


Annual Report 2022-23

WaterNSW

Contents

Acknowledgement of Country

In the spirit of reconciliation WaterNSW acknowledges the Traditional Custodians of Country throughout Australia and their connections to land, water and their communities. We pay our respect to their Elders past and present and extend that respect to all First Nations peoples today.

This artwork by Kheely Turner, commissioned to mark WaterNSW's progression to the Innovate Reconciliation Action Plan, represents the continued connection we have to our waterways and how they play an important role in the ever changing, but always dependable, landscape of our beautiful country.

Kheely Tuner is a proud woman of the Ngiyampaa and Wiradjuri peoples and has connection to West Wyalong and areas of Ivanhoe, Lake Cargelligo and Cobar.

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

The Hon. Courtney Houssos MLC
Minister for Finance
52 Martin Place
SYDNEY NSW 2000

Dear Shareholder Ministers

We are pleased to submit the Annual Report of WaterNSW for the year ended 30 June 2023 for presentation to the Parliament of NSW.

This Annual Report has been prepared in accordance with the *State Owned Corporations Act 1989* and the *Government Sector Finance Act 2018*.

Yours sincerely

Peter Duncan AM
Chair

Andrew George
Chief Executive Officer and
Managing Director

A Message from our Chair

Peter Duncan AM

I would first like to acknowledge the challenging year faced by many of our customers and communities with the third successive year of major flooding across the state. Flood management was again a priority for WaterNSW in the first half of the reporting period. Dams, and our river operators, are often unsung heroes during times of flood, holding water back where they can while maintaining the safety of the dams.

I thank the skilled staff who operated the dams, rivers, and infrastructure to protect our communities during these very challenging times. Many of our staff are members of the same communities they were striving to keep safe. Of course, the hard work to repair damaged infrastructure continues, but I am pleased to report that great progress has already been made.

It was also a year in which there was a change of government in NSW. We welcomed the Honourable Rose Jackson MLC as Minister for Water and our new shareholder ministers, the Treasurer the Honourable Daniel Mookhey MLC, and Finance Minister, the Honourable Courtney Houssos MLC. New governments bring new priorities, and we look forward to supporting the Government's agenda, including exploring recreation opportunities at Prospect Reservoir and protecting Sydney's declared catchments from the risks of climate change in these sensitive areas.

In November we farewelled Emma Stein from the Board, acknowledging her strong contribution to the Board over six years. At the same time we welcomed Patricia Forsythe AM, who brings a wealth of experience in government, public policy and stakeholder relations. In April I was honoured to accept the appointment as Acting Secretary of the NSW Department of Premier and Cabinet, responsible for the creation of the Cabinet Office and the Premier's Department. I thank Kaye Dalton for presiding as Chair in my absence. It's not the first time Ms Dalton has performed this role, and she is always outstanding in her leadership. I thank my fellow Board members who are dedicated to helping guide and support the important work of WaterNSW.

The Board worked closely and effectively with Chief Executive Officer and Managing Director, Andrew George, and the Executive team. The Board's focus was on ensuring the right governance and strategic direction for our business, as well as providing advice and support where appropriate. The Executive team is very focused on the strategic direction set for WaterNSW with an absolute commitment to supporting our customers and communities.

It was pleasing to see many successes in the second year of implementing WaterNSW's Corporate Strategic Plan. The plan and its strategic initiatives are also striving to put customers and communities at the heart of decision making. Key features are proactive two-way engagement and education, with a heavy emphasis on our pricing submission to the economic regulator IPART in 2024.

It is important to acknowledge that WaterNSW's role is not just as a trusted manager of water infrastructure across the state. Our business must also meet broader community expectations to ensure we are an inclusive, environmentally conscious organisation helping to support resilient communities. That's why it is pleasing to also report substantial progress on initiatives involving reconciliation, sustainability, equity and diversity.

On behalf of the Board of WaterNSW, I would like to extend our personal appreciation and thanks to our dedicated employees, our customers and communities for their collaboration, feedback and support throughout another challenging and rewarding year.

I recommend this report to our shareholders, customers, stakeholders, and communities.

BURRENDONG DAM

A Message from our CEO

Andrew George

The past year was another defining one for our organisation as NSW faced a third year of major floods after the wettest spring on record. The exceptional weather brought hardship for many people across the state. Our hearts go out to all those affected, and the communities who are still recovering.

At the same time WaterNSW was helping to manage the impacts of these floods, we continued our challenging and ambitious business transformation program. We made great strides in delivering on our ambition to create a high performing, but simpler and more efficient organisation. One that is focused on the future and efficiently delivers the services our customers value and want from us, while also meeting broader community expectations. It's rewarding to look back on what we've achieved together.

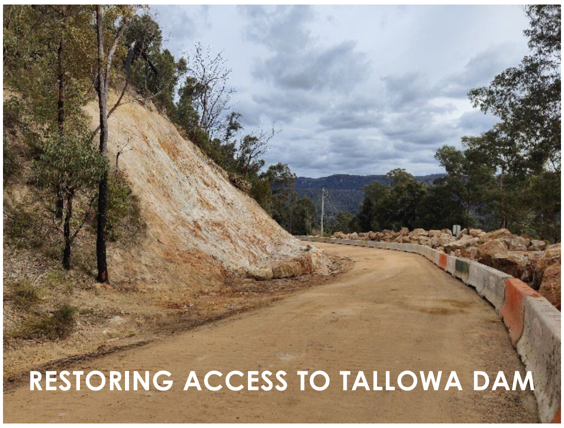
This reporting period began with saturated catchments during an extended multi-year La Nina that started in 2020. Back-to-back rain events created unprecedented flows into our dams and rivers, peaking in spring. Our dam operators – often living in those flooded communities themselves – worked 24-hour rosters to seize the limited windows of opportunity to release water and protect local communities where they were able. The November 2022 deluge saw many of our dams fill beyond 100 percent capacity for a sustained period, with inflows that would have filled and refilled them many times over. Footage of Wyangala Dam spilling into the Lachlan River became an iconic image of the devastating flooding in that region.

I'm incredibly proud of our many teams who contributed to the way we managed the floods, which impacted every corner of the state. We worked expertly and collaboratively with our stakeholders, communities and partner organisations. Our airspace reference panels helped draw on local knowledge and kept stakeholders and communities informed. The last of our incident management teams were finally relieved of their duty in March after 11 consecutive months of incident response across the state. That incident frame was supported by daily meetings with colleagues at the SES, Bureau of Meteorology, and the Local Emergency Management Committees, to whom we give our sincere thanks and appreciation for their unwavering support and expertise.

No sooner had the floods abated when the Menindee community took another hit with the February-March fish deaths in the Darling-Baaka River. We provided a detailed submission to the Chief Scientist and Engineer's Review, and will work with our Minister, the relevant government agencies, stakeholders and the local community to implement the recommendations adopted by Government.

As the floods receded across the state, our people and contractors swung into action to repair damaged infrastructure. Notable examples were Lake Cargelligo's dam embankments, the only access road in to

Tallowa Dam and the Nepean Tunnel at Pheasants Nest.



RESTORING ACCESS TO TALLOWA DAM

It's a measure of how far we've come on our business transformation journey that we expertly managed our dams through record rain events, followed by quickly mobilising the significant recovery efforts; all while achieving our 'core' business objectives and targets. This achievement was supported by a new operating model and a revitalised team of senior leaders, together with the established and long-standing expertise of our people being better connected and aligned to achieving our corporate priorities.

In the second year of implementing our Corporate Strategic Plan we accelerated delivery against priorities including water data, customer service, local connection, sustainability, reconciliation and safety, details of which you can find in our report.

Our **digital transformation** continued, making it easier for our customers to do business with us. We are streamlining, automating and digitising our processes and services, making us more efficient and able to respond faster to the needs of our customers and stakeholders.

A number of major technology programs were completed, which saw us achieve consolidating multiple telemetry systems, improving data integrity, and using Internet of Things (IoT) technology in groundwater monitoring.

Our WaterInsights online data tool continued to be upgraded and now provides public access to all of our near real-time data - to help our customers make decisions by better understanding what water is present in the system, and the rules on how the water is used, shared, traded and managed.

Our **customer and community engagement transformation** continued, responding to feedback that our customers and communities value local information and working with people they know and trust.

Our new regional managers are now in place, connecting with our customers and communities helping to ensure they have the information they need to stay up-to-date and informed, while also responding to local issues more quickly.

Our new team dedicated to stakeholder and community engagement began travelling across the state, consulting more widely and deeply than ever before on our pricing proposal for 2025-2030.

Our Customer Advisory Groups continued to provide us with insights on issues ranging from value for money for our infrastructure and maintenance activities, through to cost of living pressures.

Creating a legacy for generations to come is at the heart of what we do at WaterNSW, which is why building a **sustainable future** is part of our Corporate Strategic Plan.

During the reporting year we announced the first development agreement under our Renewable Energy and Storage Program for a potential pumped hydro project in Central West NSW.

We assessed more exciting large scale renewable energy proposals in the pipeline, as we identify opportunities to better utilise our land and water assets to generate and store renewable energy.

We also moved towards embedding a generative safety culture as part of our **safety frontier plan** - to protect our people, contactors, and suppliers, and the communities in which we operate.

We refreshed our site-based risk assessments for new or emerging public safety hazards, including safety inspections at our major dams and river structures, and developing treatment action plans to protect recreational water users.

We also launched an ongoing public safety information campaign to remind visitors to our recreation areas to stay switched on to safety.

Our **reconciliation** journey continued as we delivered on commitments in our Reflect Reconciliation Action Plan (RAP), and worked to develop our Innovate RAP, the second level in the Reconciliation Australia RAP framework.

Our RAP working group helped us deliver actions such as developing a co-design principles framework enabling early engagement during WaterNSW project delivery to manage cultural heritage values and to identify procurement and employment opportunities.

We also negotiated land access for traditional custodians at Chaffey Dam near Tamworth for activities associated with cultural practice and connection.

As with all businesses, there are growing expectations from our customers, communities, government and other stakeholders for our business to be inclusive, environmentally conscious and climate responsive, and to contribute to the broader social good. Guided by our Board and the strategies and plans we have in place we are well placed to navigate these challenges and help build a sustainable future for generations to come.

Finally, thank you to our talented people for their professionalism and going the extra distance in what has been another challenging year. Thank you also to our suppliers and contractors for their contributions to a successful year. And above all, thank you to our customers, communities and stakeholders for their collaboration, feedback, and support. I'm really looking forward to the year ahead and experiencing what we can achieve together.

Overview

ALMOND FARMER

Our year at a glance

465 gigalitres
of water delivered to Greater Sydney

4,032 gigalitres
of rural water delivered to customers

97.8%
of water available for Sydney supply met agreed standards

More than 5%
improvement in customer satisfaction

95% recovery
through insurance of costs incurred to repair flood damaged assets

72,000 visitors
to Warragamba Dam Visitor Centre

3,500 students
educated on curriculum-linked excursions

220 employees
completed 2-day First Nations cultural training

First MoU
providing traditional custodians access to land for cultural practice

New website
with improved user experience

Our business at a glance

Two-thirds
of all water supplied in NSW

900+
river monitoring gauges

41,000
licensed water users

41
dams, including Warragamba Dam

16,000 km²
of Greater Sydney's drinking water catchment

Aims and objectives

As the operator of the state's dams and regulated waterways, WaterNSW has an immense responsibility to operate these assets, which includes more than 40 dams across the state, to meet the needs of our customers and local communities. The water we supply supports more than 8 million people across NSW and we are also required to respond to the challenges of drought, floods and climate change.

WaterNSW delivers five main functions:

- **Source water protection** - protection of the Greater Sydney drinking water catchment.
- **Bulk water supply** - supplying raw water from our storages to benefit customers, communities and the environment.
- **System operator** - managing water storages, operating the state's river systems and bulk water supply systems. This includes working with the Murray-Darling Basin Authority (MDBA) for the River Murray system.
- **Infrastructure planning, delivery and operation** - projects to increase the security and reliability of water supplies to customers and the communities of NSW.
- **Customer water transactions and information services** - providing our customers with the highest level of service and support for water licensing and approvals, water trades, billing and to meet their water resource information needs for surface and groundwater quantity and quality.

WaterNSW is one of four main agencies tasked with implementing the regulatory framework and managing water in NSW. While the agencies work together to achieve the best possible economic, social, cultural and environment outcomes for the people of NSW, each agency has its own roles and responsibilities.

Department of Planning and Environment - Water (DPE - Water) assesses and recommends changes to NSW's water legislation, water sharing/water resource plans, water management rules and licence or approval conditions. These plans, rules and legislation form the regulatory framework that all water users and operators must work within.

Natural Resource Access Regulator (NRAR) - responsible for compliance with and enforcement of the regulatory framework for water including water management rules.

NSW Environment and Heritage Group - manages environmental water within NSW, including environmental water licences held by the NSW Government and planned environmental water allocations made under water sharing plans.

Charter

Water NSW Act 2014

WaterNSW is a State-Owned Corporation established under the *Water NSW Act 2014* and operates under an Operating Licence. The functions of WaterNSW under the Act are to:

- Capture and store water and to release water:
    - to persons entitled to take the water, including release to regional towns, and
    - for any other lawful purpose, including the release of environmental water.
- Supply water to the Sydney Water Corporation.
- Supply water to water supply authorities and to local councils or county councils prescribed by the regulations.
- Supply water to licensed network operators or licensed retail suppliers within the meaning of the *Water Industry Competition Act 2006*.
- Supply water to other persons and bodies, but under terms and conditions that prevent the person or body concerned from supplying the water for consumption by others within the State unless the person or body is authorised to do so by or under an Act.
- Construct, maintain and operate water management works (including providing or constructing systems or services for supplying water).
- Protect and enhance the quality and quantity of water in declared catchment areas.
- Manage and protect declared catchment areas and water management works vested in or under the control of WaterNSW that are used within or for the purposes of such areas.
- Undertake flood mitigation and management.
- Undertake research on catchments generally, and in particular on the health of declared catchment areas.
- To undertake an educative role within the community.

Water NSW Regulation 2020

A key responsibility of WaterNSW is identifying and managing impacts on water quality in the declared catchment areas. In order to protect water quality, the *Water NSW Regulation 2020* restricts access to lands immediately adjacent to the storages used for drinking water supplies. It also provides for regulatory powers to manage pollution activities that impact water quality.

In Special Areas, (those lands adjacent to water storages in the Greater Sydney drinking water catchment) access may be prohibited or certain activities restricted to protect water quality and ecological health.

The *Water NSW Regulation 2020* (which operates under the *Water NSW Act 2014*) provides WaterNSW with the power to legally enforce access restrictions.

