,583.00	\$1,818.74
32mm		2.56	\$2,091.78	\$2,022.18	\$2,310.06	\$2,557.24	\$2,950.95
40mm		4.00	\$3,268.40	\$3,114.44	\$3,570.82	\$3,963.64	\$4,585.41
50mm		6.25	\$5,106.88	\$4,821.10	\$5,540.79	\$6,161.17	\$7,139.27
65mm		10.56	\$8,630.62	\$8,092.16	\$9,316.47	\$10,373.13	\$12,034.20
80mm		16.00	\$13,073.60	\$12,216.56	\$14,077.26	\$15,683.74	\$18,205.97
100mm		25.00	\$20,427.50	\$19,043.15	\$21,957.09	\$24,473.81	\$28,421.39
150mm		56.25	\$45,961.88	\$42,746.58	\$49,317.62	\$54,994.89	\$63,891.58
200mm		100.00	\$81,710.00	\$75,931.38	\$87,622.34	\$97,724.38	\$113,549.85
250mm		156.25	\$127,671.88	\$118,597.59	\$136,870.24	\$152,663.20	\$177,396.79
300mm		225.00	\$183,847.50	\$170,745.15	\$197,062.93	\$219,809.95	\$255,431.48
350mm		306.25	\$250,236.88	\$232,374.09	\$268,199.74	\$299,165.20	\$347,654.29

¹ The residential sewer service charge includes a deemed usage component.

² Between 2016-17 and 2019-20 the non-residential sewer service charge includes a deemed usage component. A sewer usage charge was applied to usage above this amount. From 2020-21 the non-residential sewer service charge does not include a deemed usage component. Non-residential customers are charged separately for all sewerage usage.

³ A discharge factor is applied to the non-residential sewer service charge. The above rates assume a discharge factor of 100%.

⁴ The non-residential service charge is determined as the higher of the calculated charge using the charge above or the calculated charge using the 'Residential Properties' prices above.

Sewer usage charge \$/kL (metered only)	2020-21	2019-20	2018-19 ¹	2017-18	2016-17
Non-residential only	\$0.68	\$0.67	\$0.67	\$0.67	\$0.67

¹ Discharge allowance in a meter reading period 0.328 kL/day.

Stormwater

Stormwater service charge (\$)	2020-21	2019-20	2018-19	2017-18	2016-17
Residential (not within a multi premise)	\$85.35	\$79.63	\$77.90	\$75.71	\$73.47
Residential multi premise and mixed multi premise	\$31.58	\$29.47	\$28.83	\$28.01	\$27.19
Non-residential					
Small (< 1,000m ²) or low impact	\$85.35	\$79.63	\$77.90	\$75.71	\$73.47
Medium (1,001 - 10,000m ²)	\$278.75	\$260.08	\$219.36	\$183.90	\$153.96
Large (10,001 - 45,000m ²)	\$1,772.82	\$1,654.10	\$1,395.11	\$1,169.59	\$979.16
Very large (> 45,000m ²)	\$5,632.68	\$5,255.48	\$4,432.60	\$3,716.05	\$3,111.02

Recycled water (mandatory schemes)

	2020-21	2019-20	2018-19	2017-18	2016-17
Gillieston Heights					
Service charge (20mm base \$/year)	\$0.00	\$23.02	\$22.71	\$22.28	\$21.82
Usage charge (\$/kL)	\$2.21	\$2.07	\$2.04	\$2.00	\$1.96
Chisholm					
Service charge (20mm base \$/year)	\$0.00	\$23.02	\$22.71	\$22.28	\$21.82
Usage charge (\$/kL)	\$2.21	\$2.07	\$2.04	\$2.00	\$1.96

Customer supported program charges

	2020-21	2019-20	2018-19	2017-18	2016-17
Environmental project charge (\$) ¹					
Irrigation of public spaces	\$0.73	-	-	-	-
Stormwater amenity improvement	\$0.97	-	-	-	-

¹ Levied to residential properties only.

