

# Annual Report 2023



# Acknowledgment of Country



Hunter Water acknowledges the Traditional Countries of the Awabakal, Darkinjung, Geawegal, Wonnarua and Worimi peoples and the Countries on which we operate and beyond where our water flows.

We recognise and respect the cultural heritage, beliefs and continuing connection to the lands and waters of our Traditional Custodians and pay respect to their Elders past, present and emerging.



# Letter of Submission

The Hon. Daniel Mookhey MLC  
Treasurer  
52 Martin Place  
SYDNEY NSW 2000

The Hon. Courtney Houssos MLC  
Minister for Finance, Minister for Domestic Manufacturing and  
Government Procurement and Minister for Natural Resources  
52 Martin Place  
SYDNEY NSW 2000

Dear Treasurer and Minister Houssos

We are pleased to submit the annual report of Hunter Water Corporation (Hunter Water) for the financial year ended 30 June 2023 for presentation to the Parliament of New South Wales.


Our Annual Report 2023 provides an overview of Hunter Water's activities and performance for the period 1 July 2022 to 30 June 2023.

Our Annual Report 2023 has been prepared in accordance with Section 24A of the *State Owned Corporations Act 1989* and the *Government Sector Finance Act 2018*. 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



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# Message from our Chair and Managing Director

Welcome to our 2023 Annual Report. In this report, we present the highlights of Hunter Water's activities and achievements during the 2022-23 financial year (FY23). Our report arrives at a challenging time for our communities, region, and state, marked by shifting climate patterns and economic conditions that demand our focus and resilience.

## A drier climate outlook

After three consecutive wet La Niña years, the Bureau of Meteorology has declared both an El Niño event and positive Indian Ocean Dipole. This concurrent occurrence in spring reinforces long-range forecasts of warm dry conditions across our area of operations. Drought has already been declared in some parts of our broader region. While our water storages are in a strong position coming into summer, water conservation remains critical, and requires the support of our customers and communities.

Over the past 12 months, our customers and community have continued to Love Water, achieving a water conservation saving of 10.1%, exceeding our annual target of 7%. We are on track to achieve our ambitious long-term target of 17%, building on a solid foundation.

## Ensuring long-term water security

Our region's long-term water security remains a central focus. Our initiatives include the Belmont Desalination Plant, recycled water projects and investigations of a connection to the Glennies-Lostock scheme in the Upper Hunter. These investments support the economic growth of our region and increase our resilience to future drought and climate variability.

## Supporting our community

Challenging economic conditions are impacting an increasing number of our customers, with increases to cost of living as a result of inflation and rising mortgage costs. In response, Hunter Water, with the support of the NSW Government, has increased our residential support program to more than \$20 million in FY24, including an increase to the pensioner rebate provided to 46,000 Hunter households and an expansion of our Payment Assistance Scheme.

## Progressing our strategic objectives

Our Annual Report documents Hunter Water's achievements against our Statement of Corporate Intent and Statement of Expectations issued by our Shareholding and Portfolio Ministers, and against the delivery of our corporate strategy, Towards 2024. As at 30 June 2023, we are on track with 22 of our 23 objectives, and as an organisation are moving towards the end state described in our Strategy.

## Miromaliko Baato: Water is Life

In April 2023, we embraced Miromaliko Baato, meaning 'saving water' in the local Gathung language, one of the languages spoken by the Traditional Custodians of the land upon which we operate.

This enduring strategy is framed around four strategic outcomes that we aspire to deliver: Customers and community at the heart of all we do; a trusted, innovative organisation with a values-driven culture; high quality, valued and affordable water services for all, and a sustainable, resilient, and prosperous future.

## Safety and sustainability

Keeping our people and community safe remains our highest priority. Hunter Water has maintained a persistent focus on safety, underpinned by visible, felt leadership, and centred around our values of Leading, Learning, Trust, Wellbeing, and Inclusion. Our Total Reportable Injury Frequency Rate (TRIFR) at 30 June 2023 was 6.0. While above our ambitious target of 5.5, this represents an ongoing, reducing trend in reportable injuries.

Sustainability underpins our corporate strategy. This report documents our progress against a range of Environmental, Social and Governance priorities. In future years, this report will include Taskforce on Climate-related Financial Disclosure (TCFD) aligned reporting.

## Environmental initiatives

During FY23, we recycled or reused 63% of solid waste generated in our operations. We continue to progress renewable energy investments to reduce our carbon emissions and electricity costs. During the year, we expanded our total renewable energy generation capacity to 1.74 megawatts (MW), generating 1,685 MWh of clean electricity.

## Strong corporate governance

Delivery of our strategic and operational objectives is underpinned by strong corporate governance practices. We have a skills-based independent Board of Directors, who are responsible for setting and reviewing our strategic direction and overseeing our operations.

During the year, Hunter Water's public ownership was protected in the NSW Constitution via an amendment to the *Constitution Act 1902* introduced by the Premier. The amendment ensures that neither Hunter Water, nor its main undertakings, can be sold or otherwise disposed of unless authorised by an Act of Parliament.

## Financial performance

Alongside our operational, community and sustainability objectives, this Annual Report summarises our business' financial performance. In FY23, our Net Profit After Tax was \$40.2 million remaining consistent with prior years (FY22: \$41.0 million). Profit was impacted by the rare, third La Nina climate event, which reduced water demand, and increased operational expenditure due to higher wastewater flows. We recognised a dividend to our

shareholders of \$26.9 million (FY22: \$27.2 million). We continue efforts to strengthen our commercial performance, and improve the efficiency of our business, in the aim of producing greater value to our shareholders and enabling us to deliver the right investment opportunities at the right time for our customers and communities.

## Investing in the future

Capital expenditure for FY23 was \$199.6 million (FY22: \$161 million) and includes new infrastructure to service growth, as well as renewing and upgrading existing infrastructure, and progressing the Lower Hunter Water Security Plan. As at 30 June 2023, Hunter Water's total non-current assets are valued at \$3.7 billion (FY22: \$3.3 billion).

## Engaging with our community

Looking ahead, we continue our active engagement with our customers and community to shape our 2025 to 2030 pricing proposal, ensuring it aligns with their needs, aspirations, and priorities. We are dedicated to finding the balance between providing reliable, high-quality services, protecting the environment, creating a positive legacy for future generations, and keeping prices affordable.

We thank our customers, communities, staff, Board colleagues and partners for their continued support and partnership as we navigate these challenges and opportunities together.



Greg Martin  
Chair

October 2023



Darren Cleary  
Managing Director

# OVERVIEW

Hunter Water provides safe, reliable, high quality drinking water to more than 629,000 people in homes and businesses across our region. We also provide wastewater, stormwater, trade wastewater, recycled water and raw water services.

Our area of operations is 6,671km<sup>2</sup> and includes the local government areas of Cessnock, Dungog, Lake Macquarie, Maitland, Newcastle, Port Stephens and a small part of Singleton.

For more than 130 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 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 2022. It sets out our operating responsibilities, system and service standards, and customer rights, as well as the ongoing enhancement of the management systems for 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 funding for capital infrastructure projects to upgrade our network and deliver water conservation and leakage reduction initiatives, new water recycling infrastructure and stormwater naturalisation works.

In terms of our management structure, our Board of Directors set our strategic direction, oversee our organisation's policies, management and performance, and ensure we achieve our business and regulatory commitments. Our Executive Management Team oversees policy implementations, day-to-day management of our people, and the delivery of services to our customers.

## 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 that tests for a wide range of physical, chemical and biological characteristics at all stages of the supply system from catchment to tap. This includes 74 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 meets 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 (EPA) 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.



## 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 eight 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.

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 53-56.

Six 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 57-60.

The Managing Director leads the Executive Management Team. It oversees the operation of the seven divisions at Hunter Water. 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	Chair
Darren Cleary	Managing Director
Geoff Crowe	Non-Executive Director
Eric De Rooy	Non-Executive Director
Rod Harrison	Non-Executive Director
Julie Savet Ward	Non-Executive Director
Michelle Vanzella	Non-Executive Director
Donna-Maree Vinci	Non-Executive Director

### Committees

Audit and Risk
Investment
Nominations and Governance
People and Culture
Sustainability
Treatment Operations and Desalination

### Executive Management Team

Darren Cleary	Managing Director
Emma Berry	Executive Manager Strategy and Engagement
Jenny Francis	Executive Manager Digital
Jennifer Hayes	Executive Manager Finance and Business Performance
Mark Hickey	A/Executive Manager Business Services and Assurance
Matt Hingston	Executive Manager Customer Services
Ian Pike	Executive Manager People and Culture
Clint Thomson	Executive Manager Customer Delivery

## Executive positions at 30 June 2023

Senior officer	Position	Key responsibilities	Qualifications
<b>Darren Cleary</b>	Managing Director	<ul style="list-style-type: none"> <li>Operational safety</li> <li>Leadership</li> <li>Delivery of strategic vision and direction</li> <li>Oversight of operating activities, capital programs and projects</li> <li>Compliance</li> </ul>	BE (Environmental), MEM
<b>Emma Berry</b>	Executive Manager Strategy & Engagement	<ul style="list-style-type: none"> <li>Strategy &amp; External Affairs</li> <li>Communications and engagement</li> <li>Sustainability &amp; Waterways</li> <li>Water Resilience &amp; Science</li> </ul>	BE (Environmental), MBA
<b>Jenny Francis</b>	Executive Manager Digital	<ul style="list-style-type: none"> <li>Technology strategy and architecture</li> <li>Technology service delivery</li> <li>Planning and assurance</li> <li>Project delivery</li> <li>Digital and data</li> <li>Field Service Management program</li> </ul>	BSc, GAICD
<b>Jennifer Hayes</b>	Executive Manager Finance & Business Performance	<ul style="list-style-type: none"> <li>Corporate finance, accounting and audit</li> <li>Treasury management</li> <li>Economics and regulatory pricing</li> <li>Commercial and procurement</li> <li>Business performance reporting</li> <li>Corporate investment portfolio management</li> </ul>	B Bus (Accounting), MBA, CPA, GAICD
<b>Mark Hickey (Acting)</b>	Executive Manager Business Services & Assurance	<ul style="list-style-type: none"> <li>Assurance</li> <li>Property, facilities and fleet</li> <li>Information resources</li> <li>Resilience</li> <li>Environment</li> <li>Management systems and risk</li> </ul>	AdvCert (Property Agency), AssocDip (Business), AssocDip (Management)
<b>Matthew Hingston</b>	Executive Manager Customer Services	<ul style="list-style-type: none"> <li>Retail and frontline customer services</li> <li>Development services</li> <li>Customer strategy, insights and experience</li> <li>Business customers</li> <li>Customer Solutions</li> <li>Voice of Customer program</li> </ul>	B Arts (Communication Studies)
<b>Ian Pike</b>	Executive Manager People & Culture	<ul style="list-style-type: none"> <li>Human resources</li> <li>Safety, health and wellbeing</li> <li>Continuous improvement</li> <li>Change capability</li> </ul>	BSc (Environmental Health), GAICD
<b>Clint Thomson</b>	Executive Manager Customer Delivery	<ul style="list-style-type: none"> <li>Water, wastewater, recycled water and stormwater services</li> <li>Asset lifecycle: planning, delivery, operations and maintenance</li> <li>Information, control systems, and energy management</li> <li>Intelligent networks digital program</li> <li>Project delivery</li> </ul>	BE (Mechanical), MEM

## Our Area of Operations





## General statistics

Water	2022-23	2021-22	2020-21	2019-20	2018-19
Population in area	644,860	627,499	616,150	606,308	601,172
Population supplied with water	629,734	619,686	599,387	593,537	586,951
Properties where water is available	279,846	276,848	271,800	268,034	258,726
Properties connected to water (metered) <sup>1</sup>	268,533	266,550	262,380	259,134	254,221
Capacity of major sources (ML)	269,199	269,199	269,199	270,686	270,686
Total supply from sources (ML) <sup>2</sup>	68,940	66,925	64,184	66,384	71,888
Average day net supply (ML) <sup>2</sup>	177.9	171	167.3	176.8	191
Maximum day net supply (ML) <sup>2</sup>	248	219	244.2	232.7	287.8
Maximum week net supply (ML/day) <sup>2</sup>	225.9	204	215.6	220.5	264.6
Minimum day net supply (ML) <sup>2</sup>	139.8	144	131.2	132.3	140.9
Average consumption per residential tenement (kl/annum)	152	151	150.1	158.1	171.7
Five year rolling average consumption	157.1	162.4	166.6	169.9	171.8
Water mains laid during year (km)	78.69	72.9	43.3	55.6	67.5
Water mains abandoned during year (km)	23.97	15	28.2	11.8	17.8
Water main length revisions during the year (km)	10	26.1	7.3	0.8	-1.2
Total water mains in service (km)	5,284	5,271	5,187	5,165	5,120
Length of water main per connected property (m)	19.68	19.35	19.56	19.93	20.14
Supplied free of charge: charitable, public and miscellaneous purposes (kl)	427,269	440,889	312,125	401,143	470,790
Supplied free of charge: dollar value (\$)	1,135,305	1,108,243	758,464	950,710	1,082,817

Wastewater					
Population supplied with water and sewer	605,367	593,234	563,155	569,480	563,155
Properties where sewer is available <sup>1</sup>	267,867	265,112	260,046	255,978	246,980
Properties connected to sewer <sup>1</sup>	258,552	255,711	250,169	246,717	242,189
Sewer mains laid during the year (km)	78	48.7	60	67.3	64
Sewer mains abandoned during the year (km)	8.1	3.5	3.5	4.2	6.1
Sewermain length revisions during the year (km)	63	21.8	10.5	0.2	72.4
Total sewer mains in service (km)	5,485	5,447	5,380	5,313	5,249
Length of sewer main per liable property (m)	21.2	20.8	21.6	20.5	20.6
Wastewater supplied free of charge: dollar value (\$)	165,868	160,615	110,224	152,776	161,273

Drainage					
Properties liable <sup>1</sup>	76,634	75,991	75,006	74,349	71,737

Dissection of population	2022-23		
Region	Population in area	Served water	Served sewer
Newcastle	173,315	173,315	172,518
Lake Macquarie	218,889	212,935	212,016
Maitland	96,441	94,591	89,954
Cessnock	67,478	64,775	57,898
Port Stephens	77,798	76,793	68,905
Dungog	9,889	6,428	3,396
<b>Sub total</b>	<b>643,810</b>	<b>628,837</b>	<b>604,687</b>
Singleton (Part Branxton)	1,050	897	680
<b>Total</b>	<b>644,860</b>	<b>629,734</b>	<b>605,367</b>

	2022-23	2021-22	2020-21	2019-20	2018-19
Ratio of properties connected to water and sewer, and water only <sup>3</sup>	96.28%	96.02%	95.55	95.95%	95.95%

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

# STRATEGY

## Towards 2024

### Delivering the aspirations for our region

Our Corporate Strategy, Towards 2024, has set our direction to be more resilient, responsive and adaptable to the heightened uncertainty created by global disruption, climate change, population growth, digital transformation and changing customer and community expectations. Our 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. We are 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 as their highest priority, supported by a values-based culture where the principles of Leading, Learning, Trust, Inclusion and Wellbeing underpin everything we do.

Towards 2024 focuses on four strategic priority areas. Importantly, it includes outcomes and objectives to 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.

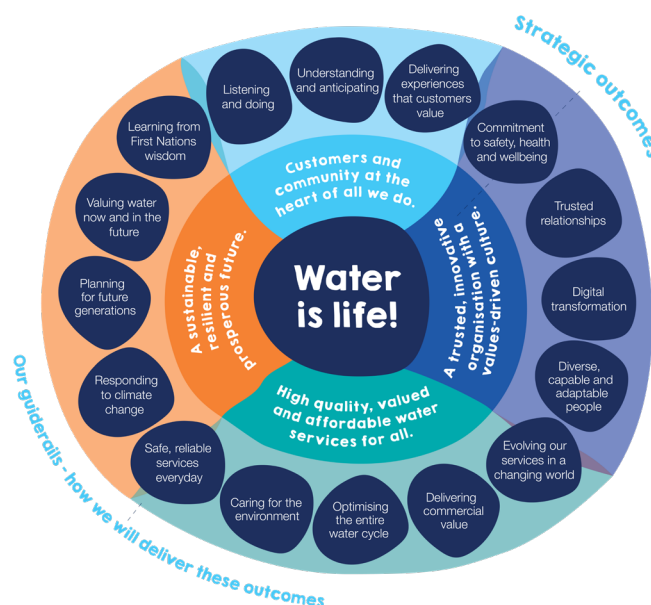
As we approach 2024, it is timely to reflect on the drivers in the strategy to determine if we have achieved our vision of being a valued partner in delivery the aspirations for our region. Towards 2024 includes 23 objectives across each of the four focus areas shown below.



## Miromaliko Baato

Building on Towards 2024, in April 2023 we adopted Miromaliko Baato: Our Corporate Strategy. In Gathung language, Miromaliko Baato means saving water. This is the closest way we can express our vision 'water is life' using one of the languages of the Traditional Custodians of the land in which we operate.

Miromaliko Baato is a long term, enduring strategy and builds on Hunter Water's strong track record to provide an ambitious blueprint to create a sustainable water future for all. It is framed around four strategic outcomes that we aspire to deliver, and is supported by a set of guiderails to help guide how we will get there. It is our contribution to progressing the United Nation's Sustainable Development Goals; to support people, promote prosperity and protect the planet.



## Statement of Expectations









Issued in April 2022, the Statement of Expectations for Hunter Water helps to clarify the Government's key priorities relevant to the work of Hunter Water and supports a coordinated approach to achieving sector-wide outcomes. The Statement of Expectations is principally a communication mechanism, not a directional power, with Hunter Water's Board of Directors continuing to maintain independence over the strategic, operational and commercial decisions of the business. A signed copy of the Statement of Expectations for Hunter Water can be found on our website.

The following section provides a summary of the key activities and initiatives to meet these expectations, relevant business key performance indicators, and progress towards meeting these expectations in 2022-23.

Hunter Water is working with the Government to re-evaluate its Statement of Expectations to ensure alignment with the Government's objectives. Related to this process, Hunter Water will be focusing on the following key priority areas for the coming year:

- add to the Regulated Asset Base in a financially sustainable manner that balances the investment drivers such as risk, growth and climate change; fiscal and economic conditions; the impact on customer prices; and returns to shareholders;
- prioritise investments and services through meaningful engagement with customers and stakeholders to service key areas of population growth; minimise the pressure on customer bills; and enhance resilience to climate change;
- contribute towards the delivery of thriving and liveable communities through the better integration of land use planning and provision of water and wastewater services in a timely way to support the Government's priority for the provision of housing and enhancement of waterway health;
- operate in a way that is consistent with the Government's Net Zero Plan, including Stage 1 of that plan to fast-track emissions reduction over the next decade; and
- build trust with customers, stakeholders and the community through providing transparent, meaningful and timely information and engagement.



EXPECTATION	KPI / MEASURE	TARGET	2022-23 OUTCOME
 Strive for excellence in customer service and experience	Improve Customer Experience	8.3/10	8.5/10
	Improve Community Focus	80%	80%
 Build trust with the community and stakeholders	Increase Community Trust (corporate reputation)	7.2/10	7.2/10
	Reduce leakage from our system	0.3GL	-1.6GL
	Reduce Demand for Potable Water	7%	10.1%
 Align with Government's strategic planning	LHWSP commitments on track	Key milestones met	On track
	Development of Drought Response Plan (DRP)	Key milestones met	On track
 Deliver services safely	Total Injury Frequency Rate (TRIFR)	5.5	6.0
	Safety Interactions and impact	10/10	10/10
 Ensure the Government's investment of its capital is used efficiently	Profitability	Budget	Achieved Q3 forecast
 Focus on environmental outcomes	Stormwater amenity	Deliver 1 km of improvements by mid-2024	On track
	Recycled water	Deliver 20 ML/y of green space irrigation by mid-2024	On track
 Maintain high standards of public accountability and corporate governance	Compliance with TPP17-10 'Guidelines for Governing Boards of Government Businesses'	Compliant	Compliant
	Annual evaluations undertaken by the Board	Annual evaluation	Compliant
 Minimise cost of living pressures	Efficiency (operating expenditure)	>2%	2%
	Development of PP25 Pricing Proposal	Key milestones met	On track
 Ensure robust procurement and employment practices that support the economic and social outcomes of the state	Represent the diversity of our Region	Key strategy milestones met	On track
	Implement Innovate RAP	Key RAP milestones met	On track
	Improve sustainability of our supply chain	Complete Annual Modern Slavery Statement	On track

## Customers and community at the heart of all we do

### Listening to our customers and community and reflecting their views in our decision making

Building on many years of conversations with our community, we have been asking our customers and community to help shape our water services to the end of the decade, so that we can ensure our services meet their needs and deliver value.

We have started a multi-stage engagement program with our customers, community and stakeholders to get feedback to help inform decision making and shape our pricing proposal to the Independent Pricing and Regulatory Tribunal (IPART), ahead of new prices commencing from 1 July 2025.

Each stage of our engagement what is designed to deepen our understanding of what's important to our customers and community and what their priorities are. We started by taking a deep dive into the insights our customers and community have been providing us through our recent and ongoing engagement activities.

### Improving customer experiences

To help us keep customers and community at the heart of all we do, we adopted a Customer Experience Strategy in June 2023. This will help guide us in how we deliver high-quality experiences every day, and help us plan for the future as expectations, technology and the way we work changes. It has three guiding principles – make it easy for me; respect me, respect my time and resolve my situation – which will lead our decision making, communication and process improvements.

As cost of living pressures rise in our community, we have increased the type and amount of support we are offering to vulnerable customers. Throughout the year we have increased our presence at community events, such as the Hunter Homeless Connect Day, disability expos and multicultural festivals, to ensure as many customers as possible are aware of the support we offer. These community events have been supported by our ongoing attendance at various Bring Your Bills Days, which offer the opportunity for people to receive assistance from multiple suppliers and support services in one location. We have also broadened the reach of our home visit program, conducting more than 1,000 visits to customer properties to ensure awareness of the support options we provide, and to ensure we are aware of all circumstances impacting them.

