



# ANNUAL REPORT 2022





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

#### Our vision for reconciliation

Our vision for reconciliation is a truly inclusive and equitable future for First Nations peoples in the communities where we operate, a future where First Nations knowledge is embedded in caring for our country and water.

We will listen and learn from our First Nations peoples, and will incorporate their knowledge into the way we provide water and wastewater services to our region. Through partnership, we will create meaningful change by providing employment, procurement, and community engagement opportunities for First Nations peoples.

Our Annual Report 2022 provides an overview of Hunter Water's activities and performance for the period 1 July 2021 to 30 June 2022.

It covers our: strategic priorities, vision and purpose, highlights from throughout the year, financial statements, statutory and regulatory information, and statistical data.

Past annual reports can be found [here on our website](#).

We welcome feedback. Please email [communications@hunterwater.com.au](mailto:communications@hunterwater.com.au) or write to:

Communications and Engagement  
Hunter Water  
PO Box 5171  
HRMC NSW 2310.

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

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

Dear Treasurer and Minister Tudehope

We are pleased to submit the annual report of Hunter Water Corporation (Hunter Water) for the financial year ended 30 June 2022 for presentation to the Parliament of New South Wales.

Our Annual Report 2022 was prepared in accordance with Section 24A of the *State Owned Corporations Act 1989* and the *Annual Reports (Statutory Bodies) Act 1984*. The financial statements, which form part of the full report, have been submitted to, and certified by, the Auditor-General of New South Wales.

Yours sincerely



**Greg Martin**  
Chair



**Darren Cleary**  
Managing Director



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## A message from our Chair and Managing Director



// Greg Martin  
Chair



// Darren Cleary  
Managing Director

Hunter Water is proud of the contribution that we make to the liveability and prosperity of our region by providing excellence in water, sewerage, recycled water and some stormwater services for our customers and community.

In 2022, Hunter Water celebrates 130 years of service to the Greater Newcastle and Lower Hunter communities. Founded in 1892, the then Hunter District Water Supply and Sewerage Board was established to protect the public health of the City of Newcastle and broader Hunter Region, initially provided services to a population of just 17,000 people.

Today we are proud to provide services to more than 600,000 customers across the Lower Hunter region, including thousands of local businesses. Our communities rely on our investments and services as key enablers to the continued growth and prosperity of our evolving region.

Reflecting on our 130 year of history also requires us to pause and reflect on the custodianship of our lands and waters by First Nations people over the last sixty millennia.

During the year, Hunter Water launched our Innovate Reconciliation Action Plan (RAP), following the conclusion of our first Recognise RAP. The Innovate RAP commits us to taking tangible steps towards

reconciliation, to continue to learn from the wisdom of Aboriginal knowledge, and continue to build respect and connection with our First Nations communities.

Water remains precious to Hunter Water and to our communities and customers.

Our last Annual Report opened by outlining how Hunter Water had responded to the worst drought that the region had experienced in more than forty years. The last year has been quite different. The Lower Hunter has experienced consistent rainfall resulting from two consecutive La Nina weather cycles. At the time of reporting, our storages are at 100 per cent capacity, and we are currently holding more than 270 billion litres of water across four sites – the largest volume ever stored by Hunter Water.

While our dams may be full, conservation has remained a focus of our customers and communities, and of Hunter Water.

Our Love Water message has been widely embraced with community water reducing by 5.5 per cent over the year against expected consumption, a pleasing result given the above-average rainfall and below-average temperatures observed across the year. Hunter Water's commitment to water conservation has continued, including a washing machine replacement trial with social housing tenants via Land



and Housing Corporation, and an expanded non-residential Find and Fix Leaks program.

Significant wet weather, along with the continued COVID-19 pandemic and associated labour and supply chain disruptions, has provided a number of challenges for Hunter Water. During the year, our people and suppliers have continued to deliver essential services to our customers, with remarkable resilience and passion for their roles. Our response to COVID-19 has seen us adapt, innovate and improve our business practices. We continue to adapt our strategic priorities to the challenges and opportunities presented, and foster the resilience, innovation and adaptability shown by our workforce and partners in serving our community and supporting the productivity and prosperity of the region.

Keeping our people and community safe remains our highest priority. Hunter Water has maintained a relentless focus on safety, with a concerted effort to drive an enhanced safety and wellbeing culture underpinned by visible, felt leadership, and centred around our values of Leading, Learning, Trust, Wellbeing and Inclusion.

Being guided by what is valued by our community continues to build trust and confidence in Hunter Water, particularly in these times of uncertainty. We are evolving our services, particularly our digital services, to better meet customer expectations, to more effectively manage risk and to operate more efficiently. The values of our customers and community guide our long-term decision making and will continue to improve our service delivery to meet changing customer expectations.

We are investing in long-term assets where appropriate while retaining the flexibility to adapt to a changing future. Our asset and service strategies utilise adaptive pathway planning and appropriate adoption of innovative technology to manage uncertainty, meet customer expectations and improve value. Our investment

decision making supports intergenerational equity, with future generations not unfairly burdened with the consequences of decisions made by us in the short term.

For the last three years, we have consulted with our communities and customers about their values and preferences for our water future, have looked at the data on our changing climate, and the expected growth of the region, and have analysed a range of demand and supply options to reduce the amount of drinking water we use and to supplement our water supplies.

The culmination of this extensive body of work was the release of the Lower Hunter Water Security Plan (LHWSP) in April 2022. The Plan outlines the actions Hunter Water is now taking to ensure a sustainable and resilient water system, including continued water conservation programs, leakage reduction, increased recycling and source augmentation, including a permanent desalination plant at Belmont, and progress on a connection to the Upper Hunter water system.

Sustainability continues to be a focus of Hunter Water. By the nature of our business, with many low-lying assets, it is incumbent on us to invest in both mitigating climate change and adapt to greater climate variability. Hunter Water is progressing with investments in our onsite solar program, which has already installed 1.74 megawatts of solar at sites across the Lower Hunter. In the last year, we generated 1,685 megawatt hours of renewable energy at our sites. During the year, we released our Sustainability Strategy, including ambitious climate targets to meet net zero emissions by 2035, with an interim target of an 80 per cent reduction in Scope 1 and 2 emissions by 2030.

Operationally, our performance has remained strong with full compliance on all Operating Licence system performance standards, and significant continued improvements in leakage

reduction, water conservation, water quality, environment, customer response and customer satisfaction.

Alongside our operational, community and environmental sustainability objectives, the financial sustainability of the business remains an important objective. As this report confirms, total revenue for the year was \$370 million, up from \$351 million in Financial Year 2021 (FY21). Total expenses were \$312 million, an increase from \$293 million in FY21. Total capital expenditure of \$161 million, has supported upgrades in our infrastructure across the region. End of year net profit after tax was \$41 million (compared with \$40.7 million in FY21), with a declared dividend of \$27.2 million to our shareholders, the NSW Government.

Looking towards the year ahead, Hunter Water will continue to work closely with our customers and communities in the development of our next pricing proposal to the Independent Pricing and Regulatory Tribunal. The Board maintains its commitment to harness operational efficiencies, deliver the great services that our customers expect, enable the region's growth and quality of life, and maintain Hunter Water's role as a valued partner in delivering the aspirations for our region.





# LHWSP

Lower Hunter Water Security Plan approved



#1

Winner of the Customer Service Award in the Australian water sector



**\$161 million**

capital expenditure  
2021-22



**17%**

average household reduction in water usage over four years (NPR 2022)



**50,000**

signups for paper-free eBilling



# Serving our community for 130 years

Hunter Water is celebrating its 130th anniversary of serving the Lower Hunter community, helping it to grow into the thriving and prosperous region it is today. Hunter Water's role in providing access to safe, clean and reliable drinking water has played an important part in the Lower Hunter's history.

The Hunter Water that exists today has had a long and rich history from its humble beginnings in the 1880s when water was first delivered to Newcastle from a temporary pumping station on the Hunter River at Oakhampton. As custodians of the region's water supply, Hunter Water is deeply committed to ensuring a secure water supply for the Lower Hunter particularly as the region faces the challenges of a growing population, an expanding economy, and a variable climate.

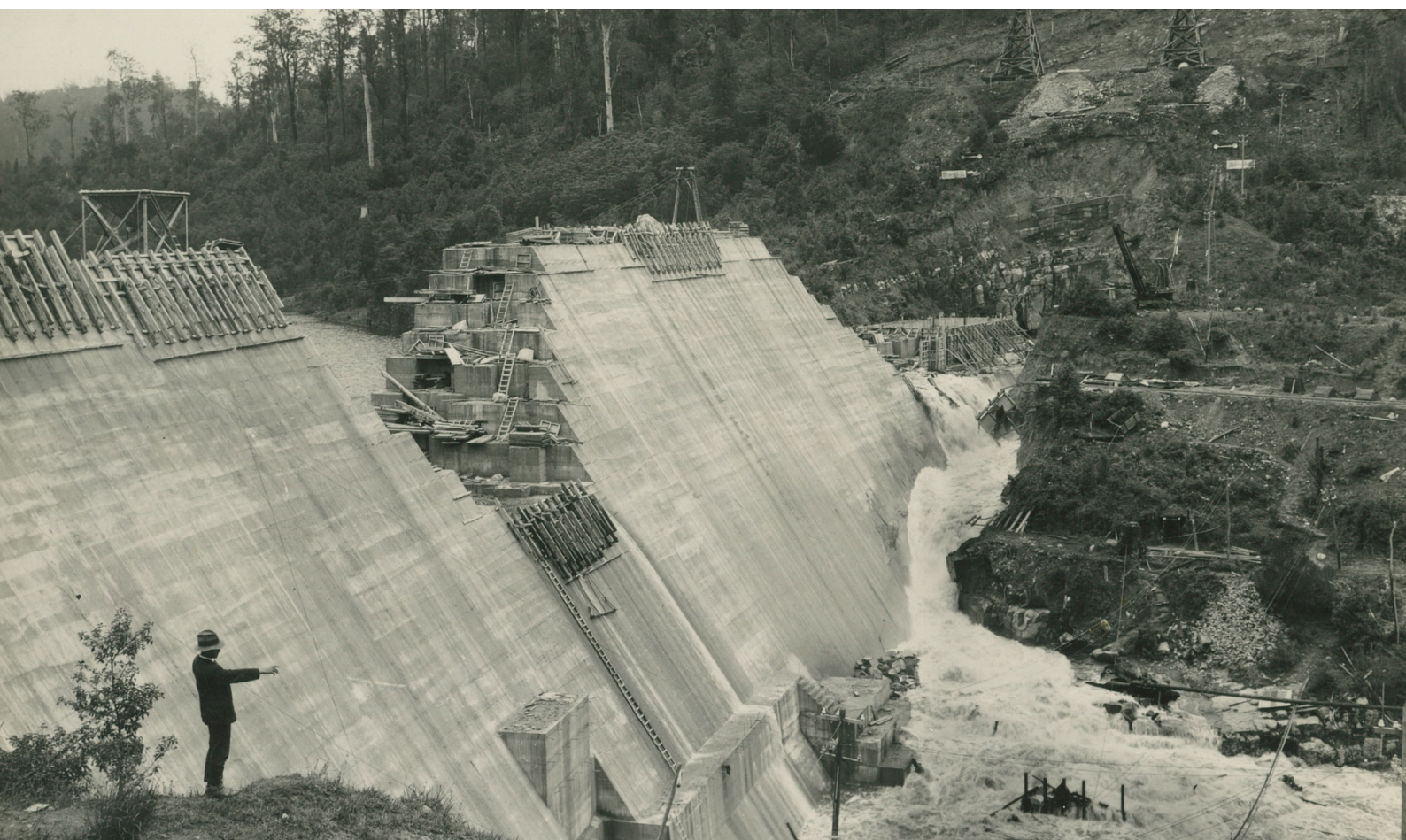
Today we provide safe, reliable, high quality drinking water to more than 600,000 people in homes and businesses across the region. We also provide wastewater, stormwater, trade wastewater, recycled water and raw water services.

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 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 new 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 \$653 million for capital infrastructure projects to upgrade our network and deliver water conservation and leakage reduction initiatives, new water recycling infrastructure and stormwater naturalisation works.

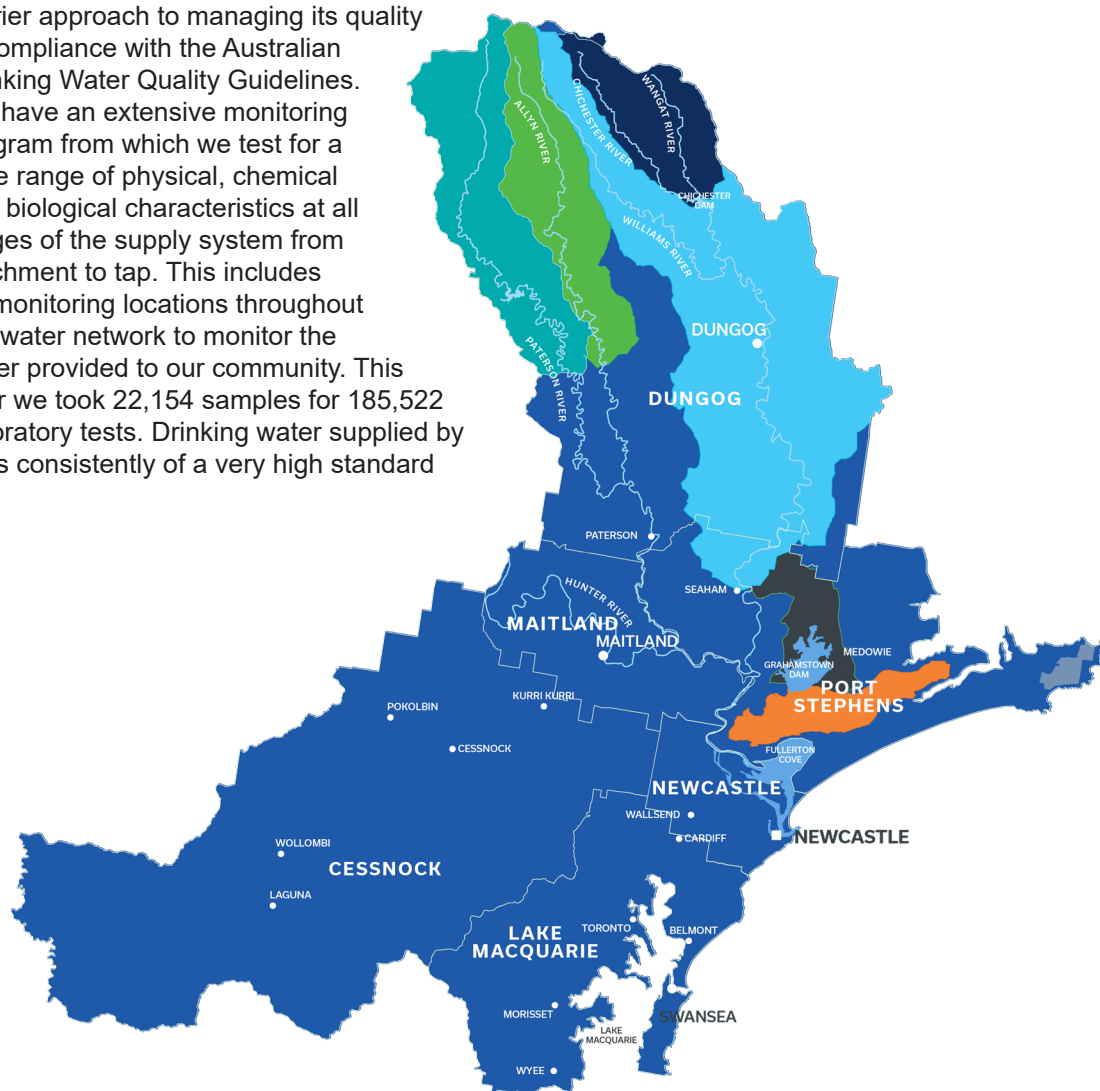
## Safe, reliable drinking water

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

and is well within the requirements of the Guidelines. We also work closely with NSW Health to ensure that all current and emerging issues associated with drinking water quality are identified and assessed.

## Quality wastewater services

We carefully monitor and treat our wastewater to ensure the protection and health of our beaches and waterways. The Environment Protection Authority issues our licences under the *Protection of the Environment Operations Act 1997* for the wastewater pipe network, pumping stations and treatment systems. The licences stipulate both quality and quantity conditions for discharge from each wastewater treatment works and are reviewed every five years under the legislation. The licences also specify operational controls and performance reporting for the wastewater pipe network and pumping stations.





# Aligning our business with the NSW Government's Statement of Expectations

The purpose of this statement is to help Hunter Water ensure its strategic direction aligns with the Government's expectations. We seek to clarify the Government's key priorities relevant to the work of Hunter Water, while it continues to operate its business in a commercial manner.



## Build trust with the community and stakeholders

- Customers and communities at the heart of all we do, and being a valued contributor to our stakeholders, are key strategic priorities in our [Corporate strategy \(Towards 2024\)](#)
- Trust is one of our five corporate values
- Strong performance in reducing water leakage and water consumption builds social licence and performance targets are in place to further reduce water leakage and water consumption
- Multiple channels to proactively communicate our performance, including publishing performance data on our website (see [Our-water](#) section of our website)
- Hunter Water is committed to the principle of open data, and actively working towards this outcome
- Hunter Water has robust assurance processes in place to support the efficient and effective delivery of investment programs including reporting on major projects (see [Major projects in your area](#) on our website).



## Focus on environmental outcomes

- Sustainable, resilient and valued services is a key strategic priority in our Towards 2024 strategy
- Strategic objectives and targets in place to reduce impact on waterways, reduce wastewater overflows, increase circular economy, reduce water consumption and improve liveability outcomes
- Target to reach net zero emissions by 2035 and 80% reduction by 2030
- Investing in renewable energy generation on our sites (see the [Renewable Energy Project](#) section of our website)
- [Sustainability Strategy](#) developed, with open and transparent reporting.



## Strive for excellence in customer service and experience

- Key strategic objectives and targets in place to improve customer experience, improve customer and community understanding and increase digital services for our customers
- Voice of the Customer Program is driving a customer-centric organisation
- Open and transparent decision making that reflects our customer and community values, as demonstrated through in-depth engagement on key strategic programs (see the [community engagement](#) section of our website)
- Consistently ranked as the leading water utility, and a leading company across all sectors, in the nationally recognised Mystery Shopper SenseCX benchmark rankings.



## Align with Government's strategic planning

- The Lower Hunter Water Security Plan was developed consistent with the principles and objectives set out in NSW Water Strategy (see [Lower Hunter Water Security Plan](#) section of the website)
- Continuing to work closely with DPE to support the implementation of the NSW Water Strategy and State Drought Plan
- Hunter Water works closely with stakeholders in the development of regional strategies, including the draft Hunter and Central Coast Regional Strategy.



## Deliver services safely

- The safety, health and wellbeing of our people and our community is our highest priority.
- Improving the safety, health and wellbeing of our people is a key strategic objective
- Performance targets for improving safety of our people are in place.



### Maintain high standards of public accountability & corporate governance

- Being a valued contributor to our stakeholders is a key strategic priority in Towards 2024
- Robust and comprehensive governance model (see the [Corporate Governance](#) section of our website)
- The [Code of Conduct](#) provides an ethical framework to govern and guide the decisions, conduct and behaviour of all who work for Hunter Water
- Disclosures made in a timely manner (as per our [Disclosure-Policy](#)).
- Timely release of performance (Annual Report, National Performance Report see the [publications](#) section of the website)
- Timely and accurate response to GIPA and Standing Order requests and response to questions raised in parliament.



### Minimise cost of living pressures

- Prices independently determined by the Independent Pricing and Regulatory Tribunal (IPART)
- Payment assistance and support for customers facing financial difficulties (see [Payment Support](#) section of the website)
- NSW Government provides a pensioner rebate to eligible customers on their water bills (see [Payment Support](#) section of the website)
- Programs for households and businesses to help them save water and reduce their water bill
- Partnering with EWON, local councils and other utilities to deliver 'Bring Your Bills' Days.
- Partnership with Land and Housing Corporation to deliver water efficiency upgrades to 1,200 social housing households.



### Ensure the Government's investment of its capital is used efficiently

- A capital structure that supports an investment grade stand-alone credit rating while providing an appropriate return on the Government's equity investment.
- Strategic objective in place to improve efficiency and effectiveness of services
- Financial performance metrics include targets on profitability, and the delivery of capital and operating efficiencies
- Strong focus on continuous improvement and innovation
- Significant investment in digital technology
- One of the lowest operating costs per property for Australian water utilities in the National Performance Report.