Backlog and other sewerage services

	2020-21	2019-20	2018-19	2017-18	2016-17
Environmental Improvement Charge (EIC) (\$)					
(Same for Hunter Water and Dungog)	\$0.00	\$41.01	\$40.46	\$39.69	\$38.87
Clarence Town Sewer Charge (Dungog only)	-	-	\$44.82	\$43.95	\$43.05

Exempt service

	2020-21	2019-20	2018-19	2017-18	2016-17
Charged proportion	20%	20%	20%	20%	20%
Water service - exempt					
Residential properties					
House	\$4.85	\$20.08	\$15.00	\$10.22	\$5.14
Unit/flat	\$4.85	\$20.08	\$15.00	\$10.22	\$5.14
Non-residential properties					
Non-residential stand alone	\$4.85	\$20.08	\$15.00	\$10.22	\$5.14
20mm	\$4.85	\$20.08	\$15.70	\$11.22	\$6.03
25mm	\$7.58	\$31.38	\$24.54	\$17.54	\$9.43
32mm	\$12.42	\$51.41	\$40.20	\$28.74	\$15.45
40mm	\$19.41	\$80.33	\$62.82	\$44.90	\$24.13
50mm	\$30.33	\$125.51	\$98.15	\$70.15	\$37.71
65mm	\$51.25	\$212.10	\$165.87	\$118.55	\$63.73
80mm	\$77.63	\$321.30	\$251.27	\$179.58	\$96.53
100mm	\$121.30	\$502.03	\$392.60	\$280.60	\$150.84
150mm	\$272.93	\$1,129.57	\$883.36	\$631.35	\$339.38
200mm	\$485.20	\$2,008.12	\$1,570.41	\$1,122.39	\$603.34
250mm	\$758.13	\$3,137.50	\$2,453.75	\$1,753.75	\$942.81
300mm	\$1,091.70	\$4,518.00	\$3,533.40	\$2,525.40	\$1,357.65
350mm	\$1,485.93	\$6,149.50	\$4,809.35	\$3,437.35	\$1,847.91

	2020-21	2019-20	2018-19	2017-18	2016-17
Sewer service - exempt					
Residential properties					
House	\$138.89	\$129.86	\$127.17	\$123.78	\$120.87
Unit/flat	\$118.05	\$107.13	\$101.73	\$95.93	\$90.65
Non-residential properties					
Pensioner Rebate	\$330.00	\$318.00	\$307.00	\$294.00	\$281.00

Note: Hunter Water has obtained the Treasurer's approval under section 18(2) of the *Independent Pricing and Regulatory Tribunal Act 1992* to make variations to existing IPART determinations:

- IPART's 2006 Pricing Arrangements for Recycled Water and Sewer Mining, Determinations and Report sets the framework that Hunter Water applies for the recovery of costs associated with recycled water projects. In 2014-15 Hunter Water received the Treasurer's approval to set recycled water developer charges for dual reticulation in Gillieston Height and Chisholm growth areas in real terms at 2012-13 levels, to be adjusted for inflation annually.
- On 4 November 2015, prior to the sale of the Kooragang Industrial Water Scheme (KIWS), Hunter Water obtained the Treasurer's approval to waive the sewer service and usage charges applicable to the land on which the KIWS treatment plant is constructed. These charges have been waived for the term of the existing contract for the supply of recycled water.
- In 2019 IPART published a Final Determination on Bulk Water transfers between Hunter Water Corporation and Central Coast Council. On 3 March 2020 Hunter Water entered a negotiated services agreement with Central Coast Council to vary the amount charged for bulk water transfers between the two entities.

Statement of Corporate Intent

The annual Statement of Corporate Intent (SCI) specifies commercial performance targets agreed by Hunter Water and its voting shareholders. These targets are in turn aligned down through Hunter Water in divisional budgets.

The SCI performance targets and actual results for the 2020-21 financial year are as follows:

	Actual 2021 (\$m)	SCI target 2021 (\$m)
Operating profit before income tax expense	58.18	64.85
Income tax expense	17.45	19.34
Net debt	1,545.72	1,601.96

Revenue was unfavourable in 2020-21 due to lower water consumption as a result of significantly higher levels of rainfall over the summer months. Prices were lower than budget due to the lower CPI index. Also contributing to the net unfavourable position to budget was the lower than budgeted developer contributed assets.