Over the course of the year we have conducted customer research to determine the type of support our customers value the most. As a result, we

have increased the amount of Payment Assistance Scheme credits each customer is able to receive, reduced the amount of evidence required to be presented to access some levels of support and extended the support of the program to include small business customers. All of these measures ensure that we continue to provide customers experiencing vulnerable circumstances with the support they require.

### Supporting our community and the environment

We have continued our 'Love Water' water conservation campaign, which aims to promote the importance of saving our precious resource by making the most of what we have. We encourage our community to make Smart Water Choices, especially when it comes to outdoor water use. This is promoted on a number of external channels, including traditional and digital media and our website. We actively promote water conservation at community events and through our schools education program. We had an increased presence and opportunity for engagement at community events focusing on our Love Water message at the Living Smart Festival, Surfest, Girls Day Out Women in Sport and the Newcastle and Maitland Shows.

We supported 15 community focussed projects through our annual Love Water Grants program valued at more than \$100,000. The one-off grants valued at up to \$10,000 primarily support water conservation and efficiency initiatives, as well as projects with an education, environmental and sustainability focus. The program received a record number of applications with 76 submitted. There was a diverse range of projects included, from amenities upgrades to irrigation systems to community gardens all promoting water conservation.

Supporting local businesses to be efficient with water continued with our sponsorship of the Love Water Love Business Award at the 2022 Hunter Business Awards. Oaks Port Stephens Pacific Blue Resort won the award. The Salamander Bay resort has one of the largest swimming pools in the Southern Hemisphere and it was recognised for reducing water consumption significantly across its site following a water audit.

In addition to our Love Water program in the community, our school education programs continue to improve the water literacy of the youngest members of our community, supporting them to be advocates for sustainable water use.

This year we developed a new program for preschool students, Young Water Warriors, to teach them about the water cycle, how to save water and what to flush. Since launching in April 2023, it has been performed to more than 650 students

and educators at 25 centres. The Let's Love Water show is now only offered to primary schools and at targeted community events with a sustainability focus. Our reach increased from 4,000 to more than 6,000 students this year. We continue to have strong partnerships with organisations in our region to deliver collaborative learning experiences for primary and high school students about the urban water cycle and sustainability.

Encouraging sustainable behaviour when it comes to flushing is the focus of our 'Respect the Throne' campaign, which was a finalist for the Marketing and Communications for Impact Award at the Banksia Foundation's National Banksia Sustainability Awards in March 2023. The campaign was a crucial tool for keeping wipes out of pipes and creating behavioural change during the global pandemic.

Crawchie Creek, located at the back of Shortland Wastewater Treatment Works, was transformed thanks to a grant from the NSW Environmental Trust. The project removed more than a hectare of weed infestation and saw more than 4,000 natives replanted at a community day with local community members, schools and Hunter Local Land Services. The project has transformed the area to a usable community space and will also improve the biodiversity along the creek line.

## Delivering sustainable, resilient and valued services

### Continuing to provide trusted services to meet the growing needs of our region

A \$199.6 million capital works program was delivered by Hunter Water in 2022-23 to service growth, renew or upgrade existing infrastructure and to progress the actions from the Lower Hunter Water Security Plan.

One of the major projects completed was the Wyee Sewer Scheme. The 9.2km sewer transfer main in Wyee is now complete, providing 400 properties with access to the reticulated sewer network for the first time, and catering for up to 2,750 new homes in the future.

Meanwhile the Balickera Tunnel project won the prestigious Infrastructure Project Innovation Award at the NSW Water Awards in March 2023. The project involved the restoration of a critical 1.2km tunnel that was constructed in 1962 and is a key piece of the region's water supply infrastructure transferring water from the Williams River into Grahamstown Dam. The project was a challenging one which required working in an historic tunnel that was home to a number of threatened microbat species. The Hunter Water team worked around the clock, together with its delivery

partner, ecologists, design specialists and, through an innovative and adaptable approach, ensured the project was completed successfully. Meaning even the bats can still call it home.

### Improving our region's water security

The Lower Hunter Water Security Plan (LHWSP) is our 40-year blueprint to ensure our region has a secure, resilient and sustainable water supply for the future. In 2022-23 we progressed a number of key actions outlined in the plan including:

- Water conservation and leakage. Over the 12-month period, we achieved a water consumption saving of 10.1%, exceeding our target of 7%. The ambitious longer-term target of 17% identified in the LHWSP remains achievable.
- We have progressed planning of a \$6 million recycled water irrigation scheme, in collaboration with Lake Macquarie City Council, to ensure community parks and sporting fields remain green even in drought. The investment will increase recycled water capacity at the Edgeworth Wastewater Treatment Works, to make recycled water available for nearby public open space.
- We are continuing to explore and support opportunities with industry to increase recycling. In April 2023, Newcastle Coal Infrastructure Group announced a new connection to coNEXA's Kooragang Industrial Water Scheme that will see up to 275 ML/annum of additional recycled water supplied through the scheme. This is equivalent to the annual usage of more than 1,700 residential homes.
- Planning for the desalination plant at Belmont has progressed including engaging our delivery partner, progressing detailed design and geotechnical investigations for the scheme.
- Working with Water Infrastructure NSW, Water NSW and the Department of Planning and Environment-Water to progress the full business case for the Glennies-Lostock and Paterson River Offtake scheme, which aims to improve the resilience of the water supply system by making better use of existing dams.
- We are also working closely with industry to understand and plan for future water requirements to support the emerging hydrogen industry in the Hunter, including consideration of recycled water options.

### Improving waterway outcomes

Improving our waterways across the region is a key focus of many of our projects including Seaham Weir located on the Williams River. The weir structure crosses the Williams River to create a freshwater pool, from which water is extracted and transferred



to Grahamstown Dam, Hunter Water's largest storage.

The Seaham Weir Pool Erosion Management Plan was released in April 2023, paving the way for the implementation of a range of erosion management works to improve long term water quality in the weir pool.

The Hunter River Estuary Wastewater Masterplan was approved by our Board in February 2023. The plan outlines the strategic direction for managing effluent from five of our wastewater treatment plants that release into the Hunter River Estuary.

We also worked in partnership with Hunter and Central Coast Development Corporation to improve Cottage Creek at Honeysuckle. The project delivered improved public open space and a more natural looking creek, transforming the 100-year-old stormwater channel by replacing concrete walls with attractive tiered sandstone and bringing in native plants to soften the creek's edge and create a welcoming community space.

## Building a high performing and resilient organisation

### Safety Health and Wellbeing

Keeping our people and community safe remains our highest priority. We continued to maintain our focus on safety with a number of key programs and actions in 2022-23. Our 'Be Safe, Live Well, Thrive' campaign and the Safety Transformational Leadership Program launched this year have been instrumental in driving our Visible Felt Leadership model, our LifeSaver Risk Reduction Program and the Safety Interaction Program. The Visible Felt Leadership model aims to develop a 'culture of care' where our leaders and people are actively caring for each other's safety. Our Safety Interaction Program achieved a total of 95% safe across all lifesaver interactions, helping to build trust by listening and responding.

The continuation of our Contractor Forums has enabled strengthened partnerships with our contracting workforce and ensured that valuable safety, health and wellbeing lessons have been shared through a continuous improvement and innovation focus.

Hunter Water's risk reduction programs, particularly changes implemented in the field, have played a role in achieving solid results this year. Situational Awareness training was again deployed to our Electrical Mechanical and Maintenance and Civil teams to enhance the pre-task risk assessment process. Improvements in electrical safety on metallic water services through the introduction of Next-Gen Plumb Guards, improvements in confined spaces procedures, and the introduction of Move 4 Life to reduce musculoskeletal injuries have also reduced risk.

Our Be Safe, Live Well, Thrive program focussed on driving health and wellbeing initiatives that engaged our people and connected them in a social world limited by the pandemic. Activities such as Month of You, annual skin checks, flu vaccinations, and health surveillance programs for high-risk workers such as the Fitness for Work Program all contributed to our employees' wellbeing. The Permah Wellbeing assessment was also completed in 2022-23 to measure wellbeing progress across the organisation and inform our Be Safe, Live Well, Thrive program. Hunter Water also continues to drive the Water Services Association of Australia's Mental Health Framework that aims to create a step change in mental health awareness and wellbeing across the water industry.

### Improving our values-based culture

In 2022-23 we launched our Values Strategy to support our goal of improving our values-based culture and becoming a high-performing and resilient organisation. The Values Strategy offers support for our people at all levels of the organisation to live our values in the context of their roles. We also established a Values in Action Committee, which consists of a cross-section of employees to communicate and support the implementation of our values initiatives.

### Promoting inclusion and diversity

We continued to build on work to create an inclusive culture where we value individuals' unique capabilities, backgrounds, experiences and characteristics. This included actions to improve gender equity such as continuing to sponsor two women annually to undertake the Women in Master of Business Administration (WiMBA) program with

Employee safety performance category	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Lost time injury frequency rate	1.5	3.7	2.7	2.7	2.4	4.5
Total recordable injury frequency rate	6	5.3	6	8.1	7.3	12.4
Lost time injuries	4	7	5	5	4	7
Medical treatment injuries	8	3	12	10	7	12
First aid injuries	28	28	6	39	28	40

the University of Newcastle and supporting women to participate in an external Women's Mentoring Program. Other programs include sponsoring two STEM scholarships at the University of Newcastle and sponsoring the HunterWiSE (Hunter Women in STEM and Entrepreneurship) program which supports and encourages young girls to pursue STEM careers once they finish high school.

The Australian Network on Disability (AND) has worked with us to support and employ more people with a disability, as well as how to design our services for customers with a disability, since we became a member in 2018. We have participated in a Stepping Into Internship program since 2019. In the past three years, we have offered five university students with a disability paid work experience in their field of study to help build their experience and workplace confidence. In addition to this program, we also sponsor a three-year disability sponsorship with the University of Newcastle which includes a paid work experience component.

Hunter Water has been working to improve Indigenous equity by sponsoring two Indigenous scholarships through the University of Newcastle and conducting organisation-wide training on Indigenous Cultural Protocols. The launch of our Innovate Reconciliation Action Plan (RAP), our second RAP, in July 2022 outlines a range of actions to create education and employment opportunities, community engagement activities and procurement opportunities.

We celebrate and acknowledge important events such as Harmony Week, Champion Age Diversity Day and Wear it Purple Day to recognise the diverse culture of our workforce.

### **Becoming a more innovative and agile organisation**

We have developed a Digital Strategy to meet the changing expectations of our customers, our community and our own people by leveraging technology to change the way we work and improve efficiency.

Our commitment to continuous improvement and innovation continued through our participation in a trial of CSIRO's AquaWatch Australia Mission to deliver a 24/7 online information service that monitors water quality in various waterways around Australia, including two sites within the Lower Hunter's Grahamstown water supply system. AquaWatch combines an extensive network of Earth observation satellites with ground-based sensors, modelling and advanced analytics to provide close to real-time updates and facilitate improved management of waterways. We are one of several water utilities, research and government groups from

across Australia taking part, with Grahamstown Dam and the Williams River the focus locations for the trial locally.

In May 2023, we commissioned Hubgrade Performance Plant (HPP) at the Belmont Wastewater Treatment Works. HPP is an innovative digital solution that improves the performance of existing infrastructure, providing immediate energy savings and deferring the need for a major capital upgrades at the plant.

## **Being a valued contributor to our stakeholders**

### **Partnering with local councils**

The importance of green open spaces to local communities was highlighted by the 2019-20 drought and subsequent COVID-19 pandemic. In collaboration with the NSW Environment Protection Authority we commissioned Best Practice Guidelines to provide additional support to the development and maintenance of green open spaces in both wet and dry conditions.

While the guidelines have focussed on public sporting fields, they can be used by anyone involved in planning, designing, building and/or maintaining turf surfaces for other communities, such as school ovals or golf courses.

### **Supporting the water industry**

We hosted two delegations in the past year with senior leaders from Kathmandu Upatyaka Khanepani Limited (Kathmandu Water), and the CEO of the Kathmandu Valley Water Supply Management Board in Nepal visiting in February 2023. The group met with senior leaders and subject matter experts from across our organisation. The delegation expressed its gratitude for Hunter Water's willingness to share knowledge and practices.

In May 2023, we hosted a delegation of Cambodian water and economics professionals as part of the Cambodia Australia Partnership for Resilient Economic Development. The two-day knowledge sharing visit explored the challenges and opportunities of expanding water supply services to rural communities. The Department of Planning and Environment and a broad cross section of Hunter Water staff shared insights on the NSW experience. The Cambodian delegation in turn shared its story of developing safe water supplies for rural communities, highlighting that we share some similar challenges although we operate at different scales.

# OPERATIONS AND PERFORMANCE

## Key performance targets

A broad range of key performance indicators are used to measure and assess the performance of the business. The Corporate Scorecard includes a balance of both financial and non-financial metrics, set to drive short-term performance and also lay the foundation for long-term success. Framed in the themes of our Corporate Strategy, the Corporate Scorecard is designed to appropriately reflect the organisation's current strategic focus areas, ESG and sustainability outcomes and Statement of Expectations.

The inclusion of metrics from each perspective assists to ensure the interplay of strategic cause and effect in performance, such as delivering better financial performance through to achieving customer satisfaction, operational efficiency and employee wellbeing. Targets are set to drive continuous performance improvement and provide a mechanism to foster a culture of learning, innovation and growth.

## Our 2022-23 Corporate Scorecard

Corporate Scorecard	Non-financial Measure	Units	2022-23 Actual performance	2022-23 SCI Target	
Customers and Communities at our heart	Corporate Reputation	Score/10	NA	7.2	●
	Customer Experience	Score/10	8.5	8.3	●
Resilient, Sustainable and valued services	Customer and Environment Index	%	80	80	●
	Reduction in non-revenue water	GL/p.a	-1.6	0.3	●
High performing and resilient organisation	TRIFR	No.	6.0	5.5	●
	Safety Interactions and Impact index	No.	10	10	●
	Organisational Culture	%	78	80	●
Valued contributor to our stakeholders	EBITDA	\$m	217.8	Budget	●
	Efficiency	%	2.0	2.0	●
	Progress of Strategic Objectives	%	96	80	●

## Business performance highlights

### Corporate reputation

Given the increasing unreliability of the robopoll data combined with increased community dissatisfaction with robopolling, the decision was made to discontinue robopolling as the corporate reputation methodology. An alternative approach to measuring our community reputation using a quarterly online community survey has been implemented in readiness to transition to this new methodology from 2023-24 onwards. Discontinuing robopolling has affected our ability to track progress against the corporate reputation target, however the May 2023 quarterly survey result of 76% (the % of respondents who agree or strongly agree with the statement “Hunter Water has a good reputation in the community”) suggests a positive reputation position.

### Customer experience

Our customer experience score has continued a positive trend and achieved the full year target. Customer sentiment and feedback remain overwhelmingly positive, reflecting high levels of satisfaction. Customers continue to express their contentment with the ease of their interactions, highlighting our service as efficient and friendly. These positive sentiments result from our collective efforts to provide outstanding customer experiences.

### Customer and environment index

Hunter Water’s operational performance remained strong in 2022-23 with full compliance on all Operating Licence system performance standards and with significant improvement in customer response and customer satisfaction. There were no material matters of operational non-compliance in the 2022-23 reporting year.

### Reduction in non-revenue water

We continue our strong focus on reducing leakage through active leakage detection, pressure management, district metering, repair of point source leaks and the reduction of Hunter Water potable water use. Non-revenue water is set to reduce by 23% and real losses by 32% from 2018 (the baseline year) by the end of 2024-25. The target reduction in non-revenue water of 0.3GL in 2022-23 was not met, primarily due to a number of large breaks being inaccessible due to flooding in the first half of the financial year, however the overall program remains on track.

### Safety

Keeping our people safe remains our highest priority. We have maintained a concerted effort to address safety, health and wellbeing performance in partnership with our people, our contractors and major project delivery partners. We continue to focus on our safety culture, emphasising the importance and ‘presence’ of safety in everything we do including our LifeSaver Program and our Wellbeing Program, aimed at improving workforce engagement and reducing injuries, injury severity, and near misses. The Total Reportable Injury Frequency Rate (TRIFR) at June 2023 was 6.0. While above target of 5.5, it represents an ongoing, reducing trend in reportable injuries. The targets set for all leaders to undertake regular safety interactions, as a lead indicator of safety performance, was met.

### Organisational culture

Embedding our corporate values of Trust, Leading, Learning, Wellbeing and Inclusion are a key foundation in driving the organisational culture that will make us the resilient and agile organisation we aspire to be. The bi-annual organisational culture pulse survey is a measure of organisational culture and behaviours, linked to Living the Values. Performance of 78% was a slight improvement on the previous survey, with a continued strong survey participation rate of employees and contractors. The target of 80% acknowledges that receiving ‘disagree’ or ‘neutral’ feedback is part of a healthy culture that will propel us from complacency.

### Progress of strategic objectives

Hunter Water’s Corporate Strategy is an ambitious strategy, both in scope and the stretch targets that we endeavour to deliver. Trade-offs between objectives often arise as we continue to learn. In 2022-23, we achieved substantial progress against our strategic objectives with 22 of 23 strategic objectives meeting target.

## Financial performance

As a State Owned Corporation, Hunter Water is committed to operate as efficiently as any comparable business and to maximise the net worth of the NSW Government's investment.

Each year, our Board of Directors agrees on a Statement of Corporate Intent (SCI) with our voting Shareholders, the Treasurer and the Minister for Finance. This includes key business objectives and specifies commercial performance targets. The SCI is tabled in NSW Parliament and forms the basis of our annual budget.

### Financial highlights

In 2022-23, our Net Profit After Tax was \$40.2 million (2021-22: \$41.0 million), which was \$6.1 million below the SCI target of \$46.3 million. We recognised a dividend of \$26.9 million (2021-22: \$27.2 million), which was \$4.4 million lower than the SCI target of \$31.3 million.

While Net Profit remains strong and largely consistent with prior years, our 2022-23 financial performance was significantly impacted by the rare, third, La Niña climatic event, which brought above average rainfall through northern and eastern Australia across spring and summer.

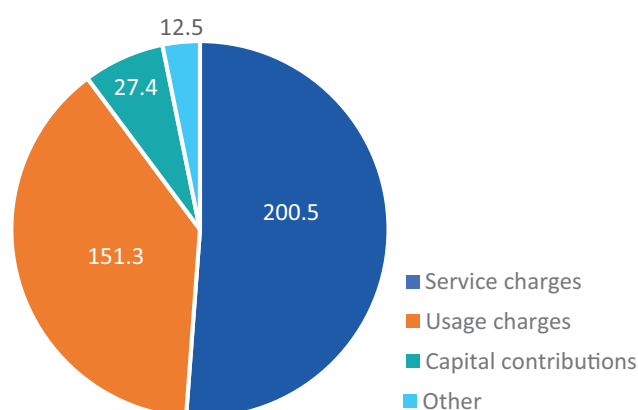
Regulated revenue was lower than budget with reduced water usage demand following these extended, wetter than average, weather conditions. The higher rainfall also resulted in higher wastewater flows which, compounded by higher energy market pricing, saw above budget electricity and treatment costs. Operating expenses are also trending higher with digital expenditure for cloud-based Software-as-a-Service (SaaS) solutions, reclassified from capital expenditure to operating expenditure, in line with recent accounting guidance.

Capital expenditure for 2022-23 of \$199.6 million (funded through borrowings and earnings) was \$3.7 million above budget, and includes infrastructure to service growth, renewing and upgrading existing infrastructure, and progressing the Lower Hunter Water Security Plan. As at 30 June, Hunter Water's total non-current assets are valued at \$3.7 billion (FY22: \$3.3 billion).

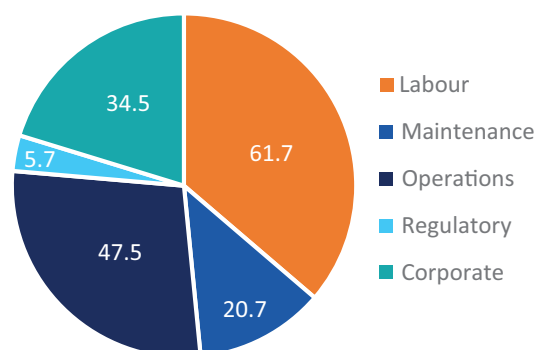
Hunter Water maintains a capital structure that supports an investment-grade standalone credit rating. We acknowledge the importance of balance sheet optimisation, rationing our capital effectively, to build business resilience over the longer term. We have a program in place to strengthen our commercial performance and improve the efficiency of our financial and operational performance, in aim of producing greater shareholder value, and to enable us to deliver the right investment opportunities at the right time, for our customers and community.

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 to protect the safety and wellbeing of our customers and our people; to support customers facing hardship including account payment extensions and waivers of late payment fees; and to build supply chain resilience including through the effective use of supplier panel arrangements.

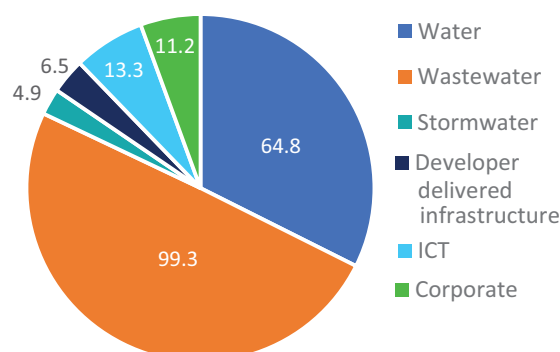
### Total Income 2022-23



### Operating Expenditure 2022-23



### Capital Expenditure 2022-23





## Operations and performance

The following is a table of a summary of financial performance from 2019-20 to 2022-23. For further information on Hunter Water's financial performance refer to the financial statements on page 52.