### Ensure robust procurement and employment practices that support the economic and social outcomes of the state

- Our [Supplier Partnership Principles](#) outline our expectations of supply partners in supporting our service delivery to customers. They include six partnership objectives: regional, social, environmental and economic prosperity; ethical practices; safety, health and wellbeing; value for money; simplified business; and innovation
- At Hunter Water we are committed to contributing to the national reconciliation movement by building strong relationships with Aboriginal and Torres Strait Islander peoples throughout the Lower Hunter. Our [Reconciliation Action Plan](#) includes actions to increase our engagement with Aboriginal and Torres Strait Islander enterprises.
- Supporting and promoting inclusion and diversity are essential to ensure we perform as best we can. Our [Inclusion and Diversity Strategy](#) includes actions to build partnerships with our contractors to promote inclusion and diversity initiatives, and employment from diversity groups
- Hunter Water meets the gender diversity target for SOC Boards to increase women in leadership positions across NSW. 50% of our Non-executive Directors and 50% of Executive positions are filled by women.



# TOWARDS 2024

## DELIVERING THE ASPIRATIONS FOR OUR REGION

**Towards 2024 sets our direction and positions us to be more resilient, responsive and adaptable to the heightened uncertainty created by COVID-19, climate change, population growth, digital technology and changing customer and community expectations. Driving our Towards 2024 strategy are 23 objectives across each of the four focus areas. As of 30 June 2022, we are on track with 21 of the 23 objectives.**

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 first priority, supported by a values based culture where the principles of Leading, Learning, Trust, Inclusion and Wellbeing underpin everything we do.

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



## Our year in review

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



**Our Love Water campaign continued to empower our community to make Smart Water Choices**

**around their homes and in businesses, focusing on the value of water.**

The campaign launched further awareness of water conservation during our second Love Water Day in October. The online event highlighted how the community can make Smart Water Choices and encouraged everyone to share their creative ways to save water in and around their homes and businesses.

The Love Water campaign has had a positive impact on Lower Hunter households, with the average daily water consumption falling by 17 per cent over four years. Our leakage reduction has also dropped to 64 litres per service connection per day. This is a continued improvement, with leakage reducing by almost 40 per cent since 2016. These water savings have translated into lower bills for our customers, with the average annual household bill falling by \$90, to \$1,090 during 2021-22.

We announced 14 successful recipients from the 2022 Love Water Grants program following the strongest field of applicants ever received. The one-off grants, valued at up to \$10,000, primarily support water conservation and efficiency. We continued to share the stories of our Love Water Grants recipients across our channels, further inspiring water conservation initiatives across our community.

Our Love Water message extended through to community events, sponsorships and partnerships. We sponsored the 2022 Newcastle and Maitland shows as well

as provided our drinking water stations to keep attendees hydrated. Our education partner Jollybops Science also attended and performed three shows per day at each event.

We were also a major sponsor of Girls Day Out 2022 – an event for girls aged 6-16 years – which featured a series of clinics hosted by professional sportswomen and top female athletes. The event complemented one of our values, Inclusion, and also reminded participants about the importance of staying hydrated and protecting the environment, as well as projects with an education, environmental and sustainability focus.

**It was exciting to be involved in Surfest 2022 and the highly successful Evolution Charity Cup.** We continued our Surfest partnership, and worked with Surfest to help share water saving tips and discourage single use plastics by providing our water refill stations at the event. This saved up to 4,000 plastic bottles from ending up in our beaches or waterways.

We also entered a team – the Love Water Boardriders – in the charity cup to raise funds for a Hunter-based charity called the Mark Hughes Foundation. The event raised more than \$50,000 for the Foundation, which promotes research, heightens awareness, and provides support for brain cancer patients and their families.

**Our school education programs continue to educate the youngest members of the community about where their water comes from, where it goes after they have used it, and what they can do to conserve water.** Our interactive shows and events, digital resources and field days have all contributed to ensuring the next generation is literate about urban water management and committed to a sustainable water future for our region.



While COVID-19 affected our ability to engage with students face-to-face, our early education program, Let's Love Water, was able to perform 94 shows to more than 4,000 students. Now in its second year, the show, which was delivered by Jollybops Science, continues to be well received and the addition of freely available resource packs supported teachers in educating students about how to Love Water and to share the message with family members.



**Our Respect the Throne campaign continues to highlight the importance of**

**only flushing the three Ps – toilet paper, poo and pee – to help keep our pipes free and reduce the impact on our wastewater network.** We also promoted the release of a new standard for flushable products by Standards Australia, which provides clear criteria and labelling for manufacturers.

Customers are at the heart of all that we do, and we're conscious of the impacts and benefits our customers have on our business as we aim to deliver quality services and products to our communities. Our Voice of Customer (VoC) program is continuing to drive our customer focus culture and build our capability. It's also enabling us to determine how we collect, store, share and apply customer insights and data, and strengthen customer-focused practices across our business.

**We received national recognition for our customer service throughout the year, with the VoC program being selected as a finalist for the Customer Experience Award by the Water Services Association of Australia (WSAA).** We also led the nation in customer experience and satisfaction as part of a nationally-recognised program. The CSBA Quality Assurance Program benchmarks us against other utilities and organisations, providing valuable insights into customers' motivations and preferences. Our Contact Centre team was again named number one across all water sectors and claimed

top spot across 203 other organisations nationally – a position we have held for several years.



More than 50,000 of our customers are now enjoying the convenience of paperless eBilling, following its launch

in November. eBilling is part of our goal to deliver services our customers can access anytime, to make doing business with us as easy as possible. With one in five customers making the switch, together we are also helping save 1.6 tonnes of paper every year.

**Support for our vulnerable customers has also increased through our refreshed outreach strategy.** We attended two important community events in 2021 – the Disability Expo and Newcastle's Multicultural Festival. Both of these events provided an opportunity to connect with community groups and create awareness on the various support packages and options we have available.

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

Another way we've supported our vulnerable customers included using a broad range of engagement channels to proactively communicate with our diverse customer base to ensure we identify potential hardship early and understand how we can provide flexible support options for those who may be experiencing short or long-term payment difficulty. We have also implemented an Easy Pay option as part of our new billing system. This allows customers to make smaller, more regular payments to better manage their household budget and water bills.

## Delivering sustainable, resilient and valued services

**The Lower Hunter Water Security Plan (LHWSP) charts a course to significantly improve water security in our region by both reducing drinking water consumption and increasing access to new water sources.** Released in April 2022, it has been developed with the community and is a whole of government plan. Implementation of the LHWSP will result in a secure water supply for the Lower Hunter to 2060 and beyond. The plan has been based on the values of our community that have been understood from an extensive community engagement program. The LHWSP sets out the actions to ensure a sustainable and resilient water system, including water conservation programs, leakage reduction programs, increased recycling and source augmentations. The plan also includes a robust drought management plan to ensure that minimum water supply needs for the community will be met on an ongoing basis.

**In March 2022, our Board approved our Sustainability Strategy, providing an ambitious blueprint to help build a more resilient and sustainable region for future generations.** Our customers and community have told us they expect us to enhance the liveability of our region and respond to climate change challenges, minimise our impacts on the environment, recycle more wastewater, and support economic wellbeing. These insights helped form the development of the Sustainability Strategy, which outlines our objectives across a range of social, environmental, economic and governance outcomes and aligns with the United Nations' 17 Sustainable Development Goals (SDGs).

**We're working on a pilot project designed to improve the sustainability of our Capital Works program – a key objective within our Sustainability Strategy.** The scheduled upgrade of the Cessnock Wastewater Treatment Works (WWTW) was selected as a typical construction project to benchmark the

Infrastructure Sustainability Council of Australia's framework and identify opportunities for improved performance across a range of sustainability categories.

**We are also a proud participant in the Hunter Region SDG Taskforce, a group of motivated businesses, not-for-profits and government bodies focused on achieving the United Nations' SDGs.** Its aim is to accelerate actions to achieve the SDGs, making the region more liveable, economically and environmentally sustainable, and more supportive of those facing social challenges.

**We've continued to invest heavily in upgrading our infrastructure for the benefit of our customers and community. This includes the completion of a joint water sharing project with Central Coast Council.**

This will provide greater water security for both the Lower Hunter and Central Coast. It now means up to 30 million litres of water can be transferred in each direction via a two-way pipeline, enabling both regions to make better use of existing storages and improve drought resilience.

**We continued to invest in our infrastructure so we continue to meet the expectations of our customers now and into the future.** In the last year we invested \$161 million in capital expenditure including completing major projects at Tanilba Bay (\$24.4 million), Dungog and Kurri Kurri (\$47 million), and Toronto (\$20 million) wastewater treatment plants to ensure these plants continue to operate safely and reliably, as well as enhancing their sustainability and environmental performance and catering for future growth.

**A \$20 million investment at Toronto WWTW was part of a suite of upgrades to our wastewater infrastructure across Lake Macquarie.** The Toronto work will improve the plant's aeration tanks and energy efficiency, high voltage electrical equipment, odour control facility, and the communication and control systems. To save on using drinking water in the plant's



processes a new, onsite recycled water system will also be installed. The project, which will improve customer experience with our services and deliver even better environmental outcomes, forms part of the \$685 million we are investing in our capital works program over the four years to 2024.

**We completed a three-year, \$150,000 project to restore and rehabilitate the lower reaches of Crawchie Creek, located to the east of the Shortland WWTW.** About five hectares of land was restored and rehabilitated, including 1.5 hectares that was severely weed infested. More than 5,000 native trees and shrubs were also planted during the course of the project. Our investment on weed removal and native tree planting will improve habitat for biodiversity and, ultimately, boost water quality passing into the downstream national park.

**As the climate changes and the economy decarbonises, Hunter Water seeks to embrace new opportunities while remaining resilient to the impacts of change.** We are taking action to better understand the risks to our business and communities posed by climate change, and build resilience against those risks. We are on a journey to maturity in climate change adaptation and mitigation, building capacity to disclose our approach and progress.

We are exposed to the impacts of climate change, with many of our low-lying sites and equipment likely to be among the first impacted by rising waters and more frequent and severe storm events in our region.

Our operations emit around 80,000 tonnes of carbon dioxide a year, which is equivalent to almost 18,000 passenger vehicles being driven for a year. We're committed to providing sustainable services for our customers and communities, and this compels us to play our part in mitigating these likely impacts and adapting to those impacts already locked in. We will reach net zero emissions by 2035 by reducing our direct emissions and indirect electricity-related 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.

**We are also developing robust plans to ensure we continuously assess and adapt to the impacts of climate change.** The second stage of a \$15 million Renewable Energy project is being completed, which will see over one megawatt of solar installed at Branxton, Cessnock and Shortland Wastewater Treatment Works (WWTW). We're continuing to explore and assess more sites and opportunities for renewable energy generation, including a 2.5-megawatt installation at our Balickera Pump Station site. This system will help power a number of critical Hunter Water assets on our own private high voltage network. Apart from powering our facilities, the renewable energy project will also reduce our impact on the environment and decrease our ongoing electricity costs.

**We are working to make the most of our precious resources and meet the needs of our growing community through our strategic objective to increase circular economy.** We're exploring ways to get the most value out of other resources like biosolids – the solid by-product generated during the sewage treatment process.

**A new \$6 million recycled water irrigation scheme will ensure community parks and sporting fields in Lake Macquarie are kept green even in drought.** The scheme, which is being delivered through a collaboration with Lake Macquarie City Council, will increase recycled water capacity at the Edgeworth Wastewater Treatment Works (WWTW) to make recycled water available for Jack McLaughlan Oval/Edgeworth Oval and the Pasterfield Sports Complex in Cameron Park. The expansion will prepare the Edgeworth plant to deliver an additional 20 megalitres of recycled water per year for public open space irrigation.

We signed a historic three-party Memorandum of Understanding (MoU) with City of Newcastle and the Newcastle

Jockey Club to further explore and investigate capturing stormwater to irrigate the racecourse and nearby sporting fields. The initiative has the potential to save, on average, 55 million litres of drinking water each year.

During 2021-22, we reused almost 55,000 tonnes of biosolids to improve farm production and support mine site rehabilitation programs, and continued engaging with biosolids colleagues and

technology providers across Australia to ensure we stay up-to-date on the latest developments in the biosolids sector. Biosolids can also be used to generate renewable energy, like we do at our Cessnock plant. We are finding ways to increase the generation of renewable energy from biosolids before it is reused on land, to reduce our carbon emissions and make the most of our precious resources as part of the circular economy.

## Major capital works

Project	Cost (\$m)	Commenced	Status (30 June 2022)
Potable water substitution - various	1.4	July 2019	Complete
Lower Cottage Creek stormwater naturalisation	2.3	July 2021	Complete
Dora Creek stage 2B - administration building	3	July 2020	Complete
Network chemical dosing unit upgrades	13.4	August 2019	Complete
Tanilba Bay Wastewater Treatment Works upgrade	24.4	October 2019	Complete
Dungog and Kurri Wastewater Treatment Works upgrades including pump stations	47	May 2019	Complete
Wyee Transfer System	14.6	December 2021	Underway
Belmont Desalination Water Treatment Plant	0.5	July 2022	Underway
Tomago Road Upgrade	1.5	October 2021	Underway
Eleebana 1 WWPS	1.7	May 2022	Underway
Wallsend Storm Flow Pump Station	2.4	March 2022	Underway
Munibung Creek Stabilisation	3.5	November 2019	Underway
Programmable Logic Controllers (PLC) and telemetry upgrades 2020-24	4	March 2021	Underway
Farley WWTW Carousel Conversion	4.4	June 2022	Underway
Switchboard Replacement Program	6	June 2022	Underway
Toronto Wastewater Treatment Works upgrades	7.9	June 2021	Underway
Belmont Wastewater Treatment Works clarification upgrade	8.9	January 2021	Underway
Onsite renewable energy	9.3	November 2020	Underway
Stormwater Amenity Program	9.5	February 2022	Underway
Stormwater Rehabilitation Program	10.4	May 2022	Underway
Disinfection Optimisation Strategy (DOS)	12.5	July 2021	Underway
Seaham Weir refurbishment and modification	12.7	April 2021	Underway
Hazardous Chemical Storage and Containment Upgrades Program	13.4	February 2022	Underway
Grahamstown UV Project	13.5	October 2021	Underway
Emergency/backup generator connection points - 219 sites	18.6	August 2020	Underway
Grahamstown Filter Media Replacement	19.2	February 2022	Underway
Cessnock Wastewater Treatment Works upgrade	35	January 2021	Underway

### Definitions

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

On 5 May 2022, Hunter Water received an official caution from the EPA in relation to a wastewater overflow that occurred at Nelson Bay on 25 June 2021. Following the incident, Hunter Water implemented numerous actions to prevent reoccurrence.

## Building a high performing and resilient organisation

**We are committed to promoting and achieving a culture of care and interdependency in safety, health and wellbeing where no one is injured, physically or psychologically, and the maturity of our systems is continuously improved.** Due to COVID-19, our revised Safety, Health and Wellbeing (SH&W) Strategy 2022-24 has been developed in line with future ways of working considering our people, our risks, and the environment in which we work. The strategy continues to drive an interdependent safety culture, SH&W Leadership, improved maturity of our management systems, targeted risk reduction programs, and programs to improve the health and wellbeing of our people.

In 2021-22, the SH&W Strategy continued to focus on our 'Be Safe, Live Well, Thrive' program through driving health and wellbeing initiatives 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. The Move 4 Life Program has been refreshed to address the risks of musculoskeletal injuries across our high-risk field staff and Move 4 Life Leaders have been introduced to empower workplace leaders to champion the program within their teams.

We continue to drive the Water Services Association of Australia (WSAA) Mental Health Framework, which aims to increase mental health awareness and management in the water industry. During COVID-19, we continued to assist our workers through a range of wellbeing tools including targeted webinars, fortnightly wellbeing newsletters, health and wellbeing campaigns, guest

speakers during toolboxes for the field workforce, and access to online/face-to-face wellbeing supports. We have been working closely with our EAP, NewPsych, to provide these tailored programs to help our people across a broad array of issues.

**We were proud to attend OzWater '22 in Brisbane, which allowed us to network with representatives from across the water industry to help inspire and drive a sustainable water future.** Our team of 10 showcased the outstanding work we are doing in a range of different areas, including customer experience, community engagement, water resilience, and sustainability.



**We launched our Values Strategy to support our goal of improving our values-based culture and becoming a high-performing and resilient organisation – a key deliverable in our Towards 2024 business plan.** 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 within the strategy. To measure our success at how well we are living our values, we have been conducting half-yearly values surveys since 2019. Our most recent survey showed we are achieving this goal, with 79 per cent of respondents answering favourably.

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



Employee safety performance category	2021-22	2020-21	2019-20	2018-19	2017-18
Lost time injury frequency rate	3.7	2.7	2.7	2.4	4.5
Total reportable injury frequency rate	5.3	6.0	8.1	7.3	12.4
Lost time injuries	7	5	5	4	7
First aid injuries	28	6	39	28	40
Medical treatment injuries	3	12	10	7	12

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.

At the start of July 2021, the introduction of Public Health Orders in NSW mandated lockdown conditions and restrictions. We responded to these changing circumstances by re-establishing our Incident Management Team (IMT) to coordinate our response to COVID-19. We also worked to deliver our top priorities – the health, safety and wellbeing of our people, as well as the continual supply of essential water and wastewater services to our customers and community.

**Between July and December 2021, the majority of our office-based workers worked from home, and measures were in place to support our workers in the field who were unable to work remotely.**

As recommendations under the Public Health Orders changed during the first half of 2022, Hunter Water undertook a process of reintroducing employees back into physical workspaces while ensuring that appropriate COVID-19 management strategies remained in place. This included reporting protocols for positive cases, social distancing and capacity guidelines in our office spaces, and additional cleaning services.

Our people have continued to respond adaptively throughout the pandemic. We implemented a range of remote collaboration activities and events, with a particular focus on our workforce's mental health and wellbeing, while our response – and the work of the IMT – was evidence-based and updated as circumstances continually changed and evolved.

**Our Future of Work program is all about embracing hybrid working.** It aims to provide options on when and where we work to maximise engagement, wellbeing and productivity; update physical workspaces and resources to drive collaboration and innovation; and use technology to support a seamless experience irrespective of when and where we're working.

We are always aiming to better communicate the most up-to-date information with our teams and provide standardised training and tools. To support improved safety performance, we deployed user-friendly software across several teams within Customer Delivery. The Picture Process Mapping platform provides the ability to consolidate lengthy paperwork instructions and documents into short videos and presentations, proving a game-changer in how we effectively deliver predictable best practice outcomes.

**We continued to build on work to create an inclusive culture where we value individuals' unique capabilities, backgrounds, experiences and characteristics.**

#### Gender Equity

- 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.
- Sponsoring eight women to undertake a Master of Business Administration through the University of Newcastle's (UON) WiMBA (Women in MBA) program. Three recipients of our WiMBA scholarships have now

completed their degrees.

- Regular internal women's networking sessions. Creating two women in STEM (Science, Technology, Engineering and Mathematics) scholarships at UON
- Celebrating International Women's Day
- Celebrating International Men's Day
- Maintaining female membership on our Executive Management Team to 50 per cent and on our Board of Directors to 44 per cent.
- 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.
- Conducting a gender pay gap audit and developing a strategy to address the contributing factors. The finding of the audit revealed our gender pay gap is currently at 11.2 per cent when calculating the gap for all employees. This has been steadily decreasing over the last 5 years. For employees on individual contracts we have a positive gender pay gap in favour of women at -4.8 per cent.

## Disability Equity

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

## Cultural and linguistic equity

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

migrated to Australia.

## Generational diversity

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

## LGBTIQ equity

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

## Indigenous equity

- Continuing two Indigenous scholarships with the University of Newcastle.
- Publishing an Indigenous Cultural Protocols Guide.
- Joining in celebration of National Reconciliation Week and NAIDOC Week through sponsored events, video projects and internal Lunch and Learn events.
- Continuing to deliver cultural capacity training to our people.
- Launching 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.
- Commencing sponsorship of the Clontarf Foundation for 3 years.

**As part of our Continuous Improvement and Innovation Strategy, we're involved in a collaborative trial with the CSIRO to safeguard our freshwater and coastal resources.** The Aquawatch project aims to establish an integrated ground-to-space national water quality monitoring system by 2026. The results of the trial will help to improve the management of our drinking water supply and associated resources, including the health of the Murray Darling



8

sponsorships awarded for  
Women in Masters of Business  
Administration at UON



**NET ZERO**

our carbon reduction  
target by 2035



**LAUNCHED OUR  
SUSTAINABILITY  
STRATEGY**



**1,685**

MWhr of renewable energy  
generated.



**LAUNCHED OUR  
INNOVATIVE  
RECONCILIATION  
ACTION PLAN**



and Great Barrier Reef. We will deploy the equipment in Grahamstown Dam for a one-year period, and then a further 12 months in the Williams River.

### Be a valued contributor to our Stakeholders

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

- Supporting the Towards 2024 Strategy
- Reducing uncertainty/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

**The water industry continues to experience considerable change and disruption. We have been contributing our voice and expertise to how the industry prepares itself for the challenges ahead, but also ready for the opportunities that present themselves so we can be a more valued partner in delivering for our region.** In the last year we have been an active participant in several regulatory and government-led initiatives and reviews including:

- The State-Owned Corporation model review
- IPART Water Regulation Review
- NSW Environmental Protection Agency Strategy
- NSW State Water Strategy
- Developed new Memorandum's of Understanding with Newcastle City Council and Lake Macquarie City Council

## Collaborative R&D projects with expenditure in 2021-22

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 Council	LMMC Environmental Research Grants	10,000
University of Technology Sydney	Chichester Dam Limiting Nutrients & Sediment Studies	73,500
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
<b>Total</b>		<b>524,933</b>

## 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 safely and sustainably 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 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.