Liability management performance

Hunter Water engages the services of an external specialist (NSW T-Corp) to assist in managing the Entity's debt portfolio. At 30 June 2021 the key statistics on the debt portfolio were as follows:

	Actual 2021 (\$m)	SCI target 2021 (\$m)
Current capital value (\$)	1,554.62	1,604.23
Average cost of debt - weighted average yield (%)	2.62%	
Weighted average life:		
Inflation indexed debt (years)	3.15	
Nominal debt (years)	3.90	

Major acquisitions over \$1.0 million

	2020-21 expenditure (\$m)
Farley wastewater treatment works upgrade	48.87
Tanilba Bay wastewater treatment works upgrade	14.46
Dungog wastewater treatment plant upgrade	8.21
Wyee backlog sewer scheme	7.62
Supply and installation of customer billing system	6.49
Network chemical dosing unit upgrades	4.99
Generator connection point improvements	4.28
Wastewater treatment plant containment and safety upgrades	3.79
Grahamstown wastewater treatment plant tanks and sludge rakes	3.24
Tomago bore stations capital works	2.67
Developer delivered infrastructure - wastewater	2.50
Onsite renewable energy	2.46
Cessnock wastewater treatment plant upgrade	2.33
Workforce management - digital utility	2.02
Seaham weir refurbishment and modification	1.43
PLC and telemetry upgrades	1.38
Dora Creek sludge management	1.26
Other major acquisitions (mostly made up of replacements in Hunter Water's water and sewer networks)	60.83
Total expenditure	178.83

Consultancies

Consultants \$50,000 and over

Consultant	Project	Cost (\$)
GHD Pty Ltd	Various consultancy services	739,655
Jacobs Group (Aust) Pty Ltd	Study, strategy and modelling	592,244
Frontier Economics Pty Ltd	Advisory services on framework and guidelines	550,080
Hunter H2O Holdings Pty Ltd	Review, strategy and risk management	447,701
HKA Global Pty Ltd	Organisational design and policy development	201,369
Stantec Australia Pty Ltd	Assessment on odour control	143,037
Publicis Sapient Australia P/L	Blueprint services	98,000
University Of Newcastle	Advisory services on personalisation of working	85,370
Ernst & Young	Work, health and safety advisory services	77,153
Pricewaterhousecoopers	Various tax, accounting and audit services	68,682
MOTT Macdonald Australia	Flow gauging services	62,935
AECOM Australia Pty Ltd	Various studies and research	61,054
Customer Science Pty Ltd	Services on customer development	59,036
University Of NSW	Review of Bayesian network model	55,000
Total consultants	14	3,241,315.43

Consultants less than \$50,000

Category	Number	Cost (\$)
Corporate	18	154,079
Engineering	52	596,899
Finance and ICT	10	163,753
Total consultants	80	914,731

Payment performance

Invoices paid on time within each quarter

Quarter	Total number of invoices paid on time (%)		Total amount of invoices paid on time (\$)	
	Target %	Actual %	Paid on time within the quarter	Total invoices paid within the quarter
September	95%	95.2%	\$104,082,418	\$106,603,560
December	95%	96.4%	\$97,327,076	\$98,739,984
March	95%	95.2%	\$64,486,939	\$65,190,370
June	95%	94.7%	\$82,890,004	\$84,493,087
Total	95%	95.4%	\$348,786,438	\$355,027,001

The invoice payment report is based on quantity of invoices paid on time as a percentage and not based on a dollar amount. Invoices paid on time by dollar value is 98.2% across the year.

Analysis of total invoices paid within each quarter

Quarter	Paid on time	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	More than 90 days overdue	Total invoices paid within quarter
September	\$104,082,418	\$1,639,295	\$609,206	\$188,282	\$9,358	\$106,603,560
December	\$97,327,076	\$1,005,524	\$140,279	\$60,560	\$206,546	\$98,739,984
March	\$64,486,939	\$480,795	\$156,999	\$19,620	\$46,017	\$65,190,370
June	\$82,890,004	\$1,481,141	\$148,936	\$15,600	\$32,406	\$84,493,087
Total	\$348,786,438	\$4,606,755	\$1,055,419	\$284,061	\$294,327	\$355,027,001

During the year some invoice payments were delayed due to disputes with supplies resulting in delayed payments until contracted goods and/or services were delivered in line with agreed contract terms.

Cost of producing Annual Report

Hunter Water advises that there were no external costs in the production of this annual report.

Significant audit matters

The Key Audit Matters identified by the Audit Office of NSW are noted in the Independent Auditor's Report on pages 36-39.