WaterNSW has enforcement powers under the *Protection of the Environment Operations Act 1997* to penalise polluting activities in the catchment that may impact on water quality. WaterNSW keeps a public register of all notices issued under the *Protection of the Environment Operations Act 1997*.

Water Management Act 2000 and *Water Act 1912*

The objectives of the *Water Management Act 2000* are to provide for the sustainable and integrated management of the water sources of the state for the benefit of both present and future generations and, in particular:

- ecologically sustainable development
- protect, enhance and restore water recourses
- recognise and foster social and economic benefits
- recognise the role of the community
- provide efficient and equitable sharing of water
- management of water sources with other aspects of the environment including native vegetation and native fauna
- encourage the sharing of responsibility and efficient use of water
- encourage best practice management and use of water.

In NSW, the regulator and policy maker for water resource management is the Department of Planning and Environment - Water (DPE-Water). DPE-Water develops natural resource management policy frameworks, strategies and plans related to water management. DPE-Water is accountable for water sharing plans (WSPs), which define the rules for sharing the water resources of each regulated river valley between consumptive users and the environment. WSPs are made under the *Water Management Act 2000*. WaterNSW operates in accordance with these WSPs and delivers water to customers and the environment. Customer water accounts are credited with their shares of available water and, as they use their water, their usage is debited from their accounts.

The majority of water access licences are issued under the *Water Management Act 2000* but some are still issued under the *Water Act 1912*. The Operating Licence for WaterNSW also confers on WaterNSW certain functions of the Minister administering the *Water Management Act 2000* and the *Water Act 1912*.

Regulation and pricing

WaterNSW's activities are guided and regulated by:

Operating Licence - WaterNSW operates under an Operating Licence granted by the Independent Pricing and Regulatory Tribunal (IPART). The Operating Licence enables WaterNSW to exercise its functions under the *Water NSW Act 2014*. IPART will be undertaking a review of WaterNSW's Operating Licence in early 2023-24.

Water sharing plans and licensing - WaterNSW operates in accordance with Water Sharing Plans (WSP) and delivers water to customers and the environment. Based on the WSP rules, the available water resources are shared throughout the year, allowing water for the environment and for consumptive use.

The water licences and approvals granted to WaterNSW regulate its access to water resources in its area of operations:

- Water Access Licenses authorise WaterNSW to take and use water.
- Water Supply work and water use approvals set out how the water management works are to be operated, including the amount of water that WaterNSW must make available for environmental flows.

Catchment audits - the *Water NSW Act 2014* requires that there be an independent audit of the health of the declared Sydney catchment area at least every three years. The audit report is provided to the Minister responsible for WaterNSW – see the Catchment audit section for information on the most recent audit.

Catchment health indicators - Catchment audits are required to assess the health of the declared catchment areas using a list of indicators developed under Section 41 of the *Water NSW Act 2014* and listed in the Operating Licence:

- WaterNSW is required to evaluate the findings of the catchment audit to the extent to which they relate to its activities and risks to water quality.
- Incorporate the findings of the audit into its risk framework, and its programs and activities relating to catchment management.
- Report to the Minister on its progress to achieve improvements in catchment health, to prevent degradation of existing catchment health and to maintain existing catchment health, having regard to the findings.

NSW water strategy - the NSW Water Strategy sets the overarching vision for 12 regional and two metropolitan water strategies, tailored to the individual needs of each region in NSW. Together, the strategies will improve the resilience of NSW's water services and resources.

Price determinations - About every four years, IPART sets the maximum bulk water prices that WaterNSW can charge our customers. WaterNSW was subject to four price determinations in 2022-23 – see the Implementation of price determinations section for more information.

Key government relationships

Water agencies – roles and responsibilities

WaterNSW, the Department of Planning and Environment - Water, and the Natural Resources Access Regulator (NRAR) have developed a Roles and Responsibilities Agreement that came into effect on 30 June 2021. This agreement replaces the former Deed of Transfer.

The agreement is required for WaterNSW to meet its Operating Licence and sets out how the three agencies collaborate and work together to deliver key water management functions. The agreement details each agency's role and provides a framework for resolving any interagency issues, along with the identification of improvement opportunities.

Memoranda of understanding (MoU)

MoU are a requirement of the *Water NSW Act 2014*. The memoranda:

- establish cooperative relationships with regulatory agencies
- develop consultative processes to consider operational, strategic, and public health and environmental issues
- allow for exchange data and information.

The MOU with NSW Health recognises the role of that agency in relation to water quality standards and public health.

The MOU with the NSW Environment Protection Authority recognises the role of that agency in protecting the environment of NSW.

WaterNSW also has a range of non-statutory MoUs with other stakeholders.

Statement of Expectations

WaterNSW's Shareholding and Portfolio Ministers issued a Statement of Expectations in April 2022. The Statement helps WaterNSW ensure its strategic direction aligns with the Government's expectations. The Statement clarifies the Government's key priorities relevant to the work of WaterNSW while it continues to operate its business in a commercial manner.

Our Corporate Strategy is strongly aligned to the Statement through our strategic priorities and delivery of our strategic initiatives.

WaterNSW is working with the Government to re-evaluate its Statement of Expectations to ensure our priorities continue to align with the Government's priorities.

Government expectation	WaterNSW strategic priorities
Align with Government's strategic planning	• Respected by the customers and communities we serve • Working together in partnership
Strive for excellence in customer service and experience	• Delivering operational excellence • Developing our people and capabilities • Respected by the customers and communities we serve
Build trust with the community and stakeholders	• Delivering operational excellence • Building a sustainable future • Respected by the customers and communities we serve
Focus on environmental outcomes	• Building a sustainable future
Minimise cost of living pressures	• Delivering operational excellence • Respected by the customers and communities we serve
Ensure the Government's investment of its capital is used efficiently	• Delivering operational excellence • Respected by the customers and communities we serve • Working together in partnership
Deliver services safely	• Delivering operational excellence
Maintain high standards of public accountability and corporate governance	• Building a sustainable future • Respected by the customers and communities we serve • Working together in partnership
Ensure robust procurement and employment practices that support the economic and social outcomes of the state	• Developing our people and capabilities • Respected by the customers and communities we serve • Working together in partnership

Management and structure

Board

The Board sets the overall policy, strategy and direction of WaterNSW. All decisions relating to the operation of WaterNSW are made by or under the authority of the Board in accordance with Section 20L of the *State Owned Corporations Act 1989*.

Refer to the Board section for more information on directors, meetings, and governance.

Executive

The Executive Managers report to the Chief Executive Officer. The functions of each portfolio are listed below.

CEO and Managing Director

Andrew George, BE (Hons), FIE Aust, CPEng, EngExec, GAICD

The Chief Executive Officer is responsible for the day-to-day management of WaterNSW in accordance with the general policies and specific directions of the Board.

Digital

Ian Robinson BE (Elec)

- Maintain core information technology infrastructure systems, data, policy and security.
- Drive digital transformation projects.
- Provide technical expertise on digital initiatives.
- Develop and deliver digital projects.
- Track and report on digital initiatives.

Executive Managers (continued)

Operations

Ronan Magaharan BE (Elec), BSc (Comp)

- Manage infrastructure and water systems to secure water supply to customers.
- Analyse demand and supply to ensure the on time and efficient delivery of water.
- Respond to incidents where direct water supply is affected (such as floods, droughts and heavy rainfall) to ensure continued safe water supply.
- Monitor and maintain safe, high-quality water.
- Continuously improve operations to strive for excellence.

Strategy and Performance

Fiona Smith BSc, MBA, GAICD

- Develop WaterNSW's corporate strategy including monitoring and reporting.
- Lead the long-term operations strategy on science, assets and water management.
- Coordinate IPART submissions and related issues like Operating Licence audits and reviews.
- Develop and advise on regulatory and policy proposals and reforms.
- Drive transformation projects in collaboration with other portfolios, monitor and report.
- Set key operational and strategic indicators in collaboration with other portfolios to proactively manage performance and report on their results.
- Manage environmental planning and sustainability initiatives.

Executive Managers (continued)

Customer Services

David Stockler Cert Bus, Fin & Marketing, GAICD

- Ensure excellence in customer services, communications, and digital capabilities.
- Manage customer requests, issues and complaints.
- Manage billing and revenue collection.
- Assess and approve customer licensing applications and water trading in compliance with regulations.

Finance, Legal and Risk

Joe Pizzinga FCPA, BCom (Acc/LLB), AMP Harvard

- Manage financial planning, budgeting reporting and governance.
- Manage the procurement functions.
- Manage WaterNSW's commercial properties and facilities.
- Provide legal advice, including company secretary responsibilities.
- Provide the internal audit and corporate risk management and compliance functions.

Executive Managers (continued)

Safety, People and Culture

Beth Winchester BComm, CPA

- Deliver people and culture operations such as policies, payroll, recruitment framework.
- Lead strategic projects and functions such as employee engagement, workforce planning and industrial relations strategy to promote a strong performance culture.
- Develop and deliver learning and development frameworks and capability uplift programs for all employees.
- Develop work health and safety policies, procedures and standards and ensure they are implemented across WaterNSW.

Corporate Affairs

Clair Cameron BA (Comm), MHL

- Safeguard and build WaterNSW's brand and reputation.
- Lead WaterNSW's engagement with government stakeholders.
- Manage engagement with industry, the community, and Indigenous communities.
- Provide community education.
- Manage WaterNSW's internal and external communications.

Strategy

Our purpose

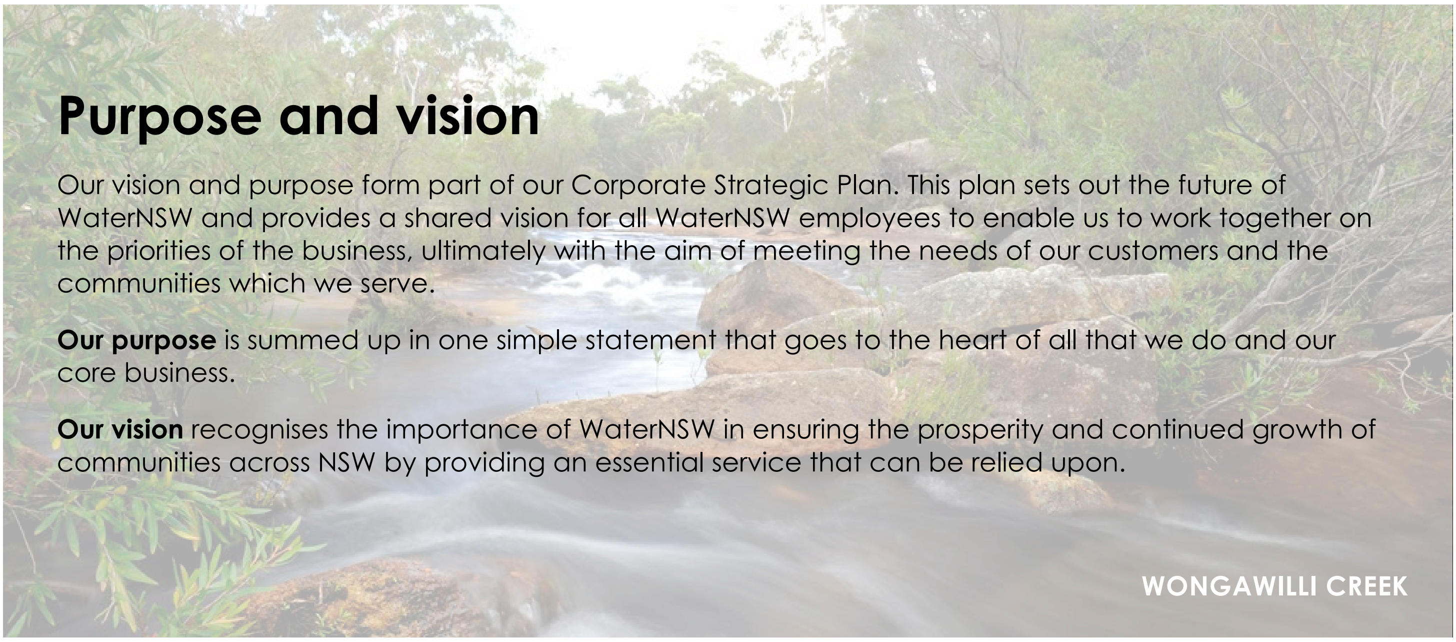
Water, delivered when and where it matters.

Purpose and vision

Our vision and purpose form part of our Corporate Strategic Plan. This plan sets out the future of WaterNSW and provides a shared vision for all WaterNSW employees to enable us to work together on the priorities of the business, ultimately with the aim of meeting the needs of our customers and the communities which we serve.

Our purpose is summed up in one simple statement that goes to the heart of all that we do and our core business.

Our vision recognises the importance of WaterNSW in ensuring the prosperity and continued growth of communities across NSW by providing an essential service that can be relied upon.



WONGAWILLI CREEK

Our vision

To support the resilience of NSW communities through our leadership in delivering water services for generations to come.

Strategic priorities

To be able to deliver on our purpose and realise our vision, we have five strategic priorities that, if we focus on, will see us achieving our purpose and vision for the future and meeting the needs of those we are here to serve.

Respected by the customers and communities we serve

We are an organisation that puts our customers and communities at the heart of all that we do. By focussing on their prosperity and acting with transparency and integrity, we will build trust in our decisions now and into the future.

Delivering operational excellence

This priority recognises the need for all of us to continue to strive for best practice, improve our safety performance and look for innovative new approaches, while also acknowledging that we must deliver efficiency and effectiveness, in alignment with customer and stakeholder expectations, across all aspects of our business.

Developing our people and capabilities

The value of WaterNSW lies in the value of our people. This priority is our commitment to empowering our people to be the best they can be, develop in areas they want to develop, and operate in a culture where the focus is on meeting the needs of the communities and customers we serve.

Building a sustainable future

This is an acknowledgement that we must consider the environmental impacts of all that we do. It captures our dedication to building a sustainable future through social aspects such as inclusion and diversity, gender equality and investing in communities through jobs and education.

Working together in partnership

This priority recognises the need to be a true partner, not only to our customers and communities, but with all agencies working within the water sector, along with our suppliers, contractors and employees.

WYANGALA DAM

Strategic initiatives

Ten strategic initiatives were launched or continued during 2022-23. The strategic initiatives are key to meeting our long-term goals, so we include their delivery as one of our key performance indicators.

Respected by the customers and communities we serve	Corporate Affairs Plan Reconciliation Action Plan (Reflect) IPART Regulatory Submission
Delivering operational excellence	Business Transformation Program WAVE Water Infrastructure NSW Interface
Developing our people and capabilities	Inclusion & Diversity People Strategy
Building a sustainable future	ESG program delivery and action plan
Working together in partnership	Our role in the water sector

Business transformation program

The business transformation program aims to improve our operating effectiveness and efficiency by streamlining complementary functions and processes, revising management operating systems and using technology. The key outcomes are to simplify and align accountability and decision-making processes, optimise resource allocation, and identify and realise opportunities to reduce costs.