## Modern Slavery Statement

Hunter Water Corporation is considered a reporting entity in accordance with the *Modern Slavery Act 2018 (Cth)* 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. We have prepared two Modern Slavery Statements for the 2019-20 and 2020-21 reporting periods. We are in the process of developing our third Statement for the 2021-22 period.

Previous statements can be found by searching the online register for [Modern Slavery Statements](#). Over the last three 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:

- Organisational gap analysis and a supplier data analysis
- Awareness training 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 a number of 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-staff and contractors
- Developed supplier awareness training

We will continue this work through the next financial year.



## Waste Statement

A total of 26,780 tonnes of solid waste was recorded as generated in FY22 (excluding biosolids). Of this, 50 per cent of the waste was recycled or reused. The recycling rate is less than last financial year partly due to water treatment residuals which were generated but not disposed of or recycled due to renewal of EPA exemption currently underway.

Spoil generation increased across both operations and capital works, with recycling rates of 75 per cent and 73 per cent respectively. The recycling rate of spoil within Civil operations increased from 67 per cent to 73 per cent in FY22 - highlighting the continued great work by the civil maintenance teams to manage spoil and spoil contamination.

An average recycling rate across capital works waste streams of 75 per cent was achieved, including concrete, asphalt, soil, metals along with other streams able to be recycled.

Additional recycling opportunities in FY22 included the recycling of 195 expired hard hats, and the recycling of approximately 60kg of hard to recycle office materials as part of the Head Office Neighbourhoods

program and office clean-up.

Hunter Water completed a waste and recycling services tender in FY22. A new contract will be awarded in FY23 to support solid waste and recycling services already in place and build on this further, capturing good data and increasing resource recovery and recycling. We will align waste and recycling opportunities with the Hunter Water Sustainability Strategy and continue to look for opportunities to reduce our waste footprint.

Renewable energy investment remains a significant focus, both to reduce our carbon emissions and electricity costs.

- 8 solar systems generating renewable energy during FY22 (including head office system)
- Chichester hydro and the Cessnock Co-gen systems saw increased energy generation during FY22
- Hunter Water's total renewable energy capacity in FY22 grew to 1.74 MW
- Hunter Water generated 1,685 MWhr of renewable energy in FY22

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

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

## Financial Highlights

In 2021-22, our net profit after tax was \$41 million, approximately \$4.6 million below the SCI target of \$45.6 million. We recognised a dividend of \$27.2 million, which was \$3.7 million lower than the SCI target of \$30.9 million.

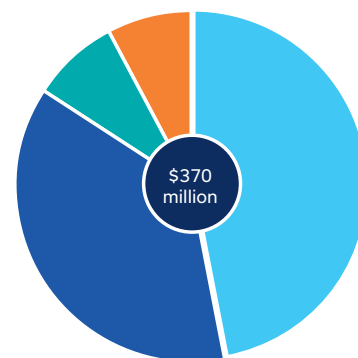
The decrease in profit in budget was due to lower regulated income with significantly higher rainfall, cooler temperatures and high soil moisture content, compared to long-term averages, resulting in lower water consumption when compared to budget. Operating expenses were slightly above budget with digital expenditure for cloud-based software-as-a-service (SaaS) solutions, reclassified from capital expenditure to operating expenditure during the year, in line with recent accounting guidance.

Earnings before interest, tax, depreciation and amortisation for the year was \$205.6 million, \$4.8 million under the SCI target of \$210.4 million.

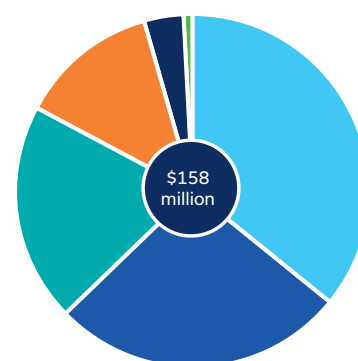
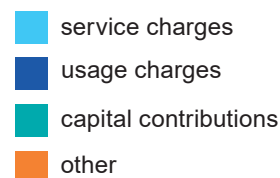
Hunter Water's total assets are valued at \$3.3 billion, with capital expenditure in 2021-22 of \$161 million.

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

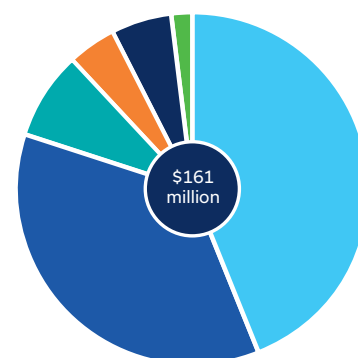
For further information on Hunter Water's financial performance, please refer to the accompanying audited financial statements on pages 33-86.



// Total income



// Operating expenditure



// Capital expenditure

















# Key Performance Targets

A broad range of key performance indicators, in addition to financial metrics, are set by the Board of Hunter Water to drive short-term performance and also lay the foundation for long-term success. These relate to various compliance requirements as well as strategic focus areas such as safety, water conservation and leakage, customer service and satisfaction, and organisational culture.

The inclusion of non-financial metrics ensures the critical interplay of strategic cause and effect on performance, such as delivering better financial performance through achieving customer satisfaction, operational efficiency and employee wellbeing. Ambitious targets have been set to drive continuous performance improvement and as a mechanism to foster a culture of learning, innovation and growth.

## Non-financial Performance Highlights

### Key Performance Targets 2021-22

Measure	Units	2021-22 Actual performance	2021-22 SCI target	
 Corporate Reputation	Score /10	7.1	7.1	
 Customer Service (layered measure)	%	100	100	
 Reduction in water consumption	%	5.5	9.0	
 Reduction in Non-revenue water	GL	0.3	0.6	
 Reduction in dry weather wastewater overflows	%	36.4	5.0	
 Safety (layered measure)	%	100	100	
 Organisational Culture	%	79	80	

### Customer Service

Hunter Water's operational performance remained strong in 2021-22 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 2021-22 reporting year.

### Water Conservation

Water conservation remains a strategic priority, and we continue to work with community and partners to learn together to reduce water consumption. Being proactive and informative when engaging with our customers – including the integrated 'Love Water / Smart Water Choices' campaign - remains a key strategy in building awareness and positively influencing customer water conservation behaviour.

The observed reduction in average water consumption for 2021-22 was 5.5 per cent, below target of 9 per cent, softening as expected following the removal of water restrictions post-drought in October 2020, and more recently with the sustained wet weather, full water storages and flooding across the State, unfavourably impacting the community's perception of the relevance of our conservation messaging.

A range of initiatives to build awareness and positively influence customer water conservation behavior continue, including the washing machine replacement trial (in partnership with NSW Land and Housing Corporation), and an expanded non-residential Find and Fix Leaks



## Non-financial Performance Highlights continued

program. Longer-term investment in water conservation measures will be delivered as part of the Lower Hunter Water Security Plan.

### Leakage

We have continued our strong focus on reducing leakage through the implementation of the Non-Revenue Water Strategy, including 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 per cent and real losses by 32 per cent from 2018 (the baseline year) by the end of 2024-25.

Performance in 2021-22 of 0.3GL reduction was below target, impacted by an increased number of reported leaks driven by the challenging wet weather conditions, however the overall program remains on track. The accelerated active leak detection program saw 5,810km (or greater than 100 per cent of the total 5,087km of water network) surveyed for leaks in 2021-22.

### Dry Weather Wastewater Overflows

In addition to water efficiency and leakage, achieving better wastewater outcomes for our customers, the community and the environment is a strategic priority. The targeted reduction in the number of dry weather wastewater overflows impacting our customers was achieved in 2021-22 through proactive maintenance programs to clear pipelines and manholes before they became fully blocked and overflow, combined with an expand on our use of smart systems such as monitoring devices and data analytics for greater intelligence on the performance of our wastewater network. We continue to work with our customers to identify 'hotspots' and develop a system for triggering and prioritising expenditure.

### Safety

Keeping our people and community safe remains our highest priority. We have maintained a relentless focus on safety with a concerted effort to address Safety, Health and Wellbeing performance in partnership with our contractors and major project delivery partners.

In 2021-22 we saw a reduction in the Total Reportable Injury Frequency Rate (TRIFR) to 5.3. In 2021-22 we also set, and achieved, target for undertaking safety interactions, as a lead indicator of safety performance, to supplement the Total Reportable Injury Frequency Rate (TRIFR). We are progressively implementing our Safety, Health and Wellbeing Strategy, including our LifeSaver Program and our Wellbeing Program, aimed at improving workforce engagement and reducing injuries, injury severity, and near misses.

### 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 79 per cent in 2021-22 was an improvement of 4 per cent over the previous survey, with a continued strong survey participation rate of 74 per cent of employees and contractors. The target of 80 per cent acknowledges that receiving 'disagree' or 'neutral' feedback is part of a healthy culture that will propel us from complacency.

# GENERAL STATISTICS

Water	2021-22	2020-21	2019-20	2018-19	2017-18
Population in area	627,499	616,150	606,308	601,172	591,192
Population supplied with water	608,816	599,387 <sup>1</sup>	593,537	586,951	577,856
Properties where water is available	276,848	271,800 <sup>1</sup>	268,034 <sup>1</sup>	258,726 <sup>1</sup>	255,626 <sup>1</sup>
Properties connected to water (metered)	266,550	262,380 <sup>1</sup>	259,134	254,221	250,314
Capacity of major sources (ML)	269,199	269,199	270,686 <sup>4</sup>	270,686 <sup>4</sup>	276,686
Total supply from sources (ML) <sup>2</sup>	66,925	64,184	66,384	71,888	72,522
Average day net supply (ML) <sup>2</sup>	171.0	167.3	176.8	191.0	198.7
Maximum day net supply (ML) <sup>2</sup>	219.0	244.2	232.7	287.8	330.0
Maximum week net supply (ML/day) <sup>2</sup>	204.0	215.6	220.5	264.6	290.4
Minimum day net supply (ML) <sup>2</sup>	144.0	131.2	132.3	140.9	132.3
Average consumption per residential tenement (kl/annum)	151.0	150.1	158.1	171.7	181.2
Five year rolling average consumption	162.4	166.6	169.9	171.8	173.7
Water mains laid during year (km)	72.9	43.3	55.6	67.5	71.5
Water mains abandoned during year (km)	15.0	28.2	11.8	17.8	22.0
Water main length revisions during the year (km)	26.1	7.3	0.8	-1.2	-8.5
Total water mains in service (km)	5,271	5,187	5,165	5,120	5,072
Length of water main per connected property (m)	19.35	19.56	19.93	20.14	18.33
Supplied free of charge: charitable, public and miscellaneous purposes (kl)	440,889	312,125	401,143	470,790	441,900
Supplied free of charge: dollar value (\$)	1,108,243	758,464	950,710	1,082,817	1,016,369
<b>Wastewater</b>					
Population supplied with water and sewer	593,234	563,155	569,480	563,155	556,021
Properties where sewer is available	265,112	260,046 <sup>1</sup>	255,978 <sup>1</sup>	246,980 <sup>1</sup>	243,839 <sup>1</sup>
Properties connected to sewer	255,711	250,169 <sup>1</sup>	246,717	242,189	238,559
Sewer mains laid during the year (km)	48.7	60.0	67.3	64.0	70.6
Sewer mains abandoned during the year (km)	3.5	3.5	4.2	6.1	6.1
Sewermain length revisions during the year (km)	21.8	10.5	0.2	72.4	6.7
Total sewer mains in service (km)	5,447	5,380	5,313	5,249	5,119
Length of sewer main per liable property (m)	20.8	21.6	20.5	20.6	20.5
Wastewater supplied free of charge: dollar value (\$)	160,615	110,224	152,776	161,273	154,433
<b>Drainage</b>					
Properties liable <sup>1</sup>	75,991	75,006	74,349	71,737	71,218

Dissection of population Region	2021-22		
	Population in area	Served water	Served sewer
Newcastle	170,397	170,397	169,613
Lake Macquarie	212,287	206,640	206,640
Maitland	93,503	93,279	91,310
Cessnock	64,784	58,109	53,415
Port Stephens	76,864	75,141	69,433
Dungog	9,664	5,250	2,822
<b>Sub total</b>	<b>627,499</b>	<b>608,816</b>	<b>593,234</b>
Singleton (part Branxton)	1,000	775	540
<b>Total</b>	<b>628,499</b>	<b>609,591</b>	<b>593,774</b>

	2021-22	2020-21	2019-20	2018-19	2017-18
Ratio of properties connected to water and sewer, and water only <sup>3</sup>	96.02%	95.55%	95.95%	95.95%	95.88%

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

## Grants, donations and sponsorships

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
Flood Fund	Donation	Lismore City Council - Flood Fund	Contribution to assist the community impacted by the northern NSW floods	\$10,000
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	\$15,000
Lake Mac Business Awards	Event sponsorship	Lake Macquarie City Council	Sponsorship of the event and Sustainable Business category	\$1,500
Love Water Grants	Community partnership	Dungog Shire Council	Sponsorship of the Dungog Love Water Grants	\$15,000
		Hunter Medical Research Institute	"Mobile poo palace" educational model used for students to understand the human body and wastewater.	\$10,000
		Karuah Indigenous Corporation	Installation of 33 small water tanks for each home for the Karuah Mission community.	\$10,000
		Lake Macquarie Sustainable Neighbourhood Alliance Inc	Lake Mac Tiny Forest Initiative.	\$10,000
		Waratah Public School	Rainwater tank and irrigation project to protect the threatened Wallum Banksia species.	\$10,000
		Tanilba Foreshore Hall	Installation of 1 water tank as well as required accessories to allow toilets to be connected to tank water.	\$9,955
		Salamander Bay Recycling Centre	Rain water tank for harvesting.	\$8,280
		Morpeth Men's Shed Inc.	Wicking garden beds	\$7,420
		Morriset High School	SMART waterwise irrigation system to be installed in their established horticulture shed.	\$7,400
		West Wallsend Public School	3x water tanks positioned throughout the school to support vegetable garden, excess water overflows and Aboriginal garden and yarning circle.	\$6,938
		Fern Bay Public School	Water tank and irrigation system	\$5,000
		Eleebana Public School P&C Association	Interactive dry creek bed with drainage, underground reservoir and outdoor learning space	\$5,000
		Novacare Community Services Limited	2x water tanks for community garden project.	\$4,926
		Lake Macquarie City Council	4x co-branded water bottle refill stations for events.	\$4,300
		Stanford Merthyr Infants School	Installation of water tank	\$1,195
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	Biriban Local Aboriginal Land Council	Sponsorship for Newcastle NAIDOC event	\$1,000
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
WaterAid partnership	Sponsorship	WaterAid	Contribution to charity partnership enabling clean water in developing countries	\$11,000
<b>Total</b>				<b>\$249,914</b>

## Our structure

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

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

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

For full profiles of our Directors, please refer to pages 34-38.

Four Committees have been established by the Board to provide strategic guidance and strengthen our corporate governance

culture. Each Committee meets at least four times per year.

For details on each Committee's purpose, membership and attendance, refer to pages 39-41.

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

### Hunter Water Board of Directors

<b>Greg Martin</b>	Non-Executive Chair
<b>Darren Cleary</b>	Managing Director
<b>Christine Feldmanis</b>	Non-Executive Director
<b>Donna-Maree Vinci</b>	Non-Executive Director
<b>Eric De Rooy</b>	Non-Executive Director
<b>Geoff Crowe</b>	Non-Executive Director
<b>Julie Savet Ward</b>	Non-Executive Director
<b>Michelle Vanzella</b>	Non-Executive Director
<b>Rod Harrison</b>	Non-Executive Director

### Committees

**Audit and Risk**  
**Corporate Governance**  
**Investment**  
**Sustainability**

### Executive Management Team

<b>Darren Cleary</b>	Managing Director
<b>Emma Berry</b>	Executive Manager Strategy and Engagement
<b>Jenny Francis</b>	Executive Manager Digital
<b>Jen Hayes</b>	Executive Manager Finance and Business Performance
<b>Ian Pike</b>	Executive Manager People and Culture
<b>Clint Thomson</b>	Executive Manager Customer Delivery
<b>Matt Hingston</b>	Executive Manager Customer Services
<b>Laura Hails</b>	Executive Manager Governance and Assurance
	General Counsel and Company Secretary



## Risk management

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

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

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

- Line 1 - Ownership: owning and managing risk through management

controls and internal control measures such as internal policies and procedures

- Line 2 - Oversight: monitoring of risk through our risk management, compliance and safety functions.
- Line 3 - Assurance: independent assurance through an internal audit function.

Hunter Water is exposed to a range of material risks which may vary over time. Hunter Water puts processes in place to reduce inherent risks and manage residual risks, including the EMT participating in quarterly risk workshops to review Hunter Water's Strategic Risk Register and Operational Risk Register. Business resilience is included, with monitoring and management of pandemic-related risks ongoing. Details of key risks assessed with a high controlled risk and associated treatment actions are outlined in the table below. Hunter Water has a comprehensive insurance program with the NSW Treasury Managed Fund. The central types of cover held include public liability, motor vehicles, workers compensation and property.

In 2021-22, our highest risks were assessed as follows:

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

# 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 2022.

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
Rod Harrison	Non-Executive Director
Jayne Drinkwater	Non-Executive Director (retired 21 Feb 2022)
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 (from 21 March 2022)

## 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 2022 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. All employees are required to maintain high standards of ethical behaviour in the execution of their duties and comply with all applicable laws and regulations in Australia.

# Our Board



## // Greg Martin

Chair

B.Ec LLB FIML MAICD

Since 1 January 2021

Greg has more than 40 years of utility experience, including previously serving as the CEO and Managing Director of Australia's largest energy provider, AGL.

Greg is currently Chair of ASX-listed Provaris Energy Ltd, (ASX:PV1), and of Nasdaq listed Mawson Infrastructure Group Inc. (MIGI:NASDAQ); Deputy Chair of Western Power and Chair Elect of Sierra Rutile Holdings Limited.

Greg was previously Chair of Iluka Resources Limited, (ASX:ILU), Spark Infrastructure, (ASX:SKI), the Sydney Desalination Plant, Prostar Capital, Everest Financial Group, NGC Holdings Limited (NZ), Empresa de Gas de la V Region S.A. (Chile), Kyungnam Energy Co. Ltd (South Korea), and the NSW Royal Botanic Gardens and Domain Trust.

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

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



## // Darren Cleary

Managing Director

BE(Hons) ME

Since 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.



## // Christine Feldmanis

### Non-executive Director

FAICD SFFin TFASFA CPA CSA BCom MAppFin JP

Since 8 September 2016

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

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

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



## // Geoff Crowe

### Non-executive Director

BCom FCPA GAICD

Since 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, Chair of the University of Newcastle's Business School Advisory Board, Director of the College of Human & Social Futures External Advisory Board 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 and Ports Australia.

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.





**// Eric De Rooy**  
**Non-executive Director**  
BE(Civil)(Hons) MBA GAICD

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

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



**// Julie Savet Ward**  
**Non-executive Director**  
BSc(Hons) MLandPlan FAICD

Since 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 until December 2020.

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

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



## // Rod Harrison

### Non-executive Director

BCom Dr of Business (honoris causa) MAICD

Since 22 February 2018

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

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

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

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



## // Michelle Vanzella

### Non-executive Director

BEc LLB(Hons) MBA GAICD

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

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

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



## //Donna-Maree Vinci

Non-executive Director

GAICD

Since 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 Greater Bank, Capricorn Society, Oakhill College and Process PA.

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 and certified 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 centered 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		Corporate Governance		Investment		Sustainability	
	A	B	A	B	A	B	A	B	A	B
Greg Martin	8	8	4	4	4	4	*	*	*	*
Darren Cleary	8	8	4	4	4	4	4	4	4	4
Christine Feldmanis <sup>a</sup>	8	8	4	4	4	4	*	*	*	*
Michelle Vanzella	8	8	*	*	*	*	4	4	4	4
Rod Harrison	8	8	*	*	4	4	*	*	4	4
Jayne Drinkwater <sup>b</sup>	4	4	2	2	2	2	*	*	*	*
Eric de Rooy	8	8	*	*	*	*	4	4	4	4
Geoff Crowe <sup>c</sup>	8	8	4	4	*	*	*	*	4	4
Julie Savet Ward	8	8	*	*	*	*	4	4	4	4
Donna-Maree Vinci <sup>d</sup>	3	3	*	*	*	*	*	*	*	*

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 = Christine Feldmanis retired as the Audit and Risk Committee Chair on 30 September 2021.

b = Jayne Drinkwater retired as a Board member on 21 February 2022.

c = Geoff Crowe appointed as new Audit and Risk Committee Chair effective 1 October 2021.

d = Donna-Maree Vinci appointed as a board member effective 21 March 2022. Ms Vinci attended one Corporate Governance meeting and one Sustainability Committee meeting as an ex officio member.