Financial Performance Target	2019-20 Actual Result	2020-21 Actual Result	2021-22 Actual Result	2022-23 Actual Result	2022-23 SCI Target	2022-23 Variance to SCI Target
Total revenue (\$m)	368.4	351.4	370.4	391.7	392.0	(0.3)
Operating costs (\$m)	162.4	154.0	157.5	170.1	164.8	(5.3)
Total expenses (\$m)	297.2	293.8	311.9	334.6	328.1	(6.5)
Earnings before interest, tax, depreciation and amortisation (EBITDA) (\$m)	201.4	193.9	205.6	217.8	222.4	(4.6)
Earnings before interest and tax (\$m)	137.1	119.1	120.2	125.3	129.5	(4.2)
Net profit before income tax expense (\$m)	71.2	58.2	58.5	57.1	63.8	6.7
Net profit after income tax expense (NPAT) (\$m)	51.8	40.7	41.0	40.2	46.3	(6.1)
Target dividend payout ratio (%)	70.0	70.0	70.0	70.0	70.0	-
Dividend payable (\$m)	32.9	26.9	27.2	26.9	31.3	(4.4)
Return on average assets (%)	4.8	3.9	3.7	3.5	3.8	(0.3)
Return on average equity (%)	4.5	3.5	3.2	2.8	3.6	(0.8)
Capital expenditure (\$m)	176.8	180.5	161.3	199.6	195.8	(4.1)
Net Debt*	1,471.0	1,585.4	1,667.1	1,816.9	1,799.6	(17.3)

\*Face Value of borrowings less cash at bank

## Major capital works

The following is a table of a summary of major works in progress cost to date and dates of completion.

Project	Estimated Cost (\$m)	Commenced	Status (30 June 2022)
Dungog and Kurri Wastewater Treatment Works upgrades including pump stations	45.6	May-19	Complete
Potable water substitution - various	1.5	Jul-19	Complete
Network chemical dosing unit upgrades	13.4	Aug-19	Complete
Tanilba Bay Wastewater Treatment Works upgrade	26.6	Oct-19	Complete
Munibung Creek Stabilisation	7.0	Nov-19	Underway
Dora Creek stage 2B - administration building	2.8	Jul-20	Complete
Emergency/backup generator connection points - 219 sites	17.8	Aug-20	Underway
Onsite renewable energy	15.4	Nov-20	Underway
Belmont Wastewater Treatment Works clarification upgrade	8.9	Jan-21	Complete
Cessnock Wastewater Treatment Works upgrade	32.1	Jan-21	Underway
Programmable Logic Controllers (PLC) and telemetry upgrades 2020-24	4.2	Mar-21	Underway
Seaham Weir refurbishment and modification	15.0	Apr-21	Underway
Toronto Wastewater Treatment Works upgrades	17.7	Jun-21	Underway
Disinfection Optimisation Strategy (DOS)	17.6	Jul-21	Underway
Lower Cottage Creek stormwater naturalisation	1.7	Jul-21	Complete
Tomago Road Upgrade	3.0	Oct-21	Completed
Grahamstown UV Project	19.1	Oct-21	Underway
Wyee Transfer System	47.4	Dec-21	Complete
Stormwater Amenity Program	10.3	Feb-22	Underway
Hazardous Chemical Storage and Containment Upgrades Program	40.3	Feb-22	Underway
Grahamstown Filter Media Replacement	25.9	Feb-22	Underway
Wallsend Storm Flow Pump Station	30.0	Mar-22	Underway
Eleebana 1 WWPS	1.2	May-22	Underway
Stormwater Rehabilitation Program	22.3	May-22	Underway
Farley WWTW Carousel Conversion	6.6	Jun-22	Underway
Switchboard Replacement Program	6.2	Jun-22	Underway
Belmont Desalination Water Treatment Plant	203.7	Jul-22	Underway

## Land disposals

There were no land or property disposals with a value greater than \$5 million that did not go to public auction or tender in the 2022-23 financial year.

## Investment and liability performance

Hunter Water engages the services of NSW Treasury Corporation (NSW T-Corp) to provide assistance with the management of the Corporation's debt portfolio.

At 30 June 2023, Hunter Water had a \$3.8 million cash balance and total debt of \$1.8 billion. The Corporation's debt portfolio was made up of 94% of fixed-rate debt maturing out to 2033 and 6% inflation-indexed debt maturing out to 2035.

At 30 June 2023 the Corporation did not hold any financial investments.

Key statistics on the debt portfolio as at 30 June 2023 were as follows:

	Actual 2023 (\$m)	SCI Target 2023 (\$m)
Current capital value (\$)	1,754.64	1,763.83
Average cost of debt - weighted average yield (%)	2.67%	

## Implementation of price determination

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. In 2022, IPART extended Hunter Water's current pricing period for a further 12-month period, concluding 30 June 2025.

### Water

Water service charge (\$) filtered (metered and unmetered)		2022-23	2021-22	2020-21	2019-20	2018-19
Residential properties		\$25.79	\$24.53	\$24.26	\$100.40	\$75.01
Non-residential properties meter size (mm)	Meter equivalent <sup>1</sup>	2022-23	2021-22	2020-21	2019-20	2018-19
20mm stand alone		\$25.79	\$24.53	\$24.26	\$100.40	\$75.01
20mm	1.00	\$25.79	\$24.53	\$24.26	\$100.40	\$78.52
25mm	1.56	\$40.30	\$38.33	\$37.91	\$156.89	\$122.68
32mm	2.56	\$66.02	\$62.79	\$62.11	\$257.04	\$201.02
40mm	4.00	\$103.15	\$98.11	\$97.04	\$401.63	\$314.08
50mm	6.25	\$161.18	\$153.30	\$151.63	\$627.54	\$490.76
65mm	10.56	\$272.41	\$259.10	\$256.25	\$1,060.48	\$829.37
80mm	16.00	\$412.61	\$392.43	\$388.16	\$1,606.49	\$1,256.33
100mm	25.00	\$644.71	\$613.17	\$606.50	\$2,510.14	\$1,963.01
150mm	56.25	\$1,450.69	\$1,379.81	\$1,364.63	\$5,647.83	\$4,416.79
200mm	100.00	\$2,579.00	\$2,453.00	\$2,426.00	\$10,040.58	\$7,852.05
250mm	156.25	\$4,029.69	\$3,832.81	\$3,790.63	\$15,687.50	\$12,268.75
300mm	225.00	\$5,802.75	\$5,519.25	\$5,458.50	\$22,590.00	\$17,667.00
350mm	306.25	\$7,898.19	\$7,512.31	\$7,429.63	\$30,747.50	\$24,046.75
Unmetered	Other <sup>1</sup>	\$506.39	\$478.13	\$467.06	\$527.68	\$496.62

<sup>1</sup> Comprised of the service charge on a non-residential 20mm stand alone meter plus a water usage charge based on 180kL water usage per year.

Water usage charge (metered properties only) (\$/kL)	2022-23	2021-22	2020-21	2019-20	2018-19
<b>Tier 1 (≤50,000 kL)</b>					
Filtered water	\$2.67	\$2.52	\$2.46	\$2.37	\$2.34
Raw water <sup>1</sup>	\$0.40	\$0.38	\$0.38	\$2.17	\$2.10
<b>Tier 2 - filtered water (&gt;50,000 kL)</b>					
Kurri Kurri	\$2.66	\$2.50	\$2.44	\$2.35	\$2.32
Lookout	\$2.58	\$2.40	\$2.30	\$2.22	\$2.19
Newcastle	\$2.55	\$2.35	\$2.24	\$2.16	\$2.13
Seaham - Hexham	\$2.44	\$2.20	\$2.03	\$1.96	\$1.94
South Wallsend	\$2.61	\$2.43	\$2.35	\$2.26	\$2.23
Tomago - Kooragang	\$2.41	\$2.16	\$1.98	\$1.91	\$1.89
Dungog - charges only for water sourced from Chichester Dam within Shire	\$2.41	\$2.16	\$1.98	\$1.91	\$1.89
All other locations	\$2.67	\$2.52	\$2.46	\$2.37	\$2.34
Bulk Water transfer between Hunter Water Corporation and Central Coast Council (\$/kL)	\$0.33	\$0.33	\$0.33	\$0.70	\$0.69

<sup>1</sup> The raw water charge was previously named the unfiltered water charge. The name changed in 2020-21.

### Sewer

Sewer service charge (\$) (metered and unmetered)	2022-23	2021-22	2020-21	2019-20	2018-19
<b>Residential properties<sup>1</sup></b>					
Houses	\$737.84	\$702.37	\$694.43	\$649.28	\$635.85
<b>Multi Premises (Residential) - i.e. Flats and Units</b>					
Per each residential property located in a multi premises (minimum charge) <sup>1</sup>	\$664.05	\$614.57	\$590.27	\$535.66	\$508.67

Non-residential properties <sup>2,3,4</sup> meter size (mm)	Meter equivalent <sup>1</sup>	2022-23	2021-22	2020-21	2019-20	2018-19
20mm stand alone	-	\$868.58	\$826.09	\$817.10	\$838.91	\$809.28
20mm	1.00	\$868.58	\$826.09	\$817.10	\$838.91	\$944.21
25mm	1.56	\$1,357.15	\$1,290.76	\$1,276.72	\$1,265.58	\$1,436.70
32mm	2.56	\$2,223.56	\$2,114.79	\$2,091.78	\$2,022.18	\$2,310.06
40mm	4.00	\$3,474.31	\$3,304.35	\$3,268.40	\$3,114.44	\$3,570.82
50mm	6.25	\$5,428.61	\$5,163.06	\$5,106.88	\$4,821.10	\$5,540.79
65mm	10.56	\$9,174.38	\$8,725.58	\$8,630.62	\$8,092.16	\$9,316.47
80mm	16.00	\$13,897.24	\$13,217.41	\$13,073.60	\$12,216.56	\$14,077.26
100mm	25.00	\$21,714.43	\$20,652.20	\$20,427.50	\$19,043.15	\$21,957.09
150mm	56.25	\$48,857.63	\$46,467.56	\$45,961.88	\$42,746.58	\$49,317.62
200mm	100.00	\$86,858.00	\$82,609.00	\$81,710.00	\$75,931.38	\$87,622.34
250mm	156.25	\$135,715.63	\$129,076.56	\$127,671.88	\$118,597.59	\$136,870.24
300mm	225.00	\$195,430.50	\$185,870.25	\$183,847.50	\$170,745.15	\$197,062.93
350mm	306.25	\$266,002.63	\$252,990.06	\$250,236.88	\$232,374.09	\$268,199.74

<sup>1</sup> The residential sewer service charge includes a deemed usage component.

<sup>2</sup> 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.

<sup>3</sup> A discharge factor is applied to the non-residential sewer service charge. The above rates assume a discharge factor of 100%.

<sup>4</sup> 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 or deemed)	2022-23	2021-22	2020-21	2019-20	2018-19 <sup>1</sup>
Non-residential only	\$0.72	\$0.69	\$0.68	\$0.67	\$0.67

<sup>1</sup> Discharge allowance in a meter reading period 0.328 kL/day.

## Stormwater

Stormwater service charge (\$)	2022-23	2021-22	2020-21	2019-20	2018-19
Residential (not within a multi premise)	\$90.73	\$86.29	\$85.35	\$79.63	\$77.90
Residential multi premise and mixed multi premise	\$33.57	\$31.93	\$31.58	\$29.47	\$28.83
<b>Non-residential</b>					
Small (< 1,000m <sup>2</sup> ) or low impact	\$90.73	\$86.29	\$85.35	\$79.63	\$77.90
Medium (1,001 - 10,000m <sup>2</sup> )	\$296.31	\$281.82	\$278.75	\$260.08	\$219.36
Large (10,001 - 45,000m <sup>2</sup> )	\$1,884.51	\$1,792.32	\$1,772.82	\$1,654.10	\$1,395.11
Very large (> 45,000m <sup>2</sup> )	\$5,987.54	\$5,694.64	\$5,632.68	\$5,255.48	\$4,432.60

## Recycled water (mandatory schemes)

	2022-23	2021-22	2020-21	2019-20	2018-19
<b>Gillieston Heights</b>					
Service charge (20mm base \$/year)	\$0.00	\$0.00	\$0.00	\$23.02	\$22.71
Usage charge (\$/kL)	\$2.40	\$2.27	\$2.21	\$2.07	\$2.04
<b>Chisholm</b>					
Service charge (20mm base \$/year)	\$0.00	\$0.00	\$0.00	\$23.02	\$22.71
Usage charge (\$/kL)	\$2.40	\$2.27	\$2.21	\$2.07	\$2.04

## Customer supported program charges

	2022-23	2021-22	2020-21	2019-20	2018-19
<b>Environmental projects charge (\$)</b>					
Irrigation of public spaces	\$0.78	\$0.74	\$0.73	-	-
Stormwater amenity improvement	\$1.03	\$0.98	\$0.97	-	-



## Backlog and other sewerage services

	2022-23	2021-22	2020-21	2019-20	2018-19
<b>Environmental Improvement Charge (EIC) (\$)</b>					
(Same for Hunter Water and Dungog)	-	-	-	\$41.01	\$40.46
Clarence Town Sewer Charge (Dungog only)	-	-	-	-	\$44.82

## Exempt service

	2022-23	2021-22	2020-21	2019-20	2018-19
<b>Charged proportion</b>	20%	20%	20%	20%	20%
<b>Water service - exempt</b>					
<b>Residential properties</b>					
House	\$5.16	\$4.91	\$4.85	\$20.08	\$15.00
Unit/flat	\$5.16	\$4.91	\$4.85	\$20.08	\$15.00
<b>Non-residential properties</b>					
Non-residential stand alone	\$5.16	\$4.91	\$4.85	\$20.08	\$15.00
20mm	\$5.16	\$4.91	\$4.85	\$20.08	\$15.70
25mm	\$8.06	\$7.67	\$7.58	\$31.38	\$24.54
32mm	\$13.20	\$12.56	\$12.42	\$51.41	\$40.20
40mm	\$20.63	\$19.62	\$19.41	\$80.33	\$62.82
50mm	\$32.24	\$30.66	\$30.33	\$125.51	\$98.15
65mm	\$54.48	\$51.82	\$51.25	\$212.10	\$165.87
80mm	\$82.52	\$78.49	\$77.63	\$321.30	\$251.27
100mm	\$128.94	\$122.63	\$121.30	\$502.03	\$392.60
150mm	\$290.14	\$275.96	\$272.93	\$1,129.57	\$883.36
200mm	\$515.80	\$490.60	\$485.20	\$2,008.12	\$1,570.41
250mm	\$805.94	\$766.56	\$758.13	\$3,137.50	\$2,453.75
300mm	\$1,160.55	\$1,103.85	\$1,091.70	\$4,518.00	\$3,533.40
350mm	\$1,579.64	\$1,502.46	\$1,485.93	\$6,149.50	\$4,809.35

<b>Sewer service - exempt</b>	2022-23	2021-22	2020-21	2019-20	2018-19
<b>Residential properties</b>					
House	\$147.57	\$140.47	\$138.89	\$129.86	\$127.17
Unit/flat	\$132.81	\$122.91	\$118.05	\$107.13	\$101.73
Non-residential properties	Sewer service charge x 20%				

<b>Pensioner Rebate</b>	2022-23	2021-22	2020-21	2019-20	2018-19
Residential	\$354.00	\$335.00	\$330.00	\$318.00	\$307.00

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 Heights 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.

## Customer base

Customer	Number of Properties 2022-23	Income Raised 2022-23 \$m Actual
Residential	200,412	234.5
Multi-Residential <sup>1</sup>	53,649	52.0
Commercial	12,635	32.8
Industrial	1,358	12.5
Bulk Supply	5	3.2
Other <sup>2</sup>	474	17.6
<b>Total</b>	<b>268,533</b>	<b>352.7</b>

<sup>1</sup> Includes total number of individual flats.

<sup>2</sup> Includes some Hunter Water properties from which no revenue is raised.

## Rainfall received

Year	Newcastle	Grahamstown	Chichester
2022-23	1,011	1,172	1,335
2021-22	1,038	1,379	1,681
2020-21	1,022	1,001	1,225
2019-20	1,091	1,423	1,735
2018-19	959	1,085	1,343
2017-18	928	813	863
<b>Long term average</b>	<b>1,369</b>	<b>1,635</b>	<b>1,615</b>
<b>Years of record</b>	<b>1,037</b>	<b>982</b>	<b>1,239</b>

<sup>1</sup> 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

Source	2023	2022	2021	2020	2019	2018	2017
Chichester	23,088	22,272	23,753	17,769	24,847	21,843	23,026
Tomago	3,611	1,657	5,150	19,179	1,235	1,269	1,255
Grahamstown	35,224	37,942	32,954	26,335	44,711	46,758	43,057
Total Major Sources	61,923	61,871	61,858	63,284	70,793	69,869	67,337
Anna Bay <sup>2</sup>	1,974	1,299	1,004	674	1,279	1,786	1,931
Lemon Tree Passage	735	752	745	738	787	867	834
<b>Total<sup>3</sup></b>	<b>64,632</b>	<b>63,922</b>	<b>63,607</b>	<b>64,696</b>	<b>72,859</b>	<b>72,522</b>	<b>70,102</b>

<sup>1</sup> 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.

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

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

<sup>4</sup> 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

Source	2023		2022		2021		2020		2019		2018	
	ML	(%)	ML	(%)	ML	(%)	ML	(%)	ML	(%)	ML	(%)
Domestic	38,518	57%	37,770	58%	37,268	58%	38,209	58%	41,273	56%	42,737	58%
Non-Domestic	17,922	26%	15,229	24%	14,595	23%	17,143	26%	17,875	24%	19,374	26%
Bulk Supply	1,583	2%	2,792	4%	3,869	6%	1,782	3%	3,663	5%	516	1%
<b>Total Consumption</b>	<b>58,023</b>	<b>86%</b>	<b>55,791</b>	<b>86%</b>	<b>55,732</b>	<b>87%</b>	<b>57,134</b>	<b>86%</b>	<b>62,811</b>	<b>86%</b>	<b>62,627</b>	<b>86%</b>
Authorised (including HWC own use)	1,219	2%	1,836	3%	1,732	3%	2,021	3%	2,264	3%	2,051	3%
Apparent Losses	1,177	2%	1,143	2%	1,117	2%	1,192	2%	1,277	2%	1,340	2%
Real Losses	7,438	11%	5,995	9%	5,600	9%	6,037	9%	6,751	9%	7,177	10%
Gross Non-Revenue Generating	9,833	14%	8,974	14%	8,449	13%	9,250	14%	10,291	14%	10,569	14%
<b>Total Supply <sup>2</sup></b>	<b>67,856</b>		<b>64,765</b>		<b>64,181</b>		<b>66,384</b>		<b>73,102</b>		<b>73,196</b>	

<sup>1</sup> 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.

<sup>2</sup> 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	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Poor pressure	50	58	65	73	140	123
Pump problem	7	7	11	6	4	7
Seepage	582	596	489	336	202	132
Main flush	1,306	897	1,177	1,944	1,516	1,846
Main repair	1,160	1,072	1,049	1,461	1,383	1,522
Hydrant defect	1,272	1,072	1,358	1,551	1,168	1,066
Valve defect	296	289	295	387	309	269
Repair pathcock / maincock	3,547	3,771	4,114	4,460	3,772	3,179
Meter defect	770	796	618	759	686	544
Service defect repaired by Hunter Water	3,076	2,828	2,724	3,232	2,654	2,517
Service defect repaired by private plumber	963	862	826	1,028	716	705
Complaint unconfirmed	452	476	521	562	399	397
Other	1,018	981	1,071	1,511	1,404	1,366
Tap rewashers	9	9	8	42	27	27
Trunkmain repairs	54	56	86	207	847	1,325
<b>Total</b>	<b>14,562</b>	<b>13,770</b>	<b>14,412</b>	<b>17,559</b>	<b>14,547</b>	<b>15,031</b>

## Water transport system

Incident / Solution	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Main breaks per 100kms main - trunkmains included in length of mains	22	21	20.2	28.3	27	30
Discoloured water complaints per 1000 properties connected (tenancy)	2.8	5.6	3	3.5	2.1	3.5

## Wastewater system incidents

Incident / Solution	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Chokage cleared - main	1,103	1,380	1,625	2,110	2,212	2,464
Chokage cleared - branch	1,408	1,645	1,999	2,370	2,424	2,315
Private plumbers job 1	363	408	432	421	393	424
House drains cleared	4	12	5	14	8	4
Storm overflow	407	188	665	218	124	224
Gravity sewer break	48	36	53	50	67	51
Rising main break	36	34	37	38	28	32
Pump Station malfunction	6	6	0	3	5	3
Vacuum Sewer Jobs	63	57	100	85	65	8
Pump Effluent Line	13	8	24	15	11	10
No work required	86	97	126	109	137	109
Complaint unconfirmed	193	258	320	312	266	278
Charge job 2	0	1	0	0	0	1
Other	503	613	61	634	637	578
<b>Total</b>	<b>4,233</b>	<b>4,743</b>	<b>6,067</b>	<b>6,379</b>	<b>6,377</b>	<b>6,501</b>

<sup>1</sup> 1 Problem in customer's private drains or fittings.

<sup>2</sup> Completed by Hunter Water and customer billed.