Operating model

A new operating model was launched in May 2022 including a new Executive team and the functional structures they manage. The new model consolidated operational field base activities, various strategic and some corporate functions. It also revised the number, composition and responsibilities of Board committees.

The senior management teams and their detailed structures are now in place. Small changes to key performance indicators this year are a step towards developing a more concise performance management regime in 2023-24 that will form the foundation of a new management operating system.

Cost transformation

About $20 million of potential cost savings were identified in 2021-22 for delivery in 2022-23. Of these a few were one-offs, but the majority were ongoing savings made up of procurement, property and labour costs. However, only 50 percent of the targeted savings were achieved in the year. Savings in 2022-23 have been achieved in labour (from the changes to our operating model), contract labour, property consolidation, and reducing software licences.

Establishing the new operating model structure delayed implementation of many initiatives. With the operating model now in place, attention will turn towards achieving the targeted savings.

Water Added Value Environment (WAVE)

WAVE is transforming our operations through a simplified, automated and consolidated business platform. Our Water Market System (WMS) is making it easier for customers to apply for water licences and approvals, order and trade water, check water account balances, submit meter reads and pay bills.

Work completed to date is making it easier for us to deliver our services to our customers and provide a single source of truth for agencies across the NSW water sector. This has enabled us to improve interactions with customers, make data driven decisions, and provide reliable, accurate and up to date information to our community, customers, and stakeholders.

The Water Data, and Water Delivery & Visualisation streams of WAVE are complete. Benefits realised include consolidation of multiple telemetry systems, improved data integrity, and use of telemetry technology in groundwater monitoring.

WAVE also delivered WaterInsights, a powerful interactive online data tool that enables customers to make more informed water resource planning decisions by helping customers and stakeholders understand what water is present in the system (in storages, rivers or aquifers) and the rules on how water is used, shared, traded and managed.

We launched our Customer Portal including customer verification helping to provide enhanced privacy and security of customer information. Work to add greater functionality and ensure the Customer Portal is faster, more efficient and user friendly will continue in 2023-24 as part of our digital transformation program.

Case study:

Faster and better water data

WaterInsights is our interactive online data tool on water volumes in storage, used and traded, as well as water availability, allocation and account balances.

Water quality, river flows and levels, and historical data is also available in WaterInsights, along with rules and conditions around water management. With indications that NSW is entering a dry period, this web tool is particularly useful.

During 2022-23 we listened to feedback from our customers and stakeholders and updated WaterInsights to reflect what people want from water data. Farmers, irrigators, industry, government and other stakeholders can use the platform to have practical water information at their fingertips and personalise the data to meet their needs.

WaterInsights is now refreshed every 15 minutes and collates data from 760 water sources including the Bureau of Meteorology, Murray Darling Basin Authority, Department of Planning and Environment, Natural Resources Access Regulator, and WaterNSW systems.

Groundwater licence holders can now find water level data in WaterInsights. WaterNSW maintains about 5,000 groundwater water monitoring bore sites. Ones with telemetry devices provide groundwater monitoring close to real-time, while manually monitored sites provide monitoring data less frequently.

WaterInsights is part of our commitment to provide transparent, clear, and up to date information to our customers and the communities we serve. Digital transformation is a strategic initiative under our strategic priority of delivering operational excellence to ensure safe, reliable, and affordable water management.

WaterInsights is now refreshed every 15 minutes and collates data from 760 water sources.

Case study:

Telemetry improves efficiency

WaterNSW is implementing a pilot program of telemetered groundwater bores at strategic locations across NSW sites.

Bores with telemetry devices provide groundwater monitoring close to real-time, while manually monitored sites provide monitoring data less frequently.

WaterNSW is implementing a pilot program of telemetered groundwater bores at strategic locations across NSW. This project will deliver our commitment to operational excellence by:

- reducing the cost to service our customers and stakeholders
- improving service levels and supporting more effective management of water resources by increasing data points from eight to 365 measurements per year
- reducing safety risks for our employees by removing the need for about 140,000 kilometres and 2,800 hours of travel to groundwater sites in remote areas
- reducing our environmental footprint by about 39.7 metric tonnes of CO_2 emissions.

During 2022-23 WaterNSW built the back-end software system and installed the hardware across several pilot sites in the Tamworth region. Installation and testing of a multi-sensor logger will conclude the final phase of the pilot.

The pilot approach enabled WaterNSW to focus rollout of the devices in the far west of NSW to obtain the greatest benefit by reducing the most significant travel distances. WaterNSW has also worked with the manufacturer to develop a side-mounted casing for the dataloggers as the standard top-mounted casing limits access to the bores for measurements by other parties.

Telemetry devices will remove the need for about 140,000 kilometres and 2,800 hours of travel to remote groundwater sites.

Inclusion and diversity program

Respect is WaterNSW's inclusion and diversity program that helps create a safe, respectful, inclusive, diverse and high performing workplace by:

- promoting awareness, understanding and appreciation of inclusion and diversity
- creating a culture of belonging where our people feel valued and respected
- growing the diverse representation of our workforce to reflect the communities we operate in.

The inclusion and diversity program is built around a framework of equity, diversity, respect and belonging:

- **Equity is a choice** - how we choose to do things to create a foundation of safety, trust and respect.
- **Diversity is a fact** - who we are and the mix of people, skills and thinking in WaterNSW.
- **Inclusion is an action** - how we are treated and how we treat others, which is reflected in our experiences and behaviours.
- **Belonging is an outcome** - how we feel based on our experiences of being included, feeling comfortable and safe, connected to other people and that we are making a meaningful contribution.

During 2022-23 WaterNSW established recruitment partnerships to support our diversity focus areas of First Nations, gender balance and disability inclusion and introduced a more inclusive candidate attraction and recruitment experience. We launched Employee Networks led by our people for our people to connect, and implemented a procurement initiative to increase our use of First Nations-owned businesses.

See the workforce diversity section for information on diversity trends.

Case study:
WORK180 partner

WORK180 promotes organisational standards that raise the bar for women in the workplace.

WORK180 only endorses employers that are committed to making real progress so that all women can expect better.

WaterNSW is proud to be an Endorsed Employer for Women by WORK180. This partnership highlights our commitment to support and empower women across WaterNSW.

2023
ENDORSED EMPLOYER FOR ALL WOMEN
WORK180
work180.com

People Strategy

The People Strategy aims to ensure WaterNSW has the right culture, the right people with the right capabilities at the right time. The strategy is supported by three key pillars of technology, talent and capability, and culture, and is accompanied by a detailed action plan that prioritises key people initiatives within each pillar. Implementation will begin in 2023-24 and continue through to 2025-26.

Corporate Affairs Plan

WaterNSW is committed to continually improving engagement with our customers, stakeholders, and our broader community to build trust and respect. We do this through proactive two-way engagement and education, putting customers and communities at the heart of decision making, tailoring our products and services, and ensuring transparent pricing that represent value for money.

Our new Corporate Affairs Plan details how the Corporate Affairs portfolio looks for opportunities for WaterNSW to listen and engage with industry and the community, leads engagement with government stakeholders and First Nations communities, provides community education, builds WaterNSW's recognition of who we are, what we do, and our reputation, and manages internal and external communications.

Attending field days and meetings of local organisations across NSW has provided great opportunities for conversations with customers and communities.

RICEGROWERS CONFERENCE

Case study:

Listening to our customers

A new team dedicated to customer, stakeholder and community engagement began working to develop more meaningful and ongoing relationships.

Our newly defined stakeholder engagement program has been developed using data and insights and is being rolled out in our listening and consultation to feed into our 2025-30 pricing submission to IPART.

The program features a mix of online and in-person activities and forums, enabling two-way communication, and giving all those interested an opportunity to participate and have their say.

Attending field days and regular meetings of local organisations across NSW has provided great opportunities for conversations with customers and community about their ideas and concerns relating to an affordable and secure water supply. Our listening and engagement included the Riverina Field Days in Griffith in May and the Hunter Valley Water Users Association meeting in June.

By 30 June 2023 we had invited over 40,000 customers to do our online survey, reached thousands on targeted social media, had face to face conversations with hundreds of people, and deep discussions with almost 100 customers and representatives at our regular Customer Advisory Group meetings. Our next step involves working with a diverse range of customers, community and stakeholders, small and large, over the next eight months to deliver broad participation and in-depth discussions at our new Water Working Groups.


GRIFFITH FIELD DAYS

Case study:

Better website user experience

Creating a better user experience for customers and communities was the core focus of the redesign of our WaterNSW website.

Launched in December 2022, the new site utilises the latest web technologies and a best practice approach for information design and content delivery to enable continuous improvement.

The new website had 276,000 users, 475,000 sessions and 885,000 views in its first six months between January and June 2023.

We've made it easier to find information to assist with, or resolve, customer enquiries. There are clearer pathways to customer applications to complete transactions such as the Internet Water Accounting System (iWAS), Water Licensing System (WLS), Water Register and account payments, and more links to our specialised water data tool WaterInsights.

For the community, we created a new high-level data snapshot of current total water storage and dam levels for NSW regional valleys and Greater Sydney, and a new section on our First Nations programs and Reconciliation Action Plan. We also improved information about our recreation areas, current asset projects, and about our core water services such as storage and delivery, water quality, water data, and catchment protection.

A new community news section published 15 stories in the first six months to better connect with regional NSW and Sydney. The most popular stories were about biosecurity at Lake Windamere near Mudgee, hazard reduction burns at Sydney dams, and improving native fish habitats on the Peel River near Tamworth. For students and teachers, we upgraded the site's educational resources.

The website redesign was an integral part of our Corporate Affairs Plan, helping to drive our brand and reputation. By making it easier for people to interact with us, we're also working towards our strategic priority of being respected by the customers and communities we serve.

WARRAGAMBA DAM

New high-level data snapshot of total water storage and dam levels for NSW regional valleys and Greater Sydney.

Reconciliation Action Plan

Our Reconciliation Action Plan (RAP) provides WaterNSW with strategic advice on the views, needs and interests of First Nations people in relation to the operations, water management and projects we manage.

Our RAP informs and supports a new direction and commitment by WaterNSW to improve engagement with First Nations communities and stakeholders and foster a deeper understanding and cultural awareness of their strong cultural connection to lands, waters and rivers. Our RAP supports meaningful and culturally appropriate partnerships and dialogue with First Nations communities, including supporting better outcomes for employment, training and procurement.

During 2022-23 our RAP working group continued to implement the actions and deliverables of our Reflect RAP, which was launched earlier in the year. We also commenced planning our Innovate RAP, the second level in the Reconciliation Australia RAP framework. The Innovate RAP will allow us to gain a deeper understanding of our sphere of influence and establish a best practice approach to advance reconciliation.

Case study:

Cultural awareness training

More than 220 WaterNSW employees completed a two-day course in cultural competency and awareness.

The training provided staff with a deeper understanding of First Nations communities and cultural connection to Country.

Frameworks and strategies were created including an Acknowledgement of Country Protocol, Co-design Principles, First Nations Engagement Strategy, First Nations Employment Strategy, First Nations Procurement Strategy, and an Aboriginal Cultural Heritage Management System.

We established a First Nations Yarning Circle made up of First Nations residents and service providers. We set up an internal Aboriginal Support Network to provide a safe environment for First Nations employees to meet and the Ngulaway RAP Group of First Nations and non-indigenous employees to support delivery of the Innovate RAP. First Nations artwork and dual naming are included in our new office refurbishments.

CULTURAL AWARENESS TRAINING

Our staff gain a deeper understanding of First Nations communities and cultural connection to Country.

Case study:

Building our communities

Every day we have teams working on infrastructure projects on Country, in multiple locations.

To help prioritise how we work on Country, WaterNSW developed a Co-Design Principles Framework. The framework enables early engagement during project delivery to manage cultural heritage values and helps identify procurement and employment opportunities. This strengthens our relationships with First Nations people and ensures our engagement is culturally appropriate.

During 2022-23 we supported First Nations engagement on 18 WaterNSW infrastructure projects. We established a First Nations stakeholder database of people we should engage with at our operation and infrastructure sites for First Nations consultation. WaterNSW also celebrated NAIDOC Week and Reconciliation Week and cultural events as part of the Reflect RAP launch, and commemorated the Appin massacre memorial.

Co-design principles enable early project engagement to identify procurement and employment opportunities.

NATIONAL RECONCILIATION WEEK

Case study:

Procurement and employment

A First Nations procurement database was established and we revised our position descriptions to encourage more First Nations candidates to apply.

The First Nations procurement database was included in our Tier 1 Contractors scope of work, encouraging local First Nations businesses in projects.

A revised threshold of one quotation up to $250,000 was introduced to make the WaterNSW Procurement Framework more accessible to First Nations businesses and support positive action to increase the diversity of our suppliers.

We revised our position descriptions to encourage more First Nations candidates to apply. Changes included culturally appropriate artwork, more inclusive language and alternatives to minimum qualifications and requirements.

First Nations people were supported to gain nationally recognised qualifications to assist them in gaining full-time employment at the completion of traineeships. New ways of delivering the Certificate III in Water Industry Operations to First Nations people were also introduced.

We created opportunities for First Nations employees to work across several locations to gain additional skills and experience to accelerate job readiness and entry level employment opportunities for First Nations people through school-based traineeships.

LAKE CARGELLIGO TRAINING

Case study:

Land for cultural practice

Traditional custodians gained access to land at Chaffey Dam for activities associated with cultural practice and connection.

A Memorandum of Understanding (MoU) with the Tamworth Local Aboriginal Land Council (LALC) giving access to traditional custodians to lands is a deliverable of the WaterNSW Reflect RAP. The agreement, signed in June, demonstrates how government can manage land to deliver on infrastructure and service needs, while also being able to recognise, celebrate and provide access to land in the appropriate cultural and historical context.

The MoU signing event included a Welcome to Country and smoking ceremony by Uncle Len Waters, followed by the Tamworth LALC Aboriginal Ranger Program and WaterNSW joining with the local Rural Fire Service to do a cultural burn at the offset area.

Within the area governed by the MoU is the Chaffey Dam Safety Upgrade and Augmentation project. As part of the project WaterNSW prepared a biodiversity offset package to recognise and compensate for the loss of existing vegetation, threatened species or their habitat, and endangered ecological communities impacted by the project and the communities connected to this site. The Biodiversity Offset Area has been established in accordance with the requirements of Department of Planning and Environment, and Department of Climate Change, Energy, Environment and Water.