# Board Committees 30 June 2022

## //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  
Christine Feldmanis Non-Executive Director  
Darren Cleary Managing Director (ex officio member)

## //Corporate Governance Committee

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

### Committee Objectives:

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

### Committee Members:

Greg Martin Chair, Committee Chair  
Christine Feldmanis Non-Executive Director  
Rod Harrison 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

# Board Committees 30 June 2022

## //Sustainability Committee

The 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.

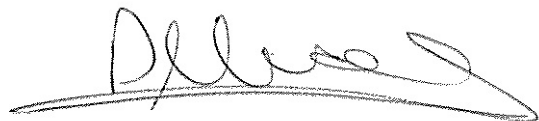
### Committee Members:

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



**Greg Martin**  
Chair

Newcastle  
26 August 2022



**Darren Cleary**  
Managing Director

# INDEPENDENT AUDITOR'S REPORT



## INDEPENDENT AUDITOR'S REPORT

### Hunter Water Corporation

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Hunter Water Corporation (the Corporation), which comprise the Statement by accountable authority, the Income Statement and Statement of Other Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising 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).

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2022. 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 Matter	How my audit addressed the matter
<b>Fair value of system assets</b>	
<p>At 30 June 2022, the Corporation's statement of financial position reported \$2.96 billion in system assets measured at fair value. System assets are highly specialised and account for 91.5 per cent of the total property, plant and equipment balance.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"><li>the system assets are financially significant to the statement of financial position</li><li>the discounted cash flow (DCF) model 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>obtained an understanding of the Corporation's approach to estimating the fair value of system assets</li><li>assessed 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>reviewed the reasonableness of key assumptions and sensitivity of the conclusions to changes in the assumptions</li><li>reviewed the model's mathematical accuracy</li><li>assessed 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 2022, the Corporation's statement of financial position reported net defined benefit superannuation liabilities totalling \$42.7 million. This liability balance is provided to the Corporation by the Administrator of the SAS Trustee, based on an independent actuarial assessment.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"><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>obtained 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>assessed the completeness and accuracy of the membership data used in the model</li><li>with the assistance of actuarial experts, reviewed the methodology and key assumptions for reasonableness</li><li>assessed qualifications, competence and objectivity of actuarial experts</li><li>assessed the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Directions.</li></ul>



# INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How my audit addressed the matter
<b>Accrued unbilled water usage charges</b>	
<p>At 30 June 2022, the Corporation's statement of financial position reported \$21.2 million accrued unread revenue for customer water usage.</p> <p>I considered this to be a key audit matter because there is significant judgement and uncertainty involved in calculating this accrual, such as the:</p> <ul style="list-style-type: none"><li>• amount of water loss in transit between the dam and the end customer</li><li>• different rates and product offerings for residential and commercial customers</li><li>• complexity in estimating water usage across a large number of customers, which can be influenced by many factors including weather and individual circumstances.</li></ul> <p>Further information on recognition and measurement for accrued unbilled usage charges is disclosed in Note 8.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"><li>• obtained an understanding of the processes and tested the key controls the Corporation has in place to determine the estimated unbilled water usage charges</li><li>• evaluated reasonableness of the key assumptions for water loss factors, volume and rates used to determine unbilled water usage charges</li><li>• tested the mathematical accuracy of the calculation</li><li>• assessed the historical accuracy of the estimate against subsequent billings.</li></ul>

## Directors' Responsibilities for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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



Karen Taylor  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 August 2022  
SYDNEY

## Income Statement for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>Revenue</b>			
Services	2	370,393	351,371
Other income	2	11	-
<b>Total revenue</b>		<b>370,404</b>	<b>351,371</b>
<b>Expenses</b>			
Operational expenses	3	(151,990)	(149,001)
Depreciation and amortisation	4(a)	(85,389)	(74,833)
Finance costs	4(b)	(61,631)	(60,884)
Superannuation expense	4(c)	(7,576)	(7,383)
Asset revaluation increment/(decrement)	4(d)	243	(69)
Other	4(e)	(5,512)	(1,023)
<b>Total expenses</b>		<b>(311,855)</b>	<b>(293,193)</b>
<b>Profit before income tax</b>		<b>58,549</b>	<b>58,178</b>
Income tax expense	5(a)	(17,548)	(17,448)
<b>Profit after income tax</b>		<b>41,001</b>	<b>40,730</b>
<b>Profit for the year</b>		<b>41,001</b>	<b>40,730</b>
Profit is attributable to:			
Owners of the Corporation		41,001	40,730
		<b>41,001</b>	<b>40,730</b>

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

## Statement of Other Comprehensive Income for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>Profit for the year</b>		<b>41,001</b>	<b>40,730</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to Income Statement:			
Net increase/(decrease) in assets revaluation reserve	20(a)	176,673	22,486
Income tax effect relating to net (increase)/decrease in asset revaluation reserve	5, 18 and 20(a)	(52,760)	(5,926)
Remeasurement of defined benefit superannuation liability	23(j)	25,529	13,301
Income tax effect relating to remeasurement of defined benefit superannuation liability	5 and 18	(7,659)	(3,990)
Other comprehensive income for the period, net of tax		141,783	25,870
<b>Total comprehensive income for the year</b>		<b>182,784</b>	<b>66,600</b>
Total comprehensive income for the year is attributable to:			
Owners of the Corporation		182,784	66,600
		<b>182,784</b>	<b>66,600</b>

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



## Statement of Financial Position as at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>Current assets</b>			
Cash and cash equivalents	7	3,710	8,903
Trade and other receivables	8	54,502	49,904
Current tax assets	15	-	3,263
Inventories	9	2,993	3,059
<b>Total current assets</b>		<b>61,205</b>	<b>65,129</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	3,236,051	2,952,048
Intangible assets	11	56,535	55,247
Right-of-use assets	12	30,607	32,974
Other non-current assets	8	550	367
<b>Total non-current assets</b>		<b>3,323,742</b>	<b>3,040,635</b>
<b>Total assets</b>		<b>3,384,947</b>	<b>3,105,765</b>
<b>Current liabilities</b>			
Trade and other payables	14	105,089	97,905
Current tax liabilities	15	410	-
Borrowings	16	275,703	267,913
Provisions	17	52,121	50,354
<b>Total current liabilities</b>		<b>433,323</b>	<b>416,173</b>
<b>Non-current liabilities</b>			
Borrowings	16	1,393,591	1,321,882
Provisions	17	48,009	72,504
Deferred tax liabilities	18	169,949	110,759
<b>Total non-current liabilities</b>		<b>1,611,549</b>	<b>1,505,144</b>
<b>Total liabilities</b>		<b>2,044,872</b>	<b>1,921,318</b>
<b>Net assets</b>		<b>1,340,075</b>	<b>1,184,448</b>
<b>Equity</b>			
Share capital	19	119,239	119,196
Reserves	20(a)	464,254	341,148
Retained earnings	20(b)	756,582	724,104
<b>Total equity</b>		<b>1,340,075</b>	<b>1,184,448</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 2022

	Notes	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
<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 and 20</b>	<b>119,239</b>	<b>464,254</b>	<b>756,582</b>	<b>1,340,075</b>
<b>Balance at 1 July 2020</b>		<b>116,539</b>	<b>327,320</b>	<b>698,232</b>	<b>1,142,090</b>
Profit for the year		-	-	40,730	40,730
Transfer from revaluation reserve to retained earnings on disposal	20	-	(2,731)	2,731	-
Other comprehensive income		-	16,560	9,311	25,870
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>13,828</b>	<b>52,772</b>	<b>66,600</b>
<b>Transaction with owners in their capacity as owners:</b>					
Distributions to owners:					
Dividends provided for or paid	6	-	-	(26,900)	(26,900)
Contributions from owners:					
Equity injections	19	2,657	-	-	2,657
<b>Balance at 30 June 2021</b>	<b>19 and 20</b>	<b>119,196</b>	<b>341,148</b>	<b>724,104</b>	<b>1,184,448</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 2022

	Notes	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		353,519	349,035
Payments to suppliers and employees (inclusive of goods and services tax)		(179,119)	(179,895)
		<b>174,400</b>	<b>169,140</b>
Interest received		10	-
Proceeds from environmental levy and developers		56	29
Borrowing costs		(52,307)	(51,298)
Income taxes paid		(15,102)	(17,754)
<b>Net cash flows from operating activities</b>	<b>21</b>	<b>107,057</b>	<b>100,118</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(149,576)	(186,376)
Proceeds from sales of property, plant and equipment		44	580
<b>Net cash flows from investing activities</b>		<b>(149,532)</b>	<b>(185,796)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		364,006	370,341
Repayment of borrowings		(296,217)	(247,838)
Payment of principal portion of lease liabilities		(3,650)	(3,488)
Equity contribution		43	2,657
Dividends paid	6	(26,900)	(32,900)
<b>Net cash flows from financing activities</b>		<b>37,282</b>	<b>88,772</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(5,193)</b>	<b>3,094</b>
Cash and cash equivalents at beginning of the year		8,903	5,809
<b>Cash and cash equivalents at end of the year</b>	<b>7</b>	<b>3,710</b>	<b>8,903</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 (referred to as the "Corporation") for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 26 August 2022.

### 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. 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 2022
- 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 refer to note 8
- Fair value refer to note 13
- Provisions refer to note 17
- Deferred taxes refer to note 18
- Employee benefits (superannuation) refer to note 23.

In response to global economic volatility predicated by the COVID-19 pandemic management has considered the impact on the Corporation's financial statements for the year ended 30 June 2022. The impact of global markets and COVID-19 on financial results is included in the financial statements and notes for the year. The past 24 months have seen volatility in financial markets and impacts to businesses across the country. The Corporation has assessed the global market impacts on the operating environment and customer impacts of COVID-19 since the start of the pandemic.

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

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

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

## Note 1. Summary of significant accounting policies continued

### B. Goods and Services Tax (GST)

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

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

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

Commitments are disclosed inclusive of GST where applicable.

### C. Comparative information

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

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

Certain new accounting standards and interpretations applicable to the Corporation have been published that are not mandatory for 30 June 2022 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
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current	March 2020	1 January 2023	2023-2024
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

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 2021-22 financial year but do not have an impact on the financial statements of the Corporation.

The IFRS Interpretations Committee issued an agenda decision Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021. Refer to Note 11 for impacts of the review completed in 2021-22 in relation to costs in software-as-a-service arrangements.



## Note 2. Revenue

	Notes	2022 \$'000	2021 \$'000
<b>Regulated revenue from contracts with customers</b>			
Tariff - service charges		173,522	167,120
Tariff - usage charges		137,519	136,564
Environmental charge		-	1
Other revenue		5,907	4,960
		<b>316,948</b>	<b>308,645</b>
<b>Unregulated revenue from contracts with customers</b>			
Developer contributions – cash		56	28
Developer contributions – assets		30,430	20,675
Unregulated revenue		479	517
		<b>30,965</b>	<b>21,220</b>
		<b>347,913</b>	<b>329,865</b>
<b>Timing of revenue recognition</b>			
Over time		313,837	306,366
At a point in time		34,076	23,499
		<b>347,913</b>	<b>329,865</b>
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.			
<b>Other revenue</b>			
Gain/(loss) on disposal of assets		306	216
Government grants - rebates		17,245	17,238
Sundry revenue		4,928	4,052
		<b>22,480</b>	<b>21,506</b>
		<b>370,393</b>	<b>351,371</b>
<b>Other income</b>			
Interest income		11	-
		<b>11</b>	<b>-</b>
		<b>370,404</b>	<b>351,371</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 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. There were two parcels of land sold during the year ended 30 June 2022.

### (v) Government grants

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

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

### (vi) Interest income

Represents earnings on surplus cash invested in the 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	2022 \$'000	2021 \$'000
Employee related		51,184	49,564
Maintenance		19,540	20,623
Operations		43,088	43,077
Regulatory		5,644	6,330
Corporate*		31,901	28,884
Other		633	523
		<b>151,990</b>	<b>149,001</b>
<b>Operational expenses relating to maintenance:</b>			
Employee related expenses (included in employee related expenses above)		14,965	14,372
Other		21,382	21,494
		<b>36,347</b>	<b>35,866</b>

**\*Corporate operational expenses include:**

Lease expense - short term or low value	12	195	302
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#### Recognition and measurement

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

## Note 4. Expenses

	Notes	2022 \$'000	2021 \$'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)	6,931	6,505
Depreciation	10(b) and (c)	73,741	63,730
Depreciation - right-of-use assets	12	4,717	4,598
<b>Total depreciation and amortisation expense</b>		<b>85,389</b>	<b>74,833</b>
<b>(b) Finance costs</b>			
Amortisation of discount/(premium) on loans		12,604	14,946
Long term borrowings - interest		29,910	26,267
Short term borrowings - interest		40	30
Interest expense from lease liabilities	12	1,545	1,555
Other interest expense		407	83
Government guarantee fee		20,873	22,715
Capitalised finance costs		(3,747)	(4,714)
<b>Total finance costs</b>		<b>61,631</b>	<b>60,884</b>
<b>(c) Superannuation expense</b>			
Superannuation expense - defined benefit funds		1,982	2,328
Superannuation expense - contributions		5,594	5,055
<b>Total superannuation expense</b>		<b>7,576</b>	<b>7,383</b>
<b>(d) Asset revaluation decrement/(increment)</b>		<b>(243)</b>	<b>69</b>
<b>(e) Net (gain)/loss on retirement of property, plant and equipment</b>		<b>5,512</b>	<b>1,023</b>
<b>(f) Expenses include:</b>			
Other charges against assets - bad and doubtful debts	8(a)	156	(11)

### 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	2022 \$'000	2021 \$'000
<b>A. Income tax expense</b>			
Current tax	15	18,827	17,653
Deferred tax	18	(1,279)	(205)
Under/(over) provision		-	-
		<b>17,548</b>	<b>17,448</b>
<b>Income tax expense is attributed to:</b>			
Continuing operations		17,548	17,448
		<b>17,548</b>	<b>17,448</b>
<b>Deferred income tax revenue/(expense) included in income tax expense comprises:</b>			
Decrease/(increase) in deferred tax liabilities		(123)	(475)
(Decrease)/increase in deferred tax assets		1,403	679
<b>Income tax expense is attributed to:</b>			
Profit from continuing operations		58,549	58,179
<b>B. Reconciliation between income tax expense and profit before income tax</b>			
<b>Profit before income tax excluding dividend</b>		<b>58,549</b>	<b>58,179</b>
Tax rate of 30% (2021 - 30%)		17,565	17,454
<b>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</b>			
Entertainment non-deductible expenses		1	-
Non-deductible expenses		26	27
Australian owned research and development concession claim		157	116
		<b>17,750</b>	<b>17,597</b>
Under/(over) provision in prior years		-	-
Research and development tax offset		(202)	(149)
<b>Income tax expense</b>		<b>17,548</b>	<b>17,448</b>
<b>C. Tax expense/(income) relating to items of comprehensive income</b>			
Net increase/(decrease) in property, plant and equipment revaluation reserve	18	52,760	5,926
Actuarial gains/(losses) on defined benefit funds	18	7,659	3,990
	<b>18</b>	<b>60,418</b>	<b>9,917</b>
<b>D. Income tax</b>			

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, and to unused tax losses.



## Note 6. Dividends paid or provided for

	Notes	2022 \$'000	2021 \$'000
Opening balance		26,900	32,900
Add: dividend declared at 22.8 cents per share (2021: 22.6 cents per share)	17(a)	27,200	26,900
Less: dividend paid at 22.6 cents per share (2021: 28.2 cents per share)		(26,900)	(32,900)
		<b>27,200</b>	<b>26,900</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	2022 \$'000	2021 \$'000
Cash at bank and on hand		3,710	8,903
		<b>3,710</b>	<b>8,903</b>

Deposits at call during the year bore interest rates between 0.00% and 0.85% (2021: 0.00% and 0.20%).

### A. Reconciliation to cash at the end of the year

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

Cash and cash equivalents (per Statement of Financial Position)	3,710	8,903
<b>Cash and cash equivalents (per Statement of Cash Flows)</b>	<b>3,710</b>	<b>8,903</b>

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

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

## Note 8. Trade and other receivables

	Notes	2022 \$'000	2021 \$'000
<b>Current</b>			
Trade debtors		30,390	26,102
Allowance for impairment on other debtors		(338)	(182)
Accrued revenue - unbilled water usage		21,193	20,677
		<b>51,245</b>	<b>46,597</b>
Prepayments		3,257	3,308
		<b>3,257</b>	<b>3,308</b>
<b>Total current</b>		<b>54,502</b>	<b>49,904</b>
<b>Non-current</b>			
Stock receivable		550	367
<b>Total non-current</b>		<b>550</b>	<b>367</b>
<b>A. Movement in the allowance for impairment</b>			
Balance at beginning of the year		182	193
Amounts written off during the year		-	(23)
Amounts recovered during the year		(33)	(51)
Increase/(decrease) in allowance recognised in Income Statement		188	63
<b>Balance at end of year</b>		<b>338</b>	<b>182</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 2022. 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.

The Corporation has assessed the collectability of receivables in relation to economic factors arising from changes in financial markets along with the impact of the COVID-19 pandemic. The Corporation provides hardship assistance programs and support services to customers. At balance date, the impact of financial market changes and the COVID-19 pandemic and associated customer hardship has not been financially material.

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

## Note 9. Inventories

	Notes	2022 \$'000	2021 \$'000
<b>Current</b>			
Consumable stores at cost		2,993	3,059
		<b>2,993</b>	<b>3,059</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 2020 - fair value</b>						
Cost	-	17,600	-	-	229,398	246,998
Fair value - market valuation	-	-	8,129	11,189	-	19,318
Fair value - income approach	2,539,163	-	-	-	-	2,539,163
	<b>2,539,163</b>	<b>17,600</b>	<b>8,129</b>	<b>11,189</b>	<b>229,398</b>	<b>2,805,480</b>
<b>At 30 June 2021 - fair value</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 1 July 2021 - fair value</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 - fair value</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. 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 2020</b>	2,539,163	17,600	8,129	11,189	2,576,081
Additions	173,967	4,149	10	-	178,126
Disposals	(683)	(117)	-	-	(800)
Revaluation increment/(decrement)	22,513	(2)	-	(25)	22,486
Depreciation expense	(57,958)	(4,492)	-	(1,281)	(63,730)
<b>Net carrying amount 30 June 2021</b>	<b>2,677,002</b>	<b>17,139</b>	<b>8,139</b>	<b>9,883</b>	<b>2,712,163</b>

## Note 10. Property, plant and equipment continued

### C. Reconciliations

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

	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 increment/(decrement)*	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>

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

### D. Property, plant and equipment

#### Acquisitions and capitalisation

All items of property, plant and equipment are recognised initially at cost. Subsequent to initial recognition, certain classes of assets are revalued in accordance with the 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 3.89% (2021: 4.10%). 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*. Non-current assets are valued at fair value using the income approach. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at reporting date. Non-operational land and buildings are revalued every three years and at least every five years for other classes of property, plant and equipment. General support and work in progress are not subject to fair value revaluations as their carrying amounts closely approximate their fair value.

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

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

## Note 10. Property, plant and equipment continued

### Fair value continued

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

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

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

The 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.

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

From 1 July 2019, AASB 16 *Leases* requires a lessee to recognise a right-of-use asset for most leases. The 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 2020 - fair value</b>						
Cost	3,657	5,401	-	4,944	28,133	42,135
Fair value - market approach	-	-	2,996	-	-	2,996
	<b>3,657</b>	<b>5,401</b>	<b>2,996</b>	<b>4,944</b>	<b>28,133</b>	<b>45,130</b>
<b>At 30 June 2021 - fair value</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 1 July 2021 - fair value</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 - fair value</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>

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

### A. Reconciliations

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

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

### B. Reconciliations

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

	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 intangible assets and not amortised as they are deemed to have an indefinite useful life.

Expenditure in relation to projects that are externally hosted on cloud computing arrangements (e.g. software-as-a-service, platform-as-a-service or infrastructure-as-a-service) that do not meet the criteria of an asset is expensed as it is incurred.

The IFRS Interpretations Committee issued an agenda decision *Configuration or Customisation Costs in a Cloud Computing Arrangement* in March 2021. The decision confirms that a cloud computing customer should expense the costs of configuring or customising the supplier's application software in a software-as-a-service arrangement. The Corporation has assessed the current categorisation of expenditure in relation to capital projects and work-in-progress as well as expenditure allocated to the fixed asset register. During the current year, an adjustment to capitalised software (\$0.8m) and intangibles work-in-progress (\$3.3m) was processed to reallocate operational expenditure identified as software-as-a-service arrangements.

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 ten 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. The Corporation's short-term and low value leases comprise mainly of fleet vehicles leased on a short-term basis.