## Wastewater transport system

	Number of Main Breaks and Chokes	Length of Sewermain (km)	Ratio of Main Breaks/Chokes Per 100km of Main
<b>Total</b>	1,236	5,284	22.5
	Number of Property Breaks and Chokes	Number of Wastewater Properties	Ratio of Property Breaks and Chokes per 1000 Properties
<b>Total</b>	1,437	258,467	5.6

## Collaborative Research and Development projects

### Research and Development

Over the year, Hunter Water participated in Research and Development (R&D) on projects covering water quality, wastewater, ecology and catchment management subjects. This was conducted with research partners such as the University of Newcastle, University of Technology Sydney and Water Research Australia. Our R&D program is aimed at:

- Supporting the Corporate Strategy
- Reducing uncertainty and increasing understanding of our systems
- Managing corporate risks
- Increasing stakeholder confidence through robust research
- Supporting evidence-based decision making
- Building capacity
- Demonstrating leadership in research

Partners	Project	Funding (\$)
University of Newcastle	Biological Stability of Drinking Water in the Distribution System	24,615
	Molluscan Biomonitoring of Endocrine Disrupting Chemicals in Aquatic Systems	7,500
	Real-Time Fluorescence Monitoring of Cyanobacteria	23,310
	Algae Modelling Research	33,977
	Impacts of Wastewater Overflows on Downstream Oyster Leases	21,425
	Bulk Water Strategy – Assessment of Extreme Event Likelihood & Customer Impacts	12,797
	Drivers of Discoloured Water Complaints	10,398
	Characterisation of Stormwater in Dungog	12,967
	Passive Sampling of Pesticides	5,965
	Algal Prediction Modelling & Peer Review	9,198
University of Queensland	National Drugs in Wastewater Project	1,961
Water Research Australia	MBR Pathogen Log Reduction Values	10,000
	Augmenting Water Bodies with Highly Treated Purified Recycled Water	10,000
	Drivers of Cyanotoxin Production	20,000
	WaterRA Lake Hydrodynamic Models with Pathogen Modules for Assisting with Quantitative Microbial Risk Assessment	10,000
Royal Melbourne Institute of Technology	ARC Training Centre for the Transformation of Biosolids	70,500
CSIRO	CSIRO AquaWatch Project	50,000
Lake Macquarie City Council	LMMC Environmental Research Grants	10,000
University of Technology Sydney	LMMC Environmental Research Grants	10,000
Water Services Association of Australia	Carbon Neutrality Studies	15,000
Water Research Laboratory	Oyster Harvest Closure Decision Making Tool	44,205
University of New South Wales	Nuisance & Harmful Algae Science-Practice Partnership	47,614
Total		524,933



# MANAGEMENT AND ACCOUNTABILITY

## Average total remuneration package of executives at 30 June 2023

2023 Statutory and Other Offices Remuneration Tribunal (SOORT) Band equivalent	Average remuneration		Gender 2023		Gender 2022	
	2023 (\$)*	2022 (\$)*	Female	Male	Female	Male
Band 4	581,613	522,920	-	1	-	1
Band 3	370,661	359,603	1	1	1	-
Band 2	296,419	302,339	3	2	3	2
Band 1	-	281,354	-	-	0	1
<b>Total</b>					<b>4</b>	<b>4</b>

\* 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 2022-23, 4.48% of Hunter Water's employee related expenditure was related to senior executives, this is consistent with 4.48% expenditure in 2021-22. This calculation includes salaries, wages, overtime and bonuses paid in 2022-23. Oncosts are not included. Executive expenditure includes all senior executives at 30 June 2023.

## Workforce profile

	2023	2022	2021	2020	2019	2018	2017
Males	338	326	317	323	309	316	325
Females	192	182	168	167	158	143	141
<b>Total</b>	<b>530</b>	<b>508</b>	<b>485</b>	<b>490</b>	<b>467</b>	<b>459</b>	<b>466</b>
Permanent	459	441	399	400	403	394	406
Temporary	28	19	32	32	8	8	5
Part-time	43	48	54	58	56	57	55
<b>Total</b>	<b>530</b>	<b>508</b>	<b>485</b>	<b>490</b>	<b>467</b>	<b>459</b>	<b>466</b>
Redundancies	1	1	6	3	7	4	2
Recruitment	57	64	41	60	53	34	46
Unplanned absences (%)	3.6	3.15	2.8	3.45	3.48	2.8	3.2

**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.

## Overseas travel

Hunter Water's Manager Mechanical Engineering, Rowan Lonergan, travelled to Nepal from 12-17 October 2022 and 8-16 May 2023 with the Australian Water Partnership. The trip was funded by the Australian Water Partnership.

## Consultants

Hunter Water reports consultancy expenditure in accordance with TPG23-03 Financial Reporting Code for NSW General Government Sector Entities (TPG23-03). Under TPG23-03 a consultant is defined as 'a person or organisation engaged under contract on a temporary basis to provide recommendations or professional advice to assist decision-making by management'. For consultants engaged by Hunter Water it is the advisory nature of the work that differentiates them from other contractors.

The following tables reflect Hunter Water's expenditure on consultants across 2022-23 in accordance with TPG23-03.

### Engagements with consultants costing equal to or greater than \$50,000

Consultant	Project	Cost (\$)
Hunter H2O Holdings Pty Ltd	Grahamstown Dam assessment advisory services,	1,774,788
	Grahamstown backwash and washwater advisory services,	
	Bulk water strategy,	
	Sustainability strategy advisory services,	
	Wet weather overflow advisory services,	
	Waterway improvement framework,	
	Engineering and risk management advisory services	
Jacobs Group (Aust) Pty Ltd	Carbon and climate change strategy development,	994,941
	Walsh Point desalination advisory services,	
	Price path advisory services,	
	Engineering and risk management advisory services	
GHD Pty Ltd	Chichester Dam risk and safety advisory services,	484,677
	Other advisory services	
Fromhereon Pty Ltd	Digital strategy services,	348,958
	Digital architecture advisory services	
Insync Surveys Pty Ltd	Customer engagement price proposal advisory services	345,898
Aecom Australia Pty Ltd	Grahamstown Dam seismic and geotechnical assessments	329,500
KPMG	Customer service operating model review,	320,275
	Strategy and portfolio management advisory services	
University of New South Wales	Peer reviews and other advisory services	163,314
Kellogg Brown & Root Pty Ltd	Digital and Customer Services IPART regulatory submission advisory services,	157,420
	Climate mitigation and adaptation advisory services	
Atom Consulting	Recycled water risk assessment advisory services	112,333
Strativity Group	Customer strategy advisory services	103,950
The Upfront Thinking Company Pty Ltd	Corporate strategy advisory services	98,241
Sphere Infrastructure Partners	Biosolids, stormwater and recycled water advisory studies	74,700
Centre For International Economics	IPART long run marginal cost advisory services	53,650
Richard Rodd & Associates Pty Ltd	Chichester Dam risk review advisory services	51,750
<b>Total Consultants</b>	<b>15</b>	<b>5,414,394</b>

### Engagements costing less than \$50,000

Category	Number	Costs \$
Corporate	47	689,394
Engineering	28	338,780
Finance and Digital	28	461,439
<b>Total Consultants Expenditure 2022-23</b>		<b>6,904,008</b>

## Grants, donations and sponsorships

In 2022-23 the following grants, donations and sponsorships were provided.

Project	Type	Organisation(s)	Purpose	Amount
Bio banking botanic gardens	Community partnership	Hunter Region Botanic Gardens	Ongoing sponsorship (funded by biobanking of Hunter Water land leased by the Gardens)	50,000
Clontarf Foundation	Community partnership	Clontarf Foundation	Providing a program of education and engagement strategies for young Aboriginal and Torres Strait Islander men	15,000
Girls Day Out Women in Sport	Event sponsorship	Host a Surfer	Sponsorship for the event that supports women in sport	5,000
Hunter Business Awards	Event sponsorship	Business Hunter	Sponsorship for award category recognising water conservation in business	6,000
HunterWISE Program	Community partnership	University of Newcastle	Providing opportunities for women and girls in STEM	1,000
Lake Mac Business Awards	Event sponsorship	Lake Macquarie City Council	Sponsorship of the event and Sustainable Business category	1,500
Community Disability Alliance Hunter	Community Partnership	Community Disability Alliance Hunter	Program sponsorship	2,000
Newcastle Pride Festival	Event sponsorship	Newcastle Pride INC	Sponsorship of the event and the port-a-loos with the Respect the Throne campaign	7,500
NAIDOC Event	Event sponsorship	Awabakal Inc	Event sponsorship	5,000
Sydney Innovation Festival	Event sponsorship	Sydney Water	Bronze event sponsorship	15,000
Sustainable Living Festival	Event sponsorship	Econetwork Port Stephens	Event sponsorship	5,000
Newcastle University Women in Engineering Sponsorship	Community partnership	NUWiE	Program sponsorship	1,000
Hunter Innovation Festival	Community partnership	Hunter IF Limited	Festival sponsorship	3,000
Maitland Regional Show	Event sponsorship	Hunter River Agricultural & Horticultural Association	Support for the Show which brings the city and regional communities together	5,000
NAIDOC celebration	Event sponsorship	Awabakal Inc	Sponsorship for Newcastle NAIDOC event	5,000
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
Surfest	Event sponsorship	Surfest	Sponsorship of the annual community event	10,000
Love Water Grants	Community partnership	Australia's Wildlife Ark Ltd (Aussie Ark)	Hunter Region Endangered Turtle Breeding Program	10,000
		Biraban Local Aboriginal Land Council	Growing Plants for their return to country	10,000
		New Lambton Heights Infants School P&C Association	Embedding water conservation ideology and practice into early school life	8,860
		Fig Tree Community Association	Olla Water Workshops	5,328
		Australian Sailing	Water conservation and education in sailing clubs in the Lower Hunter	9,953
		Valley Village Early Learning Centre	Bush Tucker Garden and Frog habitat Water Conservation	3,700
		Millers Forest Public School	Millers Forest Garden Water System ('Water' you think about this?)	10,000
		Men's Shed Maitland Inc. Trading as the Maitland Community Men's Shed	Water System Pressure Upgrade	2,800
		St John's Primary School Lambton	Developing Biodiversity in Our Garden	3,115
		Trees in Newcastle	TIN Water Plan	9,200
		St Johns Church Community Garden	Water for community garden	8,400
		Valentine Hydrotherapy Pools Inc	Love Water Saving - Step 1	10,000
		Clarence Town Public School	Connections for Our Climate	4,024
		PCYC (OzHarvest)	Nourish Community Garden	9,400
		Lodge Paxton 608	Water efficiency project	3,237
WaterAid partnership	Sponsorship	WaterAid	Contribution to charity partnership enabling clean water in developing countries	11,000
<b>Total</b>				<b>261,017</b>

## Legislative change

### Key changes 2022-23

#### **Constitution amendment - Sydney Water and Hunter Water**

The first Bill of the 58th Parliament was to amend the *Constitution Act 1902* to ensure the continued public ownership of the Sydney Water Corporation and the Hunter Water Corporation and their main undertakings.

The Bill inserts a new Part 10 (Public ownership of Sydney Water Corporation and Hunter Water Corporation) into the *Constitution Act 1902*, which provides that a water corporation and/or a main undertaking of a water corporation cannot be sold or otherwise disposed of unless authorised by an Act of Parliament.

In his second reading speech, the Premier, the Hon. Chris Minns MP, emphasised that the reforms focus on ensuring continued public ownership of Sydney Water and Hunter Water. He indicated that they are not intended to limit or constrain the corporations' day-to-day operations or ability to enter into commercial arrangements, provided their main undertakings remain in public ownership.

The Bill passed the Parliament on 1 June 2023 without amendments. Royal Assent was provided on 8 June 2023.

#### **Privacy and Personal Information Protection Amendment Act 2022**

The *Privacy and Personal Information Act 1998* was amended in November 2022. The Act was amended to extend the definition of 'public sector agency' to include State Owned Corporations that are not subject to the *Privacy Act 1988* (Cth).

Following the amendment, Hunter Water is required to ensure compliance with the PPIA with necessary systems, processes and documentation. A 12-month transition period was included in the Amendment, with compliance required from 29 November 2023.

In response to the amendments, Hunter Water has undertaken a review of our Privacy Policy and Privacy Management Plan. Reporting against the PPIA will be included in Hunter Water's 2024 Annual Report.

#### **Public Interest Disclosures Act 2022 (NSW) (PID Act)**

The PID Act was assented to on 13 April 2022 and the provisions will commence 18 months from the date of assent, or by earlier proclamation.

As with the *Public Interest Disclosures Act 1994* (NSW), the focus is on providing for the protection of public officials who disclose serious wrongdoing by public officials in the public sector.

### External production cost and access

The cost to compile and present the information in this report was approximately \$2000. The Annual report can be accessed at [hunterwater.com.au/about-us/publications/annual-report](https://hunterwater.com.au/about-us/publications/annual-report)

## 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. The group is chaired by Councillor Brian Adamthwaite, a representative from Lake Macquarie City Council.

**A summary of key matters addressed at its meetings follows:**

### Strategic matters

The agenda for each meeting was set to enable discussion and input on core strategic matters. Across the year, the CCAG engaged in discussions on Hunter Water's strategic outlook, and major strategic projects including the Lower Hunter Water Security Plan, the Hunter River Estuary Wastewater Masterplan, and the Customer Experience Strategy.

### Regulatory updates

At each meeting, the CCAG considered regulatory matters including providing input to IPART's form of regulation review, Hunter Water's Operating Licence, the reintroduction of developer charges, community engagement for the pricing proposal and the CCAG's role in Hunter Water's regulatory processes.

### Reconciliation Action Plan

The CCAG requested updates on Hunter Water's reconciliation journey, including on the development and implementation of the Innovate Reconciliation Action Plan. The CCAG engaged in discussions about how to share RAP learnings with other organisations, and Hunter Water's work to support Indigenous Procurement.

### Operational updates

At each meeting, the Managing Director provided an overview of Hunter Water's operational performance, including against the Corporate Scorecard. Additionally, the CCAG received a detailed overview of Hunter Water's performance and benchmarking against other Australian water utilities through the National Performance Report.

## Site tour

During the year, the CCAG undertook a site tour of Hunter Water's Burwood Beach Wastewater Treatment Works. The Burwood Beach plant is Hunter Water's largest wastewater treatment site, treating 48 million litres of wastewater each day, supporting a population of 220,000 across the Newcastle City, Dudley, Charlestown, Jesmond, Mayfield and Carrington areas.



## CCAG membership

MEMBER	ORGANISATION	MEMBERSHIP INTEREST AREA	ATTENDANCE	
			A	B
Cr Brian Adamthwaite (Chair)	Lake Macquarie City Council	Local Government	4	5
Cr Dr Elizabeth Adamczyk	City of Newcastle	Local Government	4	5
Mr David Beins		Customers from culturally and linguistically diverse backgrounds	3	5
Ms Linda Bowden	Save the Williams River Coalition	Environmental groups and customers living in rural and urban fringe areas	2	5
Mr Ken Edwards	Save the Williams River Coalition - Alternate Representative		1	
Ms Kerindy Clarke		Indigenous Australians and residential customers	0	5
Mayor John Connors	Dungog Shire Council	Local Government	3	5
Cr Jessica Clark	Dungog Shire Council	Local Government	1	
Cr Peter Francis	Port Stephens Council	Local Government	4	5
Associate Professor Troy Gaston	University of Newcastle	Business customers	2	5
Cr Sally Halliday	Maitland City Council	Local Government	3	5
Cr Karen Jackson	Cessnock City Council	Local Government	1	5
Ms Suzanne Johns	National Seniors Association - Newcastle Branch	Pensioners and residential customers	2	5
Mr William Lennox	Maitland Masonic Centre	Pensioners and Residential customers	3	5
Mr Adam Bowcutt	Maitland Masonic Centre - Alternate Representative		1	
Mr Graham Jones	Maitland Masonic Centre - Alternate Representative		1	
Mr Glenn Lyons	Hunter Local Land Services	Environmental groups and customers living in rural and urban fringe areas	0	5
Mr Douglas McCloskey	Public Interest Advocacy Centre	Residential customers and organisations representing low income households	3	5
Ms Jean McGarry	LM Sustainable Neighbourhood Alliance	Environmental groups and residential customers	5	5
Mr Joseph Popov	Community Disability Alliance Hunter	Customers with disabilities	0	5
Mr Leroy Wilkinson		Indigenous Australians	0	5

A = Number of meetings attended.

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

## Risk management

Hunter Water 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).

Hunter Water 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.

Hunter Water 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. 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.

In 2022-23, our highest risks were assessed as follows:

Key risks	Description	Treatment actions
<b>Asset failure</b>	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
<b>Environmental compliance</b>	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
<b>Inability to manage the impacts of climate change</b>	Understanding the impacts that climate change is likely to have on our operations (both physical and transition risks)	Whole of business qualitative risk assessment Climate change adaptation plan Collaboration with other local councils, agencies and utility providers to develop solutions to managing the risks.

## Government Information Public Access Act

During 2022-23, Hunter Water received seven 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 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 outcome<sup>1</sup>

	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	0	0	0	0	0	0	0	0	0	0%
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	2	1	0	0	0	0	0	4	31%
Members of the public (other)	5	3	1	0	0	0	0	0	9	69%
<b>Total</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13</b>	
<b>% of Total</b>	<b>46%</b>	<b>38%</b>	<b>15%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>		

<sup>1</sup> 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.

	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*	0	1	0	0	0	0	0	0	1	8%
Access applications (other than personal information applications)	6	4	2	0	0	0	0	0	12	92%
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0	0	0%
<b>Total</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13</b>	
<b>% of Total</b>	<b>46%</b>	<b>38%</b>	<b>15%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>		

\*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)	1	100%
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%
<b>Total number of invalid applications received</b>	<b>1</b>	<b>100%</b>
Invalid applications that subsequently became valid applications	1	100%

## Conclusive Presumption of Overriding Public Interest Against Disclosure: Matters Listed in Schedule I to Act

	Number of Times Consideration Used <sup>2</sup>	% of Total
Overriding secrecy laws	0	0%
Cabinet information	0	0%
Executive Council information	0	0%
Contempt	0	0%
Legal Professional Privilege	0	0%
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%

<sup>2</sup> 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	% of Total
Responsible and effective government	5	38%
Law enforcement and security	0	0%
Individual rights, judicial processes and natural justice	4	31%
Business interests of agencies and other persons	4	31%
Environment, culture, economy and general matters	0	0%
Secrecy provisions	0	0%
Exempt documents under interstate Freedom of Information legislation	0	0%
<b>Total</b>	<b>13</b>	

## Timeliness

	Number of Applications	% of Total
Decided within the statutory timeframe (20 days plus any extensions)	8	100%
Decided after 35 days (by agreement with applicant)	0	0%
Not decided within time (deemed refusal)	0	0%
<b>Total</b>	<b>8</b>	

## 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	0	0	0	0%
Review by Information Commissioner <sup>3</sup>	1	1	2	100%
Internal review following recommendation under section 93 of Act	0	0	0	0%
Review by ADT	0	0	0	0%
<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>	

<sup>3</sup> 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	% of Total
Applications by access applicants	2	67%
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	1	33%
<b>Total</b>	<b>3</b>	

## Applications transferred to other agencies

Number of Applications Transferred	
Agency-Initiated Transfers	0
Applicant-Initiated Transfers	0
<b>Total</b>	<b>0</b>



## Public interest disclosures

### Reporting period July 2022 to June 2023

Number of public interest disclosures received by Hunter Water	3
Number of public officials who made public interest disclosures to Hunter Water	3
Information on public interest disclosures received:	
- Corrupt conduct	0
- Maladministration	3
- 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 2023):	
That have been finalised in this reporting period	2
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

# SUSTAINABILITY

Hunter Water has a longstanding commitment to sustainability, which we define as meeting the environmental, social and economic needs of our communities in a manner which meets our current needs without jeopardising the ability of future generations to do the same.

Our community values sustainability. It is also important to Hunter Water, more so than ever, in light of challenges such as climate change and resource scarcity. A sustainable and resilient region is fundamental to our own longevity; providing sustainable, resilient and valued services for our region is a key priority in our Corporate Strategy and our Sustainability Strategy. We consolidate our sustainability objectives and targets across the Environmental, Social and Governance aspects (ESG) of our business, to provide open and transparent reporting of sustainability performance to our people, stakeholders, customers and community.

Hunter Water tracks progress against the 18 objectives in our Sustainability Strategy.

Hunter Water continues to make significant progress towards improving our environmental outcomes and addressing climate related risks. We have delivered a range of initiatives from community awareness campaigns, recycling programs, investment in behind-the-meter electricity generation and recycled water programs.

In the past financial year we have recycled or reused 63% of the solid waste generated in our operations (excluding biosolids). We produced almost 50,000 tonnes of biosolids for use as a soil conditioner in agriculture and mine site rehabilitation. We are continuing to plan for biosolids processing upgrades to enable growth in our region and ensure our facilities stay up-to-date with the latest developments in biosolids standards and legislation, so we can continue to make the most of our precious resources into the future.

In addition, we continue to develop our climate risk posture and adaptation planning for our assets and operations to ensure our services and assets are resilient in a changing climate. Renewable energy investment remains a significant focus, both to reduce our carbon emissions and electricity costs. In 2022-23 we have:

- Invested in eight solar systems generating renewable energy and one lithium-ion battery during FY22 (including head office system)
- Increased energy generation at our existing Chichester hydro and the Cessnock Co-gen systems
- Expanded our total renewable energy generation capacity to 1.74 MW and generated 1,685MWhr of renewable energy
- Begun pursuing an Infrastructure Sustainability Council (ISC) rating for the development of the Belmont desalination plant.

Our key sustainability performance indicators are summarised in the tables below.