LEGISLATION

Right to information

During 2020-21, Hunter Water received 15 formal *Government Information (Public Access) Act 2009* (GIPA) applications, all of which were determined within the statutory timeframe. In order to promote 'openness of government' the majority of information requests are handled informally wherever possible. A formal application is not required if the volume of and ease of access to the information required to satisfy the request is not labour intensive.

Hunter Water has also complied with three NSW Parliament Standing Order 52 for Papers. One regarding the Lower Hunter Water Security Plan with approximately 1,700 documents produced in September 2020, one regarding Government Asset Management Plans with approximately 40 documents produced in October 2020, and one regarding Proposed Dams with approximately 1,000 documents produced in June 2021.

Hunter Water is committed to helping educate our community, especially students, about the many aspects of water supply, treatment, conservation and the health benefits of drinking water.

Information regarding Hunter Water's activities is regularly updated on our website, and is communicated via these other methods:

- Facebook, Twitter and Instagram
- advertising and media campaigns
- newsletters (The Stream), direct mail and eNews
- partnerships and alliances
- sponsorship and community funding
- stakeholder briefings and community forums
- media and government relations
- water efficiency and sustainability education programs for school students.

Hunter Water proactively releases information on its pollution monitoring program for the EPA. Information is also made publicly available concerning up-to-date water storage levels, current water outages and incidents, major infrastructure projects, and customer charges. We regularly review the information made publicly available and publish information on our Your Right to Information website page.

Hunter Water also utilises social media to provide up-to-date information to customers during incidents involving our assets, the environment, customers or employees.

Number of applications by type of applicant and outcome¹

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn	Total	% of Total
Media	0	0	0	0	0	0	0	0	0	0%
Members of Parliament	0	0	0	0	0	0	0	0	0	0%
Private sector business	1	6	2	1	1	0	0	0	11	39%
Not for profit organisations or community groups	0	0	0	0	0	0	0	0	0	0%
Members of the public (application by legal representative)	1	0	2	0	0	0	0	0	3	11%
Members of the public (other)	7	4	2	0	1	0	0	0	14	50%
Total	9	10	6	1	2	0	0	0	28	
% of total	32%	36%	21%	4%	7%	0%	0%	0%		

¹ More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to the table which follows.

Number of applications by type of application and outcome¹

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn	Total	% of Total
Personal information applications*	2	1	0	0	0	0	0	0	3	11%
Access applications (other than personal information applications)	6	9	4	1	1	0	0	0	21	75%
Access applications that are partly personal information applications and partly other	1	0	2	0	1	0	0	0	4	14%
Total	9	10	6	1	2	0	0	0	28	
% of total	32%	36%	21%	4%	7%	0%	0%	0%		

* A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Invalid applications

Reason for invalidity	Number of applications	% of total
Application does not comply with formal requirements (section 41 of the Act)	0	0%
Application is for excluded information of the agency (section 43 of the Act)	0	0%
Application contravenes restraint order (section 110 of the Act)	0	0%
Total number of invalid applications received	0	0%
Invalid applications that subsequently became valid applications	0	0%

Conclusive presumption of overriding public interest against disclosure matters listed in Schedule 1 to Act

	Number of times consideration used ²	% of total
Overriding secrecy laws	0	0%
Cabinet information	0	0%
Executive Council information	0	0%
Contempt	0	0%
Legal professional privilege	3	100%
Excluded information	0	0%
Documents affecting law enforcement and public safety	0	0%
Transport safety	0	0%
Adoption	0	0%
Care and protection of children	0	0%
Ministerial code of conduct	0	0%
Aboriginal and environmental heritage	0	0%

² More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once for each application). This also applies to the table which follows.