Delivering infrastructure while also providing land access in appropriate cultural and historical context.

MOU SIGNING WITH WATERNSW AND TAMWORTH LALC

Water sector strategy and performance

WaterNSW is committed to a collaborative and coordinated approach in our contribution to Government led initiatives aimed at lifting the performance of the water sector.

In Greater Sydney we work closely with Sydney Water to investigate opportunities to drive efficiencies and better outcomes for customers through our long-term capital and operating plan. Potential for a more collaborative approach has been identified on system planning, operations and procurement practices. A business case for change will be prepared once approved by both parties.

In regional NSW we piloted initiatives with regional councils under the Town Water Risk Reduction Program to assist local councils and water utilities meet their basic obligations under revised dam safety regulations, and better understand source water quality to assist in their broader water management activities. These pilot initiatives will establish whether there is a longer-term demand for WaterNSW to provide these and other related services to local water utilities.

Case study:

Working better together

WaterNSW collaborated closely with Sydney Water to prepare the Greater Sydney Long-Term Capital and Operational Plans (LTCOPs) - two reports, one team.

This was to ensure that the combined plans outline the proposed investments over the next 20 years to ensure a resilient and secure water supply. The LTCOPs, together with the Drought Response Plan, outline how the NSW Government's Greater Sydney Water Strategy will be operationalised.

Greater Sydney's bulk raw water system is an integrated network that captures, stores and supplies raw water. Most of the assets in the system are over 50 years old and some are over 100 years old. While they continue to provide reliable service, ongoing investment is required to renew and optimise bulk water delivery infrastructure as surface water will continue to supply the vast majority of Greater Sydney's water for some time.

WaterNSW's LTCOP describes our planned programs to sustain our future operations and service delivery to ensure that:

- All elements of our bulk water supply infrastructure can continue to meet future service requirements safely and reliably and comply with regulatory standards.
- Our drinking water catchments and source water can be protected while providing some recreational facilities to the community.
- We can continue to support our people by providing them with comfortable, safe and secure premises that empower the effective and efficient delivery of work and customer service.
- We can keep pace with changing technology and continue developing tools and systems that can help optimise our operations, enhance our forecasting and planning capabilities, and improve our data management.

Our LTCOP will be reviewed and updated at least every five years (or sooner where required) to reflect the strategic direction and priorities for water supply services in Greater Sydney, any obligations or new expectations from us as bulk water supply provider, and our strategy to respond to emerging challenges and opportunities. WaterNSW will continue to engage closely with our key stakeholders including the NSW Government, Sydney Water and IPART.

Planning ongoing investment to renew bulk water delivery infrastructure and sustain our future.


CORDEAUX DAM

Case study:

Assisting local water utilities

New dam safety regulations were published in 2019 for declared dam owners in NSW, with full compliance required by November 2021.

Dam Safety NSW undertook interim audits to gauge the level of compliance with and understanding of the new regulations. These audits found that about 60 percent of local water utilities (LWUs) showed significant non-compliance and had low competency and capability to safely manage their dams.

The Department of Planning and Environment (DPE) launched an initiative under the Town Water Risk Reduction Program to identify opportunities to uplift LWU compliance and performance under the regulation. WaterNSW was requested to partner on this initiative, as we have recognised expertise in dam safety compliance and a mature dam safety management system. WaterNSW received funding of up to $10 million to implement this dam safety improvement plan in conjunction with water quality services.

WaterNSW facilitated a pilot study of three LWUs. Information on their dam safety compliance was collected through questionnaires, interviews and site visits to the dams. The LWUs were assessed as having a strong foundation on which improvements could be made, with a focus on governance, risk management, emergency preparedness, competency and training.

Plans developed by WaterNSW outlined a strategy to improve performance founded on a comprehensive risk management framework in accordance with the *Dam Safety Act 2015*. The plans were presented to the LWUs for feedback, and ultimately received endorsement from these key stakeholders and DPE.

Audits gauge understanding of, and compliance with, new dam safety regulations.

Environmental, social and governance (ESG) strategy and action plan

WaterNSW's ESG strategy and high-level program acknowledges the significant role we play in delivering environmentally and socially positive outcomes. However, it also recognises that there is still more to do.

The program has four key objectives:

- **Safe, secure and sustainable water** through managing catchment health and water quality, and developing resilient and efficient delivery systems.
- **Healthy environment** through managing emissions, minimising waste and managing ecosystem health.
- **Trusted by customers and the community** through public and employee safety and wellbeing, and supporting regional and cultural economic enterprises.
- **Trusted by stakeholders** through growing an inclusive and diverse workforce, sustainable procurement systems and robust governance policies and practices.

Some of these objectives are managed as strategic initiatives such as the inclusion and diversity program and our Reconciliation Action Plan. Some objectives are addressed through key projects such as the safety frontier and the renewable energy storage program. Our operating activities, particularly in connection with catchment management and water monitoring, contribute to improved water quality and human health while having a positive environmental impact through protection of sensitive habitats.

See the Sustainability section for more information on delivery of our ESG objectives.

IPART regulatory submission strategy

Our customers and communities are an important focus for our business, so it is critical that we engage with them on an ongoing, transparent and meaningful basis. We have listened and engaged early and directly with our customers and communities to develop our upcoming IPART regulatory submission. Our Customer and Community Engagement Plan is available at engagement.waternsw.com.au.

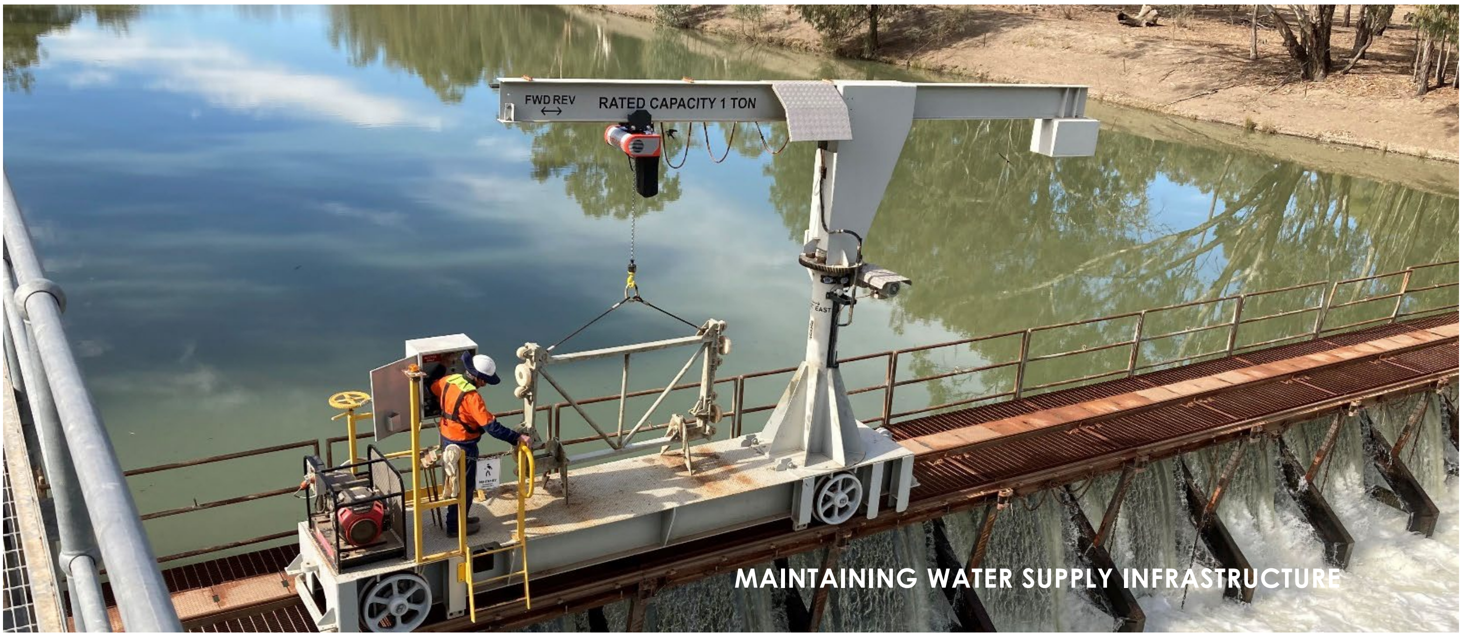
We believe engaging in a meaningful way will have a positive effect for our customers and communities as we continue to build trust, credibility and awareness of local issues. Strong two-way communication will enable us to submit a comprehensive and robust pricing submission to IPART, delivering value that will reflect the needs of our customers and communities now and into the future.

In the first half of 2023, we have taken the time to hear the priorities of many different stakeholders when it comes to water and better understand their challenges. We engaged with large and small customers with particular focus on some of our more vulnerable customers, irrigators, industry groups, primary producers, First Nations communities, environmental stakeholders, local communities and government representatives. This will be part of a continuing conversation and a plan for enduring engagement beyond the life of the current submission.

In phase two, all parts of WaterNSW will contribute to deeper conversations with customers and stakeholders. Choices and trade-off discussions will occur to ensure that our services and water delivery for 2025-2030 better meets the business and local needs of our diverse customers and communities, keeping costs within our control low while moving towards cost reflectivity at the lowest efficient prices.

WaterNSW will lodge our pricing submissions with IPART for the Greater Sydney, Rural Valleys and Water Administration Ministerial Corporation determinations in September 2024.

Operations and performance



MAINTAINING WATER SUPPLY INFRASTRUCTURE

Significant operations and activities

Water storage

WaterNSW stores water in dams and weirs along river systems or in reservoirs. Storage volumes are measured in gigalitres (GL) which is one billion (1,000,000,000) litres of water.

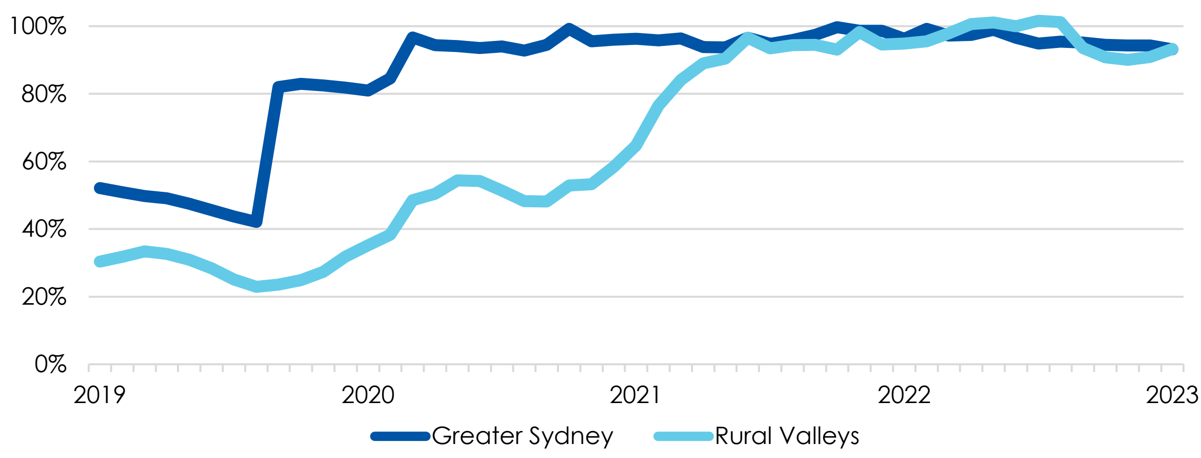
In Greater Sydney, WaterNSW collects water from river catchments to the south and west of Sydney, storing it in 11 major dams, and transporting it between storages via a network of rivers, pipes and canals. The Greater Sydney system is complex yet highly flexible, allowing us to draw water from different storages for supply to Sydney Water's water filtration plants and some local councils.

Warragamba Dam is Greater Sydney's major supply dam, with a storage capacity of 2,064,680 ML. It stores water, ready for transfer to Prospect Water Filtration Plant, operated by Sydney Water, which supplies about 80 percent of Sydney's drinking water.

In regional NSW, WaterNSW captures and stores water in weirs and dams, including 20 large dams. These dams are located across the state on 12 major river systems, including Border Rivers, Gwydir, Namoi and Peel to the north; Lower-Darling, Murray and Murrumbidgee to the south; Bega/Brogo, Hunter/Paterson and Richmond on the Coast; and Lachlan and Macquarie Rivers in Central NSW.

In times of flood our regional dams are permitted to be used for flood mitigation, where water is released in anticipation of rain to allow additional airspace to capture inflows.

Storage levels 30 June 2019 to 30 June 2023



Water delivery

Our purpose is to deliver water, when and where it matters. This simple statement speaks to the heart of what we do. That is, release the water we have previously captured and stored to service our customers, communities and the environment. WaterNSW supplies more than two-thirds of the water used across NSW. The raw water we supply is either treated by our customers; that is councils and water utilities, for supply into the drinking water network, or is used in its raw state for farming and irrigation purposes.

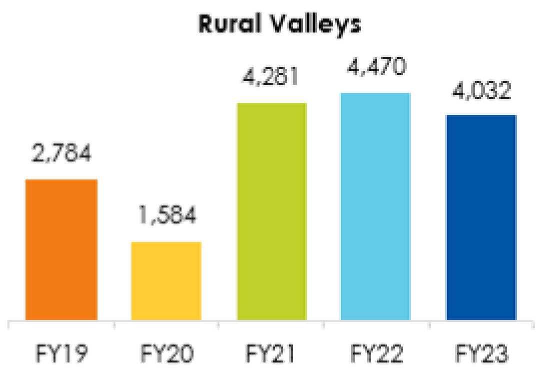
In regional NSW, WaterNSW delivers water to our customers by releasing it from our storages, either a dam or weir, and allowing it to travel along the river system it was released into. Our customers then extract the water they have ordered.

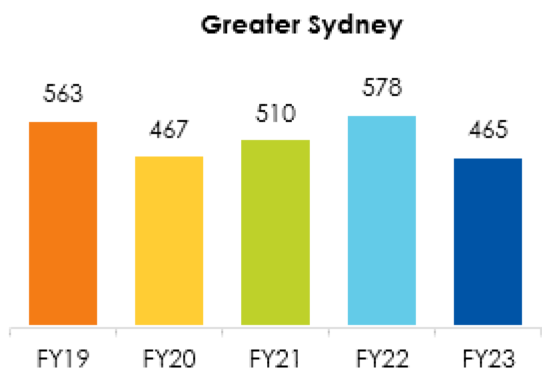
In Greater Sydney, our major customer is Sydney Water. We deliver most of the water ordered by Sydney Water via the Warragamba pipelines. These two pipelines use gravity to move the water 27 kilometres, delivering it to Prospect Water Filtration Plant.