## Environment

Indicator	Measure	Baseline	Target	Progress
Water conservation	Percentage reduction in potable water consumption by all customers (rolling 12-month average)	2016-2018 (pre-drought) customer water use behaviours	17% reduction by 2032	10.1% (June 2023)
Water loss (leakage)	Litres/connection/day	104 Litres/connection/day (2015-16)	50 Litres/connection/day by June 2025	83 Litres/connection/day (2022-23 water year to April 2023)
Greenhouse gas emissions	Tonnes of greenhouse gas emissions (scope 1 and 2) per year	82,097 tCO <sub>2</sub> e (2005)	Net zero operational emissions (scope 1 and 2) by 2035, and 80% reduction by 2030 compared to 2005 levels. Subject to community willingness to pay.	72,772 tCO <sub>2</sub> e (June 2023) which is a 11% reduction compared to 2005 levels

## Social

Indicator	Measure	Baseline	Target	Progress
Female participation	Percentage of female staff in the workforce	35% (30 September 2020)	40% by December 2023	36% (June 2023)
Aboriginal and Torres Strait Islander participation	Percentage of staff that identify as an Aboriginal and/ or Torres Strait Islander person	2.4% (30 September 2020)	6.1% 2021 census (our target is for our workforce to match the composition of the community that we serve)	3% (June 2023)

We are committed to achieving a diverse organisation with a culture centred on our values of Leading, Learning, Trust, Wellbeing and Inclusion in all we do. In July 2022 we launched our Innovate Reconciliation Action Plan. While we have made progress in the participation of First Nations peoples in our workforce since 2020, we have more work to do to achieve our target.

Increasing women participation and improving gender equity is reflected in our Sustainability Strategy through the Inclusion and Diversity (Social) measures. Supporting and promoting inclusion and diversity is fundamental in ensuring we perform as best we can. We continue to build an inclusive culture that encourages, supports and celebrates the diverse perspectives of our people, as well as the customers and communities we serve.

The number of women in senior leadership positions has increased from 33 per cent in 2020 to 37% in 2023. Our efforts to date have us on a trajectory to achieve our target of 40% , although this may take longer than our stretch target timeframe of 2023.

We submitted our third annual Modern Slavery Statement to the Australian Attorney-General's Department on 20 December 2022, building on our 2019-20 and 2020-21 Statements. We will continue to progress our Modern Slavery Action Plan to combat modern slavery risks in our supply chain and operations.

## Governance

Hunter Water is committed to maintaining high standards of public accountability and corporate governance, probity and integrity. Hunter Water complies with TPP17-10 'Guidelines for Governing Boards of Government Businesses'. Additionally, we have worked to continually improve our governance arrangements for sustainability and modern slavery as described above, as well as improving the governance, accountability and risk management practices in our capital delivery structures to deliver increased satisfaction, improved financial efficiency and affordability for our customers.

## Our approach to managing climate change risks and opportunities

Hunter Water has been serving the Lower Hunter community since 1882. At the core of our business is the requirement to effectively manage climate variability to provide reliable water services for residents of the Hunter now and into the future.

In recent years our region, our people and our communities have experienced prolonged drought, severe bushfires and consecutive La Niña events, increasing the awareness of the impact of climate change. The increased awareness comes with growing community and shareholder expectations for our organisation to address the threats to our physical assets and the communities they support. Hunter Water is also aware of our climate-related risks including increased service disruptions, water source security, and bushfire management.

Hunter Water is addressing our climate risk as well as the growing expectations and the challenges posed by a changing climate. Our Corporate Strategy had a strong focus on sustainability and climate change, with further detail in our Sustainability Strategy 2022-2024.

Hunter Water's Board is responsible for the overall policy, strategy and direction for Hunter Water, including matters of climate change and sustainability. The Board oversees the development and approval of our Corporate Strategy, our Sustainability Strategy, key strategic plans and the organisation's risk appetite.

The Board Sustainability Committee assists the Board in setting the broad direction for sustainability and climate and reviews performance against the Sustainability Strategy on a quarterly basis. The Board's Audit and Risk Committee oversees and reviews financial disclosures and reviews an annual climate risk driver analysis and treatment plan. Climate-related risks are analysed and management plans developed for those which exceed the Board's risk appetite.

Hunter Water's Management team is accountable for sustainability performance including the implementation of the Sustainability Strategy which includes our response to a changing climate, as well as progress towards our absolute and interim emissions reduction targets and a range of environmental metrics.

Our enterprise wide strategic planning includes the consideration of climate change risk across our business. The Lower Hunter Water Security Plan (LHWSP), released in 2022, acknowledges our increasingly uncertain climate future. The plan adopted a new approach to water security planning that meets the community's water supply needs under all climatic conditions, including minimum supply requirements during a long and severe drought, and adopts a drought response plan that transitions to rainfall-independent water sources as storage levels fall. The water supply modelling that informed the LHWSP was assessed quantitatively using a high emissions scenario (RCP 8.5) from NARCIIM 1.5 and takes the highest and lowest rainfall scenarios from the six available models to assess sensitivity.

Hunter Water's Enterprise Risk Management framework is used for the identification, assessment and management of all corporate risks including those posed by climate change. Monitoring and reporting on climate-related risks is provided on a quarterly basis to the Audit and Risk Committee and annually to the Board.

Our asset creation framework includes a climate risk assessment and mitigation process for all capital works projects. This includes a preliminary screening process to identify whether climate risks are present, followed by a risk assessment as required. Full climate change risk assessments are required for significant investments or those projects which are likely to be most impacted by climate change.

We are currently developing a project to provide climate change risk mapping capability across our asset base. The project will provide financial risk information to inform management plans and financial disclosures.

## Our net zero roadmap

We currently track a number of metrics associated with climate-related risks, and our Sustainability Strategy outlines additional metrics related to physical risk exposures and investments in climate adaptation. We annually report Scope 1 and 2 Greenhouse Gas (GHG) emissions in accordance with the *National Greenhouse and Energy Reporting Act 2007 (NGER Act)*.

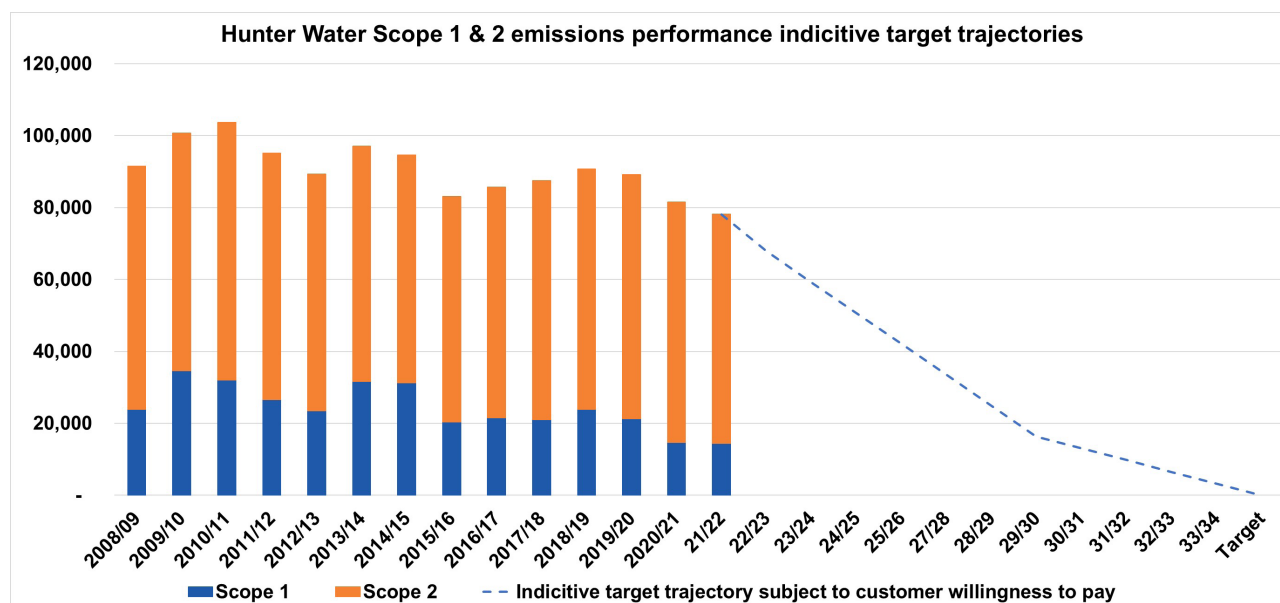
Our Scope 1 emissions are process-related emissions of methane and nitrous oxide from the wastewater treatment process, as well as fuel consumption emissions from the use of company vehicles and generators. Our indirect Scope 2 emissions are related to electricity consumption at our treatment plants, pumping stations, and offices.

### Our Scope 1 and 2 emissions in 2022-23 for the purposes of NPR reporting were:

- Scope 1 emissions: 16,395 t CO<sub>2</sub>e
- Scope 2 emissions: 56,378 t CO<sub>2</sub>e

Our Scope 1 and 2 emissions footprint over time is shown below:

To achieve action on climate change and maintain affordable services for our customers, we have a carbon reduction target to be net zero (scope 1 and 2 emissions) by 2035, subject to confirmation of customer willingness to pay. Our roadmap to reaching net zero operational emissions by 2035 includes actions to reduce our direct (scope 1) emissions and indirect electricity-related (scope 2) emissions and offsetting residual emissions. We have also set an interim target of an 80 per cent net reduction by 2030 compared to 2005 levels.



## Diversity and inclusion

We continued to build on work to create an inclusive culture where we value individuals' unique capabilities, backgrounds, experiences and characteristics. This includes improving disability and gender equity, cultural and linguistic diversity and Indigenous equity in our workplace.

Policy Category	Policies and standards
<b>Disability equity</b>	<p>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.</p> <p>Continuing our scholarship of a student with a disability at UON.</p>
<b>Gender equity</b>	<p>Continuing to sponsor women from Hunter Water to undertake an external Women's Mentoring Program, connecting female leaders from across our business and other businesses nationally.</p> <p>Sponsoring women leaders in the business to undertake a Master of Business Administration through the University of Newcastle's (UON) WiMBA (Women in MBA) program.</p> <p>Regular internal women's networking sessions.</p> <p>Creating two women in STEM (Science, Technology, Engineering and Mathematics) scholarships at UON.</p> <p>Celebrating International Women's Day.</p> <p>Celebrating International Men's Day.</p> <p>Maintaining female membership on our Executive Management Team and on our Board of Directors.</p> <p>Sponsoring the HunterWiSE (Hunter Women in STEM and Entrepreneurship) program through the University of Newcastle which supports and encourages young girls to pursue STEM careers once they finish high school.</p> <p>Addressing contributing factors of the gender pay gap at Hunter Water.</p>
<b>Cultural and linguistic equity</b>	<p>Developing a staff engagement strategy covering important observance days for different cultures and religions, including celebration of Harmony Week.</p>
<b>Generational diversity</b>	<p>Celebrating Champion Age Diversity Day.</p> <p>Providing superannuation sessions for employees at all ages and life stages.</p> <p>Providing retirement sessions for those wanting to transition.</p>
<b>LGBTIQ+ equity</b>	<p>Sponsoring Newcastle Pride, Celebrating and acknowledging Wear it Purple Day and the International Day Against Homophobia Biphobia, Intersexism and Transphobia.</p>
<b>Indigenous equity</b>	<p>Continuing two Indigenous scholarships with the University of Newcastle.</p> <p>Providing training on our Indigenous Cultural Protocols Guide.</p> <p>Joining in celebration of National Reconciliation Week and NAIDOC Week through sponsored events, video projects and internal Lunch and Learn events.</p> <p>Continuing to deliver cultural capacity training to our people.</p> <p>Implementing our second RAP - our Innovate Reconciliation Action Plan with a range of actions to create education and employment opportunities, community engagement activities and procurement opportunities.</p> <p>Continuing sponsorship of the Clontarf Foundation for 3 years.</p>



Policy Category	Policies and standards
<b>Multicultural Policies and Services Program (previously EAPS)</b>	<p>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 2023-24. 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.</p> <p>Our Inclusion and Diversity Working Group is responsible for driving initiatives to support staff and community members from different backgrounds.</p> <p>We celebrate Harmony Week 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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• affordable arrangements</li> <li>• interest holds</li> <li>• educational sessions and information on water savings</li> <li>• translation services - available for customers from non-English speaking backgrounds through our customer centre.</li> </ul> <p>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.</p>

## Workforce diversity

### Trends in the representation of EEO groups<sup>1,2</sup>

EEO target groups	Benchmark /target	% of total						
		2023	2022	2021	2020	2019	2018	2017
Women	50.0%	36.2	35.8	34.4	34.4	34.1	29.3	28.0
Aboriginal people and Torres Strait Islanders	2.7%	3	2.5	2.4	2.4	2.1	1.7	1.1
People whose first language was not English	10.0%	7	7	6.4	6.4	5.1	4.5	4.3
People with a disability	N/A	3	2.5	2.4	2.4	2.1	1.7	2.2
People with a disability requiring work-related adjustment	N/A	1.1	1.2	1.2	1.2	1.5	1.3	1.9

<sup>1</sup> Employee numbers are as at 30 June 2023. <sup>2</sup> Excludes casual employees.

Note: 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 at any time.

### Trends in the distribution of EEO groups<sup>1,2,3</sup>

EEO target groups	Benchmark /target	Distribution index						
		2023	2022	2021	2020	2019	2018	2017
Women	100	94	93	92	92	89	91	91
Aboriginal people and Torres Strait Islanders	100	96	90	76	76	74	72	66
People whose first language was not English	100	113	115	111	111	109	101	103
People with a disability	100	99	97	97	91	97	90	85
People with a disability requiring work-related adjustment	100	83	84	95	83	90	82	84

<sup>1</sup> Employee numbers are as at 30 June 2023. <sup>2</sup> Excludes casual employees.

Note: 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 at any time.

## Modern Slavery Statement

Hunter Water is considered a reporting entity in accordance with the *Modern Slavery Act 2018* (Cth) and must prepare a Modern Slavery Statement annually. The Statement outlines the actions Hunter Water has taken to identify, assess and address modern slavery risks in our operations and in our supply chains.

Previous statements can be found by searching the online register for Modern Slavery Statements.

Over the last four years, we have been actively undertaking steps to identify, assess and address modern slavery risks in our operations and supply chains. These actions are embedded in our business operations and continue to contribute to our commitment to ensure that the products and services that we procure are free from modern slavery.

### **The actions we have undertaken include:**

- Conducting a management support audit with our external auditors to further understand and advance our modern slavery processes and documentation
- Organisational gap analysis and a supplier data analysis
- Awareness training and supplier forums on Modern Slavery risks
- Developed an organisational-wide Modern Slavery Action Plan and Road Map
- Presented the Action Plan and Road Map to our Executive Management Team
- Established a Sustainable Procurement Working Group
- Established and launched the Supplier Partnership Principles
- Established an assessment process to assess supplier maturation on several sustainability focus areas
- Established an independent and confidential Whistleblower Service
- Amended our suite of Contract Templates
- Amended our internal policies and procedures
- Developed Hunter Water's Labour Hire Panel
- Participated in a water industry modern slavery forum
- Launched a mandatory training module for all employees and contractors
- Developed supplier awareness training

We will continue this work through the next financial year.

## Supplier Partner Principles

Hunter Water has established the Supplier Partner Principles (SPP) to outline our expectations of supply partners in supporting our service delivery commitments to our customers in a safe and sustainable way.

Our values are the guiding principles that inform our decision making. We are also committed to advancing the United Nations Sustainable Development Goals (SDGs). Together these form the foundations of our SPP.

The SPP are a part of Hunter Water's Commercial and Procurement Policy and are designed to communicate our principles and the behaviours and business practices we expect of:

- Potential and existing supply partners, their employees, subcontractors and supply chains.
- Hunter Water employees in their engagement with our supply partners.

The document also provides transparency of our supply principles to our community.

## Waste Statement

A total of 33,423 tonnes of solid waste was recorded for FY23 (excluding biosolids). Overall 63% of solid waste was recycled or recovered, an improvement on FY22. An EPA exemption that was renewed in May 2023 for the reuse of water treatment residuals will enable further opportunities for recycling in FY24.

Spoil generation from civil maintenance activities remained similar to last year while capital works generated double the volume compared to FY22. The increase was due to many large capital projects, including the Wyee Backlog Sewer Scheme. The recycling rates were 69% and 75% for civil maintenance and capital spoil respectively. The target to recycle 75% of spoil was not met due to large volumes of hazardous and restricted spoil. In July 2023 a project commenced to reuse appropriate fill at the site of Hunter Water's decommissioned Cardiff South Reservoir over the next four financial years. This is a result of Hunter Water obtaining a resource recovery order and exemption from the EPA for the use of appropriate fill on our sites.

Hunter Water commenced a new Total Waste and Recycling Services Contract with Remondis in January 2023 to bring most waste streams, including spoil, under a single service provider. This contract will enable improved transparency and tracking so improvements can be more accurately quantified.

Additional recycling opportunities in FY23 included returning 120kg of pens, markers and used office supplies to Terra cycle for recycling, 80kg of expired hard hats and 7,213 coffee cups to Simply Cups for recycling.

In FY24 Hunter Water is looking to roll out battery recycling and food organics recycling to the Tomago offices, Tarro Depot and North Lambton Depot. Additional waste education will also be undertaken to improve the recycling rates across Hunter Water sites.

# FINANCIAL PERFORMANCE DIRECTORS' REPORT

## Information on Directors

The Directors submit the following report made in accordance with a resolution of the Directors of the Corporation for the year ended 30 June 2023.

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

Greg Martin	Chair
Darren Cleary	Managing Director
Christine Feldmanis	Non-Executive Director (retired 31 March 2023)
Rod Harrison	Non-Executive Director
Michelle Vanzella	Non-Executive Director
Eric De Rooy	Non-Executive Director
Geoff Crowe	Non-Executive Director
Julie Savet Ward	Non-Executive Director
Donna-Maree Vinci	Non-Executive Director

**Company Secretary:** Laura Hails

**Auditors:** Audit Office of New South Wales

**Bankers:** Australia New Zealand Bank

### Directors' Indemnification

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

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.

### Directors' Benefits

During or since the end of the year 30 June 2023 no Director of the Corporation has received or become entitled to receive a benefit by reason of a contract entered into by the Corporation 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.

### Directors' Code of Conduct

The Corporation has a Directors' Code of Conduct that must be adhered to by all employees, including Directors. All employees, including Directors 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.

# Our Board



## **Greg Martin**

Chair

B.Ec LLB FIML MAICD

Initial appointment date:  
1 January 2021

Greg has more than 40 years of utility experience, including previously serving as the CEO and Managing Director of Australia's then largest energy provider, The Australian Gas Light Company, (now AGL).

Greg is currently Chair of ASX-listed Sierra Rutile Holdings Limited (ASX:SRX) and Provaris Energy Ltd (ASX:PV1), as well as Nasdaq listed Mawson Infrastructure Group Inc. (MIGI:NASDAQ); Deputy Chair of Electricity Networks Corporation t/a Western Power and a Non-Executive Director of Power and Water Corporation.

Greg was previously Chair of Iluka Resources Limited (ASX:ILU), the Sydney Desalination Plant, Prostar Capital, Everest Financial Group, NGC Holdings Limited (NZ), Empresa de Gas la V Region S.A. (Chile), Kyungnam Energy Co. Ltd (South Korea), and the NSW Royal Botanic Gardens and Domain Trust. Previously, Greg also served as a Non-Executive Director of Spark Infrastructure (ASX:SKI), Santos Limited (ASX:STO), Energy Developments Limited (ASX:ENE) and the Australian Energy Market Operator Limited.

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 the University of Technology Sydney respectively and is a Member of the Australian Institute of Company Directors.



## **Darren Cleary**

Managing Director

BE(Hons) ME

Initial appointment date:  
29 April 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 a member of the Advisory Board for the Newcastle Institute of Energy & Resources and a previous Director of the Committee for the Hunter.

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) (Honours) from the University of NSW and a Masters of Engineering Management from the University of Technology Sydney.



**Rod Harrison**  
Non-executive Director

BCom Dr of Business  
(honoris causa) MAICD

Initial appointment date:  
22 February 2018

Rod has more than 45 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, national and international level in the Australian coal industry.

Rod is currently Principle 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 relations including development of the Hunter Model of Interest Based bargaining.

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**  
Non-executive Director

BEd LLB(Hons) MBA GAICD

Initial appointment date:  
22 February 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 (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 member of the Strategic Planning Committee.

Michelle practiced 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 (Hons) and a Master of Business Administration, and is a Graduate Member of the Australian Institute of Company Directors.





### **Eric De Rooy**

**Non-executive Director**

BE(Civil)(Hons) MBA GAICD

Initial appointment date:

25 August 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 (2018-2020) an appointed member of Dam Safety NSW, helping to govern the introduction of the new regulatory approach to dam safety on behalf of the public of NSW. He was also previously (2017-2022) 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.



### **Geoff Crowe**

**Non-executive Director**

BCom FCPA GAICD

Initial appointment date:

31 August 2020

Geoff has experience in the ports, shipping, resources, and logistics sector having held CEO and senior executive roles across these sectors including Port of Newcastle, Port Waratah Coal Services, Coal & Allied and BHP amongst others. Geoff is a Non-Executive Director of Hunter Water Corporation and Independent member of Sydney Trains Safety & Environmental Sustainability Sub-Committee. He is a past Director of the Hunter Business Chamber, Hunter Valley Coal Chain Coordinator, Ports Australia and the University of Newcastle Advisory Boards.

Geoff is an executive and Director with strong experience and skills gained in commercial, legal, operations, logistics, safety, projects, change management, strategy setting and logistics. He was heavily involved in the coal industry's development of the logistics framework - the Capacity Framework Arrangement and led the development of the Ports diversification strategy.

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



**Julie Savet Ward**

Non-executive Director

BSc(Hons) MLandPlan FAICD

Initial appointment date:  
1 March 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, chair of Link Housing for ten years and chair of SGS Economics and Planning for six years.

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 was, until December 2022, a State Member of the Sydney North Planning Panel determining regionally significant development applications of \$30-100m in value.

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



**Donna-Maree Vinci**

Non-executive Director

GAICD FGIA

Initial appointment date:  
21 March 2022

Donna's extensive experience in board directorships, strategy, business, operations, risk management, governance data, digital technology, and her track record of delivering digital disruption and a transformation projects for major financial services organisations globally enables her to play a key role in business transformation as they continue to digitise their business and create new customer experiences.