## Note 12. Leases continued

### Right-of-use assets under leases

	General support \$'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>

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

### Lease liabilities

The following table presents liabilities under leases:

	Notes	2022 \$'000	2021 \$'000
<b>Balance as at 1 July</b>		(35,172)	(37,033)
Additions		(3,755)	(4,178)
Interest expense		(1,545)	(1,555)
Payments		5,191	5,043
Disposals		1,471	2,667
Remeasurement		(62)	(116)
<b>Balance as at 30 June</b>	<b>16</b>	<b>(33,872)</b>	<b>(35,172)</b>

Represented by:

Current	(3,024)	(3,101)
Non-current	(30,848)	(32,071)
	<b>(33,872)</b>	<b>(35,172)</b>

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

		2022 \$'000	2021 \$'000
Depreciation expense of right-of-use assets	4(a)	4,717	4,598
Interest expense on lease liabilities	4(b)	1,545	1,555
Expense relating to short-term leases	3	195	302
<b>Total amount recognised in the Income Statement</b>		<b>6,457</b>	<b>6,456</b>

The Corporation had total cash outflows for leases of \$5.9m including GST in the 2021-22 financial year (2021: \$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 3-6 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 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>18,827</b>	<b>2,959,466</b>	<b>2,978,293</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 2021	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
System assets	-	2,677,002	2,677,002
Land and buildings	18,022	-	18,022
Environmental credits	2,570	-	2,570
	<b>20,592</b>	<b>2,677,002</b>	<b>2,697,594</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 in 2021-22. The Corporation has assessed these amounts are materially accurate.	Market approach is adopted based on the external expert valuations undertaken in 2021-22 which the Corporation assesses as being materially accurate. An active property market exists in the regions that land and buildings are held. Valuation based on market prices from observable inputs from comparable assets. Level 2 input
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

	2022 \$'000	2021 \$'000
Fair value as at beginning of year	2,677,002	2,539,163
Additions	175,692	173,967
Disposals	(2,022)	(683)
Revaluation increments/(decrements)	174,103	22,513
Depreciation/amortisation	(68,617)	(57,958)
Transfers to Level 2	3,308	-
<b>Fair value at end of year</b>	<b>2,959,466</b>	<b>2,677,002</b>

### Transfer between level 2 and 3 measurements

Transfer of assets occurred from system assets (level 3) to non-system land (level 2) during 2021-22.



## 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 2022 \$'000
System assets		2,959,466
System assets - unobservable input item	30 June 2022 Calculation of fair value	Relationship of unobservable inputs to fair value
Time period	Forecast cash flows for a five year period with the Regulated Asset Base (RAB) as the terminal value in year five.	The terminal value reflects the ability of the CGU to operate into perpetuity.
Real discount rate	Post-tax real discount rate: 2.4% (2021: 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 2022-23 Business Plan which was submitted to NSW Treasury in June 2022.	The higher the discounted future revenues, the higher the fair value.
Estimates of future expenditure	Operating expenditure is as per the 2022-23 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 2022-23 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 5 year Discounted Cash Flow (DCF) analysis, with the RAB as the terminal value in year five. Significant assumptions underpinning the modelling process have been based on the 2022-23 Business Plan. Estimates of future cash-flows have been discounted to present value at a real post-tax discount rate of 2.4%.

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 2021-22 Corporation's fair value increment totalled \$174.1m (2021: \$22.5m 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	
	2022 \$m	2021 \$m
Revenue cashflows (30 basis point increase change in WACC)	42	38
Discount rate (30 basis point increase change)	(98)	(87)

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	2022 \$'000	2021 \$'000
<b>Current</b>			
Trade creditors		18,603	20,372
Deposits received for services		10,182	11,159
Accrued expenses		66,673	57,296
Contractual liabilities		9,631	9,078
		<b>105,089</b>	<b>97,905</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 accounts payable are paid according to contract terms, the majority being within 30 days.

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

Contractual liabilities relate to consideration received in advance from customers in respect of tariff services and usage charges and will be recognised as revenue when the services are performed. The balance of contract liabilities at 30 June 2022 is expected to be recognised as revenue in the 2022-23 financial year.

## Note 15. Current tax liabilities

	Notes	2022 \$'000	2021 \$'000
<b>Provision for income tax payable</b>			
Opening balance		(3,263)	(3,162)
Under/(over) provision for income tax in prior year		(52)	-
Amount received/(paid) relating to prior year		3,315	3,162
Amount payable for current year	5	18,827	17,653
Amount paid relating to current year		(18,417)	(20,916)
		<b>410</b>	<b>(3,263)</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	2022 \$'000	2021 \$'000
Overdraft		6,400	13,611
Other loans		1,629,022	1,541,012
Lease liability	12	33,872	35,172
		<b>1,669,294</b>	<b>1,589,795</b>
Represented by:			
Current		275,703	267,913
Non-current		1,393,591	1,321,882
		<b>1,669,294</b>	<b>1,589,795</b>

### Changes in liabilities arising from financing activities

Total interest-bearing liabilities at the beginning of the year	1,589,795	1,454,530
Net cash flows from proceeds / (repayments) of borrowings	67,789	122,503
Net cash flows from proceeds / (repayments) of lease liabilities	(3,650)	(3,488)
Movement in settlement of deferred interest on borrowings	13,011	14,623
Movement in settlement of deferred interest on leases liabilities	2,350	1,627
<b>Total interest-bearing liabilities at the end of the year</b>	<b>1,669,294</b>	<b>1,589,795</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 (2021: \$50m) of which \$6.4m was used at 30 June 2022 (2021: \$13.6m).

The Corporation has a contingent loan facility with Commonwealth Bank of Australia of \$0.1m which was not drawn down at 30 June 2022 and a purchase card facility with Citibank of \$1.0m at 30 June 2022. The borrowings are classified as non-trading liabilities and are unsecured.

The NSW Treasurer approved funding of up to \$2,000m with NSW TCorp (2021: \$2,000m), of which \$1,629m was used at 30 June 2022 (2021: \$1,541m).

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	2022 \$'000	2021 \$'000
<b>Current</b>			
Dividends	6	27,200	26,900
Other		5,566	3,958
Employee benefits - short term		543	781
Employee benefits - long term*		18,812	18,716
		<b>52,121</b>	<b>50,354</b>
<b>Non-current</b>			
Employee benefits		43,321	67,971
Other		4,688	4,533
		<b>48,009</b>	<b>72,504</b>
*Employee benefits expected to be settled after 12 months		11,788	12,326
(a) Movements in dividends provision 2022		Current	
<b>Carrying amount 1 July 2021</b>		<b>26,900</b>	
Less: dividend paid		(26,900)	
Add: dividend declared		27,200	
<b>Carrying amount at 30 June 2022</b>		<b>27,200</b>	
(b) Movements in other provision 2022		Non current	
<b>Carrying amount 1 July 2021</b>		<b>3,958</b>	
Additional provisions recognised		3,229	
Amount used		(1,621)	
<b>Carrying amount at 30 June 2022</b>		<b>5,566</b>	
(c) Movements in other non-current provisions 2022		Non current	
<b>Carrying amount 1 July 2021</b>		<b>4,533</b>	
Additional provisions recognised		2,066	
Amount used		(1,910)	
<b>Carrying amount at 30 June 2022</b>		<b>4,688</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 2022 include a provision for developer delivered infrastructure.

At 30 June 2021 a provision of \$0.15m was raised for a claim on a large variation for costs related to a water treatment plant project. The Corporation had a constructive obligation to settle the claim. The claim has since been settled and the provision at 30 June 2022 is nil as the requirement to recognise a provision no longer exists.

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 2022 is \$10.2m (2021:\$8.3m).

## Note 17. Provisions continued

### C. 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% (2021: 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.

#### 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	2022 \$'000	2021 \$'000
Stock on hand	1,063	1,028
Accruals	(443)	(420)
Borrowing costs	2,016	2,157
Provisions	(19,497)	(26,972)
Prepayments	272	252
Property, plant and equipment	187,525	135,381
Right-of-use assets	(987)	(666)
	<b>169,949</b>	<b>110,759</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>

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

The deferred tax liability that is expected to be settled within the next twelve months for the Corporation is \$1.3m (2021: \$0.2m deferred tax liability).

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. 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	2022 \$'000	2021 \$'000
At 1 July: ordinary shares each fully paid		119,196	116,539
Shares fully paid and issued during year		43	2,657
<b>At 30 June: ordinary shares each fully paid</b>		<b>119,239</b>	<b>119,196</b>

The Corporation's two shareholders at 30 June 2022 were:

- The Minister for Finance and Employee Relations
- The Treasurer, and Minister for Energy.

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 2022 total 119,238,836 (2021: 119,196,092).

During the reporting period, an additional 42,744 shares had been issued by the Corporation due to an equity cash contribution from shareholders of \$42,744. The shares have been issued and fully paid during the reporting period.

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

## Note 20. Reserves and retained earnings

	Notes	2022 \$'000	2021 \$'000
<b>A. Reserves</b>			
Asset revaluation		464,254	341,148
		<b>464,254</b>	<b>341,148</b>

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

### Movement in reserves

Asset revaluation

<b>Balance at beginning of year</b>		<b>341,148</b>	<b>327,320</b>
Asset revaluation increments/(decrements) from revaluations			
System assets		174,103	22,511
Buildings		442	(25)
Land		2,021	-
Environmental credits		107	-
<b>Total revaluation increments/(decrements)</b>		<b>176,673</b>	<b>22,486</b>
Transfer of reserve on disposal		(807)	(2,731)
<b>Total transfers from revaluation reserve</b>		<b>(807)</b>	<b>(2,731)</b>
<b>Total revaluation reserve increment/(decrement)</b>		<b>175,865</b>	<b>19,755</b>
Tax effect - deferred tax liability on revaluation reserve	5 and 18	(52,760)	(5,926)
<b>Total tax effect on revaluation reserve</b>		<b>(52,760)</b>	<b>(5,926)</b>
<b>Closing Balance at 30 June 2022</b>		<b>464,254</b>	<b>341,148</b>

### B. Retained earnings

<b>Retained earnings at 1 July</b>		<b>724,104</b>	<b>698,232</b>
Net profit		41,001	40,730
Transfer from revaluation reserve to retained earnings		807	2,731
Net income/(loss) recognised direct in equity		17,870	9,311
Dividends	6 and 17	(27,200)	(26,900)
<b>Retained earnings at 30 June</b>		<b>756,582</b>	<b>724,104</b>

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

	Notes	2022 \$'000	2021 \$'000
<b>Reconciliation of profit after income tax to the net cash flows from operating activities:</b>			
Net profit for the year from operations		41,001	40,730
Net superannuation (income)/expense	4	1,982	2,328
Revaluation (increment)/decrement	4	(243)	69
Depreciation and amortisation	4	85,389	74,833
Amortisation of deferred discounts on loans (non-cash)	4	12,604	14,946
(Profit)/loss on sale of non-current assets		5,206	807
Capital asset (non-cash) contributions	2	(30,430)	(20,675)
<b>Change in operating assets and liabilities:</b>			
(Increase)/decrease in trade debtors		(4,803)	(6,321)
(Increase)/decrease in inventories		(117)	20
(Increase)/decrease in other operating assets		205	(927)
Increase/(decrease) in trade creditors		(359)	180
Increase/(decrease) in other operating liabilities		(832)	331
Increase/(decrease) in provision for income taxes payable		3,673	(101)
Increase/(decrease) in net deferred tax liabilities (recognised on the Income Statement)		(1,228)	(205)
(Increase)/decrease in capitalised borrowing costs	4	(3,747)	(4,714)
Increase/(decrease) in other provisions		(1,245)	(1,183)
<b>Net cash inflow from operating activities</b>		<b>107,057</b>	<b>100,118</b>

## Note 22. Contractual commitments

	Notes	2022 \$'000	2021 \$'000
<b>Aggregate capital expenditure contracted for at balance date but not recognised as liabilities:</b>			
Payable within one year		81,837	44,990
Payable later than one year but not later than five years		18,847	20,897
Payable later than five years		66	128
		<b>100,750</b>	<b>66,015</b>

GST component of total contractual commitments for the Corporation at 30 June 2022 totals \$9.2m (2021: \$6.0m).

## Note 23. Superannuation

### A. Superannuation plan

All employees are entitled to benefits on retirement, disability or death. The defined benefit superannuation schemes are administered by Pillar Administration and provide defined benefits based on years of membership and final average salary. All funds are invested at arm's length through independent fund managers. Employees contribute to the plans at various percentages of their wages and salaries. The 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 2022 there were no fund amendments, curtailments or settlements.

## Note 23. Superannuation continued

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

Corporation at 30 June 2022	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2022	Total \$'000 2021
<b>Net defined benefit liability/(asset) at beginning of the year</b>	<b>21,357</b>	<b>2,150</b>	<b>43,757</b>	<b>67,264</b>	<b>79,132</b>
Current service cost	255	159	127	542	630
Net interest on the net defined benefit liability/(asset)	625	53	1,304	1,982	2,328
Actual return on fund assets less interest income	1,276	122	3,827	5,225	(12,638)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-	1,699
Actuarial (gains)/losses arising from changes in financial assumptions	(8,184)	(480)	(26,605)	(35,269)	2,936
Actuarial (gains)/losses arising from liability experience	1,250	(121)	3,386	4,515	(5,297)
Employer contributions	(779)	(745)	-	(1,524)	(1,524)
<b>Net defined benefit liability/(asset) at end of the year</b>	<b>15,800</b>	<b>1,137</b>	<b>25,798</b>	<b>42,735</b>	<b>67,264</b>

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

Corporation at 30 June 2022	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2022	Total \$'000 2021
<b>Fair value of fund assets at beginning of the year</b>	<b>33,746</b>	<b>2,757</b>	<b>103,127</b>	<b>139,629</b>	<b>129,511</b>
Interest income	970	85	2,965	4,020	3,701
Actual return on fund assets less interest income	(1,276)	(122)	(3,827)	(5,225)	12,638
Employer contributions	779	745	-	1,524	1,524
Contributions by participants	286	-	116	402	416
Benefits paid	(2,935)	(383)	(7,909)	(11,227)	(9,251)
Taxes, premiums and expenses paid	(85)	(118)	681	477	1,089
<b>Fair value of fund assets at end of the year</b>	<b>31,484</b>	<b>2,965</b>	<b>95,152</b>	<b>129,602</b>	<b>139,629</b>

### D. Reconciliation of the defined benefit obligation

Corporation at 30 June 2022	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2022	Total \$'000 2021
<b>Present value of defined benefit obligations at beginning of the year</b>	<b>55,103</b>	<b>4,907</b>	<b>146,884</b>	<b>206,894</b>	<b>208,643</b>
Current service cost	255	159	127	542	630
Interest cost	1,594	138	4,269	6,002	6,029
Contributions by participants	286	-	116	402	416
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-	1,699
Actuarial (gains)/losses arising from changes in financial assumptions	(8,184)	(480)	(26,605)	(35,269)	2,936
Actuarial (gains)/losses arising from liability experience	1,250	(121)	3,386	4,515	(5,297)
Benefits paid	(2,935)	(383)	(7,909)	(11,227)	(9,251)
Taxes, premiums and expenses paid	(85)	(118)	681	477	1,089
<b>Present value of defined benefit obligations at end of the year</b>	<b>47,285</b>	<b>4,102</b>	<b>120,950</b>	<b>172,337</b>	<b>206,894</b>

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

Corporation at 30 June 2022	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
<b>Adjustment for effect of asset ceiling at 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	5,041,193	1,854,969	3,186,223	-
Australian fixed interest	244,972	-	244,972	-
International fixed interest	1,439,642	4,287	1,415,027	20,329
Australian equities	6,518,777	5,893,947	622,584	2,246
International equities	12,174,407	12,002,063	169,289	3,055
Property	2,362,344	-	-	2,362,344
Alternatives	9,095,720	(637)	2,160,192	6,936,165
	<b>36,877,055</b>	<b>19,754,629</b>	<b>7,798,288</b>	<b>9,324,138</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 2022
Short term securities	13.7%
Australian fixed interest	0.7%
International fixed interest	3.9%
Australian equities	17.7%
International equities	33.0%
Property	6.4%
Alternatives	24.7%
	<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 \$362 million (30 June 2021: \$328 million).

Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$540 million (30 June 2021: \$443 million).

## Note 23. Superannuation continued

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

As at	30 June 2022
Discount rate	5.30%
Salary increase rate (excluding promotional increases)	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26, 3.2% pa thereafter
Rate of CPI increase	4.00% for 21/22; 5.50% for 22/23; 3.00% for 23/24 and 24/25; 2.75% for 25/26 and 26/27; 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 2022 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 2022.

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)	172,337	181,469	163,934

	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)	172,337	181,047	164,268

	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)	172,337	173,044	171,647

	Base Case	Scenario G lower mortality <sup>1</sup>	Scenario H higher mortality <sup>2</sup>
Defined benefit obligation (A\$'000)	172,337	173,977	170,970

<sup>1</sup> Assumes the short term pensioner mortality improvement factors for years 2021-2026 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 2021 to 2026.

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

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

## Note 23. Superannuation continued

### I. Funding arrangements

Employer contributions to the defined benefit section of the plan are based on the recommendations of the plan's actuary. The last triennial update used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken at 30 June 2021.

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

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

- Expected rate of return on fund assets backing current pension liabilities of 7.0% pa (2021: 6.5% pa)
- Expected rate of return on fund assets backing other liabilities of 6.2% pa (2021: 5.7% pa)
- Expected salary increase rate of 3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26 and 3.2% pa thereafter (2021: 2.74% pa 21/22 to 25/26; 3.2% pa thereafter)
- Expected rate of CPI Increase of 4.8% for 21/22 and 2.5% pa thereafter (2021: 2.0% pa).

### Expected contributions

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

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

### Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation for the Corporation is 10.9 years (2021: 12.5 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 2022 and a deficit of \$12.4m (2021: \$0.1m surplus) was reported for the Corporation.

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
<b>2022</b>				
Accrued benefits	40,577	3,776	97,633	<b>141,985</b>
Net market value of fund assets	(31,484)	(2,965)	(95,152)	<b>(129,602)</b>
<b>Net (surplus)/deficit</b>	<b>9,092</b>	<b>811</b>	<b>2,480</b>	<b>12,383</b>
<b>2021</b>				
Accrued benefits	40,949	4,012	94,618	<b>139,579</b>
Net market value of fund assets	(33,746)	(2,757)	(103,127)	<b>(139,629)</b>
<b>Net (surplus)/deficit</b>	<b>7,203</b>	<b>1,255</b>	<b>(8,509)</b>	<b>(51)</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 2022	Total \$'000 2021
Current service cost	255	159	127	542	630
Net interest	625	53	1,304	1,982	2,328
Past service cost	-	-	-	-	-
(Gains)/loss on settlement	-	-	-	-	-
<b>Profit or loss component of the defined benefit cost</b>	<b>880</b>	<b>212</b>	<b>1,431</b>	<b>2,523</b>	<b>2,957</b>

Other comprehensive income	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2022	Total \$'000 2021
Actuarial (gains) losses on liabilities	(6,934)	(601)	(23,218)	(30,753)	(662)
Actual return on fund assets less interest income	1,276	122	3,827	5,225	(12,638)
Change in the effect of asset ceiling	-	-	-	-	-
<b>Total remeasurement in other comprehensive income</b>	<b>(5,658)</b>	<b>(480)</b>	<b>(19,391)</b>	<b>(25,529)</b>	<b>(13,301)</b>

## Note 24. Consultancies

The total amount paid or payable to consultants engaged by the Corporation during the reporting period was \$4.7m (2021: \$4.2m).

## Note 25. Contingent liabilities

The Corporation does not have any contingent liabilities at balance date (2021: nil).

No significant claims for damages are being negotiated at 30 June 2022 (2021: nil). This does not include matters covered by insurance.

## Note 26. Auditors' remuneration

	Notes	2022 \$'000	2021 \$'000
<b>Audit Office of New South Wales</b>			
Audit of current year financial statements		244	317
		<b>244</b>	<b>317</b>

The 2020-21 external audit completed by Audit Office of NSW contained additional audit scope items including the implementation review of a new billing system.

## Note 27. Related party disclosures

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

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

Entity	2022 \$'000	2021 \$'000
<b>Purchases</b>		
<b>Services received</b>		
- Peoplefusion Pty Ltd	-	1,216
- Ampcontrol Pty Ltd	-	50
- Aust Business Lawyers and Advisors	7	-
<b>Goods received</b>		
- Ampcontrol Pty Ltd	-	13

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

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

### B. Key management personnel

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the 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 C. for the Directors and the senior executive managers only. The NSW Legislature pays the Ministers their compensation and this is not reimbursable from the Corporation.

### C. Key management personnel compensation

	2022 \$'000	2021 \$'000
Short term employee benefits	2,772	2,809
Termination payments	-	317
Long term employee benefits	77	53
Post employment benefits	281	307
	<b>3,131</b>	<b>3,486</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.

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

### 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.

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 all held at fixed interest rates, with the exception of a small amount of CPI linked debt (circa 6% of total debt portfolio). The \$50m overdraft facility held with NSW TCorp has a floating rate.

The weighted average interest rates are shown below:

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
		<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>

The weighted average effective interest rate is based on the coupon rate (interest paid). The weighted average yield at 30 June 2022 was 2.39%. Both rates do not include the Government Guarantee Fee.