Along with delivering water to our customers, we deliver water for the environment via planned environmental water and held environmental water.

Water sales volumes 2018-19 to 2022-23

Volumes are shown in gigalitres. A gigalitre is one billion litres of water (1,000,000,000).





Case study:

Minimising water losses

As dam operators one of our most important objectives is to ensure water users receive their water orders in full.

This efficient and reliable supply helps ensure that town supplies are stocked, crops are adequately watered, and native fish breeding is supported.

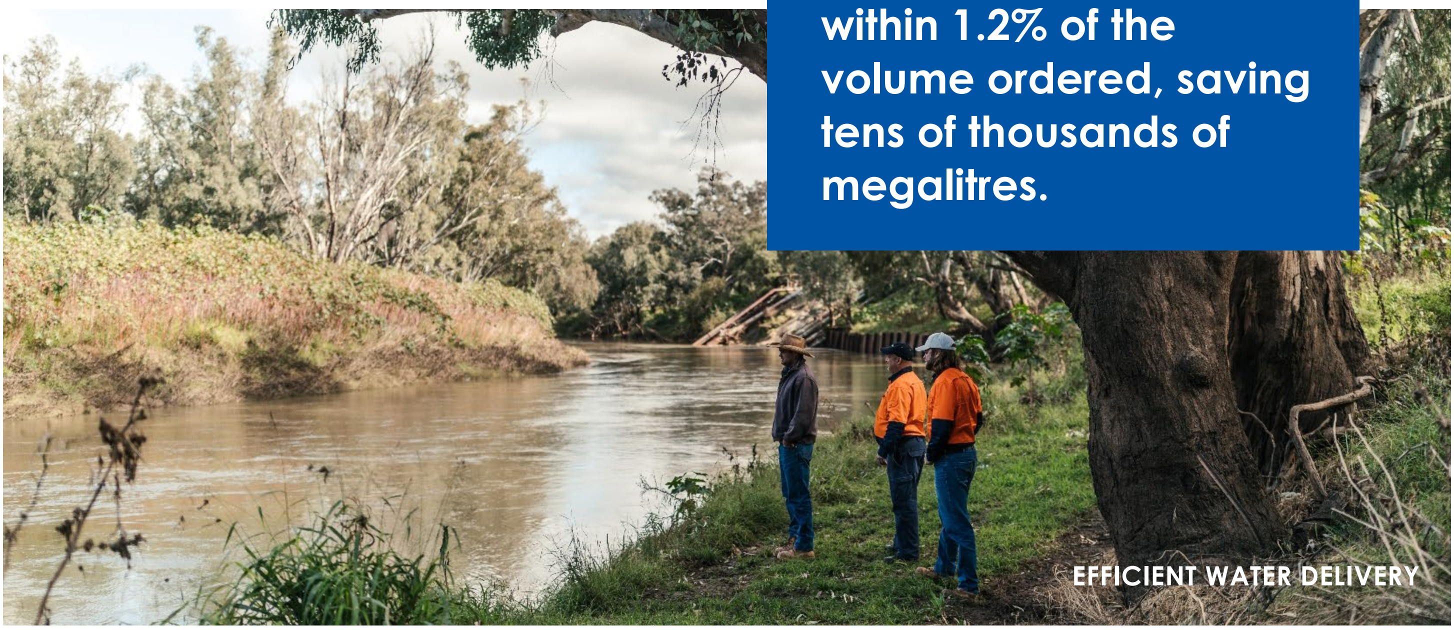
When water is ordered and released from a dam, additional water needs to be added to compensate for water lost as it travels long distances to the intended recipients. The easiest way to do this would be to release surplus water, but when it comes to water – every drop counts. That's why we are focused on preserving as much water as possible by delivering the right amount at the right time without over-delivering. Minimising water losses is so important we made it one of our key performance indicators.

WaterNSW saved tens of thousands of megalitres of water in our dams for farmers, the environment and communities across regional NSW due to highly efficient water releases. Water releases were within 1.2 percent of the volume ordered.

This performance exceeded our operational target and comes as NSW experiences a dry period and braces for potential drought. Ongoing precision water releases combined with accurate water-ordering by customers are critical tools in conserving water during the looming El Nino summer.

This result showcases the expertise of our dam teams, river operators and field staff across regional NSW, and contributes to achieving our strategic priority of delivering operational excellence to ensure safe, reliable, and affordable water management.

Water releases were within 1.2% of the volume ordered, saving tens of thousands of megalitres.



Flood response

The past year saw significant levels of rainfall, culminating in the wettest spring on record for both NSW and the Murray-Darling basin. This resulted in significant and sustained inflows generated from across all our catchments across the state, bringing with it flooding for downstream communities and tremendous hardship for thousands of people.

As manager of the state's major supply dams, including the 20 large dams across regional NSW, WaterNSW operations were centred on flood operations for many months. We worked closely with the State Emergency Service and Bureau of Meteorology to mitigate the impacts of floods where possible, while keeping local stakeholders informed and engaged. We also worked in partnership with local councils and other stakeholders through local Airspace Reference Panels to help manage dam levels prior to rainfall events to capture floodwater.

Given the scale of flooding we were unable to prevent all impacts, however the practical steps taken helped to reduce the impact of flooding downstream. Two examples of our actions are discussed below.

Case study:

Lachlan Valley floods

The Lachlan Valley saw major flooding following successive rainfall events.

Over the final six months of 2022, Wyangala Dam received 2,071 gigalitres of inflows - four times the volume it would typically expect in an entire year.

WaterNSW, in partnership with local communities and emergency agencies, worked hard to hold water back and protect communities living with a dam located upstream. In doing so, the downstream flood peaks were reduced, helping to reduce impacts and provide more time for emergency evacuations.

COWRA FLOODS

Case study:

Menindee Lakes full for a year

The Menindee Lakes in the far west of the state received about 10,000 gigalitres of water – six times their capacity and more than five times what they would normally receive in a year.

Consecutive flooding events like these produce significant and compounding impacts, bringing new challenges to the river system, community and dam operators. Throughout these flooding events WaterNSW released large quantities of water from the lakes to manage storage levels and create space to accommodate incoming flows. This careful management helped avoid adding to flooding downstream of the lakes throughout 2022.

Even with these constant water releases, the Menindee Lakes remained full for an entire year. With such little time between flooding events, by December there was no airspace for excess water to be captured or time for the water already in the lakes to be released safely. With the huge amounts of flood waters arriving in December, well in excess of forecasts, parts of the Menindee township were flooded.

WaterNSW has commissioned a review to identify any lessons that can be applied to future flooding events. This will be independently peer-reviewed, and the findings made public.

Menindee Lakes received more than five times the water they would normally receive in a year.

LAKE PAMAMAROO

Asset renewal and replacement

The Asset Renewal and Replacement (ARR) program spends about $60 to $80 million each year on capital renewals works including civil, structural, mechanical, electrical, and control systems construction across NSW. The ARR program focuses on maintaining capability and regulatory compliance of WaterNSW's assets so we can continue to deliver water, when and where it matters.

Despite delays early in the reporting period due to flooding, the ARR program continues to deliver its objective. The program is well positioned to continue successful delivery into the future with established design and construction delivery partners.

Case study:

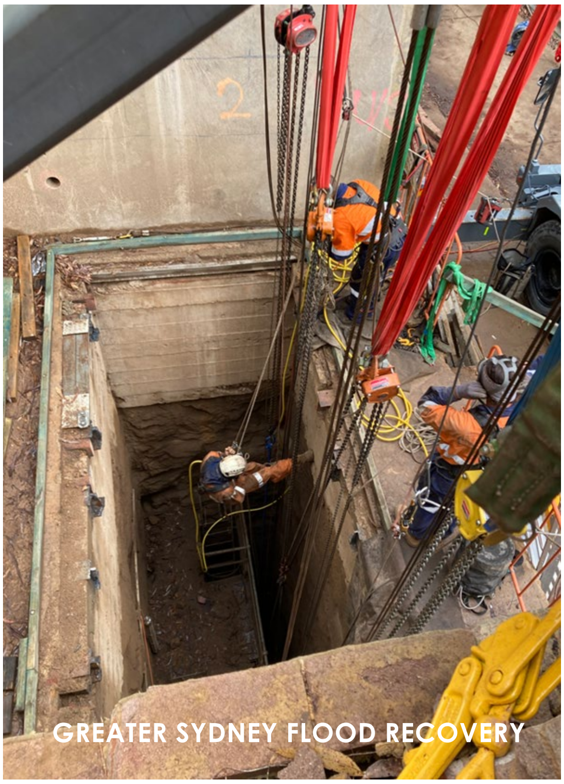
Repairing flood damage

WaterNSW launched the Flood Recovery Program to restore assets to operation and recover costs through insurance to minimise the impact on customers.

The program consists of 39 projects of varying size and complexity, ranging from clearing landslides to refurbishing submerged water pump stations. Through a new operating structure, we streamlined processes to respond promptly to asset damage.

WaterNSW has remediated over 40 percent of sites with 20 percent under construction. The new operating structure has also led to building new relationships with local stakeholders and insurers, with 95 percent of costs recovered.

The Flood Recovery Program demonstrates our commitment to operational excellence as we strive for best practice, improved safety performance and innovative new approaches, while also delivering efficiently and effectively.



GREATER SYDNEY FLOOD RECOVERY

Case study:

Improving pipeline resilience

The Warragamba pipeline has capacity to deliver over 2,600 megalitres each day.

The Warragamba Pipeline Asset Management Plan is a 10-year program of works to improve the availability, reliability and resilience of this important asset.

During 2022-23 the program restored 6,500 metres of embankments, constructed 17,100 metres of new swale drains and 430 metres of concrete access drains under pipes, painted 15 anchor block pipe sections and mechanically repaired six pipe sections, and protected pipe supports located in creeks and waterways.

A more holistic approach to the asset management plan was introduced in the second half of 2022-23. Works are now packaged and staged over the 16-kilometre site, helping our long-term delivery partners optimise crew productivity while minimising operational impacts. This key strategic change is expected to accelerate works delivery, deliver efficiencies, and improve safety and quality outcomes.

Restored 6,500 metres of embankments along Warragamba pipeline corridor.


WARRAGAMBA PIPELINE

Case study:

Strengthening lake embankments

Work recommenced at Lake Cargelligo to stabilise and strengthen embankments.

Lake Cargelligo is a critical storage for the Lachlan Valley. The original embankments at Lake Cargelligo were constructed in 1906 and expanded in 1927.

Following damage to the embankments from flooding in 2016, a project was initiated to stabilise and strengthen the integrity of the structure. Modifications were designed to reduce the future exposure to internal and external erosion of the embankments and overtopping associated with wave erosion of the embankments.

Heavy rains in the Lachlan catchment in mid-2022 delayed the start of construction, with emergency works initiated in late 2022 to ensure the short-term integrity of the embankments. Project works recommenced in April 2023 on a trial embankment and the lake was reduced to 50 percent capacity until September 2023 so construction works could be undertaken safely. Further works to remove vegetation, excess material and water to allow footprint expansion of the structure, bore drilling and trench digging will be done to maintain the integrity of the embankment for a further 100 years.

Through this project WaterNSW is building our relationship with the local community and providing opportunities for involvement, delivering on our strategic priority of working together in partnership with our customers, communities, and agencies working within the water sector along with our suppliers, contractors and employees.


LAKE CARGELLIGO EMBANKMENT WORKS

Stabilising and strengthening works to reduce future internal and wave erosion of the embankments.

Case study:

Extending the life of weir gates

We began a program of essential maintenance work that provides greater value to customers by extending the life of our weir gates by up to 25 years.

It's part of WaterNSW's investment in regular maintenance and upkeep to ensure the reliability of our assets into the future and provide the best outcomes for our customers.

The Northern NSW Coatings Program identifies WaterNSW weir gates and dam spillway gates throughout the north of the state to receive a protective coating. The coating removes the risk of deterioration and improves resilience to environmental factors.

Work was completed to extend the lifespan of the gates at Tareelaroi weir on the Gwydir River east of Moree and at Marebone weir on the Macquarie River northwest of Warren. The protective coating will ensure these weir gates continue to operate reliably, managing the diversion of water into the Mehi River and Marra Creek respectively.

Preparatory work began to apply a protective coating to the Gunidgera Weir gates on the Namoi River west of Wee Waa.

The coatings program is part of our strategic priority of delivering operational excellence to ensure safe, reliable, and affordable water management.

MAINTENANCE EXTENDING THE LIFE OF WEIR GATES

Providing greater value to customers by extending the life of our weir gates by up to 25 years.

Dam safety

WaterNSW has a robust dam safety management system. This system has been designed to effectively manage the risk of dam failure throughout the life of each dam. Dam safety is essential, not only to meet our statutory obligations, but to ensure the safety of our employees and the communities we serve.

Dam safety requirements are achieved through a structured program of surveillance and monitoring. Our professional and technical staff are responsible for all aspects of dam safety including surveillance, investigations, risk analysis, planning and prioritisation, project initiation and oversight, and regulatory compliance and reporting.

Case study:

Focus on rural dam safety

The portfolio risk assessment is a multi-year project to assess the safety of dams in our rural portfolio to ensure they continue to meet regulatory requirements.

This is a significant component of our dam safety management system that will bring together several fields of engineering expertise.

The assessment will capture the experience of our engineers and staff on performance of the dams, particularly during the recent wet weather. It will also review developments in engineering practices to calibrate and validate the basis of engineering assessments. It will also inform changes to dam safety management practices and form the basis of prudent and efficient expenditure on dam safety for future pricing submissions.

KEEPIT DAM

Renewable energy storage program

The renewable energy storage program identifies opportunities to leverage WaterNSW land and assets to support private sector energy generation and storage projects. The program is being delivered in collaboration with the Energy Corporation of NSW (EnergyCo) to ensure it contributes to achieving the NSW Government's objective of a secure and affordable energy market as the state transitions to net zero emissions.

The program plays a key role in our commitment to being a social, environmental and financially responsible organisation as it:

- aligns with our Environmental, Social and Governance Strategy
- provides an opportunity to grow non-regulated revenue, improve our financial stability and keep bills as low as possible for our customers by sharing the financial benefits arising from the program
- maximises the State's investment in WaterNSW.

Case study:

Our Pumped Hydro Renewable Program

WaterNSW signed the first development agreement under its renewables program with ACEN Australia in December 2022.

The agreement for a proposed 810MW pumped hydro energy project in Central West Renewable Energy Zone gives ACEN Australia exclusive access to WaterNSW land adjacent to Lake Burrendong to develop the project and secure all necessary approvals to proceed. If constructed, the project will support a secure and low emissions energy supply for NSW, with the ability to generate electricity to power 400,000 homes for 12 continuous hours. It will also represent a $1.8 billion investment in regional NSW, creating up to 500 full time jobs during construction and about 50 full time ongoing jobs.