In addition to being a member of Hunter Water, Donna is a Non-executive Director of Newcastle Greater Mutual Group, Capricorn Society, MS Plus and Oakhill College.

Donna has used her experience and opportunities to elevate her people and businesses to be connected with the needs and expectations of their customers and staff, and adapt the business to relevant, sustainable and competitive in the fast pace of change.

Donna previously held senior leadership positions at Bank of Queensland as the Chief Digital and Information Officer, IAG where she was Group General Manager, Group Digital and Group CIO, Chief Operations Officer, GenVis (startup) and prior to that, Donna was the Chief Operations and Information Officer at Westpac's Institutional Bank for four and half years. Donna has also held many global executive management roles at Citigroup over a span of fifteen years, including Regional CIO and Global Head of Technology Risk Management and held other senior management roles at Potter Warburg and was a Director at Country Natwest.

Donna is a graduate of the Australian Institute of Company Directors (GAICD) and Competent Boards (ESG Leadership Certificate) and certified as a Fellow (FGIA) with the Governance Institute of Australia. Donna was awarded Cisco's Women in IT, 2019, CIO of the Year Award.

Donna's focus is not just technologically driven, a large part of her approach is centred on culture/mindset, customer, partnership, team development, leadership, sustainability and governance and a commitment to continuously learn through new experiences and creating new possibilities that enable change.

# Meeting of Directors

	Board meetings		Committee Meetings											
			Audit and Risk		Nominations and Corporate Governance		Investment		Sustainability		People and Culture		Treatment Operations and Desalination	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Greg Martin	8	8	4	4	5	6	*	*	*	*	3	4	*	*
Darren Cleary	8	8	4	4	6	6	4	4	4	4	4	4	1	1
Christine Feldmanis <sup>b</sup>	4	5	3	3	3	4	3	3	*	*	*	*	*	*
Michelle Vanzella	7	8	*	*	5	6	2	4	4	4	*	*	1	1
Rod Harrison	5	8	*	*	3	6	*	*	3	4	4	4	1	1
Eric de Rooy <sup>a, c</sup>	8	8	1	1	6	6	4	4	4	4	*	*	1	1
Geoff Crowe	7	8	4	4	5	6	*	*	*	*	4	4	0	1
Julie Savet Ward	8	8	*	*	6	6	4	4	3	4	*	*	*	*
Donna-Maree Vinci	7	8	4	4	5	6	*	*	*	*	3	4	*	*

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 = Eric De Rooy appointed as a member of the Audit and Risk Committee on 29 May 2023.

b = Christine Feldmanis retired as a Board member on 31 March 2023.

c = Eric De Rooy retired as a Board member on 24 August 2023 and was reappointed on 28 August 2023.

# Board Committees 30 June 2023

## 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.

### Committee Objectives:

- 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.

### Committee Members:

Geoff Crowe	Non-Executive Director, Committee Chair
Greg Martin	Chair
Donna-Maree Vinci	Non-Executive Director
Eric De Rooy	Non-Executive Director
Darren Cleary	Managing Director (ex officio member)

## Nominations and Corporate Governance Committee

The Nominations and 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.

### Committee Objectives:

- Undertake the functions of a nomination committee as set out in NSW Treasury policy and guidelines papers Commercial Policy Framework: Guidelines for Boards of Government Businesses (TPP17-10), including to:
  - Review the skills of directors and make recommendations, where required, to NSW Treasury as part of the nominations to boards of state-owned corporations process
  - Ensure that Board succession plans are in place
  - Establish clear roles and responsibilities for the Board and management
  - Ensure that the Board has an effective composition to allow it to discharge its responsibilities
- Review and consider the development and implementation of principles, policies and practices of corporate governance.
- Make recommendations to the Board, in relation to the above, as appropriate

### Committee Members:

Greg Martin	Chair, Committee Chair
Rod Harrison	Non-Executive Director
Michelle Vanzella	Non-Executive Director
Eric De Rooy	Non-Executive Director
Geoff Crowe	Non-Executive Director
Julie Savet Ward	Non-Executive Director
Donna-Maree Vinci	Non-Executive Director
Darren Cleary	Managing Director

## Investment Committee

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

### Committee Objectives:

- 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.

### Committee Members:

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.

### Committee Objectives:

- 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.

### Committee Members:

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

## People and Culture Committee

The People and Culture Committee assists the Board of Directors on matters in relation to remuneration, evaluation of executive and senior management performance, organisational culture and capability. The Committee also assists the Board in relation to the strategic approach to managing the safety, health and wellbeing of our people.

### Committee Objectives:

In fulfilling its purpose, the Committee's objectives are to promote an organisational culture consistent with Hunter Water's values and to review, provide guidance and make recommendations to the Board in relation to:

- The remuneration, reward, recognition and management of performance of employees
- Inclusion & diversity outcomes, including discrimination, harassment, gender equity and Reconciliation Action Plans
- Safety, health & wellbeing
- Employee relations issues including enterprise bargaining and dispute resolution
- Capability & learning, leadership development and succession
- Strategies, policies and practices in connection with the above.

### Committee Members:

Rod Harrison	Non-Executive Director, Committee Chair
Greg Martin	Chair
Geoff Crowe	Non-Executive Director
Donna-Maree Vinci	Non-Executive Director
Darren Cleary	Managing Director

# Treatment Operations and Desalination Committee

The Board has established the Committee to provide assistance in fulfilling its oversight responsibilities with regard to the following:

- The competitive sourcing process for the operation and maintenance of Hunter Water’s water and wastewater treatment works (‘Treatment Operations’)
- The capital funding for project delivery and award of phase 2 of the Belmont Desalination Plant.

## Committee Objectives:

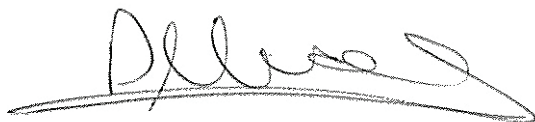
- The competitive sourcing process for the Treatment Operations contract with regard to the following:
  - Hunter Water’s business objectives
  - Mitigation of risk
  - Value for money
  - Probity and compliance with Hunter Water’s commercial and procurement policy and related documents
- Capital funding for project delivery and the award of phase 2 of the Belmont Desalination Plant.

## Committee Members:

Eric De Rooy	Non-Executive Director, Committee Chair
Michelle Vanzella	Non-Executive Director
Geoff Crowe	Non-Executive Director
Rod Harrison	Non-Executive Director
Darren Cleary	Managing Director



Greg Martin  
Chair



Darren Cleary  
Managing Director

Newcastle  
31 August 2023





## 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 Statement by the accountable authority, the Income Statement and Statement of Other Comprehensive income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, 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), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents 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).

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

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

## 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 2023. 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. I have determined the matters described below to be the key audit matters to be communicated in my report.

Key Audit Matters	How my audit addressed the matters
<b>Fair value of system assets</b>	
<p>At 30 June 2023, the Corporation's statement of financial position reported \$3.25 billion in system assets measured at fair value. System assets are highly specialised and account for 90 per cent of the total property, plant and equipment balance.</p> <p>We consider this to be a key audit matter because:</p> <ul style="list-style-type: none"> <li>the system assets are financially significant to the statement of financial position</li> <li>the discounted cash flow (DCF) model used to value the system assets is complex and involves significant judgements and assumptions</li> <li>changes in assumptions, such as the discount rate, demand growth expectations, price and cost assumptions, can significantly affect the fair value.</li> </ul> <p>Further information on the valuation techniques, inputs and sensitivity for system assets is disclosed in Note 10 and 13.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of the Corporation's approach to estimating the fair value of system assets</li> <li>assessing whether the DCF model: <ul style="list-style-type: none"> <li>incorporated all key assumptions and inputs relevant to valuing system assets of a water entity</li> <li>met the requirements of Australian Accounting Standards</li> </ul> </li> <li>assessing the competence, capability and objectivity of management's independent experts</li> <li>reviewing the reasonableness of key assumptions and sensitivity of the conclusions to changes in the assumptions</li> <li>reviewing the model's mathematical accuracy</li> <li>assessing the adequacy of the financial statement disclosures against the requirements of the Australian Accounting Standards.</li> </ul>
<b>Valuing of defined benefit superannuation liabilities</b>	
<p>At 30 June 2023, the Corporation's statement of financial position reported net defined benefit superannuation liabilities totalling \$35.9 million. This liability balance is provided to the Corporation by the Administrator of the SAS Trustee, based on an independent actuarial assessment.</p> <p>We consider this to be a key audit matter because:</p> <ul style="list-style-type: none"> <li>the defined benefit superannuation liability is financially significant to the statement of financial position</li> <li>the underlying liability valuation model (the model) is complex due to the significant degree of judgement required to determine key assumptions used to value the liability</li> <li>the value of the liability is sensitive to minor changes in valuation inputs.</li> </ul> <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"> <li>obtaining an understanding of the processes and key controls in place supporting the: <ul style="list-style-type: none"> <li>membership data used in the model</li> <li>defined benefit superannuation liability calculation.</li> </ul> </li> <li>assessing the completeness and accuracy of the membership data used in the model</li> <li>with the assistance of actuarial experts reviewing the methodology and key assumptions for reasonableness</li> <li>assessing qualifications, competence and objectivity of actuarial experts</li> <li>assessing the adequacy of the financial statement disclosures against the requirements of Australian Accounting Standards and Treasurer's Directions.</li> </ul>

## Key Audit Matters

## How my audit addressed the matters

### Accrued unbilled water usage charges

At 30 June 2023, the Corporation's statement of financial position reported \$21.8 million accrued unread revenue accrual for customer water usage.

We consider this to be a key audit matter because there is significant judgement and uncertainty involved in calculating this accrual, such as the:

- 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 customer demand across a large number of customers, which can be influenced by many factors including weather and individual circumstances.

Further information on recognition and measurement for accrued unbilled water usage charges is disclosed in Note 8.

Key audit procedures included:

- obtaining an understanding of the processes and key controls the Corporation has in place to determine the estimated unbilled usage charges
- evaluating reasonableness of the key assumptions for water loss factors, volume and rates used to determine unbilled water usage charges
- testing the mathematical accuracy of the calculation
- assessing 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 Regulation and 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](http://www.auasb.gov.au/auditors_responsibilities/ar6.pdf). The description forms part of my 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  
Delegate of the Auditor-General for New South Wales

4 September 2023  
SYDNEY

# Audited Financial Statements

## Year Ended 30 June 2023

### Income Statement for the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
<b>Revenue</b>			
Services	2	391,455	370,393
Other income	2	195	11
<b>Total revenue</b>		<b>391,650</b>	<b>370,404</b>
<b>Expenses</b>			
Operational expenses	3	(163,942)	(151,990)
Depreciation and amortisation	4(a)	(92,481)	(85,389)
Finance costs	4(b)	(68,416)	(61,631)
Superannuation expense	4(c)	(8,277)	(7,576)
Asset revaluation increment/(decrement)	4(d)	254	243
Other	4(e)	(1,734)	(5,512)
<b>Total expenses</b>		<b>(334,596)</b>	<b>(311,855)</b>
<b>Profit before income tax</b>		<b>57,054</b>	<b>58,549</b>
Income tax expense	5(a)	(16,813)	(17,548)
<b>Profit after income tax</b>		<b>40,241</b>	<b>41,001</b>
<b>Profit for the year</b>		<b>40,241</b>	<b>41,001</b>
Profit is attributable to:			
Owners of the Corporation		40,241	41,001
		<b>40,241</b>	<b>41,001</b>

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

## Statement of Other Comprehensive Income for the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
<b>Profit for the year</b>		<b>40,241</b>	<b>41,001</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to Income Statement:			
Net increase/(decrease) in assets revaluation reserve	20(a)	217,669	176,673
Income tax effect relating to net (increase)/decrease in assets revaluation reserve	5, 18 and 20(a)	(64,814)	(52,760)
Remeasurement of defined benefit superannuation liability	23(j)	7,857	25,529
Income tax effect relating to remeasurement of defined benefit superannuation liability	5 and 18	(2,357)	(7,659)
Other comprehensive income for the period, net of tax		158,355	141,783
<b>Total comprehensive income for the year</b>		<b>198,596</b>	<b>182,784</b>
Total comprehensive income for the year is attributable to:			
Owners of the Corporation		198,596	182,784
		<b>198,596</b>	<b>182,784</b>

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



## Statement of Financial Position as at 30 June 2023

	Notes	2023 \$'000	2022 \$'000
<b>Current assets</b>			
Cash and cash equivalents	7	3,877	3,710
Trade and other receivables	8	60,746	54,502
Current tax assets	15	5,650	-
Inventories	9	3,219	2,993
<b>Total current assets</b>		<b>73,492</b>	<b>61,205</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	3,593,906	3,236,051
Intangible assets	11	57,238	56,535
Right-of-use assets	12	21,509	30,607
Other non-current assets	8	804	550
<b>Total non-current assets</b>		<b>3,673,458</b>	<b>3,323,742</b>
<b>Total assets</b>		<b>3,746,950</b>	<b>3,384,947</b>
<b>Current liabilities</b>			
Trade and other payables	14	120,432	105,089
Current tax liabilities	15	-	410
Borrowings	16	294,036	275,703
Provisions	17	51,977	52,121
<b>Total current liabilities</b>		<b>466,446</b>	<b>433,323</b>
<b>Non-current liabilities</b>			
Borrowings	16	1,488,462	1,393,591
Provisions	17	38,489	48,009
Deferred tax liabilities	18	241,733	169,949
<b>Total non-current liabilities</b>		<b>1,768,684</b>	<b>1,611,549</b>
<b>Total liabilities</b>		<b>2,235,129</b>	<b>2,044,872</b>
<b>Net assets</b>		<b>1,511,821</b>	<b>1,340,075</b>
<b>Equity</b>			
Share capital	19	119,239	119,239
Reserves	20(a)	615,485	464,254
Retained earnings	20(b)	777,097	756,582
<b>Total equity</b>		<b>1,511,821</b>	<b>1,340,075</b>

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 2023

	Notes	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 July 2022</b>		<b>119,239</b>	<b>464,254</b>	<b>756,582</b>	<b>1,340,075</b>
Profit for the year		-	-	40,241	40,241
Transfer from revaluation reserve to retained earnings on disposal	20	-	(1,624)	1,624	-
Other comprehensive income		-	152,855	5,500	158,355
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>151,231</b>	<b>47,365</b>	<b>198,596</b>
<b>Transaction with owners in their capacity as owners:</b>					
Distributions to owners:					
Dividends provided for or paid	6	-	-	(26,850)	(26,850)
Contributions from owners:					
Equity injections	19	-	-	-	-
<b>Balance at 30 June 2023</b>	<b>19 and 20</b>	<b>119,239</b>	<b>615,485</b>	<b>777,097</b>	<b>1,511,821</b>
<b>Balance at 1 July 2021</b>		<b>119,196</b>	<b>341,148</b>	<b>724,104</b>	<b>1,184,448</b>
Profit for the year		-	-	41,001	41,001
Transfer from revaluation reserve to retained earnings on disposal	20	-	(807)	807	-
Other comprehensive income		-	123,913	17,870	141,783
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>123,106</b>	<b>59,679</b>	<b>182,784</b>
<b>Transaction with owners in their capacity as owners:</b>					
Distributions to owners:					
Dividends provided for or paid	6	-	-	(27,200)	(27,200)
Contributions from owners:					
Equity injections	19	43	-	-	43
<b>Balance at 30 June 2022</b>	<b>19 &amp; 20</b>	<b>119,239</b>	<b>464,254</b>	<b>756,582</b>	<b>1,340,075</b>

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 2023

	Notes	2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		383,347	353,519
Payments to suppliers and employees (inclusive of goods and services tax)		(187,125)	(179,119)
		<b>196,222</b>	<b>174,400</b>
Interest received		196	10
Proceeds from environmental levy and developers		-	56
Borrowing costs		(59,035)	(52,307)
Income taxes paid		(18,259)	(15,102)
<b>Net cash flows from operating activities</b>	<b>21</b>	<b>119,124</b>	<b>107,057</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(201,352)	(149,576)
Proceeds from sales of property, plant and equipment		1,060	44
<b>Net cash flows from investing activities</b>		<b>(200,292)</b>	<b>(149,532)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		468,173	364,006
Repayment of borrowings		(358,603)	(296,217)
Payment of principal portion of lease liabilities		(3,534)	(3,650)
Receipt of principal portion for lease right-of-use assets		2,500	-
Equity contribution		-	43
Dividends paid	6	(27,200)	(26,900)
<b>Net cash flows from financing activities</b>		<b>81,336</b>	<b>37,282</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>167</b>	<b>(5,193)</b>
Cash and cash equivalents at beginning of the year		3,710	8,903
<b>Cash and cash equivalents at end of the year</b>	<b>7</b>	<b>3,877</b>	<b>3,710</b>

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 financial statements of Hunter Water Corporation (the Corporation) for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 31 August 2023.

### 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* and the *State Owned Corporations Act 1989*.

The Directors have determined that the Corporation is a for-profit entity for financial reporting purposes. The Corporation has prepared the financial statements on the basis that it will continue to operate as a going concern. 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. There were no assets held for sale at 30 June 2023.
- 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 Corporation 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:

- Trade receivables (note 8)
- Leases (note 12)
- Fair value (note 13)
- Provisions (note 17)
- Deferred taxes (note 18)
- Employee benefits (superannuation) (note 23).

Management have considered the impact of the continued global economic volatility following the COVID-19 pandemic on the Corporation's financial statements for the year ended 30 June 2023. The impact of macro-economic uncertainty predicated by the COVID-19 pandemic has been continually assessed by management. The impact on our operating environment and on our customers are included in the 30 June 2023 financial statements and accompanying notes.

Management have considered the impact of climate risk on the Corporation's financial statements for the year ended 30 June 2023. The impact of climate-related matters on financial results and disclosures are included in the financial statements and notes in the ordinary course of business and where the effect of climate-related matters is considered material.

Management's assessment of macro-economic conditions, COVID-19 and material climate-related matters including key judgements, assumptions and estimations used are presented and disclosed in the following notes to the financial statements where applicable:

- 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)
- Events occurring after balance date (Note 30).

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 Corporation have been published that are not mandatory for 30 June 2023 reporting periods. NSW Treasury has mandated that the Corporation may not early adopt any of these new standards and interpretations.

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

Standard/interpretation	Issued date	Applicable to periods beginning on or after	Applicable reporting period
2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	June 2021	1 January 2023	2023-2024
2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	December 2021	1 January 2023	2023-2024
2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current	March 2020	1 January 2024	2024-2025
2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements	June 2023	1 January 2024	2024-2025

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

### E. Newly effective Australian Accounting Standards

Several amendments and interpretations apply for the first time in the 2022-23 financial year but do not have an impact on the financial statements of the Corporation.

## Note 2. Revenue

	Notes	2023 \$'000	2022 \$'000
<b>Regulated revenue from contracts with customers</b>			
Tariff - service charges		184,116	173,522
Tariff - usage charges		149,438	137,519
Other regulated revenue		6,285	5,907
		<b>339,839</b>	<b>316,948</b>
<b>Unregulated revenue from contracts with customers</b>			
Developer contributions – cash		-	56
Developer contributions – assets		27,406	30,430
Other unregulated revenue		420	479
		<b>27,826</b>	<b>30,965</b>
		<b>367,666</b>	<b>347,913</b>
<b>Other revenue</b>			
Gain/(loss) on disposal of assets		1,005	306
Government grants - rebates		17,974	17,245
Sundry revenue		4,810	4,928
		<b>23,789</b>	<b>22,480</b>
		<b>391,455</b>	<b>370,393</b>
<b>Timing of revenue recognition</b>			
Over time		358,156	335,041
At a point in time		33,299	35,351
		<b>391,455</b>	<b>347,913</b>
<b>Other income</b>			
Interest income		195	11
		<b>195</b>	<b>11</b>
		<b>391,650</b>	<b>370,404</b>



## Revenue recognition

Revenue is measured at the fair value of the consideration or contribution received or receivable. Revenue is recognised when the Corporation 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 Corporation and the amount of revenue can be reliably measured.

Revenue recognition for 'over time' 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 along with developer contributions.

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.

### (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.

### (v) Government grants

State Government grants are received to offset customer service obligation rebates. Government grants relate to pensioner 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 Corporation'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 9 *Financial Instruments*.

### Note 3. Operational expenses

	Notes	2023 \$'000	2022 \$'000
Employee related		55,676	51,184
Maintenance		20,676	19,540
Operations		47,456	43,088
Regulatory		5,732	5,644
Corporate*		33,726	31,901
Other		676	633
		<b>163,942</b>	<b>151,990</b>
<b>Operational expenses relating to maintenance:</b>			
Employee related expenses (included in employee related expenses above)		15,965	14,965
Other		21,995	21,382
		<b>37,960</b>	<b>36,347</b>

**\*Corporate operational expenses include:**

Lease expense - short term or low value	12	197	195
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#### Recognition and measurement

Operational expenses are recognised in the Income Statement when incurred and or as part of the ordinary course of business.

## Note 4. Expenses

	Notes	2023 \$'000	2022 \$'000
<b>Profit before income tax includes the following specific net gains and expenses:</b>			
<b>(a) Depreciation and amortisation</b>			
Amortisation	11(a) and (b)	7,265	6,931
Depreciation	10(b) and (c)	81,090	73,741
Depreciation - right-of-use assets	12	4,126	4,717
<b>Total depreciation and amortisation expense</b>		<b>92,481</b>	<b>85,389</b>
<b>(b) Finance costs</b>			
Amortisation of discount/(premium) on loans		8,794	12,604
Long term borrowings - interest		37,458	29,910
Short term borrowings - interest		1,321	40
Net (gain)/loss on borrowings refinanced		(279)	-
Interest expense from lease liabilities	12	1,566	1,545
Other interest expense		853	407
Government guarantee fee		22,309	20,873
Capitalised finance costs		(3,606)	(3,747)
<b>Total finance costs</b>		<b>68,416</b>	<b>61,631</b>
<b>(c) Superannuation expense</b>			
Superannuation expense - defined benefit funds		2,225	1,982
Superannuation expense - contributions		6,052	5,594
<b>Total superannuation expense</b>		<b>8,277</b>	<b>7,576</b>
<b>(d) Asset revaluation decrement/(increment)</b>		<b>(254)</b>	<b>(243)</b>
<b>(e) Net (gain)/loss on retirement of property, plant and equipment</b>		<b>1,734</b>	<b>5,512</b>
<b>(f) Expenses include:</b>			
Other charges against assets - bad and doubtful debts	8(a)	31	156

### 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 Corporation to NSW Treasury in relation to the Corporation's borrowings in line with NSW Treasury Policy.