Other public interest considerations against disclosure matters listed in table to Section 14 of Act

	Number of times consideration used ²	% of total
Responsible and effective government	4	22%
Law enforcement and security	0	0%
Individual rights, judicial processes and natural justice	11	61%
Business interests of agencies and other persons	3	17%
Environment, culture, economy and general matters	0	0%
Secrecy provisions	0	0%
Exempt documents under interstate Freedom of Information legislation	0	0%
Total	18	

Timeliness

	Number of applications	% of total
Decided within the statutory timeframe (20 days plus any extensions)	16	100%
Decided after 35 days (by agreement with applicant)	0	0%
Not decided within time (deemed refusal)	0	0%
Total	16	

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

	Decision varied	Decision upheld	Total	% of total
Internal review	1	0	1	33%
Review by Information Commissioner ³	1	1	2	67%
Internal review following recommendation under Section 93 of Act	0	0	0	0%
Review by ADT	0	0	0	0%
Total	2	1	3	

³ The Information Commissioner does not have the authority to vary decisions, but can make recommendation to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

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

Reason for invalidity	Number of applications for review
Applications by access applicants	2
Applications by persons to whom information the subject of access application related (see Section 54 of the Act)	0
Total	2

Applications transferred to other agencies

	Number of applications transferred
Agency-initiated transfers	0
Applicant-initiated transfers	0
Total	0

Legislative change

Fair Work Act 2009

On 26 November 2020, the *Fair Work Act 2009* (Cth) was amended to include new unpaid parental leave entitlements for parents who experience traumatic events during or ahead of their unpaid parental leave. This includes stillbirth, premature birth or death of a child. The changes also enable all eligible parents to access up to 30 days of their unpaid parental leave flexibly. The changes came into effect on 27 November 2020.

Hunter Water has noted these changes and will ensure they are applied when appropriate.

Community Land Development Act 2021

The *Community Land Development Act 2021* (CLD Act) is designed to repeal and re-enact the *Community Land Development Act 1989*. Various changes were made, but relevantly for Hunter Water, the CLD Act extends the statutory easement provisions to include associations. If the association provides utility services to the lots, a statutory easement for the benefit of the association is created. Utility services include water services. Previously only the owners of lots who received a utility service and the utility service provider had the benefit of a statutory easement. The association did not.

The CLD Act also removes the requirement to obtain a Supreme Court Order where land is resumed below the surface of land within a community, precinct or neighbourhood scheme. This proposal will complement section 62(2) of the *Land Acquisition (Just Terms Compensation) Act 1991*, which provides that where land is resumed for a tunnel and there will be no disturbance to the surface, no compensation is payable. The requirement for a Supreme Court Order will only be dispensed with where the resumption falls within section 62(2).

Public interest disclosures

Reporting Period July 2020 to June 2021

Number of public interest disclosures received by Hunter Water	0
Number of public officials who made public interest disclosures to Hunter Water	0
Information on public interest disclosures received:	
- Corrupt conduct	0
- Maladministration	0
- Serious and substantial waste of public money	0
- Government information contravention	0
- Local government pecuniary interest contravention	0
Number of public interest disclosures (received since 1 Jan 2013):	
That have been finalised in this reporting period	0
Has Hunter Water established an internal reporting policy?	Yes
Has Hunter Water taken action to meet its employee awareness obligations?	Yes
Actions taken to increase awareness include:	
- Inductions for new employees	Yes
- Provision of intranet resources	Yes

INDEX

About this report	3
Australian Drinking Water Quality Guidelines	8
Board Committees	27, 32-34
Board Members	27, 29-34
Customer and Community Advisory Group	83-84
Consultants	101
Contact us	3, 108
Drinking water quality	8
Environment Protection Authority	8
Equal employment opportunity	22, 88-89
Executive Management Team	27, 90
Financial statements	40-81
General statistics	26
Government Information (Public Access)	103-105
Independent Pricing and Regulatory Tribunal	8, 48, 63, 85, 98, 100
Lower Hunter Water Security Plan	5, 18, 23, 83, 103
Multicultural Polices and Services Program	89
Operating expenditure	25, 63
Operating Licence	8, 83
Organisational structure	7, 90
Overseas travel	91
Pricing	98-100
Recycled water	14-18, 24, 48, 56, 83, 99-100
Research and development	13, 24, 51
Risk management and insurance	28, 33, 79
Vision and purpose	6, 9
Waste Statement	20
Workplace health and safety	21



Call

1300 657 657, weekdays 8am-5pm
1300 657 000, 24 hours, seven days
Translation service: 13 14 50

Head Office

36 Honeysuckle Drive
Newcastle NSW 2300

Email

enquiries@hunterwater.com.au

Mail

Hunter Water
PO Box 5171
HRMC NSW 2310

Connect

hunterwater.com.au