The project received a $7 million grant under the NSW Government Pumped Hydro Recoverable Grants Program which will help accelerate development of the project. WaterNSW is considering further opportunities to support pumped hydro energy storage projects.


BURRENDONG DAM

Science program

WaterNSW is required to undertake research on catchments generally, and in particular on the health of declared catchment areas. This research helps us manage and protect water quality in the Greater Sydney drinking water catchment.

Our scientific research priorities are set out in the WaterNSW Science Program 2020-2025. The program has two core research themes of catchment resilience and integrated water management.

Our core research is supported by additional Science Program activities:

- Developing our ability to identify and address emerging risks and business improvement opportunities as they arise.
- Building effective relationships by consulting and communicating with customers and stakeholders, and by collaborative research engagement with other organisations.
- Utilising the Water Quality Programs team's scientific knowledge and skills to support other parts of the WaterNSW business.

Improving our knowledge base is a collaborative process. WaterNSW regularly connects with leading water quality researchers to improve our understanding of water quality risks and inform our management practices. We are members of the Water Services Association of Australia and Water Research Australia, and have active research collaborations with several universities.

Catchment resilience

This Science Program theme seeks to understand how catchment health and water quality work together to ensure a safe drinking water supply and ensure we have the knowledge to best manage and protect the catchments in a changing climate.

The research goals of this priority are to:

- Develop and review WaterNSW specific catchment health indicators to better understand how the catchment is changing due to changes in climate and human activities.
- Identify top risks to catchment health due to changes in climate and human activities.
- Understand impacts of wildfire on water quality and effective fire remediation to protect water quality.
- Understand the impacts of extended drought on catchment health and water quality.
- Understand the impacts of mining on catchment health and water quality.

Case study:

New models improve forecasts

A series of new models are helping WaterNSW scientists better understand climatic influences on water quality.

WaterNSW plays an important role in ensuring water quality for the declared catchment areas. Concern over climate change and its impacts on water resources has prompted our scientists to explore innovative approaches to understanding complex environmental dynamics. One such approach is using cutting-edge techniques such as artificial intelligence, machine learning, and Bayesian models to analyse vast amounts of data efficiently.

Our scientists have developed a series of Bayesian models, using a statistical coding language, to prototype the analysis for Lake Burragorang. This analysis aims to identify deviations in water quality caused by extreme events such as fire and significant rainfall from true long-term water quality patterns.

We found that recent declines on water quality in Lake Burragorang after the 2019 fires and 2020 floods are not necessarily a reflection of long-term water quality trends. For example, turbidity (a measure of particles and colour in the water) shows an underlying improvement over the long term once the influence of fire and rainfall is considered.

The project will be used for future fire planning, forecasting climate scenarios for water supply, improving targeting of catchment interventions to address long-term water quality trends, and supporting compliance with water quality regulatory frameworks. An analysis tool and dashboard will also be developed for all major lakes and waterways in the declared catchment areas.

Advanced modelling identifies recent declines in water quality after fires and floods do not necessarily reflect long-term water quality trends.

WARRAGAMBA DAM BUSHFIRES

Integrated water management

This Science Program theme seeks to understand how environmental and supply change impacts water quality, and how we can improve water quantity without compromising water quality.

The research goals of this priority are to:

- Understand the relationship between lake ecology and water quality and the impact of supply security strategies.
- Develop and improve inputs required for the WaterNSW Water Quality Model to support decision making and reduce uncertainty.
- Improve our understanding of cyanobacteria bloom formation and strain dominance to increase our ability to predict blooms.
- Improve the efficiency of cyanobacteria monitoring.

Case study:

Innovative water monitoring

Innovative water quality monitoring is improving our understanding of source water quality.

Algae are a natural feature of aquatic environments. Most algae are harmless, but some types of cyanobacteria, commonly referred to as blue-green algae, live in water and can produce toxins that can cause health issues for humans and livestock. The only way to tell if algae are harmful is to take a sample and analyse it in a laboratory.

WaterNSW is investigating innovative water quality monitoring options to better understand potential water quality risks from algae in Lake Burragorang, which stores about 80 percent of Sydney's water.

Working with the University of New South Wales, CSIRO, SA Water and Water Research Australia, we are using satellite imagery and unmanned aerial vehicle technology to collect ultra-high spatial resolution imagery of algal occurrences in Lake Burragorang. The UAV imagery also uses hyperspectral cameras to support the identification of cyanobacteria to genus level, which is vital for making more accurate predictions of water quality.

The outcomes of this project will enable WaterNSW to ensure that all possible data sources are leveraged in calibrating the Integrated Water Quality Model. Our improved understanding will also support better decision making in managing water for the Greater Sydney area.

Education

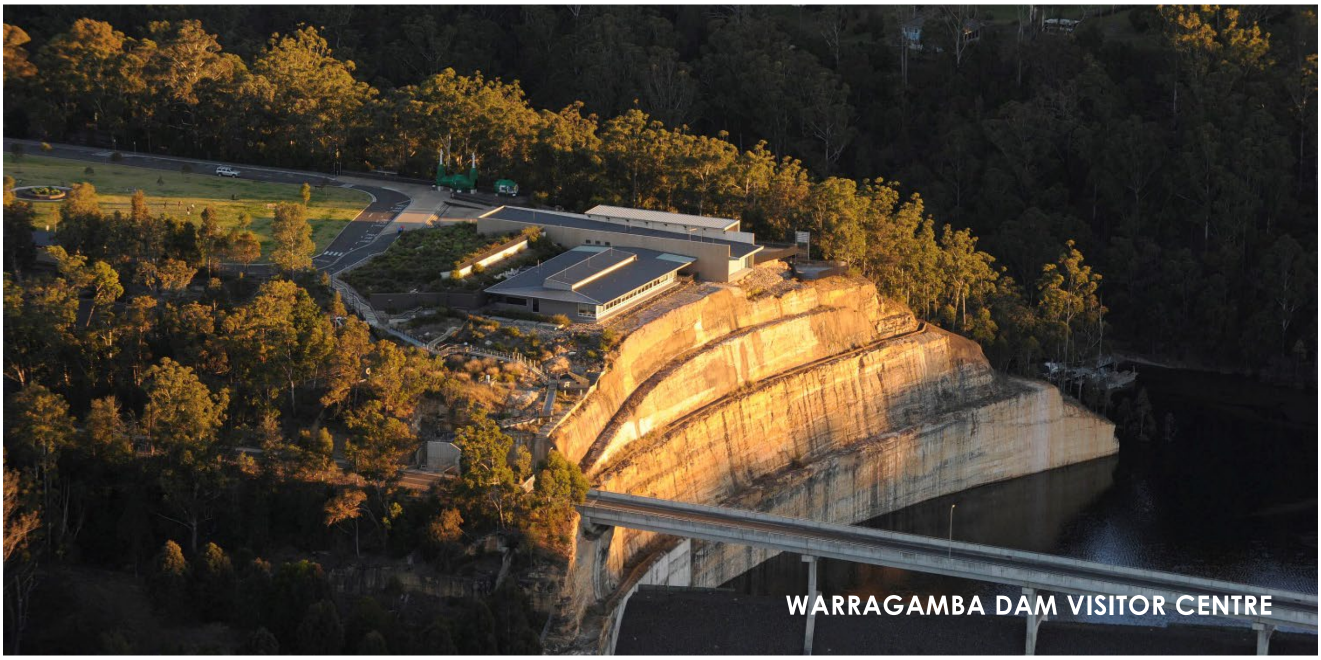
Warragamba Dam Visitor Centre hosted over 72,000 visitors during 2022-23 including 3,500 primary, secondary and tertiary students with their teachers and lecturers. Education groups participated in our hands-on curriculum-linked excursion program with science, geography and engineering based activities and behind the scenes experience of the dam.

An additional 250 upper primary school students and teachers participated in catchment and water quality activities during two environmental education events run in conjunction with Wingecarribee Shire Council in the Greater Sydney drinking water catchment. This is an area managed and protected by WaterNSW to promote water quality, the protection of public health and public safety, and the protection of the environment.

The Visitor Centre's commitment to [inclusion and diversity] is evident in our social story – a visual step-by-step guide of an excursion to Warragamba Dam to support our visiting neurodivergent and anxious students. We offered tailored, accessible programs to support diverse learners in mainstream schools, support units and schools for specific purposes and have seen an increase in the number of diverse learners this year.

We developed a new, bespoke online booking system to streamline the process for groups to book and manage their excursions and communicate more easily with the Visitor Centre. The system allowed staff to reduce time spent on bookings and improved the visitor experience.

Post excursion evaluations revealed that 100 percent of teachers and lecturers who participated in the excursion program either agreed or strongly agreed that following their excursion they and their students had an enhanced understanding of WaterNSW's role, water catchments, catchment management and Warragamba Dam as a structure.



WARRAGAMBA DAM VISITOR CENTRE

Catchment audit

The Sydney Drinking Water Catchment Audit is a periodic and statutorily required (Section 42 of the *Water NSW Act 2014*) assessment of the state of the declared catchment. Catchment health indicators include water quality, water availability, biodiversity and habitats, and land use and human settlements.

The audit – conducted since 1999 - is an assessment of key catchment conditions, rather than a review of WaterNSW's performance. But as the agency charged with protecting the quality and quantity of water drawn from the Greater Sydney catchment, WaterNSW plays a key role in optimising catchment protection.

The 2019-2022 audit found ongoing reduction in risk associated with water quality and availability, biodiversity and habitat, and land use and urban development. However, the audit found that climate-driven events, including severe drought, bushfires and subsequent heavy rainfall events combined with cumulative impacts have a negative influence on overall catchment health.

This is reflected in a lack of improvement in key catchment indicators such as the quantity and quality of water captured in our dams. For example, the major tributary flowing into Warragamba Dam – the source of 80 percent of Sydney's water supply – stopped flowing completely at the end of 2019 for the first time in decades.

The audit notes that since 1999 actions taken by respective government agencies – including WaterNSW – in partnership with industry and the community have reduced many hazards to catchment health. These positive actions included implementing a range of pollution controls, the restoration and rehabilitation of the natural environment, and policy and decision-making backed by sound evidence.

With respect to climate change the audit states that the risks mean "the security of Sydney's drinking water is increasingly threatened" by events such as severe drought, floods, heatwaves, storms and bushfires. The audit report recommends the reduction of greenhouse gases in line with the NSW Government's net zero emissions and adaptation initiatives to minimise the disruption to management and monitoring caused by increasingly extreme weather events.

The audit includes 24 recommendations to the NSW Government aimed at further reducing the risks to catchment health. The auditor nominated WaterNSW as the lead agency to implement 12 of the recommendations. WaterNSW will review the findings and recommendations in the audit report that are relevant to its operations and report back to government.

PEST AND WEED MANAGEMENT

Statement of Corporate Intent

Each year WaterNSW agrees on a Statement of Corporate Intent (SCI) with our shareholders. The SCI outlines the objectives, business strategy and performance targets for key financial and non-financial measures. The SCI is available at waternsw.com.au.

Performance targets and outcomes

Measure	Target	Result
Returns to shareholders[1]	$72.5 million	$66.2 million
Regulated operating expenditure[2]	$219.6 million	$230.7 million
Regulated capital expenditure[2]	$155.7 million	$113.8 million
Capital structure	54.7% net debt to RAB[4]	50.1% net debt to RAB[4]
EBITDA[3]	$171.1 million	$155.2 million
Incident severity rate	Zero class 4 or 5 incidents and no more than one class 3 incident	Zero class 4 or 5 incidents and one class 3 incident
Customer satisfaction	5% improvement on prior year	More than 5% improvement
Water quality	97.5% of water available for supply meets agreed standards	97.8% of water available for supply met agreed standards
Water delivery	Operational losses are no more than 3% of total sales volumes	Operational losses were 1.2% of total sales volumes
Employee engagement	5% improvement on prior year	1 point decrease on prior year
Corporate Strategy	100% of strategic initiatives meet expectations	90% of strategic initiatives met expectations

1. Returns to shareholders is calculated on an accrual basis. This measure includes current income tax, government guarantee fee (GGF), dividend, and return of capital. The GGF is paid to NSW Treasury in accordance with competitive neutrality principles. It is based on the differential between the market rate of borrowings for a private sector business of a similar risk and WaterNSW's cost of debt obtained from TCorp, which borrows using the State's credit rating.
2. Regulated expenditure is expenditure that is included in our price determinations issued by IPART.
3. Earnings before interest, taxation, depreciation and amortisation
4. Regulated asset base

Statement of Corporate Intent (continued)

Financial outcomes were impacted by significant levels of rainfall during the year which resulted in several capital expenditure projects being deferred and partly replaced with flood refurbishment works. Supply issues delayed the replacement of fleet and plant assets. The high level of rainfall also resulted in lower water sales and increased operating expenditure to respond to rainfall events, resulting in lower than targeted EBITDA performance.

The **incident severity rate** measures incidents with potential for severe harm and classifies them on a scale from 1 (negligible/no hurt) to 5 (fatality) based on the actual harm observed. One injury was classified as class 3 (moderate hurt) when an employee was struck by a tilt pole and broke their leg. WaterNSW has implemented several actions to decrease the potential for a similar incident to occur in future.

WaterNSW introduced new **customer satisfaction** measures in March 2023 to better reflect customer needs and WaterNSW's role in the water sector. The new measure is a mix of a quantitative measure on the ease of doing business with WaterNSW, and a qualitative assessment of results from surveys of customers and interviews with key stakeholders. WaterNSW was praised for our people and their work during the floods, and while areas for improvement were identified, sentiment was largely positive.

The **quality of water available for supply** was impacted by severe inflows to storages in July and August 2022 with performance falling to its lowest point of 89.2 percent in July. We worked closely with Sydney Water and NSW Health to reduce impacts on drinking water customers and optimise treatment processes. In addition, water quality improvements in the Fish River Water Supply were the result of improved plant management, responses to major pipe breaks, and better communication through monthly forums with Lithgow Council, Oberon Council and Energy Australia.

Water delivery measures our purpose of water, delivered when and where it matters. Operational losses for the first four months of the year were zero for all valleys due to flood operations. As a result, WaterNSW operational water losses were well below the target of three percent.

Employee engagement was slightly lower than the previous year. See the engagement section for more information.

Corporate Strategy measures delivery of our strategic initiatives. The WAVE initiative was the only one of the 10 initiatives assessed as not meeting expectations as at 30 June 2023 due to the complexity of delivery.