## Note 5. Income tax

	Notes	2023 \$'000	2022 \$'000
<b>A. Income tax expense</b>			
Current tax	15	12,467	18,827
Deferred tax	18	4,345	(1,279)
		<b>16,813</b>	<b>17,548</b>
<b>Income tax expense is attributed to:</b>			
Continuing operations		16,813	17,548
		<b>16,813</b>	<b>17,548</b>
<b>Deferred income tax revenue/(expense) included in income tax expense comprises:</b>			
Decrease/(increase) in deferred tax liabilities		(5,651)	(123)
(Decrease)/increase in deferred tax assets		1,306	1,403
<b>Income tax expense is attributed to:</b>			
Profit from continuing operations		57,054	58,549
<b>B. Reconciliation between income tax expense and profit before income tax</b>			
<b>Profit before income tax excluding dividend</b>		<b>57,054</b>	<b>58,549</b>
Tax rate of 30% (2022 - 30%)		17,116	17,565
<b>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</b>			
Entertainment non-deductible expenses		1	1
Non-deductible expenses		33	26
Other non-assessable income		(309)	-
Australian owned research and development concession claim		104	157
		<b>16,946</b>	<b>17,750</b>
Research and development tax offset		(133)	(202)
<b>Income tax expense</b>		<b>16,813</b>	<b>17,548</b>
<b>C. Tax expense/(income) relating to items of comprehensive income</b>			
Net increase/(decrease) in property, plant and equipment revaluation reserve	18	64,814	52,760
Actuarial gains/(losses) on defined benefit funds	18	2,357	7,659
	<b>18</b>	<b>67,171</b>	<b>60,418</b>

## D. Income tax

The Corporation 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.

## Note 6. Dividends paid or provided for

	Notes	2023 \$'000	2022 \$'000
Opening balance		27,200	26,900
Add: dividend declared at 22.5 cents per share (2022: 22.8 cents per share)	17(a)	26,850	27,200
Less: dividend paid at 22.8 cents per share (2022: 22.6 cents per share)		(27,200)	(26,900)
		<b>26,850</b>	<b>27,200</b>

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

## Note 7. Cash and cash equivalents

	Notes	2023 \$'000	2022 \$'000
Cash at bank and on hand		3,877	3,710
		<b>3,877</b>	<b>3,710</b>

Deposits at call during the year bore interest rates between 0.00% and 4.10% (2022: 0.00% and 0.85%).

### A. Reconciliation to cash at 30 June 2023

Cash and cash equivalents (per Statement of Financial Position)	3,877	3,710
<b>Cash and cash equivalents (per Statement of Cash Flows)</b>	<b>3,877</b>	<b>3,710</b>

For the purpose of the presentation of the Statement of Cash Flows, cash and cash equivalents include cash on hand and short-term deposits held at call with financial institutions. The Corporation does not hold any short-term deposits at 30 June 2023 (2022: \$Nil). Bank overdrafts are shown within borrowings 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	2023 \$'000	2022 \$'000
<b>Current</b>			
Trade debtors		35,250	30,390
Allowance for impairment on other debtors		(369)	(338)
Accrued revenue - unbilled water usage		21,818	21,193
		<b>56,699</b>	<b>51,245</b>
Prepayments		4,047	3,257
		<b>4,047</b>	<b>3,257</b>
<b>Total current</b>		<b>60,746</b>	<b>54,502</b>
<b>Non-current</b>			
Stock receivable		804	550
<b>Total non-current</b>		<b>804</b>	<b>550</b>

### A. Movement in the allowance for impairment

Balance at beginning of the year	338	182
Amounts written off during the year	(51)	-
Amounts recovered during the year	(70)	(33)
Increase/(decrease) in allowance recognised in Income Statement	152	188
<b>Balance at end of year</b>	<b>369</b>	<b>338</b>

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 2023. 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 the Corporation'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. Key assumptions in relation to non-revenue water, billing cycle days, customer tariff structures, water conservation as well as other inputs are assessed as part of the revenue accrual. 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 Corporation will not be able to collect all amounts due. All customer debts, other than those provided for, are considered collectable.

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

## Note 9. Inventories

	Notes	2023 \$'000	2022 \$'000
<b>Current</b>			
Consumable stores at cost		3,219	2,993
		<b>3,219</b>	<b>2,993</b>

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

	System assets \$'000	General support \$'000	Land \$'000	Buildings \$'000	Work in progress \$'000	Total \$'000
<b>At 1 July 2021</b>						
Cost	-	17,139	-	-	239,885	257,024
Fair value - market valuation	-	-	8,139	9,883	-	18,022
Fair value - income approach	2,677,002	-	-	-	-	2,677,002
	<b>2,677,002</b>	<b>17,139</b>	<b>8,139</b>	<b>9,883</b>	<b>239,885</b>	<b>2,952,048</b>
<b>At 30 June 2022</b>						
Cost	-	13,802	-	-	246,633	260,435
Fair value - market valuation	-	-	9,448	6,702	-	16,150
Fair value - income approach	2,959,466	-	-	-	-	2,959,466
	<b>2,959,466</b>	<b>13,802</b>	<b>9,448</b>	<b>6,702</b>	<b>246,633</b>	<b>3,236,051</b>
<b>At 1 July 2022</b>						
Cost	-	13,802	-	-	246,633	260,435
Fair value - market valuation	-	-	9,448	6,702	-	16,150
Fair value - income approach	2,959,466	-	-	-	-	2,959,466
	<b>2,959,466</b>	<b>13,802</b>	<b>9,448</b>	<b>6,702</b>	<b>246,633</b>	<b>3,236,051</b>
<b>At 30 June 2023</b>						
Cost	-	13,517	-	-	314,642	328,159
Fair value - market valuation	-	-	9,399	5,680	-	15,079
Fair value - income approach	3,250,667	-	-	-	-	3,250,667
	<b>3,250,667</b>	<b>13,517</b>	<b>9,399</b>	<b>5,680</b>	<b>314,642</b>	<b>3,593,906</b>

### B. 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:

	System assets \$'000	General support \$'000	Land \$'000	Buildings \$'000	Total \$'000
<b>Net carrying amount 1 July 2022</b>	2,959,466	13,802	9,448	6,702	2,989,418
Additions	150,848	3,707	-	53	154,608
Disposals	(1,210)	-	(49)	-	(1,259)
Revaluation increment/(decrement)*	217,588	-	-	-	217,588
Depreciation expense	(76,024)	(3,992)	-	(1,074)	(81,090)
<b>Net carrying amount 30 June 2023</b>	<b>3,250,667</b>	<b>13,517</b>	<b>9,399</b>	<b>5,680</b>	<b>3,279,264</b>

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

### C. 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:

	System assets \$'000	General support \$'000	Land \$'000	Buildings \$'000	Total \$'000
<b>Net carrying amount 1 July 2021</b>	2,677,002	17,139	8,139	9,883	2,712,163
Additions	175,692	708	-	-	176,400
Disposals	(2,022)	-	(7)	-	(2,029)
Transfers between classes	3,308	-	(788)	(2,520)	-
Revaluation increments/(decrements)	174,103	-	2,105	418	176,626
Depreciation expense	(68,617)	(4,044)	-	(1,079)	(73,741)
<b>Net carrying amount 30 June 2022</b>	<b>2,959,466</b>	<b>13,802</b>	<b>9,448</b>	<b>6,702</b>	<b>2,989,418</b>

## Note 10. Property, plant and equipment continued

### 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 Corporation'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 Corporation 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 Corporation 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 Corporation 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 4.41% (2022: 3.89%). This rate is based on the total cost of debt which is inclusive of a Government Guarantee Fee (GGF).

#### Fair value

The Corporation 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 TPP21-09 *Valuation of Physical Non-Current Assets at Fair Value*. System 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. General support and work in progress are valued at cost as their carrying amounts closely approximate their fair values.

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.

Non-operational land and buildings are comprehensively valued by independent valuers every three years. During the interim years between comprehensive external valuations, a review of current market conditions is undertaken to identify if there has been a material change in the carrying values of non-operational land and buildings. The fair value of non-operational land and buildings are adjusted and recognised in the Statement of Financial Position when a material change is identified.

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 Corporation 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 Corporation 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.

## Note 10. Property, plant and equipment continued

### Right-of-use assets acquired by lessees

AASB 16 *Leases* requires a lessee to recognise a right-of-use asset for most leases. The Corporation 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 Corporation'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)
<b>System assets</b>	
<b>Sewer</b>	
- Sewer mains	80-120
- Sewer pump stations	10-50
- Wastewater treatment works	10-100
<b>Water</b>	
- 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
<b>General support</b>	
- Fleet	5-15
- General equipment	3-50
<b>Buildings</b>	25-100

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

## Note 11. Intangible assets

	Easements \$'000	Software \$'000	Environmental credits \$'000	Other \$'000	Work in progress \$'000	Total \$'000
<b>At 1 July 2021</b>						
Cost	3,725	30,912	-	4,026	14,013	52,676
Fair value - market approach	-	-	2,570	-	-	2,570
	<b>3,725</b>	<b>30,912</b>	<b>2,570</b>	<b>4,026</b>	<b>14,013</b>	<b>55,247</b>
<b>At 30 June 2022</b>						
Cost	3,725	26,878	-	3,059	20,195	53,858
Fair value - market approach	-	-	2,677	-	-	2,677
	<b>3,725</b>	<b>26,878</b>	<b>2,677</b>	<b>3,059</b>	<b>20,195</b>	<b>56,535</b>
<b>At 1 July 2022</b>						
Cost	3,725	26,878	-	3,059	20,195	53,858
Fair value - market approach	-	-	2,677	-	-	2,677
	<b>3,725</b>	<b>26,878</b>	<b>2,677</b>	<b>3,059</b>	<b>20,195</b>	<b>56,535</b>
<b>At 30 June 2023</b>						
Cost	3,725	25,881	-	2,116	22,834	54,556
Fair value - market approach	-	-	2,682	-	-	2,682
	<b>3,725</b>	<b>25,881</b>	<b>2,682</b>	<b>2,116</b>	<b>22,834</b>	<b>57,238</b>

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 current financial year are as follows:

	Easements \$'000	Software \$'000	Environmental credits \$'000	Other \$'000	Total \$'000
<b>Net carrying amount 1 July 2022</b>	3,725	26,878	2,677	3,059	36,340
Additions - acquired separately	-	3,667	-	-	3,667
Additions - internal development	-	1,657	111	-	1,768
Disposals	-	-	(187)	-	(187)
Revaluation increment/(decrement)	-	-	81	-	81
Amortisation expense	-	(6,322)	-	(943)	(7,265)
<b>Net carrying amount 30 June 2023</b>	<b>3,725</b>	<b>25,881</b>	<b>2,682</b>	<b>2,116</b>	<b>34,404</b>

### B. 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:

	Easements \$'000	Software \$'000	Environmental credits \$'000	Other \$'000	Total \$'000
Net carrying amount 1 July 2021	3,725	30,912	2,570	4,026	41,233
Additions - acquired separately	-	2,769	-	-	2,769
Disposals	-	(838)	-	-	(838)
Revaluation increment/(decrement)	-	-	107	-	107
Amortisation expense	-	(5,964)	-	(967)	(6,931)
<b>Net carrying amount 30 June 2022</b>	<b>3,725</b>	<b>26,878</b>	<b>2,677</b>	<b>3,059</b>	<b>36,340</b>

## Note 11. Intangible assets continued

### C. Intangible assets

Intangible assets consist of easements, software, environmental credits and other intangible assets.

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

The Corporation recognises expenditure in relation to projects that are externally hosted on cloud computing arrangements in accordance with the March 2021 IFRS Interpretations Committee agenda decision on *Configuration or Customisation Costs in a Cloud Computing Arrangement*. Expenditure that does not meet the criteria of an asset is expensed as it is incurred. The Corporation has continued to assess the current categorisation of cloud computing capital projects and work-in-progress expenditure as well as expenditure allocated to the fixed asset register for the year ended 30 June 2023.

Research expenditure is recognised as an expense as incurred.

Costs incurred during the development phase of projects 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.

Intangible assets consisting of easements, software, other intangibles and purchased environmental credits are initially recognised at cost. All other environmental credits are initially recorded at fair value. After initial recognition environmental credits are carried at fair value using the market approach in accordance with AASB 13 *Fair Value Measurement*. Easements, software, other intangibles and work-in-progress are not subject to fair value revaluations as their carrying amounts closely approximate their fair value.

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 Corporation leases various property and fleet vehicles. Lease contracts are typically made of fixed periods of four to fifteen years, but may have extension options. Lease terms are negotiated on an individual basis and contain varying 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 Corporation 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 Corporation 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 Corporation 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.

## Note 12. Leases continued

### Right-of-use assets under leases

	Fleet \$'000	Buildings \$'000	Total \$'000
<b>Balance as at 1 July 2022</b>	3,412	27,195	30,607
Additions	1,408	-	1,408
Depreciation expense	(2,172)	(1,954)	(4,126)
Remeasurement	-	(6,380)	(6,380)
<b>Balance as at 30 June 2023</b>	<b>2,648</b>	<b>18,861</b>	<b>21,509</b>

	Fleet \$'000	Buildings \$'000	Total \$'000
<b>Balance as at 1 July 2021</b>	3,389	29,585	32,974
Additions	3,755	-	3,755
Disposals	(1,471)	-	(1,471)
Depreciation expense	(2,261)	(2,456)	(4,717)
Remeasurement	-	66	66
<b>Balance as at 30 June 2022</b>	<b>3,412</b>	<b>27,195</b>	<b>30,607</b>

### Lease liabilities

The following table presents liabilities under leases:

	Notes	2023 \$'000	2022 \$'000
<b>Balance as at beginning of the year</b>		(33,872)	(35,172)
Additions		(1,357)	(3,755)
Interest expense		(1,566)	(1,545)
Payments		5,057	5,191
Disposals		-	1,471
Remeasurement		3,880	(62)
<b>Balance as at end of the year</b>	<b>16</b>	<b>(27,858)</b>	<b>(33,872)</b>

Represented by:

Current	(2,445)	(3,024)
Non-current	(25,413)	(30,848)
	<b>(27,858)</b>	<b>(33,872)</b>

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

		2023 \$'000	2022 \$'000
Depreciation expense of right-of-use assets	4(a)	4,126	4,717
Interest expense on lease liabilities	4(b)	1,566	1,545
Expense relating to short-term leases	3	197	195
<b>Total amount recognised in the Income Statement</b>		<b>5,889</b>	<b>6,457</b>

The Corporation had total cash outflows for leases of \$5.8m including GST in the 2022-23 financial year (2022: \$5.9m).

### Recognition and measurement

The Corporation 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 Corporation 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 Corporation 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 by 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      3-7 years
- Building      15 years

If ownership of the leased asset transfers to the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation'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

At 30 June 2023	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
System assets	-	3,250,667	3,250,667
Land and buildings	15,079	-	15,079
Environmental credits	2,682	-	2,682
<b>Fair value at the end of the year</b>	<b>17,761</b>	<b>3,250,667</b>	<b>3,268,428</b>

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.

At 30 June 2022	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
System assets	-	2,959,466	2,959,466
Land and buildings	16,150	-	16,150
Environmental credits	2,677	-	2,677
<b>Fair value at the end of the year</b>	<b>18,827</b>	<b>2,959,466</b>	<b>2,978,293</b>

### 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 for subsequent measurement is 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.  For subsequent measurement, the most recent external expert revaluation is based on market conditions in an active market as undertaken in 2021-22. The Corporation annually reviews current market conditions to identify if there has been a material change in fair value.	Market approach is adopted based on the external expert valuations undertaken in 2021-22. 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
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.  For subsequent measurement, valuation based on an active market and similar assets (not identical).	Market approach is based on an active environmental credit market. Valuation based on market prices from observable inputs from comparable assets in an active market.  Level 2 input

### C. Reconciliation of recurring level 3 fair value measurements

	2023 \$'000	2022 \$'000
Fair value as at beginning of the year	2,959,466	2,677,002
Additions	150,848	175,692
Disposals	(1,210)	(2,022)
Revaluation increments/(decrements)	217,588	174,103
Depreciation/amortisation	(76,024)	(68,617)
Transfers to Level 2	-	3,308
<b>Fair value as at end of the year</b>	<b>3,250,667</b>	<b>2,959,466</b>

#### Transfer between level 2 and 3 measurements

There were no transfers between level 2 and level 3 measurements during 2022-23.

## 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 2023 \$'000
System assets	3,250,667

System assets - unobservable input item	30 June 2023 Calculation of fair value	Relationship of unobservable inputs to fair value
Time period	Forecast cash flows for a seven year period with the Regulated Asset Base (RAB) as the terminal value in year seven.	The terminal value reflects the ability of the CGU to operate into perpetuity.
Real discount rate	Post-tax real discount rate: 2.8% (2022: 2.4%)	The higher the discount rate, the lower the fair value.
Estimates of future revenues	Estimates of revenue streams have been based on the Corporation's 2023-24 Business Plan which was submitted to NSW Treasury in August 2023.	The higher the discounted future revenues, the higher the fair value.
Estimates of future expenditure	Operating expenditure is as per the 2023-24 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 2023-24 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) The Corporation 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 the Corporation's asset base could be readily valued against. The fair value has been estimated using a seven year Discounted Cash Flow (DCF) analysis, with the RAB as the terminal value in year seven. Significant assumptions underpinning the modelling process have been based on the 2023-24 Business Plan. Estimates of future cash-flows have been discounted to present value at a real post-tax discount rate of 2.8%.

The Corporation'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 the Corporation.

Outcomes from the Corporation'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 2022-23 Corporation's fair value increment totalled \$217.6m (2022: \$174.1m increment) being the difference between the written down value of the Corporation'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	
	2023 \$m	2022 \$m
Revenue cashflows (30 basis point increase change in WACC)	61	42
Discount rate (30 basis point increase)	(77)	(98)

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

## Note 14. Trade and other payables

	Notes	2023 \$'000	2022 \$'000
<b>Current</b>			
Trade creditors		26,009	18,603
Deposits received for services		9,973	10,182
Accrued expenses		73,485	66,673
Contractual liabilities		10,965	9,631
		<b>120,432</b>	<b>105,089</b>

These amounts represent liabilities for goods and services provided to the Corporation 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 creditors 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 2023 is expected to be recognised as revenue in the 2023-24 financial year.

## Note 15. Current tax liabilities

	Notes	2023 \$'000	2022 \$'000
<b>Provision for income tax (receivable)/payable</b>			
Balance at the beginning of the year		410	(3,263)
Under/(over) provision for income tax in prior year		(268)	(52)
Amount received/(paid) relating to prior year		(142)	3,315
Amount payable for current year	5	12,467	18,827
Amount paid relating to current year		(18,117)	(18,417)
		<b>(5,650)</b>	<b>410</b>

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	2023 \$'000	2022 \$'000
Overdraft		1,250	6,400
Other loans		1,753,390	1,629,022
Lease liability	12	27,858	33,872
		<b>1,782,498</b>	<b>1,669,294</b>
Represented by:			
Current		294,036	275,703
Non-current		1,488,462	1,393,591
		<b>1,782,498</b>	<b>1,669,294</b>

### Changes in liabilities arising from financing activities

Total interest-bearing liabilities at the beginning of the year	1,669,294	1,589,795
Net cash flows from proceeds/(repayments) of borrowings	109,849	67,789
Net cash flows from proceeds/(repayments) of lease liabilities	(3,535)	(3,650)
Movement in settlement of deferred interest on borrowings	9,639	13,011
Movement in settlement of deferred interest on leases liabilities	(2,479)	2,350
<b>Total interest-bearing liabilities at the end of the year</b>	<b>1,782,498</b>	<b>1,669,294</b>

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

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

The Corporation has an overdraft facility with NSW TCorp of \$50m (2022: \$50m) of which \$1.3m was used at 30 June 2023 (2022: \$6.4m).

The Corporation has a contingent loan facility with Commonwealth Bank of Australia of \$0.1m which was not drawn down at 30 June 2023 and a purchase card facility with Citibank of \$1.0m at 30 June 2023. The borrowings are classified as non-trading liabilities and are unsecured.

The NSW Treasurer approved funding of up to \$2,000m with NSW TCorp (2022: \$2,000m), of which \$1,753m was used at 30 June 2023 (2022: \$1,629m).

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.