## Note 29. Financial instruments continued

The comparative information with regard to the 2021 year is as follows:

2021	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	0.01%	8,902	-	1	8,903
Trade and other receivables	4.10%	-	14,859	26,408	41,267
Other financial assets		-	-	-	-
		<b>8,902</b>	<b>14,859</b>	<b>26,409</b>	<b>50,170</b>
<b>Financial liabilities</b>					
Borrowings	1.60%	13,611	1,541,012	-	1,554,623
Lease liabilities	4.16%	-	35,172	-	35,172
Trade and other payables	n/a	-	-	86,839	86,839
		<b>13,611</b>	<b>1,576,184</b>	<b>86,839</b>	<b>1,676,634</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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Cash and Cash Equivalents</b>				
If Interest rates are 100 basis points higher	57	46	57	46
If Interest rates are 100 basis points lower	(57)	(46)	(57)	(46)
<b>Borrowings</b>				
If Interest rates are 100 basis points higher	(466)	(521)	(466)	(521)
If Interest rates are 100 basis points lower	466	521	466	521

### 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 (2021: \$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 also submit to Directors for endorsement the proposed financial accommodation that will be required for the coming years. If required a formal request is then submitted to NSW Treasury for accommodation increases which are then approved by the Treasurer of NSW.

In order to further manage liquidity risk, the Corporation has a \$50m (2021: \$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 2022 the Corporation continues to trade as a going concern. The Corporation has sufficient funds to meet all of its obligations to 30 June 2023 and across the medium to long-term.

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:

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>

2021	Carrying amount \$'000	Total contractual cash flows \$'000	Maturity dates			
			Within 1 Year \$'000	Within 1-2 Years \$'000	Within 2-5 Years \$'000	Over 5 Years \$'000
Trade and other payables	86,839	86,839	86,839	-	-	-
Borrowings	1,554,623	1,703,352	293,818	290,917	649,457	469,160
Lease liabilities	35,172	45,704	4,517	3,933	12,594	24,659
	<b>1,676,634</b>	<b>1,835,895</b>	<b>385,174</b>	<b>294,850</b>	<b>662,052</b>	<b>493,819</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	11,280	11,280	-
> 90 days overdue	3,983	3,645	338

<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 other than those noted above 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

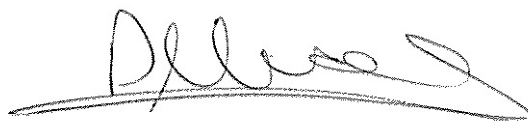
Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I state that these financial statements:

- 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 Treasurer's directions,
- present fairly Hunter Water Corporation's financial position, financial performance and cash flows, and
- there are reasonable grounds to believe that Hunter Water Corporation will be able to pay its debts as and when they become due and payable.

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



**Greg Martin**  
Chair



**Darren Cleary**  
Managing Director

Newcastle  
26 August 2022

# Customer and Service Performance

## Customer and Community Advisory Group

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

In 2021-22 the CCAG adapted its format in response to COVID, and considered a range of issues. A summary of key matters addressed at its meetings follows.

### **Hunter Water's Strategic Direction**

At each meeting, as part of the Managing Director's report, Hunter Water provided an update on corporate performance, including against the Towards 2024 Strategy, and Corporate Scorecard results. Detailed presentations were provided on benchmarking Hunter Water's performance against the National Performance Report.

### **Lower Hunter Water Security Plan (LHWSP)**

At each meeting, the Group received updates on the development of the Lower Hunter Water Security Plan, including customer and community engagement processes and results, and information on technical investigations and options analysis. The CCAG helped inform customer and community engagement across the development of the plan.

A special briefing with the CCAG was held in August 2021 ahead of the public release of the draft Lower Hunter Water Security Plan. The final Plan was subsequently released to the public in April 2022.

### **Recycled Water, Water Conservation and Leakage**

Members nominated the topic of recycled water and water conservation for discussion.

Hunter Water led an update on water conservation and leakage, and recycled water opportunities in the region.

### **Regulatory matters**

CCAG members have been engaged in regulatory matters relevant to Hunter Water. Hunter Water provided updates on Hunter Water's Operating Licence Review, levels of service work, the Customer Contract, IPART's new regulatory framework, and preparations for Hunter Water's next pricing proposal. CCAG members were provided opportunities to provide input to these regulatory processes.

### **COVID and customer support**

A regular focus of discussion at each CCAG meeting was Hunter Water's response to the COVID pandemic, including customer support initiatives, and the impacts of COVID on service delivery.

### **Site tour: Belmont Wastewater Treatment Works and Desalination Site**

A site tour was held of the Belmont Wastewater Treatment Works and the site of the proposed Belmont Desalination Plant. The tour included an overview of the wastewater treatment process, and investments to improve environmental sustainability and efficiency, as well as an overview of the proposed Desalination Plant.

## Membership and attendance

Representative	Organisation	Attendance at meetings held	
		A	B
Cr Paul Le Mottee	Port Stephens Council (Chair to December 2021)	1	1
Cr Brian Adamthwaite	Lake Macquarie City Council (member for full year, and Chair from March 2022)	4	4
Cr Elizabeth Adamczyk	City of Newcastle (member from March 2022)	3	3
Cr Robert Aitchison	Maitland City Council (member to December 2021)	0	1
Mr David Beins		3	4
Ms Ange Bevan	Hunter Commercial Services	0	4
Ms Linda Bowden	Save the Williams River Coalition	2	4
<i>Mr Ken Edwards</i>	<i>Alternative representative for Save the Williams River Coalition</i>	1	0
Ms Thea Bray	Public Interest Advocacy Centre	0	4
Ms Kerindy Clarke		2	4
Mayor John Connors	Dungog Shire Council	3	4
Cr Jason Dunn	City of Newcastle (member to December 2021)	0	1
Cr Peter Francis	Port Stephens Council (member from March 2022)	2	3
A/Prof Troy Gaston	University of Newcastle	1	4
<i>Dr Craig Evans</i>	<i>Alternative representative for the University of Newcastle</i>	1	0
Cr Sally Halliday	Maitland City Council (member from March 2022)	2	3
Ms Sue Hirsch	Medowie Progress Association	0	4
Cr Karen Jackson	Cessnock City Council (member from March 2022)	1	3
Ms Suzanne Johns	National Seniors Association - Newcastle Branch	2	4
Mr William Lennox	Maitland Masonic Centre	1	4
Mr Glenn Lyons	Hunter Local Land Services	0	4
Ms Jean McGarry	LM Sustainable Neighbourhood Alliance	2	4
Mr Joseph Popov	Community Disability Alliance Hunter	0	4
Ms Amanda Watson	Business Hunter	3	4
Mr Leroy Wilkinson		2	4

A = Number of meetings attended.

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

## Customer base

Customer	Number of properties 2021-22	Income raised 2021-22 \$m actual
Residential	198,431	219.6
Multi residential <sup>1</sup>	53,504	45.2
Commercial	12,483	29.1
Industrial	1,337	9.7
Bulk supply	2	4.0
Other <sup>2</sup>	473	14.2
<b>Total</b>	<b>266,230</b>	<b>\$321.8</b>

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

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

## Consumer response

The ongoing analysis of complaints is a key component of our corporate Voice of Customer Program, which is focused on understanding and utilising information around expectations, preferences and pain points of our customers and acting to improve overall customer experience and community outcomes. We undertake regular working group sessions using customer complaint information to prioritise improvements, including customer journey map development, as a means to remove customer pain points.

Our recently adopted 'Tone of Voice framework' has refined and improved our customer communication. This framework focuses on consistency and simplicity, to ensure our communication is relevant and easy to understand. To embed customer centricity across the organisation, we have provided targeted training in Complaint Handling to uplift capability for our people and ensure customer centred decision making. These activities feed into our ongoing commitment to improving and delivering great experiences for our customers.

In 2021-22, total water and sewerage complaints decreased 12.8% compared to 2020-21.

Billing and account complaints decreased by 38.26% in 2021-22, driven by fewer meter reading complaints. We have seen billing accuracy improve across the last 12 months, with continued improvements in our meter reading system and processes that use photos to confirm higher or lower than normal meter readings. The introduction of our new billing system in November 2020 has also enabled increased focus on proactive bill validation, leading to improved bill accuracy.

Water quality complaints increased by 33.83% in 2021-22. The increase is mainly due to taste and odour complaints received from the operation of our Tomago water source, particularly in July and August 2021. Water provided from the Tomago water source has different characteristics (including taste and odour) and higher natural levels of iron and manganese, compared to other water storage sources. Complaints then decreased and stabilised throughout the remainder of the year. Other water service complaints decreased by 71.43% in 2021-22 due to increased rainfall and colder temperatures, resulting in lower water demand by customers which results in a more consistent and higher supply of pressure. In addition, we have improved our services for customers in relation to the visibility of both planned and unplanned water outage notifications. This has been achieved through improving SMS capability and implementation of a live interactive outage page on our website, resulting in fewer water service complaints.

Overall, sewer service complaints decreased by 15.58% in 2021-22. Sewer odour complaints were 12.25% lower, mainly due to higher rainfalls throughout the year. More rainfall results in wastewater spending less time within our wastewater network and higher flows flushing out biofilms from within the network.

We have continued to focus on improving customer complaint responsiveness and closing aged complaints more efficiently. This has been driven by system efficiencies and using data and insights to guide decision making. Our live complaint dashboard and targeted complaint training have provided greater visibility, capability and confidence for complaint management. Across 2021-22, 98% of complaints were resolved within 10 working days.

## External complaints

Hunter Water is a member of the Energy and Water Ombudsman of NSW (EWON), with 100% of cases referred by (EWON) being responded to efficiently within two business days. Escalated complaints referred to the Ombudsman decreased by 25% in 2021-2022, compared to 2020-21. Hunter Water and EWON have continued to regularly engage, via monthly round table sessions, as a way to build knowledge, understand insights and collaborate more effectively to achieve better customer outcomes. This decrease has also been driven by the increased education and awareness of our people in identifying potential escalations sooner and adopting earlier intervention opportunities to resolve complaints internally.

We make it easy and clear for customers to understand our complaint handling process and how they can contact EWON should they need to.

## Commitment tracker

To ensure ongoing focus, collaboration and progress, we track complaints that are unable to be resolved in the short term through our commitment tracker. We regularly report progress to our Customer Case and Service Level Committee, with issues escalated to the Executive Management Team as required. A project dedicated to reducing repeat customer impacts (i.e. hotspots) has continued to progress. Across the last 12 months, an information dashboard and impact framework has been developed to better inform our understanding and support short and long-term decision making and investment in improving our water or wastewater services for these customers.



## Total number of complaints

### Total number of complaints (excluding EWON)

	2021-22	2020-21	2019-20	2018-19	2017-18
Total water and sewer complaints	477	547	900	966	872
Per 1,000 properties	1.8	2.1	3.5	3.5	3.5

### Main features of complaints by category

	2021-22	2020-21	2019-20	2018-19	2017-18
Water quality	178	133	204	175	169
Per 1,000 properties	0.67	0.51	0.8	0.7	0.7
Water services	8	28	42	46 <sup>1</sup>	28 <sup>1</sup>
Per 1,000 properties	0.03	0.11	0.16	0.18 <sup>1</sup>	0.11 <sup>1</sup>
Sewer services	195	231	313	311	300
Per 1,000 properties	0.77	0.92	1.3	1.3	1.2
Drainage	0	2	2	0	0
Per 1,000 properties	0	0.08	0.03	0.00	0.00
Billing	92	149	341	447	382
Per 1,000 properties	0.35	0.57	1.3	1.8	1.6

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

### EWON complaints

	2021-22	2020-21	2019-20	2018-19	2017-18
EWON	52	69	75	90	100

<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.

## Rainfall received (millimetres) - 12 months ending 19 April for each year<sup>1</sup>

Year	Newcastle	Grahamstown	Chichester
2021-22	1,038	1,379	1,861
2020-21	1,411	1,859	1,700
2019-20	830	878	859
2018-19	856	977	991
2017-18	750	826	955
<b>Long term average</b>	<b>1,118</b>	<b>1,121</b>	<b>1,301</b>
<b>Years of record</b>	<b>157</b>	<b>55</b>	<b>95</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 (megalitres) - 12 months ending 19 April for each year<sup>1</sup>

Source	2022	2021	2020	2019	2018	2017
Chichester	22,272	23,753	17,769	24,847	21,843	23,026
Tomago	1,657	5,150	19,179 <sup>4</sup>	1,235	1,269	1,255
Grahamstown	37,942	32,954	26,335	44,711	46,758	43,057
<b>Total major sources</b>	<b>61,871</b>	<b>61,858</b>	<b>63,284</b>	<b>70,793</b>	<b>69,869</b>	<b>67,337</b>
Anna Bay <sup>2</sup>	1,299	1,004	674	1,279	1,786	1,931
Lemon Tree Passage	752	745	738	787	867	834
<b>Total<sup>3</sup></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 (megalitres) - 12 months ending 19 April for each year<sup>1</sup>

Source	2022		2021		2020		2019		2018	
	ML	(%)	ML	(%)	ML	(%)	ML	(%)	ML	(%)
Domestic	37,770	58%	37,268	58%	38,209	58%	41,273	56%	42,737	58%
Non-domestic	15,229	24%	14,595	23%	17,143	26%	17,875	24%	19,374	26%
Bulk supply	2,792	4%	3,869	6%	1,782	3%	3,663	5%	516	1%
<b>Total consumption</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 (HWC own use)	1,836	3%	1,732	3%	2,021	3%	2,264	3%	2,051	3%
Apparent losses	1,143	2%	1,117	2%	1,192	2%	1,277	2%	1,340	2%
Real losses	5,995	9%	5,600	9%	6,037	9%	6,751	9%	7,177	10%
Gross non-revenue generating	8,974	14%	8,449	13%	9,250	14%	10,291	14%	10,569	14%
<b>Total supply<sup>2</sup></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	2021-22	2020-21	2019-20	2018-19	2017-18
Poor pressure	58	65	73	140	123
Pump problem	7	11	6	4	7
Seepage	596	489	336	202	132
Main flush	897	1,177	1,944	1,516	1,846
Main repair	1,072	1,049	1,461	1,383	1,522
Hydrant defect	1,072	1,358	1,551	1,168	1,066
Valve defect	289	295	387	309	269
Repair pathcock/maincock	3,771	4,114	4,460	3,772	3,179
Meter defect	796	618	759	686	544
Service defect repaired by Hunter Water	2,828	2,724	3,232	2,654	2,517
Service defect repaired by private plumber	862	826	1,028	716	705
Complaint unconfirmed	476	521	562	399	397
Other	981	1,071	1,511	1,404	1,366
Tap rewashers	9	8	42	27	27
Trunkmain repairs	56	86	207	847	1,325
<b>Total</b>	<b>13,770</b>	<b>14,412</b>	<b>17,559</b>	<b>14,547</b>	<b>15,031</b>

## Water transport system reliability

	2021-22	2020-21	2019-20	2018-19	2017-18
Main breaks per 100kms main - trunkmains included in length of mains	21.0	20.2	28.3	27.0	30.0
Discoloured water complaints per 1,000 properties connected (tenancy)	5.6	3.0	3.5	2.1	3.5

## Wastewater system incidents

Incident/solution	2021-22	2020-21	2019-20	2018-19	2017-18
Choke cleared - main	1,380	1,625	2,110	2,212	2,464
Choke cleared - branch	1,645	1,999	2,370	2,424	2,315
Private plumber's job <sup>1</sup>	408	432	421	393	424
House drains cleared	12	5	14	8	4
Storm overflow	188	665	218	124	224
Gravity sewer break	36	53	50	67	51
Rising main break	34	37	38	28	32
Pump station malfunction	6	0	3	5	3
Vacuum sewer jobs	57	100	85	65	8
Pump effluent line	8	24	15	11	10
No work required	97	126	109	137	109
Complaint unconfirmed	258	320	312	266	278
Charge job <sup>2</sup>	1	0	0	0	1
Other	613	681 <sup>3</sup>	634	637	578
<b>Total</b>	<b>4,743</b>	<b>6,067</b>	<b>6,379</b>	<b>6,377</b>	<b>6,501</b>

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

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

<sup>3</sup> Figure for 2020-21 has been updated.

## Wastewater transport system reliability 2021-22

	Number of main breaks and chokes	Length of sewer main (km)	Ratio of main breaks/chokes per 100kms of main
Total	1,486	5,112	27.3
	Number of property breaks and chokes	Number of wastewater properties	Ratio of property breaks/chokes per 1,000 properties
Total	1,687	266,244	6.6

# Employees

## Overseas travel

In 2021-22 there was one Hunter Water overseas trips that received Ministerial approval:

13/06/2022 to 20/06/2022 - Rowen Lonergan (Manager Mechanical Engineering) travel to Nepal to participate in the Australian Water Partnership between Kathmandu Upatyaka Khanepani Limited and the Water Services Association Australia. Travel funded by the Australian Water Partnership.

## Workforce profile

	2022	2021	2020	2019	2018	2017
Males	326	317	323	309	316	325
Females	182	168	167	158	143	141
<b>Total</b>	<b>508</b>	<b>485</b>	<b>490</b>	<b>467</b>	<b>459</b>	<b>466</b>
Permanent	441	399	400	403	394	406
Temporary	19	32	32	8	8	5
Part-time	48	54	58	56	57	55
<b>Total</b>	<b>508</b>	<b>485</b>	<b>490</b>	<b>467</b>	<b>459</b>	<b>466</b>
Redundancies	1	6	3	7	4	2
Recruitment	64	41	60	53	34	46
Unplanned absences (%)	3.15	2.8	3.45	3.48	2.80	3.20

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.

## Multicultural Policies and Services Program (previously EAPS)

We strive to cater for the needs of all employees, customers and stakeholders, including those from culturally and linguistically diverse (CALD) backgrounds, to ensure there is genuine equality of access to our corporate services. Providing opportunities and supporting our CALD employees and community members is an important component of our Inclusion and Diversity Strategy, which will continue into 2022-23. We rely on these diverse perspectives to drive innovation and collaboration, to deliver the best outcomes for our customers and communities. We strongly encourage those from CALD backgrounds to apply for job vacancies at Hunter Water and support current CALD employees in development and progression opportunities.

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

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

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

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

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

## Human resources policies and practices

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

## Trends in the representation of Equal Employment Opportunity (EEO) groups<sup>1,2</sup>

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

<sup>1</sup> Employee numbers are as at 30 June 2022.

<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.

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

### Distribution Index

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

<sup>1</sup> Employee numbers are as at 30 June 2022.

<sup>2</sup> Excludes casual employees.

<sup>3</sup> The calculations are based on average salaries for the equity groups as a percentage of the average salary for all 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.

## Average total remuneration package of executives at 30 June 2022

2022 Statutory and Other Offices Remuneration Tribunal (SOORT) Band equivalent	Average remuneration		Gender 2022		Gender 2021	
	2022 (\$)*	2021 (\$)*	Female	Male	Female	Male
Band 4	522,920	-	-	1	-	-
Band 3	359,603	416,461	1	-	1	1
Band 2	302,339	306,359	3	2	1	1
Band 1	281,354	265,247	0	1	2	3
<b>Total</b>			<b>4</b>	<b>4</b>	<b>4</b>	<b>5</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 2021-22, 4.48% of Hunter Water's employee related expenditure was related to senior executives compared with 4.79% in 2020-21. This calculation includes salaries, wages, overtime and bonuses paid in 2021-22. Oncosts are not included. Executive expenditure includes all senior executives at 30 June.