Implementation of price determinations

Regulatory arrangements

In 2022-23 WaterNSW was subject to:

- New South Wales price regulation for monopoly services under the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW).
- Commonwealth price regulation in the Murray Darling Basin (MDB) under the:
    - *Water Act 2007* (Commonwealth)
    - Water Charge Rules (WCR) 2010 made under section 92 of the *Water Act 2007*
    - Australian Competition and Consumer Commission (ACCC) *Pricing principles for price approvals and determinations under the Water Charge (Infrastructure Rules) (WCIR)* of July 2011.

From 1 July 2025 IPART will set WaterNSW's infrastructure charges for the Murray-Darling Basin valleys under state law and will not need an exemption under the WCR to do so.

About every four years, IPART sets the maximum bulk water prices that WaterNSW can charge our customers and Water Administration Ministerial Corporation (WAMC) charges for water planning, management and regulation services. IPART also regulates the prices that Sydney Water, Hunter Water, the Central Coast Council, Essential Water and the Sydney Desalination Plan (SDP) can charge their customers.

At an interval of no longer than five years, IPART recommends the terms and conditions of the operating licences for Sydney Water, Hunter Water and WaterNSW. The licences set the terms and conditions that each utility must adhere to in order to protect customers, ensure service quality and reliable supply, and assess the impact of the utility on the environment. IPART regulates the performance of the businesses by monitoring their compliance against their operating licences each year. IPART's regulatory framework aims to ensure the water businesses' services meet the needs of their customers and the community.

IPART review of water utility regulation

IPART outlined its new framework for regulating NSW water utilities in November 2022 following a two-year consultation process. IPART's 3Cs framework (customers, costs, credibility) outlines how the performance of monopoly water businesses can be improved to lift the performance of the water sector, encourage innovation to deliver greater value to customers, and promote a customer focus in the businesses.

IPART's 3Cs framework includes several new features. These include a broader focus for price reviews so that water utilities promote the 3Cs over the short- and long-term, tailoring IPART's assessments based on how well each business promotes customer expectations and rewarding businesses for delivering customer value while keeping them accountable for meeting their commitments to customers.

IPART will apply its new 3Cs framework for the upcoming round of pricing reviews for WaterNSW bulk water services and WAMC services from 1 July 2025. See the IPART regulatory submission strategy section for how WaterNSW is engaging with our customers and communities to embed their preferences into our price proposal for lodgement with IPART in September 2024.

Price determinations

Price determinations set out the maximum prices and methodologies for calculating the maximum prices WaterNSW can charge its customers for the services described in the relevant determinations. WaterNSW has implemented the outcomes of the decisions and determinations by charging customers the maximum prices as set out in or as calculated by the decisions and determinations.

WaterNSW's budget and financial targets in the annual Statement of Corporate Intent are also set to achieve the outcomes in these decisions and determinations while aiming to deliver greater value to our customers and communities and exceed NSW Treasury's financial targets.

WaterNSW was subject to four price determinations during 2022-23: Greater Sydney, Rural Valleys, Water Administration Ministerial Corporation, and Murray River to Broken Hill Pipeline.

Greater Sydney

Services supplied by WaterNSW in the Greater Sydney area are subject to the IPART *Determination WaterNSW, Maximum prices for Water NSW's Greater Sydney Services from 1 July 2021*. This determination applies until 30 June 2024 or until revoked or replaced.

WaterNSW's role in the Greater Sydney area is to protect 16,000 square kilometres of drinking water catchments and to manage dams, pipelines and other infrastructure that are used to supply customers with quality raw water. WaterNSW supplies raw water to urban water utilities for treatment and then consumption by Sydney, Illawarra, Blue Mountains, Southern Highlands and Shoalhaven communities.

Major customers include Sydney Water, Wingecarribee Shire Council, Shoalhaven City Council and Goulburn-Mulwaree Council. WaterNSW also provides raw and unfiltered water supply to over 60 other smaller customers. Sydney Water accounts for about 99 percent of bulk water sales under the Greater Sydney price determination.

IPART approved a joint request from the Chairs of WaterNSW, Sydney Water and Hunter Water for a one-year extension of the existing price reviews in November 2021. The IPART review of water utility regulation will have significant implications for NSW water utilities in preparing for the next round of price determinations. Extension of the current determination was considered to have significant benefits for all stakeholders in enabling the strategic direction of the reform to be captured in the next round of determinations. New bulk water charges for Greater Sydney will take effect from 1 July 2025.

WaterNSW is preparing a price proposal to IPART for new charges for lodgement with IPART in September 2024. The 2024 pricing proposal will, for the first time, contain information relating to our regulated services in both Greater Sydney and Rural Valleys to present WaterNSW as one business providing bulk water services to customers across NSW.

Rural Valleys

Bulk water services supplied by WaterNSW in rural areas are subject to the IPART *Determination Water NSW, Prices for Bulk Water Services from 1 October 2021, Water Charge Rules 2010 (Cth) / Independent Pricing and Regulatory Tribunal Act 1992 (NSW) Final Determination, September 2021*. This determination applies until 1 July 2025.

WaterNSW provides rural bulk water services to around 6,300 customers including private irrigators and irrigation companies, environmental water holders and local councils. We manage dams, pipelines and other infrastructure to meet community needs by providing water for stock and domestic users and are responsible for delivering environmental flows on regulated rivers. The NSW Government plays a considerable role in funding (in whole or in part) the costs of providing bulk water services to our rural customers.

WaterNSW is preparing a pricing proposal for new rural bulk water charges for lodgement with IPART in September 2024. As noted above, the 2024 pricing proposal will, for the first time, contain information relating to our regulated services in both Greater Sydney and the Rural Valleys to present WaterNSW as one business providing bulk water services to customers across the State.

Water Administration Ministerial Corporation

Services supplied by WaterNSW under our conferred Water Administration Ministerial Corporation (WAMC) functions are subject to the IPART Determination Water Administration *Ministerial Corporation Maximum prices for water management services from 1 October 2021 - Final Determination, September 2021*. WaterNSW shares the WAMC revenue we collect with the Department of Planning and Environment-Water (DPE-Water) and the Natural Resources Access Regulator (NRAR).

WaterNSW is responsible for a subset of the WAMC functions and activities included in the price determination. These functions and activities are set out in Schedule A of the WaterNSW Operating Licence, and mostly relate to water licensing activities for WaterNSW's licensees (customers other than specific customers listed in Schedule A), water monitoring on behalf of DPE-Water, and some metering functions. DPE-Water and NRAR are responsible for the remainder of the WAMC activities.

New WAMC water charges are set to take effect from 1 July 2025. WaterNSW is working closely with DPE-Water and NRAR to prepare a single price proposal for lodgement with IPART in September 2024. A single proposal is designed to promote a streamlined approach to water management across the sector, provide greater clarity to customers of the services they receive, and demonstrate how each agency delivers value to customers and communities.

Murray River to Broken Hill Pipeline

Services supplied by WaterNSW for the Murray River to Broken Hill Pipeline are subject to the maximum prices set under the IPART Determination *Maximum prices for water transportation services supplied by Water NSW for the Murray River to Broken Hill Pipeline Final Determination November 2022 for the period from 1 January 2023 to 30 June 2026*.

The 270-kilometre pipeline is designed to provide raw water to Essential Water to meet the needs of the community of Broken Hill. WaterNSW also owns and operates a bulk water storage facility that can supply Essential Water's need for water for around 22 days while providing emergency supplies. The pipeline also supplies a small number of landholders near Broken Hill.

WaterNSW submitted a price proposal to IPART on 30 June 2021 for new water transportation service charges from 1 July 2022. Our proposal for a five-year determination period with risk mitigation measures, primarily relating to the costs of electricity, supported an efficient allocation of risk and provided WaterNSW with accountability for those factors within our reasonable control.

IPART deferred the final pipeline determination by six months to November 2022, with the Final Determination taking effect from 1 January 2023 until 30 June 2026 (a period of three years and six months). The determination resulted in Essential Water's yearly bills to transport water through the pipeline decreasing by about 21 percent (before inflation) compared to previous bills. Essential Water's bills would then remain mostly stable over the next three years.

The reductions were mainly due to a lower Weighted Average Cost of Capital (WACC) to reflect market data and changes in forecast energy costs of the pipeline at the time of the determination. Prices and bills for Essential Water are currently covered by a subsidy paid by the NSW Government on behalf of NSW taxpayers.


LAKE MENINDEE

Management and accountability

MINISTER JACKSON AT WARRAGAMBA DAM

Board

Governance

Under Section 20L of the *State Owned Corporations Act 1989*, all decisions relating to the operation of WaterNSW are to be made by or under the authority of the board; and the Chief Executive is responsible for the day-to-day management of WaterNSW in accordance with the general policies and specific directions of the board.

The Board has adopted a Charter which builds on the key legislation and instruments set out above. The Charter is reviewed annually to ensure it remains consistent with WaterNSW's objectives and best-practice corporate governance.

The Board has also adopted a Code of Conduct that applies to all directors sets out, among other things, the standards in accordance with which they are expected to act.

NSW Government Commercial Policy Framework

NSW Treasury Policy and Guidelines Paper TPP17-10 *Guidelines for Governing Boards of Government Businesses* is a component of the NSW Government's Commercial Policy Framework. The Commercial Policy Framework is a suite of policies aiming to replicate in commercially focused government businesses the disciplines and incentives that lead private sector businesses toward efficient commercial practices.

The purpose of the Guideline is to outline the Government's expectations for standards of corporate governance that should be adopted by all governing boards of NSW Government businesses, which includes WaterNSW. Boards are required to use 'if not, why not' reporting in the adoption of the recommendations in these Guidelines.

WaterNSW has adopted the standards of corporate governance contained in TPP17-10. Informal arrangements that are consistent with the spirit of the recommendations exist in relation to having a timely disclosure policy.

Performance review

The Board is committed to undertaking annual board performance reviews. Every three years the review is conducted by an external and independent facilitator. An external review was conducted in 2021 and a summary of the recommendations and actions planned to address them was shared with NSW Treasury.

Indemnity and insurance

Schedule 10 of the *State Owned Corporations Act 1989* provides the legislative basis for WaterNSW to indemnify its officers against certain liabilities incurred in their capacity as officers. In line with this and the WaterNSW Constitution, directors have been granted an indemnity with the prior approval of the voting shareholders as required by the NSW Treasury Policy and Guidelines Paper TPP 18-04 *Directors and Officers Indemnity Policy for State Owned Corporations*.

WaterNSW is insured under the NSW Treasury Managed Fund Scheme (NSW TMF).

Directors at 30 June 2023

The Board has eight directors comprising a non-executive Chair, six non-executive directors and one executive director (the Chief Executive Officer).

The non-executive Directors are appointed by the voting shareholders as set out in the *WaterNSW Act 2014* and hold their office for a period of up to five years, which may be renewed by the Shareholders.

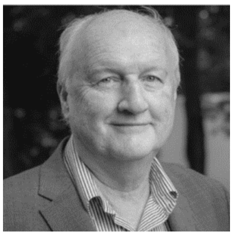
The Directors come from a wide range of backgrounds and bring to the Board an appropriate mix of skills and experience to enable WaterNSW to meet its objectives.

Peter Duncan AM, Chair – Grad Dip Management; Assoc Dip Applied Science

Peter Duncan has over 40 years of experience in government and infrastructure, working at local, state and national levels. He has held various senior public sector roles including local government, Premier and Cabinet, Transport for NSW, Primary Industries and for the Olympic Coordination Authority.

His current appointments include Chair of ARTC, WaterNSW, NSW Local Government Boundaries Commission, non-executive director of the Westpac Rescue Helicopter Service and board member of the Office of Projects Victoria.

Peter is the principal of an advisory business, chairs the Northern Rivers regional advisory committee of the Rescue Helicopter Service and shares his time between work in Sydney and his property at Corndale north of Lismore.



Professor Andrew Wilson – BMed Sci, MBBS (Hons), PhD, FRACP, FAFPHM

Professor Wilson is Co-Director of the University of Sydney Menzies Centre for Health Policy and Professor of Public Health in the School of Public Health. He leads the NHMRC Prevention Partnership Centre and is Chair of the Pharmaceutical Benefits Advisory Committee for the Australian Department of Health. He has specialist qualifications in clinical medicine and public health, and a PhD in epidemiology.

Patricia Forsythe AM, BA Dip Ed FAICD

Patricia has over 30 years of experience in government and public policy including as a past member of the NSW Legislative Council, as Executive Director of the Sydney Business Chamber and recently as Australian High Commissioner to New Zealand. Patricia has served on boards in the government, higher education and not-for-profit sectors and is a Fellow of the Australian Institute of Company Directors.

Bruce Berry – BComm, MBA, GAICD

Bruce Berry has over 31 years of business experience covering construction, property, financial management, infrastructure, and project finance in both Asia and Australia. Bruce was with Lend Lease Corporate for 22 years and with AMP Capital for 8 years. During this period, he held several senior management positions including Fund Manager for a diversified infrastructure fund and was seconded as the CFO for ASX listed DUET.

Mark Barber – MA Fin, Grad Dip Agribusiness/Marketing, Dip FM Management, MAICD

Mark has over 30 years of experience in agribusiness investment management and operations. Mark's agricultural investment and operations experience spans Hassad Australia, Laguna Bay and currently Elders. Mark was the Agribusiness Practice Leader at ACIL Tasman for 10 years working in agriculture and water economics and policy. Mark is also a non-executive director of Agribusiness Australia and Remount. Remount is a not-for-profit organisation providing horsemanship skills for returned and serving service men and women suffering stress related problems. Mark Barber lives in the Southern Tablelands region of NSW.

Kaye Dalton – BSc (Forestry)

Kaye has over 30 years of experience working in the natural resource and water sectors and is a former Non-Executive Director of Murrumbidgee Irrigation Limited. Kaye has designed and managed complex water recovery projects aimed at returning water to the environment and has a background in water policy and water reform. Kaye is Managing Director of The Risorsa Group Pty Ltd, a consulting company specialising in engagement and communication in the water industry. Kaye Dalton lives in the Far South Coast region of NSW.

Victoria Taylor – Grad Cert Water Policy & Gvnce, GAICD

Victoria has over two decades of experience in primary industries policy, governance, and communications. She is a Non-Executive Director of Horticulture Innovation Australia and Rocket Seeder Ltd, a Ministerial appointment to the Rice Marketing Board for the State of New South Wales and Chair of the Centre for Entrepreneurial Agri-Technology at the Australian National University. Ms Taylor is also the Director of Flourish Communication, a business providing strategic policy, engagement and communications support to industry and government clients in agriculture. Victoria Taylor lives in the Australian Capital Territory.