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

## Note 17. Provisions

	Notes	2023 \$'000	2022 \$'000
<b>Current</b>			
Dividends	6	26,850	27,200
Other		4,929	5,566
Employee benefits - short term		688	543
Employee benefits - long term*		19,510	18,812
		<b>51,977</b>	<b>52,121</b>
<b>Non-current</b>			
Restoration		75	-
Employee benefits		36,558	43,321
Other		1,856	4,688
		<b>38,489</b>	<b>48,009</b>
*Employee benefits expected to be settled after 12 months		12,265	11,788
(a) Movements in dividends provision		Current	
<b>Carrying amount 1 July 2022</b>		<b>27,200</b>	
Less: dividend paid		(27,200)	
Add: dividend declared		26,850	
<b>Carrying amount at 30 June 2023</b>		<b>26,850</b>	
(b) Movements in other provisions		Current	
<b>Carrying amount 1 July 2022</b>		<b>5,566</b>	
Additional provisions recognised		7,365	
Amount used		(8,002)	
<b>Carrying amount at 30 June 2023</b>		<b>4,929</b>	
(c) Movements in other non-current provisions		Non current	
<b>Carrying amount 1 July 2022</b>		<b>-</b>	
Additional provisions recognised		75	
Amount used		-	
<b>Carrying amount at 30 June 2023</b>		<b>75</b>	
(d) Movements in other non-current provisions		Non current	
<b>Carrying amount 1 July 2022</b>		<b>4,688</b>	
Additional provisions recognised		4,424	
Amount used		(7,256)	
<b>Carrying amount at 30 June 2023</b>		<b>1,856</b>	

### A. Dividends

Provision is made for any dividend declared, being authorised via the Corporation'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. Other provisions

Other provisions at 30 June 2023 include a provision for developer delivered infrastructure.

The provision for developer delivered infrastructure exists where the Corporation 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 the Corporation'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 2023 is \$6.8m (2022: \$10.2m).

## Note 17. Provisions continued

### C. Restoration provisions

The Corporation has recognised a non-current restoration provision for \$0.1m (2022: \$nil) for the year ended 30 June 2023. The restoration provision exists in relation to a present obligation to make-good a right-of-use lease asset at the end of the lease term. The amount recognised is measured at the present value of the estimated costs to settle the obligation.

### 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. The Corporation 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% (2022: 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 corporate bond rate.

##### (iii) Termination benefits

Termination benefits are employee benefits payable as a result of the Corporation'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 Corporation are members of either defined benefit superannuation funds or defined contribution superannuation funds.

#### Defined contribution superannuation schemes

The Corporation 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.



## Note 17. Provisions continued

### Defined benefit superannuation schemes

The defined benefit superannuation funds provide defined lump sum benefits based on years of service and final average salary. The Corporation 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 Corporation'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 the Corporation's defined benefit superannuation schemes.

## Note 18. Deferred tax liabilities

	Notes	2023 \$'000	2022 \$'000
Stock on hand		1,207	1,063
Accruals		(586)	(443)
Borrowing costs		2,026	2,016
Provisions		(17,584)	(19,497)
Prepayments		327	272
Property, plant and equipment		258,270	187,525
Right-of-use assets		(1,927)	(987)
		<b>241,733</b>	<b>169,949</b>

	Opening balance at 1 July 2022	Prior year (under)/over provision	To profit or loss	Directly to equity	Closing balance at 30 June 2023
<b>Movements</b>					
Stock on hand	1,063	-	144	-	1,207
Accruals	(443)	-	(143)	-	(585)
Borrowing costs	2,016	-	10	-	2,026
Provisions (including doubtful debts)	(19,497)	-	(445)	2,357	(17,585)
Prepayments	272	-	55	-	327
Property, plant and equipment	187,525	268	5,664	64,814	258,270
Right-of-use assets	(987)	-	(940)	-	(1,927)
	<b>169,949</b>	<b>268</b>	<b>4,345</b>	<b>67,171</b>	<b>241,733</b>

	Opening balance at 1 July 2021	Prior year (under)/over provision	To profit or loss	Directly to equity	Closing balance at 30 June 2022
<b>Movements</b>					
Stock on hand	1,028	-	35	-	1,063
Accruals	(420)	-	(23)	-	(443)
Borrowing costs	2,157	-	(141)	-	2,016
Provisions (including doubtful debts)	(26,972)	-	(183)	7,659	(19,497)
Prepayments	252	-	20	-	272
Property, plant and equipment	135,381	52	(667)	52,760	187,525
Right-of-use assets	(666)	-	(320)	-	(987)
	<b>110,759</b>	<b>52</b>	<b>(1,279)</b>	<b>60,418</b>	<b>169,949</b>

## Note 18. Deferred tax liabilities

The deferred tax liability that is expected to be settled within the next twelve months for the Corporation is \$4.3m (2022: \$1.3m 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.

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. Probable future taxable amounts rely on the same forecast assumptions and judgements used elsewhere in the financial statements and in the Corporation's Business Plan.

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	2023 \$'000	2022 \$'000
At 1 July: ordinary shares each fully paid		119,239	119,196
Shares fully paid and issued during year		-	43
<b>At 30 June: ordinary shares each fully paid</b>		<b>119,239</b>	<b>119,239</b>

The Corporation's two shareholders at 30 June 2023 were:

- The Minister for Finance
- 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 the Corporation, the amount of which is determined as part of the annual process of negotiating and agreeing the Corporation's Statement of Corporate Intent with the shareholders. Shares issued and fully paid at 30 June 2023 total 119,238,836 (2022: 119,238,836).

## Note 20. Reserves and retained earnings

	Notes	2023 \$'000	2022 \$'000
<b>A. Reserves</b>			
Asset revaluation		615,485	464,254
		<b>615,485</b>	<b>464,254</b>
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. Refer to note 10.			
<b>Movement in reserves</b>			
Asset revaluation			
<b>Balance at beginning of year</b>		<b>464,254</b>	<b>341,148</b>
Asset revaluation increments/(decrements) from revaluations			
System assets		217,588	174,103
Buildings		-	442
Land		-	2,021
Environmental credits		81	107
<b>Total revaluation increments/(decrements)</b>		<b>217,669</b>	<b>176,673</b>
Transfer of reserve on disposal		(1,624)	(807)
<b>Total transfers from revaluation reserve</b>		<b>(1,624)</b>	<b>(807)</b>
<b>Total revaluation reserve increment/(decrement)</b>		<b>216,046</b>	<b>175,865</b>
Tax effect - deferred tax liability on revaluation reserve	5 and 18	(64,814)	(52,760)
<b>Total tax effect on revaluation reserve</b>		<b>(64,814)</b>	<b>(52,760)</b>
<b>Closing Balance as at end of the year</b>		<b>615,485</b>	<b>464,254</b>
<b>B. Retained earnings</b>			
<b>Retained earnings as at the beginning of the year</b>		<b>756,582</b>	<b>724,104</b>
Net profit		40,241	41,001
Transfer from revaluation reserve to retained earnings		1,624	807
Net income/(loss) recognised direct in equity		5,500	17,870
Dividends	6 and 17	(26,850)	(27,200)
<b>Retained earnings as at end of the year</b>		<b>777,097</b>	<b>756,582</b>

## Note 21. Statement of Cash Flows - operating activities

	Notes	2023 \$'000	2022 \$'000
<b>Reconciliation of profit after income tax to the net cash flows from operating activities:</b>			
Net profit for the year from operations		40,241	41,001
Net superannuation (income)/expense	4	2,225	1,982
Revaluation (increment)/decrement	4	(254)	(243)
Depreciation and amortisation	4	92,481	85,389
Amortisation of deferred discounts on loans (non-cash)	4	8,794	12,604
(Profit)/loss on sale of non-current assets		729	5,206
Capital asset (non-cash) contributions	2	(27,517)	(30,430)
<b>Change in operating assets and liabilities:</b>			
(Increase)/decrease in trade debtors		(5,486)	(4,803)
(Increase)/decrease in inventories		(226)	(117)
(Increase)/decrease in other operating assets		(765)	205
Increase/(decrease) in trade creditors		8,444	(359)
Increase/(decrease) in other operating liabilities		5,798	(832)
Increase/(decrease) in provision for income taxes payable		(6,060)	3,673
Increase/(decrease) in net deferred tax liabilities (recognised on the Income Statement)		4,613	(1,228)
(Increase)/decrease in capitalised borrowing costs	4	(3,606)	(3,747)
Increase/(decrease) in other provisions		(288)	(1,245)
<b>Net cash inflow from operating activities</b>		<b>119,124</b>	<b>107,057</b>

## Note 22. Contractual commitments

	Notes	2023 \$'000	2022 \$'000
<b>Aggregate capital expenditure contracted for at balance date but not recognised as liabilities:</b>			
Payable within one year		131,995	81,837
Payable later than one year but not later than five years		14,454	18,847
Payable later than five years		-	66
		<b>146,449</b>	<b>100,750</b>

GST component of total contractual commitments for the Corporation at 30 June 2023 totals \$13.3m (2022: \$9.2m).

## 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 Corporation also contributes to these schemes.

The Corporation 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 2021. The next actuarial investigation will be performed at 30 June 2024.

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 2023 there were no fund amendments, curtailments or settlements.

## Note 23. Superannuation continued

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

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2023	Total \$'000 2022
<b>Net defined benefit liability/(asset) at the beginning of the year</b>	<b>15,800</b>	<b>1,137</b>	<b>25,798</b>	<b>42,735</b>	<b>67,264</b>
Current service cost	150	136	67	352	542
Net interest on the net defined benefit liability/(asset)	817	41	1,367	2,225	1,982
Actual return on fund assets less interest income	(1,206)	(120)	(3,756)	(5,082)	5,225
Actuarial (gains)/losses arising from changes in financial assumptions	(791)	(27)	(2,863)	(3,681)	(35,269)
Actuarial (gains)/losses arising from liability experience	744	68	95	906	4,515
Employer contributions	(779)	(745)	-	(1,524)	(1,524)
<b>Net defined benefit liability/(asset) at end of the year</b>	<b>14,735</b>	<b>490</b>	<b>20,707</b>	<b>35,931</b>	<b>42,735</b>

### C. Reconciliation of the fair value of fund assets

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2023	Total \$'000 2022
<b>Fair value of fund assets at the beginning of the year</b>	<b>31,484</b>	<b>2,965</b>	<b>95,152</b>	<b>129,602</b>	<b>139,629</b>
Interest income	1,605	166	4,843	6,614	4,020
Actual return on fund assets less interest income	1,206	120	3,756	5,082	(5,225)
Employer contributions	779	745	-	1,524	1,524
Contributions by participants	268	-	108	375	402
Benefits paid	(1,878)	(103)	(7,557)	(9,538)	(11,227)
Taxes, premiums and expenses paid	(232)	(213)	282	(163)	477
<b>Fair value of fund assets at end of the year</b>	<b>33,231</b>	<b>3,680</b>	<b>96,585</b>	<b>133,495</b>	<b>129,602</b>

### D. Reconciliation of the defined benefit obligation

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2023	Total \$'000 2022
<b>Present value of defined benefit obligations at the beginning of the year</b>	<b>47,285</b>	<b>4,102</b>	<b>120,950</b>	<b>172,337</b>	<b>206,894</b>
Current service cost	150	136	67	352	542
Interest cost	2,422	206	6,210	8,838	6,002
Contributions by participants	268	-	108	375	402
Actuarial (gains)/losses arising from changes in financial assumptions	(791)	(27)	(2,863)	(3,681)	(35,269)
Actuarial (gains)/losses arising from liability experience	744	68	95	906	4,515
Benefits paid	(1,878)	(103)	(7,557)	(9,538)	(11,227)
Taxes, premiums and expenses paid	(232)	(213)	282	(163)	477
<b>Present value of defined benefit obligations at end of the year</b>	<b>47,966</b>	<b>4,170</b>	<b>117,291</b>	<b>169,426</b>	<b>172,337</b>

### E. Reconciliation of the effect of the asset ceiling

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
<b>Adjustment for effect of asset ceiling as at the beginning of the year</b>	-	-	-	-
Interest on the effect of asset ceiling	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
<b>Adjustment for effect of asset ceiling at end of the year</b>	-	-	-	-

## 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	5,330,816	2,896,493	2,434,323	-
Australian fixed interest	100,350	-	100,350	-
International fixed interest	1,301,037	-	1,288,564	12,473
Australian equities	9,678,103	4,352,503	796,671	4,528,929
International equities	14,138,038	13,942,743	155,394	39,901
Property	769,724	-	-	769,724
Alternatives	6,059,199	179	1,206,068	4,852,952
	<b>37,377,268</b>	<b>21,191,918</b>	<b>5,981,372</b>	<b>10,203,979</b>

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 2023
Short term securities	14.2%
Australian fixed interest	0.3%
International fixed interest	3.5%
Australian equities	25.9%
International equities	37.8%
Property	2.1%
Alternatives	16.2%
	<b>100.0%</b>

### 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.

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 \$338m (30 June 2022: \$362m).

Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$570m (30 June 2022: \$540m).



## Note 23. Superannuation continued

### H. Significant actuarial assumptions at the reporting date

As at	30 June 2023
Discount rate	5.61%
Salary increase rate (excluding promotional increases)	4.45% for 23/24, 2.95% for 24/25, 2.74% for 25/26, 3.20% pa thereafter
Rate of CPI increase	6.65% for 22/23; 3.50% for 23/24, 3.00% for 24/25, 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are those used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report on the trustee's website. The report shows the pension mortality rates for each age.

### Sensitivity analysis

The Corporation's total defined benefit obligation as at 30 June 2023 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 2023.

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)	169,426	177,860	161,642
	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)	169,426	177,553	161,880
	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)	169,426	170,041	168,828
	Base Case	Scenario G lower mortality <sup>1</sup>	Scenario H higher mortality <sup>2</sup>
Defined benefit obligation (A\$'000)	169,426	171,046	168,047

<sup>1</sup> Assumes the short term pensioner mortality improvement factors for years 2023-2026 also apply for years after 2026.

<sup>2</sup> Assumes the long term pensioner mortality improvement factors for years post 2026 also apply for the years 2023 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 2021. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

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

As at	30 June 2023
Expected rate of return on fund assets backing current pension liabilities	7.0% p.a
Expected rate of return on fund assets backing other liabilities	6.2% p.a
Salary increase rate (excluding promotional increases)	4.45% for 23/24, 2.95% for 24/25, 2.74% for 25/26, 3.20% pa thereafter
Rate of CPI increase	6.65% for 22/23; 3.50% for 23/24; 3.00% for 24/25; 2.50% pa thereafter

### Expected contributions

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Expected employer contributions for the Corporation	779	745	-	<b>1,524</b>

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 Corporation is 10.2 years (2022: 10.9 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 2023 and a deficit of \$14.6m (2022: \$12.4m deficit) was reported for the Corporation.

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2023	Total \$'000 2022
Accrued benefits	42,701	3,951	101,419	<b>148,072</b>	<b>141,985</b>
Net market value of fund assets	(33,231)	(3,680)	(96,585)	<b>(133,495)</b>	<b>(129,602)</b>
<b>Net (surplus)/deficit</b>	<b>9,470</b>	<b>271</b>	<b>4,835</b>	<b>14,576</b>	<b>12,383</b>

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

Profit or loss impact	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2023	Total \$'000 2022
Current service cost	150	136	67	352	542
Net interest	817	41	1,367	2,225	1,982
Past service cost	-	-	-	-	-
(Gains)/loss on settlement	-	-	-	-	-
<b>Profit or loss component of the defined benefit cost</b>	<b>967</b>	<b>176</b>	<b>1,434</b>	<b>2,577</b>	<b>2,523</b>

Other comprehensive income	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2023	Total \$'000 2022
Actuarial (gains)/losses on liabilities	(47)	41	(2,768)	(2,775)	(30,753)
Actual return on fund assets less interest income	(1,206)	(120)	(3,756)	(5,082)	5,225
Change in the effect of asset ceiling	-	-	-	-	-
<b>Total remeasurement in other comprehensive income</b>	<b>(1,253)</b>	<b>(78)</b>	<b>(6,525)</b>	<b>(7,857)</b>	<b>(25,529)</b>

## Note 24. Consultancies

The total amount paid or payable to consultants engaged by the Corporation during the reporting period was \$6.9m (2022: \$4.7m).

## Note 25. Contingent liabilities

The Corporation does not have any contingent liabilities at balance date (2022: nil).

No significant claims for damages are being negotiated at 30 June 2023 (2022: nil). This does not include matters covered by insurance.

## Note 26. Auditors' remuneration

	Notes	2023 \$'000	2022 \$'000
<b>Audit Office of New South Wales</b>			
Audit of current year financial statements		263	244
		<b>263</b>	<b>244</b>

## 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.

The Corporation 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.

### A. Key management personnel

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly, including any director (whether executive or otherwise) of the Corporation. The related parties of KMP are reviewed annually and reflect the composition of KMP across the entire reporting period.

Compensation is shown in B. 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.

### B. Key management personnel compensation

	2023 \$'000	2022 \$'000
Short term employee benefits	2,830	2,772
Long term employee benefits	147	77
Post employment benefits	298	281
	<b>3,275</b>	<b>3,131</b>

## Note 28. Segment information

The Corporation 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 the Lower Hunter Region of NSW in Australia.

## Note 29. Financial instruments

The Corporation 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 governance mechanisms.

### 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 Corporation and due to the high level of expertise required to effectively manage financial liabilities the Corporation is provided assistance with treasury management functions via an external specialist (currently NSW TCorp). NSW TCorp act as an advisor to the Corporation and provide assistance in the management of the Corporation's debt portfolio.

Price risk is the potential for the decline in the price of an asset or security relative to the rest of the market. The Corporation did not have any material exposure to price risk during the financial year.

Cash investments are held by the Corporation 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 16 for details.

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 Corporation's debt portfolio is held at fixed interest rates with the exception of a small amount of CPI linked debt (5.5% of total debt portfolio). The \$50m overdraft facility held with NSW TCorp has a floating rate.

The weighted average interest rates are shown below:

2023	Weighted average effective interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non interest bearing \$'000	Total \$'000
<b>Financial assets</b>					
Cash and cash equivalents	2.99%	3,877	-	-	3,877
Trade and other receivables	4.85%	-	16,438	33,061	49,499
		<b>3,877</b>	<b>16,438</b>	<b>33,061</b>	<b>53,376</b>
<b>Financial liabilities</b>					
Borrowings	2.37%	1,250	1,753,390	-	1,754,640
Lease liabilities	5.61%	-	27,858	-	27,858
Trade and other payables	n/a	-	-	107,985	107,985
		<b>1,250</b>	<b>1,781,248</b>	<b>107,985</b>	<b>1,890,483</b>

The weighted average effective interest rate on borrowings is based on the coupon rate (interest paid). The weighted average yield at 30 June 2023 was 2.67%. Both rates exclude the Government Guarantee Fee rate.

## Note 29. Financial instruments continued

The comparative information with regard to the 2022 year is as follows:

2022	Weighted average effective interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non interest bearing \$'000	Total \$'000
<b>Financial assets</b>					
Cash and cash equivalents	0.12%	3,709	-	1	3,710
Trade and other receivables	4.10%	-	15,264	29,784	45,048
Other financial assets		-	-	-	-
		<b>3,709</b>	<b>15,264</b>	<b>29,785</b>	<b>48,758</b>
<b>Financial liabilities</b>					
Borrowings	2.05%	6,400	1,629,022	-	1,635,422
Lease liabilities	4.18%	-	33,872	-	33,872
Trade and other payables	n/a	-	-	94,453	94,453
		<b>6,400</b>	<b>1,662,894</b>	<b>94,453</b>	<b>1,763,747</b>

### 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.

	Increase/(decrease) to post-tax profit		Increase/(decrease) to equity	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Cash and Cash Equivalents</b>				
If Interest rates are 100 basis points higher	43	57	43	57
If Interest rates are 100 basis points lower	(43)	(57)	(43)	(57)
<b>Borrowings</b>				
If Interest rates are 100 basis points higher	(568)	(466)	(568)	(466)
If Interest rates are 100 basis points lower	568	466	568	466

### B. Liquidity risk

Effective liquidity risk management involves ensuring that the Corporation has sufficient funds and cash flows to meet its obligations and commitments at any point in time. The Corporation'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 Corporation has also established the specific target for when total debt exceeds more than \$50m (2022: \$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 Corporation must assess the financial accommodation that will be required for the coming years. If required, a formal request for a financial accommodation increase is submitted to the Board for endorsement and then onto the Treasurer of NSW for formal approval.

In order to further manage liquidity risk, the Corporation has a \$50m (2022: \$50m) 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 2023 the Corporation continues to trade as a going concern. The Corporation received a Letter of Shareholder Support on the 25 August 2023 confirming the shareholders will ensure the Corporation has sufficient financial resources available to meet its financial obligations for 12 months from signing the Hunter Water Corporations 2022-23 financial statements.

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 Corporation's exposure to liquidity risk as insignificant based on prior period data and current assessment of risk.

Thus, the Corporation'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 numerous NSW Treasury Policies, Guidelines and Circulars. TC 11-12: *Payment of Accounts* 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:

2023	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	107,985	107,985	107,985	-	-	-
Borrowings	1,754,640	1,981,382	329,732	305,783	762,092	583,775
Lease liabilities	27,858	37,290	3,951	3,644	9,433	20,263
	<b>1,890,483</b>	<b>2,126,657</b>	<b>441,668</b>	<b>309,427</b>	<b>771,525</b>	<b>604,038</b>

2022	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	94,453	94,453	94,453	-	-	-
Borrowings	1,635,422	1,796,796	306,959	289,372	710,292	490,174
Lease liabilities	33,872	43,024	4,390	3,763	9,954	24,916
	<b>1,763,747</b>	<b>1,934,273</b>	<b>405,802</b>	<b>293,135</b>	<b>720,246</b>	<b>515,090</b>

### 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 Corporation. 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 Corporation 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 NSW Treasury Corporation (NSW TCorp) at call deposit account or bank term deposit. The Corporation 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 Corporation 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.

	Total <sup>1</sup> \$'000	Past due but not impaired <sup>1</sup> \$'000	Considered impaired \$'000
30- 90 days overdue	12,028	12,028	-
> 90 days overdue	4,410	4,041	369

<sup>1</sup> 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

No matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

### End of Audited Financial Statements



## Statement by the Accountable Authority

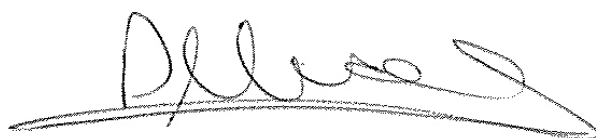
Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I state that these financial statements:

- 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 NSW 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

31 August 2023  
Newcastle



**Call**

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