## Executive positions at 30 June 2022

Position	Key responsibilities	Senior officer	Qualifications	Term
<b>Managing Director</b>	<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>	Darren Cleary	BE (Environmental), MEM	1 July 2021 to 30 June 2022
<b>Executive Manager Customer Services (Acting)</b>	<ul style="list-style-type: none"> <li>Retail services</li> <li>Development services</li> <li>Customer experience</li> <li>Revenue</li> <li>Voice of Customer program</li> </ul>	Keiran Smith	B Bus/BA (International Studies)	1 July 2021 to 28 November 2021
<b>Executive Manager Customer Services</b>	<ul style="list-style-type: none"> <li>Retail services</li> <li>Development services</li> <li>Customer experience</li> <li>Revenue</li> <li>Voice of Customer program</li> </ul>	Matthew Hingston	BA (Communication Studies)	29 November 2021 to 30 June 2022
<b>Executive Manager Governance &amp; Assurance General Counsel and Company Secretary</b>	<ul style="list-style-type: none"> <li>Assurance</li> <li>Legal and governance</li> <li>Property, facilities and fleet</li> <li>Information resources</li> <li>Resilience</li> <li>Environment</li> <li>Management systems and risk</li> </ul>	Laura Hails	B Fin, B Law/Dip Legal Practice, Grad Dip Applied Corporate Governance	1 July 2021 to 30 June 2022
<b>Executive Manager Finance &amp; Business Performance</b>	<ul style="list-style-type: none"> <li>Financial control</li> <li>Accounts payable</li> <li>Payroll</li> <li>Accounting</li> <li>Inventory/stores</li> <li>Economics</li> <li>Procurement</li> <li>Business reporting</li> <li>Investment assurance</li> </ul>	Jennifer Hayes	B Bus (Accounting), MBA, CPA, GAICD	1 July 2021 to 30 June 2022
<b>Executive Manager Digital</b>	<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>	Jennifer Francis	BSc, GAICD	1 July 2021 to 30 June 2022
<b>Executive Manager Strategy &amp; Engagement</b>	<ul style="list-style-type: none"> <li>Corporate strategy</li> <li>Communications and engagement</li> <li>Strategic planning</li> <li>Sustainability</li> <li>Science and Research &amp; Development</li> <li>Innovation and continuous improvement</li> </ul>	Emma Berry	BE (Environmental), MBA	1 July 2021 to 30 June 2022
<b>Executive Manager Customer Delivery</b>	<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>Program management</li> </ul>	Clint Thomson	BE (Mechanical), MEM	1 July 2021 to 30 June 2022
<b>Executive Manager People &amp; Culture</b>	<ul style="list-style-type: none"> <li>Human resources</li> <li>Safety, health and wellbeing</li> <li>Change capability</li> </ul>	Ian Pike	BSc (Environmental Health), GAICD	1 July 2021 to 30 June 2022

# Financial

## Receivables

Receivables are shown as an asset on the Statement of Financial Position and total \$55.05m

	June 2022 \$m	June 2021 \$m
Tariff income - billed	21.70	19.07
Tariff income - unbilled	21.19	20.68
Sundry debtors	0.74	0.42
Net GST receivable from ATO	6.75	5.70
Community service obligations	1.20	0.92
Prepayments	3.26	3.31
Miscellaneous debtors	0.55	0.37
	<b>55.39</b>	<b>50.45</b>
Less provision for doubtful debts	(0.34)	(0.18)
<b>Total receivables</b>	<b>55.05</b>	<b>50.27</b>

Information regarding the major categories follows.

<b>A</b>	<b>Tariff income – unbilled:</b> This item is an estimate of unbilled water and sewer usage for properties up to the reporting date that has been accrued.
<b>B</b>	<b>Net GST receivable from ATO:</b> The Corporation is liable to pay GST on all taxable acquisitions. For the Corporation GST is only collected on a few taxable revenue items (e.g. external sales). In accordance with relevant Accounting Standards and NSW Treasury Circulars, the balance of receivables and payables are recorded as GST-inclusive. As the majority of sales by the Corporation are GST-free, but its purchases predominantly include GST, the Corporation receives a net refund of GST paid from the Australian Taxation Office on a monthly basis. The net amount refundable for the Corporation at 30 June 2022 (inclusive of accruals) and included in receivables was \$6.75m.
<b>C</b>	<b>Community Service Obligations:</b> The Corporation seeks financial reimbursement for providing services other than on a commercial basis. These services are titled Community Service Obligations (CSO's). Claims for reimbursement of CSO's are submitted each year to the relevant government department for endorsement and inclusion in the State Budget.

Approval for payment of the CSO claim is provided as part of Parliament's sanction of the State Budget, after which a payment schedule is agreed with the Department of Planning, Industry and Environment. The Corporation's CSO claims for 2021-22 were for rebates given to pensioners and exempt properties, for example churches. The 2021-22 claim and cash received were as follows:

	Amount claimed \$m	Cash received \$m	Outstanding \$m
Pensioner rebate	14.83	13.76	1.07
Exempt properties	2.14	2.03	0.11
Pensioner Assistance Scheme	0.12	0.12	0.01
Facilitation costs	0.16	0.14	0.01
<b>Total CSO claim and cash received</b>	<b>17.25</b>	<b>16.05</b>	<b>1.20</b>

## Investments

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

	June 2022 \$m	June 2021 \$m
Cash at bank	3.71	8.90
Interest earned	0.01	0.00
Average interest (on average monthly investment balance)	0.12%	0.01%

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

## Fixed Assets - Property, Plant and Equipment

	June 2022 \$m	June 2021 \$m
Opening net carrying amount	2,712.16	2,576.08
Less - depreciation charge	(73.74)	(63.73)
Less - disposals	(2.03)	(0.80)
Add - additions	145.97	157.45
Add - externally funded assets	30.43	20.67
Revaluation - increment/(decrement)	176.63	22.49
<b>Total fixed assets - property, plant and equipment</b>	<b>2,989.42</b>	<b>2,712.16</b>

The total assets of \$2,989m at 30 June 2022 represents an increase of \$277.26m on the balance of \$2,712m as at 30 June 2021.

## Intangible Assets

	June 2022 \$m	June 2021 \$m
Opening net carrying amount	41.23	17.00
Less - amortisation charge	(6.93)	(6.51)
Less - disposals	(0.84)	(0.43)
Add - additions	2.77	31.17
Revaluation - increment/(decrement)	0.11	-
<b>Total intangible assets</b>	<b>36.34</b>	<b>41.23</b>

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

## Borrowings

NSW Treasury Corporation (TCorp) is Hunter Water's Liability Advisor and assists in the management and structuring of the debt portfolio. Management of the portfolio is in accordance with NSW Treasury requirements and Board approved parameters. During 2021-22 the capital value of the Corporation's financial liability portfolio increased by \$79.50m. The weighted average yield for the cost of debt held at 30 June 2022 was 2.05% (this excludes the Government Guarantee Fee).

Lease liabilities are determined in accordance with *AASB 16 Leases* and are disclosed as borrowings at the balance date in the Statement of Financial Position. The weighted average interest rate of lease liabilities was 4.18% at 30 June 2022.

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

	June 2022 \$m	June 2021 \$m
Number of loans	34	38
Face value	1,664.33	1,580.69
Net premium/(discount) on loans and indexation	(28.91)	(26.06)
	<b>1,635.42</b>	<b>1,554.62</b>
Lease liabilities - discounted	33.87	35.17
<b>Current capital value</b>	<b>1,669.29</b>	<b>1,589.79</b>
Market value - loans	1,558.64	1,625.94
Come and Go facility	6.40	13.61
Lease liabilities - undiscounted	43.13	45.70
Interest bearing liabilities included in the Statement of Financial Position are:		
Current	275.70	267.91
Non-current	1,393.59	1,321.88
<b>Total capital value borrowings</b>	<b>1,669.29</b>	<b>1,589.79</b>
Borrowings maturity profile		
Within 1 year	275.71	267.92
Between 1-5 years	933.77	880.29
Over 5 years	459.81	441.58
<b>Current capital value</b>	<b>1,669.29</b>	<b>1,589.79</b>

## Employee provisions

At 30 June 2022 the liability for employee provisions totalled \$62.68m representing a decrease of \$24.79m during the year.

	June 2022 \$m	June 2021 \$m
Long Service Leave (LSL)	13.51	14.16
Defined-benefit superannuation	42.74	67.26
Accrued sick/annual leave	6.43	6.05
	<b>62.68</b>	<b>87.47</b>

These liabilities are split on the Statement of Financial Position into:

	June 2022 \$m	June 2021 \$m
Current	19.36	19.50
Non-current	43.32	67.97
	<b>62.68</b>	<b>87.47</b>

At 30 June 2022 the Corporation's defined benefit superannuation provision was \$42.74m (2021: \$67.26m).

Note the long service leave (LSL) entitlements have been disclosed at the present value of expected future cash outflows in accordance with accounting standard AASB119 *Employee Benefits*.

## Breakdown of landholdings as at 30 June 2022

Code	Description	Number of properties	Value \$m
1	Land fully utilised as an integral part of the Corporation's system	388	23.58
2	Land partly used with the unused residue required for future integral needs	3	0.34
3	Land not currently used but fully required for future integral needs	7	1.63
4	Land partly used, the residue having potential for alternative use	20	4.77
5	Land with significant potential for alternative use	36	8.44
6	Land not currently used but potentially required for future integral needs	6	0.27
<b>Total breakdown of landholdings as at 30 June 2022</b>		<b>460</b>	<b>39.02</b>

Landholdings are valued and assessed in accordance with the NSW Treasury Accounting Policy (TPP14-01) *Valuation of Physical Non-Current Assets at Fair Value*. The last land valuation was undertaken during 2021-22.

Land holdings in all codes have been valued in accordance with Treasury Policy and Guidelines.

## Property disposals

There were no property transactions with a value greater than \$5 million that did not go to public auction or tender in the 2021-22 financial year.

**Material Capital Expenditure contracts as at 30 June 2022 (GST-exclusive)**  
**(Contracted for at balance date but not provided for)**

Contract number	Contract description	Committed amount \$m
CS1260A	Cessnock wastewater treatment plant: Upgrade	25.99
CS1310	Upgrades to disinfection at water treatment sites: Design and construction	9.89
CS1440	Wyee backlog sewer main: Installation	7.61
CS1403	Wyee wastewater transfer scheme	5.81
CS1208A	Seaham Weir refurbishment and modification	5.71
CS1364	Toronto wastewater treatment plant: Upgrade	4.97
CS1427	Balickera solar panel installation package	3.52
CS1416	Shortland wastewater treatment plant safety and containment: Upgrades	2.87
CS1279	Belmont wastewater treatment plant aquavista diffuser: Installation and upgrade	2.86
CS1378	Installation of generator connection points - Package 1C	2.54
CP3443	Link Road south gravity sewer main: Installation	1.96
CS1374	Sewer lining design, construction and supply contract	1.61
CS1466	Grahamstown Dam: Geotechnical assessment	1.29
CP3444	Farley urban release area stage 2: Water main installation	1.11
CS1116A	Workforce management solution: Design and implementation	1.08
CS1377	Installation of generator connection points - Package 2C	1.07
CS1424	Wallsend stormflow pumping station: Upgrade stage 1	0.99
CS1333	Engineering drawing management system installation	0.78
CP3443	Farley lead-in gravity sewer main: Installation	0.68
CS1432	Geographic Information System transformation project	0.67
CS1454	Linear assets synchronisation between information solutions	0.67
CP3443	Wyee wastewater pump station: Construction	0.65
CS1232	Kurri Kurri wastewater treatment works chemical dosing system: Upgrade	0.58
CS1391	Programmable logic controller equipment hardware supply	0.51
	Other commitments less than \$0.5m	6.19
<b>Total</b>		<b>91.59</b>

# Financial summary and ratio analysis of the Corporation

## Operating Program 2022

A summary of actual and budgeted results for 2021-22 and comparisons with 2020-21 results and budget is as follows:

	Actual 2022 \$m	Budget 2022 \$m	Actual 2021 \$m	Budget 2021 \$m
<b>Income</b>				
Net tariff income	334.19	342.30	325.88	332.41
Interest on investments	0.01	0.00	-	0.02
Profit/(loss) on sale and disposal of assets	(5.21)	(1.16)	(0.81)	(1.17)
External sales	0.48	0.50	0.52	0.46
Contribution from capital works	30.49	23.20	20.70	24.11
Other (including non-regulated income)	4.93	2.77	4.05	3.09
<b>Total income</b>	<b>364.89</b>	<b>367.61</b>	<b>350.35</b>	<b>358.92</b>
<b>Expenditure</b>				
Operating expenses	157.58	154.58	154.06	154.82
Superannuation interest expense	1.98	2.67	2.33	2.94
Revaluation increment/(decrement)	(0.24)	-	0.07	-
Depreciation and amortisation	85.39	82.76	74.83	73.14
Interest expense	42.00	40.39	39.82	39.61
Financial charges	19.64	24.26	21.06	23.56
<b>Total expenditure</b>	<b>306.34</b>	<b>304.66</b>	<b>292.17</b>	<b>294.07</b>
<b>Operating profit before tax</b>	<b>58.55</b>	<b>62.95</b>	<b>58.18</b>	<b>64.85</b>

## Operating Program 2023

	Budget 2023 \$m
<b>Income</b>	
Net tariff income	363.53
Interest on investments	0.01
Profit/(loss) on sale and disposal of assets	(1.20)
Contribution from capital works	25.15
Other (including non-regulated income)	3.27
<b>Total income</b>	<b>390.76</b>
<b>Expenditure</b>	
Operating expenses	164.79
Superannuation interest expense	3.52
Depreciation and amortisation	92.92
Interest expense	44.20
Financial charges	21.51
<b>Total expenditure</b>	<b>326.94</b>
<b>Operating profit before tax</b>	<b>63.82</b>



## Five year financial summary and ratio analysis

### 1. Statement of financial position

	2022 \$m	2021 \$m	2020 \$m	2019 \$m	2018 \$m
<b>Current assets</b>					
Cash and cash equivalents	3.71	8.90	5.81	4.97	33.20
Trade and other receivables	54.50	49.90	42.69	53.74	45.94
Current tax assets	-	3.26	3.16	-	-
Inventories	2.99	3.06	3.08	2.63	2.67
<b>Total current assets</b>	<b>61.20</b>	<b>65.13</b>	<b>54.74</b>	<b>61.33</b>	<b>81.80</b>
<b>Non-current assets</b>					
Fixed assets	3,292.59	3,007.29	2,850.61	2,732.04	2,681.02
Right-of-use assets	30.61	32.97	35.95	-	-
Investments/other	0.55	0.37	0.44	0.48	0.44
<b>Total non-current assets</b>	<b>3,323.74</b>	<b>3,040.64</b>	<b>2,886.99</b>	<b>2,732.52</b>	<b>2,681.46</b>
<b>Total assets</b>	<b>3,384.95</b>	<b>3,105.76</b>	<b>2,941.73</b>	<b>2,793.85</b>	<b>2,763.26</b>
<b>Current liabilities</b>					
Trade and other payables	105.09	97.91	109.32	99.21	100.72
Current tax liabilities	0.41	-	-	1.40	3.92
Borrowings	275.70	267.91	169.88	209.68	72.86
Provisions	52.12	50.35	54.54	162.43	64.42
<b>Total current liabilities</b>	<b>433.32</b>	<b>416.17</b>	<b>333.74</b>	<b>472.71</b>	<b>241.92</b>
<b>Non-current liabilities</b>					
Borrowings	1,393.59	1,321.88	1,284.65	983.49	1,056.50
Provisions/other	217.96	183.26	181.25	196.44	196.20
<b>Total non-current liabilities</b>	<b>1,611.55</b>	<b>1,505.14</b>	<b>1,465.90</b>	<b>1,179.93</b>	<b>1,252.70</b>
<b>Total liabilities</b>	<b>2,044.87</b>	<b>1,921.32</b>	<b>1,799.63</b>	<b>1,652.63</b>	<b>1,494.61</b>
<b>Net assets</b>	<b>1,340.07</b>	<b>1,184.45</b>	<b>1,142.09</b>	<b>1,141.21</b>	<b>1,268.65</b>
<b>Equity</b>					
Share capital	119.24	119.20	116.54	116.54	116.54
Reserves	464.25	341.15	327.32	352.45	388.43
Retained earnings	756.58	724.10	698.23	672.22	763.68
<b>Total equity</b>	<b>1,340.07</b>	<b>1,184.45</b>	<b>1,142.09</b>	<b>1,141.21</b>	<b>1,268.65</b>

### 2. Income statement

	2022 \$m	2021 \$m	2020 \$m	2019 \$m	2018 \$m
<b>Trading Operations</b>					
<b>Revenue</b>					
Tariff	316.95	308.65	314.68	320.02	306.56
Other	22.96	22.01	23.85	21.93	28.96
Less: operating costs	151.99	149.00	157.13	147.95	140.72
<b>Gross margin</b>	<b>187.92</b>	<b>181.66</b>	<b>181.40</b>	<b>194.00</b>	<b>194.80</b>
<b>Other income</b>					
Investments	0.01	-	0.01	0.09	0.19
<b>Other expenditure</b>					
Financing charges	61.63	60.88	65.90	64.40	64.55
Depreciation and amortisation	85.39	74.83	64.31	58.06	59.08
Superannuation expense	7.58	7.38	7.88	7.53	8.32
Other	5.27	1.09	1.94	1.37	1.12
<b>Profit before contributions for capital works</b>	<b>28.06</b>	<b>37.47</b>	<b>41.38</b>	<b>62.73</b>	<b>61.93</b>
Contributions for capital works	30.49	20.70	29.82	33.53	32.41
<b>Net Profit</b>	<b>58.55</b>	<b>58.18</b>	<b>71.19</b>	<b>96.26</b>	<b>94.34</b>

### 3. Financial ratios

Profit included in calculating ratios is profit before superannuation adjustments and contributions for capital works.

	2022	2021	2020	2019	2018
A - Gross profit (%)	55.28	54.94	53.58	56.73	58.06
B - Working capital (ratio)	0.14	0.16	0.16	0.13	0.34
C - Cash ratio	0.01	0.02	0.02	0.01	0.14
D - Equity to total liabilities (ratio)	0.66	0.62	0.63	0.69	0.85
E - Interest cover (times)	2.62	2.59	2.25	2.50	2.50
F - Return on equity (%)	4.08	5.32	6.04	8.91	7.98
G - Real rate of return (%)	3.04	3.63	4.16	5.04	5.12
H - Return on total net assets (%)	2.66	3.79	4.31	6.16	5.54

### Comments on financial ratios

For ratios calculated with reference to profit, it is the profit before superannuation adjustments that has been used. It is believed that due to the inherent variability of the superannuation adjustment between financial years, if this was included in profit then valid ratio comparisons between years could not be performed.

#### A - Gross Profit

Gross profit is calculated as gross margin divided by total revenue. Increasing margins are an indication of potential profitability and the increases should correlate to increases in gross operating revenue and thus ensure that the benefits of increased income from services are not being eroded by increased costs of providing the services. Performance for 2021-22 has increased slightly, this is consistent with prior year trends.

#### B - Working Capital

Working capital is calculated as current assets divided by current liabilities and provides an indication of liquidity and capacity to realise current assets to meet current commitments. This ratio has decreased slightly due to the increase in borrowing requirement during the year ending 30 June 2022.

#### C - Cash Ratio

Cash ratio is calculated as current investments divided by current liabilities and is similar to the working capital ratio in that it provides an indication of liquidity. The ratio has slightly decreased for the year as a result of decreased cash & cash investments held at bank at 30 June 2022 compared to the prior year.

#### D - Equity to Total Liabilities

Equity to total liabilities is calculated as total equity divided by total liabilities. This ratio provides an indication of the longer term solvency of Hunter Water, in that it shows the level of financial equity in the business as represented by how many times net assets if liquidated would cover total liabilities. This ratio has increased compared to prior years due to the increase in reserves resulting from asset revaluations in the year ended 30 June 2022.

#### E - Interest Cover

Interest cover is calculated as funds from operations adjusted for by non-cash items (depreciation, non-cash contributions, etc.) divided by interest expense and financial charges. This ratio provides an indicator of the ability to meet interest commitments from operating profits. This ratio shows that Hunter Water is achieving operating profits sufficient to cover financing costs.

#### F - Return on Equity

Return on equity is calculated as operating profit less non cash revenue divided by the sum of Issued Capital and retained earnings. Return on equity for 2021-22 is 4.08%, this is lower than prior years due to a decrease in the operating profit result for the year ended 30 June 2022 in comparison to prior years.

#### G - Real Rate of Return

Real rate of return (RRR) is calculated as operating profit plus net interest and financial charges divided by written down book value of infrastructure assets and capital work-in-progress. RRR reflects the implicit rate of return generated from operating activities. For inter-agency comparison purposes the Water Services Association of Australia (WSAA) utilises a RRR in order to capture the major economic indicators of commercial performance i.e. capital costs, recurrent costs and revenue. The rate of return Hunter Water may earn is used to pay real interest costs on debt and a return on equity which may in fact be a contribution to the State Government by way of dividends or re-investment in the organisation. The current year's result is 3.04% and lower than previous years due to the decrease in profit compared to previous years compounded by the growth in asset values.

#### H - Return of Total Net Assets

Return on total net assets (RONA) is calculated as operating profit divided by the difference between total assets and total liabilities. This ratio is used to facilitate comparisons with making an investment in a risk free environment or other investment opportunities where greater security is offered for the investment made. The 2021-22 return on total net assets is 2.66%, which is lower than prior years due to a decrease in operating profit this financial year compared to previous years.

# Pricing structure

The Independent Pricing and Regulatory Tribunal (IPART) sets the prices that Hunter Water charges for water supply, sewer services, stormwater drainage and a range of miscellaneous services. IPART conducted a public review of Hunter Water's prices for water, sewerage, stormwater and other services throughout 2019-20. IPART's Final Determination for Hunter Water was released in June 2020 and applies for the four-year period from 1 July 2020 to 30 June 2024.

## Water

Water service charge (\$) filtered (metered and unmetered)		2021-22	2020-21	2019-20	2018-19	2017-18
Residential properties		\$24.53	\$24.26	\$100.40	\$75.01	\$51.12
Non-residential properties meter size (mm)	Meter equivalent <sup>1</sup>	2021-22	2020-21	2019-20	2018-19	2017-18
20mm standalone	-	\$24.53	\$24.26	\$100.40	\$75.01	\$51.12
20mm	1.00	\$24.53	\$24.26	\$100.40	\$78.52	\$56.12
25mm	1.56	\$38.33	\$37.91	\$156.89	\$122.68	\$87.68
32mm	2.56	\$62.79	\$62.11	\$257.04	\$201.02	\$143.68
40mm	4.00	\$98.11	\$97.04	\$401.63	\$314.08	\$224.48
50mm	6.25	\$153.30	\$151.63	\$627.54	\$490.76	\$350.75
65mm	10.56	\$259.10	\$256.25	\$1,060.48	\$829.37	\$592.77
80mm	16.00	\$392.43	\$388.16	\$1,606.49	\$1,256.33	\$897.92
100mm	25.00	\$613.17	\$606.50	\$2,510.14	\$1,963.01	\$1,402.99
150mm	56.25	\$1,379.81	\$1,364.63	\$5,647.83	\$4,416.79	\$3,156.74
200mm	100.00	\$2,453.00	\$2,426.00	\$10,040.58	\$7,852.05	\$5,611.97
250mm	156.25	\$3,832.81	\$3,790.63	\$15,687.50	\$12,268.75	\$8,768.75
300mm	225.00	\$5,519.25	\$5,458.50	\$22,590.00	\$17,667.00	\$12,627.00
350mm	306.25	\$7,512.31	\$7,429.63	\$30,747.50	\$24,046.75	\$17,186.75
Unmetered	Other <sup>1</sup>	\$478.13	\$467.06	\$527.68	\$496.62	\$464.63

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

Water usage charge (metered properties only) (\$/kL)	2021-22	2020-21	2019-20	2018-19	2017-18
<b>Tier 1 (≤50,000 kL)</b>					
Filtered water	\$2.52	\$2.46	\$2.37	\$2.34	\$2.30
Raw water <sup>1</sup>	\$0.38	\$0.38	\$2.17	\$2.10	\$2.02
<b>Tier 2 - filtered water (&gt;50,000 kL)</b>					
Kurri Kurri	\$2.50	\$2.44	\$2.35	\$2.32	\$2.27
Lookout	\$2.40	\$2.30	\$2.22	\$2.19	\$2.14
Newcastle	\$2.35	\$2.24	\$2.16	\$2.13	\$2.09
Seaham - Hexham	\$2.20	\$2.03	\$1.96	\$1.94	\$1.90
South Wallsend	\$2.43	\$2.35	\$2.26	\$2.23	\$2.18
Tomago - Kooragang	\$2.16	\$1.98	\$1.91	\$1.89	\$1.85
Dungog - charges only for water sourced from Chichester Dam within Shire	\$2.16	\$1.98	\$1.91	\$1.89	\$1.85
All other locations	\$2.52	\$2.46	\$2.37	\$2.34	\$2.30
Bulk Water transfer between Hunter Water Corporation and Central Coast Council (\$/kL)	\$0.33	\$0.33	\$0.70	\$0.69	\$0.67

<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)		2021-22	2020-21	2019-20	2018-19	2017-18
<b>Residential properties<sup>1</sup></b>						
Houses		\$702.37	\$694.43	\$649.28	\$635.85	\$618.89
<b>Multi Premises (Residential) - i.e. Flats and Units</b>						
Per each residential property located in a multi premises (minimum charge) <sup>1</sup>		\$614.57	\$590.27	\$535.66	\$508.67	\$479.63
<b>Non-residential properties<sup>2,3,4</sup></b>	<b>Meter equivalent<sup>1</sup></b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>
meter size (mm)						
20mm standalone	-	\$826.09	\$817.10	\$838.91	\$809.28	\$774.94
20mm	1.00	\$826.09	\$817.10	\$838.91	\$944.21	\$1,033.63
25mm	1.56	\$1,290.76	\$1,276.72	\$1,265.58	\$1,436.70	\$1,583.00
32mm	2.56	\$2,114.79	\$2,091.78	\$2,022.18	\$2,310.06	\$2,557.24
40mm	4.00	\$3,304.35	\$3,268.40	\$3,114.44	\$3,570.82	\$3,963.64
50mm	6.25	\$5,163.06	\$5,106.88	\$4,821.10	\$5,540.79	\$6,161.17
65mm	10.56	\$8,725.58	\$8,630.62	\$8,092.16	\$9,316.47	\$10,373.13
80mm	16.00	\$13,217.41	\$13,073.60	\$12,216.56	\$14,077.26	\$15,683.74
100mm	25.00	\$20,652.20	\$20,427.50	\$19,043.15	\$21,957.09	\$24,473.81
150mm	56.25	\$46,467.56	\$45,961.88	\$42,746.58	\$49,317.62	\$54,994.89
200mm	100.00	\$82,609.00	\$81,710.00	\$75,931.38	\$87,622.34	\$97,724.38
250mm	156.25	\$129,076.56	\$127,671.88	\$118,597.59	\$136,870.24	\$152,663.20
300mm	225.00	\$185,870.25	\$183,847.50	\$170,745.15	\$197,062.93	\$219,809.95
350mm	306.25	\$252,990.06	\$250,236.88	\$232,374.09	\$268,199.74	\$299,165.20

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

<sup>2</sup> Between 2017-18 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)	2021-22	2020-21	2019-20	2018-19 <sup>1</sup>	2017-18
Non-residential only	\$0.69	\$0.68	\$0.67	\$0.67	\$0.67

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

## Stormwater

Stormwater service charge (\$)	2021-22	2020-21	2019-20	2018-19	2017-18
Residential (not within a multi premise)	\$86.29	\$85.35	\$79.63	\$77.90	\$75.71
Residential multi premise and mixed multi premise	\$31.93	\$31.58	\$29.47	\$28.83	\$28.01
<b>Non-residential</b>					
Small (< 1,000m <sup>2</sup> ) or low impact	\$86.29	\$85.35	\$79.63	\$77.90	\$75.71
Medium (1,001 - 10,000m <sup>2</sup> )	\$281.82	\$278.75	\$260.08	\$219.36	\$183.90
Large (10,001 - 45,000m <sup>2</sup> )	\$1,792.32	\$1,772.82	\$1,654.10	\$1,395.11	\$1,169.59
Very large (> 45,000m <sup>2</sup> )	\$5,694.64	\$5,632.68	\$5,255.48	\$4,432.60	\$3,716.05

## Recycled water (mandatory schemes)

	2021-22	2020-21	2019-20	2018-19	2017-18
<b>Gillieston Heights</b>					
Service charge (20mm base \$/year)	\$0.00	\$0.00	\$23.02	\$22.71	\$22.28
Usage charge ( \$/kL)	\$2.27	\$2.21	\$2.07	\$2.04	\$2.00
<b>Chisholm</b>					
Service charge (20mm base \$/year)	\$0.00	\$0.00	\$23.02	\$22.71	\$22.28
Usage charge ( \$/kL)	\$2.27	\$2.21	\$2.07	\$2.04	\$2.00

## Customer supported program charges

	2021-22	2020-21	2019-20	2018-19	2017-18
<b>Environmental projects charge (\$)</b>					
Irrigation of public spaces	\$0.74	\$0.73	-	-	-
Stormwater amenity improvement	\$0.98	\$0.97	-	-	-

## Backlog and other sewerage services

	2021-22	2020-21	2019-20	2018-19	2017-18
<b>Environmental Improvement Charge (EIC) (\$)</b>					
(Same for Hunter Water and Dungog)	\$0.00	\$0.00	\$41.01	\$40.46	\$39.69
Clarence Town Sewer Charge (Dungog only)	\$0.00	\$0.00	\$0.00	\$44.82	\$43.95

## Exempt service

	2021-22	2020-21	2019-20	2018-19	2017-18
Charged proportion	20%	20%	20%	20%	20%
<b>Water service - exempt</b>					
<b>Residential properties</b>					
House	\$4.91	\$4.85	\$20.08	\$15.00	\$10.22
Unit/flat	\$4.91	\$4.85	\$20.08	\$15.00	\$10.22
<b>Non-residential properties</b>					
Non-residential stand alone	\$4.91	\$4.85	\$20.08	\$15.00	\$10.22
20mm	\$4.91	\$4.85	\$20.08	\$15.70	\$11.22
25mm	\$7.67	\$7.58	\$31.38	\$24.54	\$17.54
32mm	\$12.56	\$12.42	\$51.41	\$40.20	\$28.74
40mm	\$19.62	\$19.41	\$80.33	\$62.82	\$44.90
50mm	\$30.66	\$30.33	\$125.51	\$98.15	\$70.15
65mm	\$51.82	\$51.25	\$212.10	\$165.87	\$118.55
80mm	\$78.49	\$77.63	\$321.30	\$251.27	\$179.58
100mm	\$122.63	\$121.30	\$502.03	\$392.60	\$280.60
150mm	\$275.96	\$272.93	\$1,129.57	\$883.36	\$631.35
200mm	\$490.60	\$485.20	\$2,008.12	\$1,570.41	\$1,122.39
250mm	\$766.56	\$758.13	\$3,137.50	\$2,453.75	\$1,753.75
300mm	\$1,103.85	\$1,091.70	\$4,518.00	\$3,533.40	\$2,525.40
350mm	\$1,502.46	\$1,485.93	\$6,149.50	\$4,809.35	\$3,437.35
<b>Sewer service - exempt</b>					
<b>Residential properties</b>					
House	\$140.47	\$138.89	\$129.86	\$127.17	\$123.78
Unit/flat	\$122.91	\$118.05	\$107.13	\$101.73	\$95.93
<b>Non-residential properties</b>	Sewer service charge x 20%				
<b>Pensioner Rebate</b>					
Residential	\$335.00	\$330.00	\$318.00	\$307.00	\$294.00

Note: Hunter Water has obtained the Treasurer's approval under section 18(2) of the *Independent Pricing and Regulatory Tribunal Act 1992* to make variations to existing IPART determinations:

IPART's 2006 Pricing Arrangements for Recycled Water and Sewer Mining, Determinations and Report sets the framework that Hunter Water applies for the recovery of costs associated with recycled water projects. In 2014-15 Hunter Water received the Treasurer's approval to set recycled water developer charges for dual reticulation in Gillieston Height and Chisholm growth areas in real terms at 2012-13 levels, to be adjusted for inflation annually.

On 4 November 2015, prior to the sale of the Kooragang Industrial Water Scheme (KIWS), Hunter Water obtained the Treasurer's approval to waive the sewer service and usage charges applicable to the land on which the KIWS treatment plant is constructed. These charges have been waived for the term of the existing contract for the supply of recycled water.

In 2019 IPART published a Final Determination on Bulk Water transfers between Hunter Water Corporation and Central Coast Council. On 3 March 2020 Hunter Water entered a negotiated services agreement with Central Coast Council to vary the amount charged for bulk water transfers between the two entities.

## Statement of Corporate Intent

The annual Statement of Corporate Intent (SCI) specifies commercial performance targets agreed by Hunter Water and its voting shareholders. These targets are in turn aligned down through Hunter Water in divisional budgets.

The SCI performance targets and actual results for the 2021-22 financial year are as follows:

	Actual 2022 (\$m)	SCI target 2022 (\$m)
Operating profit before income tax expense	58.55	62.95
Income tax expense	17.55	17.40
Net debt	1,631.71	1,625.31

Revenue was unfavourable in 2021-22 due to lower water consumption as a result of significantly higher levels of rain-fall over the summer months. Also contributing to the net unfavourable position to budget was the impact of expenditure relating to Software as a Service being expensed during the year due to the release of an International Financial Reporting Standard (IFRS) accounting interpretation in March 2021.

## Liability management performance

Hunter Water engages the services of an external specialist (NSW T-Corp) to assist in managing the Corporation's debt portfolio. At 30 June 2022 the key statistics on the debt portfolio were as follows:

	Actual 2022 (\$m)	SCI target 2022 (\$m)
Current capital value (\$)	1,635.42	1,629.02
Average cost of debt - weighted average yield (%)	2.39%	
<b>Weighted average life:</b>		
Inflation indexed debt (years)	2.84	
Nominal debt (years)	3.95	

## Major acquisitions over \$1.0 million

	2021-22 expenditure (\$m)
Balickera tunnel restoration	22.70
Cessnock wastewater treatment plant: Upgrade	7.52
Generator connection point improvements	5.89
Dungog and Kurri Kurri wastewater treatment plants and Dungog wastewater pump station: Upgrades	5.64
Wastewater treatment plants chemical containment and safety upgrades	4.78
Onsite renewable energy	4.50
Tanilba Bay wastewater treatment plant: Upgrade	4.41
Developer delivered infrastructure - water	4.40
Belmont wastewater treatment plant clarification: Upgrade	4.34
Wyee backlog sewer scheme	4.33
Seaham Weir refurbishment and modification	3.43
Developer delivered infrastructure - wastewater	3.16
Disinfection optimisation strategy	3.08
Farley wastewater treatment plant: Upgrade	2.73
Pipe failure flooding risk reduction	2.60
Workforce management solution - digital utility	2.34
Toronto wastewater treatment plant: Upgrade	2.29
Fire fighting equipment improvement program 20-24	1.48
Lower Cottage Creek stormwater naturalisation	1.36
Wallsend 2 stormflow pump station and rising main	1.34
Network chemical dosing unit: Upgrades	1.30
Geographical Information System transformation project	1.24
Other major acquisitions (mostly made up of replacements in hunter water's water and sewer networks)	70.16
<b>Total expenditure</b>	<b>165.03</b>



## Consultancies

### Consultants \$50,000 and over

Consultant	Project	Cost (\$)
Hunter H2O Holdings Pty Ltd	Review, strategy and risk management	1,883,882
Jacobs Group (Aust) Pty Ltd	Study, strategy and modelling	917,179
KPMG	Digital strategy services	285,000
Cybercx Pty Ltd	Information security services	125,000
Korn Ferry International Pty Ltd	Remuneration benchmarking studies	96,460
Frontier Economics Pty Ltd	Advisory services on framework and guidelines	83,760
Deloitte Risk Advisory Pty Ltd	Project management office sourcing strategy	81,250
Aecom Australia Pty Ltd	Dam Seismic and Geotechnical Studies	69,777
Strada Associates	Geographic Information System strategy review	63,375
Alluvium Consulting Aust. P/L	Catchment water quality studies	62,190
Energetics Pty Ltd	Carbon neutrality studies	60,420
Stantec Australia Pty Ltd	Various consultancy services	58,063
GHD Pty Ltd	Various consultancy services	53,034
<b>Total consultants</b>	<b>14</b>	<b>3,839,388</b>

### Consultants less than \$50,000

Category	Number	Cost (\$)
Corporate	23	395,362
Engineering	23	324,163
Finance and Digital	5	121,590
<b>Total consultants</b>	<b>51</b>	<b>841,116</b>

## Payment performance

### Invoices paid on time within each quarter

Quarter	Total number of invoices paid on time (%)		Total amount of invoices paid on time (\$)	
	Target %	Actual %	Paid on time within the quarter	Total invoices paid within the quarter
September	95%	93.8%	\$96,341,089	\$98,306,814
December	95%	95.1%	\$82,446,447	\$84,492,275
March	95%	95.0%	\$93,741,013	\$95,704,179
June	95%	96.8%	\$105,982,982	\$108,624,432
<b>Total</b>	<b>95%</b>	<b>95.2%</b>	<b>\$378,511,530</b>	<b>\$387,127,701</b>

The invoice payment report is based on quantity of invoices paid on time as a percentage and not based on a dollar amount. Invoices paid on time by dollar value is 95.8% across the year.

### Analysis of total invoices paid within each quarter

Quarter	Paid on time	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	More than 90 days overdue	Total invoices paid within quarter
September	\$96,341,089	\$1,087,388	\$390,853	\$194,731	\$292,753	\$98,306,814
December	\$82,446,447	\$1,772,250	\$148,747	\$98,021	\$26,810	\$84,492,275
March	\$93,741,013	\$1,737,834	\$146,311	\$46,892	\$32,130	\$95,704,179
June	\$105,982,982	\$2,155,840	\$413,641	\$45,568	\$26,402	\$108,624,432
<b>Total</b>	<b>\$378,511,530</b>	<b>\$6,753,312</b>	<b>\$1,099,551</b>	<b>\$385,212</b>	<b>\$378,095</b>	<b>\$387,127,701</b>

During the year some invoice payments were delayed due to disputes with suppliers resulting in delayed payments until contracted goods and/or services were delivered in line with agreed contract terms.

## Cost of producing Annual Report

Hunter Water advises that there were no external costs in the production of this annual report.

## Significant audit matters

The Auditor-General provided Hunter Water with a statutory audit report for the year ended 30 June 2022 and no significant audit matters were noted.

Key Audit Matters identified by the Audit Office of NSW are noted in the Independent Auditor's Report on pages 42-45.

# Legislation

## Right to information

During 2021-22, Hunter Water received 12 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	3	1	0	1	0	0	0	0	5	38%
Not for profit organisations or community groups	1	1	0	0	0	0	0	0	2	15%
Members of the public (application by legal representative)	1	4	0	0	0	0	0	0	5	38%
Members of the public (other)	0	0	0	0	0	1	0	0	1	8%
<b>Total</b>	<b>5</b>	<b>6</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>13</b>	
<b>% of total</b>	<b>38%</b>	<b>46%</b>	<b>0%</b>	<b>8%</b>	<b>0%</b>	<b>8%</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.

## Number of applications by type of application 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
Personal information applications*	0	0	0	0	0	0	0	0	0	0%
Access applications (other than personal information applications)	5	6	0	1	0	1	0	0	13	100%
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>5</b>	<b>6</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>13</b>	
<b>% of total</b>	<b>38%</b>	<b>46%</b>	<b>0%</b>	<b>8%</b>	<b>0%</b>	<b>8%</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%
Total number of invalid applications received	1	100%
Invalid applications that subsequently became valid applications	1	100%

## Conclusive presumption of overriding public interest against disclosure matters listed in Schedule 1 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	1	100%
Excluded information	0	0%
Documents affecting law enforcement and public safety	0	0%
Transport safety	0	0%
Adoption	0	0%
Care and protection of children	0	0%
Ministerial code of conduct	0	0%
Aboriginal and environmental heritage	0	0%

<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 <sup>2</sup>	% of total
Responsible and effective government	2	33%
Law enforcement and security	0	0%
Individual rights, judicial processes and natural justice	3	50%
Business interests of agencies and other persons	1	17%
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>6</b>	

## Timeliness

	Number of applications	% of total
Decided within the statutory timeframe (20 days plus any extensions)	10	100%
Decided after 35 days (by agreement with applicant)	0	0%
Not decided within time (deemed refusal)	0	0%
<b>Total</b>	<b>10</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>	0	0	0	0%
Internal review following recommendation under Section 93 of Act	0	0	0	0%
Review by ADT	0	0	0	0%
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</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
Applications by access applicants	0
Applications by persons to whom information the subject of access application related (see Section 54 of the Act)	0
<b>Total</b>	<b>0</b>

## Applications transferred to other agencies

	Number of applications transferred
Agency-initiated transfers	0
Applicant-initiated transfers	0
<b>Total</b>	<b>0</b>

## Legislative change

### **Security of Critical Infrastructure Act 2018 (Cth) (SOCI Act)**

Amendments to the SOCI Act were split into two parts being the *Security Legislation Amendment (Critical Infrastructure) Act 2021*, which commenced on 2 December 2021 and the *Security Legislation Amendment (Critical Infrastructure Protection) Act 2022* which commenced on 2 April 2022 (together the reforms).

Significant changes under the reforms require organisations that control “critical infrastructure assets” to comply with broad, new, cyber risk management obligations.

### **Water Industry Competition Amendment Act (NSW) 2021 (WIC Amendment Act)**

On 1 November 2021 the WIC Amendment Act was assented with the provisions scheduled to commence in 2022. The purpose of the legislation is to encourage competition and innovation in the water sector by facilitating private sector water companies to provide water, recycled water and sewerage services, and also opportunities to access public utility infrastructure.

### **Environment Legislation Amendment Act 2021 (NSW) (ELA Act)**

The ELA Act commenced on 4 March 2022. This Act makes changes to several environmental Acts administered by the Environment Protection Authority to ensure those responsible for contamination and pollution can be made to clean it up or manage it into the future.

The amendments also align powers across the *Contaminated Land Management Act 1997 (NSW)*, the *Pesticides Act 1999 (NSW)*, the *Protection of the Environment Operations Act 1997 (NSW)* and the *Radiation Control Act 1990 (NSW)* to recover monetary benefits from current and former directors and related corporate bodies of a company convicted of an environmental offence, where those related entities have benefited financially from the offence.

### **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.

## Public interest disclosures

### **Reporting Period July 2021 to June 2022**

Number of public interest disclosures received by Hunter Water	1
Number of public officials who made public interest disclosures to Hunter Water	1
<b>Information on public interest disclosures received:</b>	
- Corrupt conduct	0
- Maladministration	1
- Serious and substantial waste of public money	0
- Government information contravention	0
- Local government pecuniary interest contravention	0
<b>Number of public interest disclosures (received since 1 Jan 2013):</b>	
That have been finalised in this reporting period	0
Has Hunter Water established an internal reporting policy?	Yes
Has Hunter Water taken action to meet its employee awareness obligations?	Yes
<b>Actions taken to increase awareness include:</b>	
- Inductions for new employees	Yes
- Provision of intranet resources	Yes

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