Andrew George – BE (Hons), FIE Aust, CPEng, EngExec, GAICD

Andrew is the CEO and Managing Director of WaterNSW and has held several Executive positions since its inception in 2015, where he was part of the inaugural Executive team and has since been involved in the strategic transformation of the NSW water sector. Andrew has over 13 years of experience in bulk water supply utilities with extensive experience in regulatory and market strategy, government relations, engineering, asset management, and major Infrastructure delivery. Andrew is also a Director of WaterNSW Infrastructure Pty Ltd.

Remuneration

	2021-22	2022-23
Number of board members during the year	9	8
Total remuneration	$0.5 million	$0.5 million

Independent board member remuneration excludes remuneration paid to the Chief Executive Officer, whose remuneration is reported as part of the Executive Leadership Team. Further information on key management personnel compensation is included in Note 32 of the audited financial statements.

Committees

The Board has established the following standing committees.

Committee	Purpose
Asset and Investment	Assists the Board in fulfilling its responsibilities regarding investments in assets and operating programs and noncore business. the Asset Management System and the Dam Safety Management System. Advises the Board on the alignment of our investments with our strategies, including our Environment, Social and Governance Strategy (ESG)) and regulatory obligations (including in relation to asset and dam safety), and oversees WaterNSW investment governance frameworks and the delivery of our investment programs.
Audit and Risk	Assists the Board in fulfilling its responsibilities for audit, risk, assurance, regulatory compliance, financial reporting and Environment, Social and Governance (ESG) obligations with particular focus on governance.
Safety, People and Culture	Assists the Board in fulfilling its people and safety responsibilities. Oversees WaterNSW's strategic development and initiatives with respect to Diversity and Inclusion, Reconciliation Action Plan, and Modern Slavery as part of its Environment, Social and Governance (ESG) strategy.
Sustainability and Service Delivery	Assists the Board in ensuring there are effective systems and strategies in place to deliver our services to customers and communities with a customer centric and sustainability focus. Assists the Board in ensuring effective and accountable systems are in place to protect and monitor the quality and quantity of water in declared catchment areas and across NSW with the aim to protect public health in relation to WaterNSW's supply of bulk and treated drinking water. The Committee also oversees the development and implementation of our ESG strategy and the WaterNSW IPART pricing proposals.
Nominations	Assist the Board in fulfilling its nomination responsibilities.

Meetings

Board meetings are held in accordance with the Board Charter and WaterNSW's Constitution, following an annual schedule of set meeting dates. Additional meetings are called when directors see fit.

The table below reflects meetings attended by directors in their capacity as a member only, however directors are able to attend any meeting as an observer.

	Board	A&I [1]	A&R [2]	SP&C [3]	S&SD [4]	Nom [5]	CTSO [6]	WQH&CP [7]
Peter Duncan [8]	7 (7)	3 (3)	-	-	-	-	-	-
Kaye Dalton [9]	11 (11)	-	-	4 (4)	2 (2)	-	2 (2)	2 (2)
Mark Barber	10 (11)	2 (2)	-	2 (2)	2 (2)	-	2 (2)	-
Bruce Berry	11 (11)	4 (4)	7 (7)	-	-	-	-	2 (2)
Patricia Forsythe [10]	7 (7)	-	3 (3)	2 (2)	-	-	-	-
Emma Stein [11]	4 (4)	0 (1)	2 (3)	-	-	-	1 (2)	-
Victoria Taylor	10 (11)	-	7 (7)	-	2 (2)	-	-	-
Andrew Wilson	10 (11)	-	-	3 (4)	2 (2)	-	-	1 (2)
Andrew George	11 (11)	-	-	-	-	-	-	-

1. Asset and Investment (previously Assets)
2. Audit and Risk
3. Safety, People and Culture (previously Safety, People and Capability)
4. Sustainability and Service Delivery
5. Nominations
6. Customer Transactions and System Operations
7. Water Quality, Health and Catchment Protection
8. On leave of absence from 26 April 2023 to 21 August 2023
9. Appointed Presiding Director from 26 April 2023 to 21 August 2023
10. Appointed 4 November 2022
11. Retired 3 November 2022.

( ) Indicates the number of meetings held during the time a director held office or was appointed a member during the reporting period.

Executive

Remuneration by payment band

	2021-22			2022-23		
	Average TRP Range	Male	Female	Average TRP Range	Male	Female
Band 4 +	$499,251 to $576,700	1	-	$509,251 to $588,250	2	-
Band 3	$354,201 to $499,250	4	2	$361,301 to $509,250	3	2
Band 2	$281,551 to $354,200	2	1	$287,201 to $361,300	-	1
Band 1	$197,400 to $281,550	-	-	$201,350 to $287,200	-	-

Percentage of total remuneration

	2021-22	2022-23
Total executive remuneration	$4.3 million	$3.8 million
Total employee remuneration including executive remuneration	$150.5 million	$163.1 million
Executive remuneration as a percentage of total remuneration	2.9%	2.3%

Further information on key management personnel compensation is included in Note 32 of the audited financial statements.

Employees

Number

On 30 June	2021-22	2022-23
Total employees	944	959
Number of employees - Aboriginal and Torres Strait Islander	7	10

Engagement

The results from the 2023 Employee Engagement Survey show an engagement score of 56 percent, down one percent from 2022 and three percent from 2021. The changes in structure and people implemented as part of our operating model strategic initiative during 2023-23 appear to have been a contributing factor to these results. On a positive note, the participation rate of 76 percent was a strong outcome and 20 percent higher than 2022.

Safety performance remains a positive feature of the survey, with 50 percent of safety-related areas scoring in the top 10 results. Psychological safety, training and an underpinning belief that safety is prioritised and valued is reflected in the scores.

Areas identified as having the potential to improve employee engagement include improved systems and processes to support decision making, innovation, communication and knowledge retention.

Overseas travel

Project manager, Brandon Pearce, attended the 91st International Committee for Large Dams (ICOLD) annual meeting in Gothenburg, Sweden from 11 to 15 June 2023.

Brandon is the National Young Professional (YP) Convenor for the Australian National Committee on Large Dams (ANCOLD) and was invited to represent the Australian YP cohort. WaterNSW is an industry member of ANCOLD and ICOLD.

ANCOLD provided $2,000 of financial assistance towards Brandon's attendance. WaterNSW paid the balance of Brandon's costs associated with attending the conference.

Reward and recognition

Through our Splash recognition program, we proudly value and appreciate the contributions of our people and encourage everyone to show appreciation and recognise each other when they are living our Values and delivering great results. There are four program elements to Splash:

- **The Ripple Effect** builds a culture of appreciation. 256 Values eCards were sent to say 'thank you' and recognise individuals and teams who are living our values.
- **Milestones** celebrates the contribution of employees who reach service milestones. 115 employees were recognised during the year at 27 locations across NSW.
- **Dam Good Awards** recognise our stand-out achievers each quarter. During 2022-23 there were 38 winners (27 individuals and 11 teams) from 135 nominees (105 individuals and 30 teams).
- **Splash Annual Awards** recognise the individuals and teams who have delivered significant and exceptional results each year. In 2022-23 there were eight winners (four individuals and four teams) selected from 30 finalists (19 individuals and 11 teams).

Consultants

A consultant is a person or organisation engaged by WaterNSW under contract on a temporary basis to provide recommendations or high-level specialist or professional advice to assist decision-making by WaterNSW. The table below lists consultant expenses for 2022-23.

Name	Project	$'000
Deloitte Touche Tohmatsu	Safety people and capability technology strategy	284
Hydrology and Risk Consulting Pty Ltd	WaterNSW dams portfolio risk management strategy	255
Stantec GHD Joint Venture	Warragamba Dam wall raising preliminary options	253
Ernst & Young	WAVE Customer Transformation Review	221
Mind the Gap Pty Ltd	Capability framework and targeted development solutions for system operators	213
Gartner Australasia Pty Ltd	Digital transformation strategy	172
Hydrology and Risk Consulting Pty Ltd	Dam safety and investment framework strategy	118
Protecht.ERM Pty Ltd	WaterNSW risk framework	97
Tell Advisory Pty Ltd	Warragamba Dam wall raising program and procurement strategy review	81
Big Frontier	People strategy	50
Various	Two engagements	36
Total excluding GST		**1,780**

Legal change

Changes in Acts and subordinate legislation

Water Management Act 2000

Temporary exemptions from offences - During the floods in late 2022, holders of water supply works which were impacted by floodwaters were able to extract water from alternate works that were not linked to their access licence without falling foul of the offence provisions in s 60D of the *Water Management Act 2000*.

Water Management (General) Regulations 2018

Floodplain harvesting - The licensing of floodplain harvesting was introduced and disallowed by the NSW Parliament in mid-2022. Regulations introducing a framework for replacement floodplain harvesting licences and approvals came into effect in February 2023. The Department of Planning and Environment is carrying out the licensing functions with respect to floodplain harvesting.

Pumped hydro exemptions - The Regulations also introduced exemptions for pumped hydro electricity generation schemes from requiring an access licence to take and circulate water between water storages. This exemption reduces the regulatory burden on the private sector considering pumped hydro projects.

Dewatering for construction in certain areas - The Regulations were amended to allow applications for an aquifer access licence for construction dewatering in specific projects in the Manly and Tweed-Brunswick areas.

Privacy and Personal Information Protection Act 1998 (PPIP Act)

The PPIP Act was amended to include State Owned Corporations, such as WaterNSW, in its scope from 28 November 2023. WaterNSW has voluntarily complied with the Information Protection Principles contained in the PPIP Act for several years and, in doing so, has developed a Privacy Policy and Privacy Management Plan. In anticipation of being formally captured by the PPIP Act, WaterNSW has undertaken a gap analysis process and developed a roadmap to achieve compliance with the legislation.

Significant judicial decisions affecting WaterNSW or users of our services

WaterNSW v Harris

WaterNSW brought one charge against Mr Peter Harris and Mrs Jane Harris (the Defendants) in the NSW Land and Environment Court (LEC) alleging that the Defendants had committed an offence against section 91G(2) of the *Water Management Act 2000* (WM Act). The charge alleged that between 22 June 2016 and 27 June 2016 (the Charge Period), at the property known as Beemery Farm located at Brewarrina, the Defendants took water in contravention of a term or condition of an approval, issued under the WM Act, which they jointly held.

On 19 March 2020, the LEC convicted the Defendants, who then appealed to the NSW Court of Criminal Appeal (CCA). On 9 August 2021, the CCA dismissed the appeals. The Defendants subsequently sought special leave to appeal to the High Court of Australia (HCA). On 9 December 2021, the HCA dismissed the appeals, and the matter was returned to the LEC for sentencing.

On 28 March 2023, Mr Harris was fined $40,000 for his offence and Mrs Harris was fined $20,000 for her offence. The LEC further ordered the Harris's to place advertisements in specified newspapers publicising the sentences and required the Defendants to pay WaterNSW's costs as set out in the judgement.

Risk management and insurance

WaterNSW is committed to embedding and maintaining a positive culture of risk management that enables the ongoing development and innovation of our operations through strategic initiatives while supporting the efficient delivery of essential water supply to our customers. The objective of WaterNSW's Risk Management Framework is to preserve and where possible, create value for the community and our partners. The framework aligns to ISO 31000:2018, the International Risk Management Standard and NSW Treasury Policy TPP20-08 *Internal Audit and Risk Management Policy for the NSW Public Sector*.

Strategic, financial and operational risks events that may impact the achievement of corporate objectives are documented in the Corporate Risk Management Plan and categorised by Business Risk Category. Identified risks are assessed to determine the appropriate treatment and are managed to levels that are tolerable and in line with the Board approved Risk Appetite Statement.

Documented risk events and identified emerging risks are reviewed and assessed on an ongoing basis by Executive Leadership Team members in consultation with subject matter experts, with identified changes reported to the Board Audit and Risk Committee on a quarterly basis.

WaterNSW has a comprehensive insurance program through the Treasury Managed Fund which is managed by icare. Our insurance includes workplace injury, legal liability, loss or damage to assets, travel, and volunteer workers, and Principal Arranged Insurance for major works projects. The insurance program is reviewed annually to effectively limit the potential financial consequences of risks where applicable.

Category	Description
Safety	Potential to cause harm to an employee, contractor or member of the public
Water Delivery	Significant impact related to assets and operations resulting in an inability to operate or deliver water supply
Water Quality	Potential impact on public health, aesthetic water quality or water quality within the declared catchment and non-declared catchment areas
Environment	Significant environmental incident arising from operations and / or other activities that occur within WaterNSW lands / Declared Catchment Area (e.g. Sydney Catchment area).
People	Failure to deliver performance and outcomes through our people
Finance	Insufficient revenue or loss of assets to achieve WaterNSW strategic objectives
Compliance/ Regulation	Liability associated with a dispute or material breach of Legislation, Operating Licence or contractual obligations
Reputation	Sustained criticism of WaterNSW
Customer Transactions	Significant impact on customer arising from inability to undertake water transactions
Technology	Significant Business Information, Communication and Technology (ICT) and/or Operational Technology (OT) system failure
Strategy Development	Strategic objectives are not delivered, and business opportunities are lost

Access to information

Government Information (Public Access) Act 2009

The *Government Information (Public Access) Act 2009* (GIPA Act) aims to facilitate public access to government information. The GIPA Act provides rights to information that are designed to meet community expectations of more open and transparent government. It encourages the routine and proactive release of government information, including information held by providers of goods and services by government agencies.

The GIPA Act requires WaterNSW to make publicly available information about the agency contained in any document tabled in Parliament by, or on, its behalf. WaterNSW is also required to make available a disclosure log containing details of government information already released under the GIPA Act. These documents are available at waternsw.com.au.

Proactive release of information

Section 7 of the GIPA Act requires WaterNSW to review our program for the proactive release of information that may be of interest to the public at least every 12 months.

During 2022-23, WaterNSW conducted regular reviews of the content and currency of information available on its website and welcomed any feedback from staff, customers and members of the general public to make accessing our information easier.

WaterNSW's program for the proactive release of information included reviews of information held by WaterNSW that may be of interest to the public (that is, not already released proactively), GIPA applications (informal and formal) received to see what categories of information are requested, information produced in the last year that may be of interest to the public to release proactively; and the initiatives, developments or projects that WaterNSW would like the public to know about.

WaterNSW proactively released information on its website, free of charge, about our dams, water storage, water delivery, water quality, catchment protection, water data, projects and extreme weather response. WaterNSW focused on delivery of customer service and its commitment to providing our customers with the highest level of services and support as efficiently as possible. WaterNSW was also committed to helping educate our community about our current projects.

WaterNSW also provides customers and communities with information about us and our operations through Twitter, Facebook, Instagram, LinkedIn and YouTube.

Applications received by WaterNSW

During 2022-23 WaterNSW received 30 valid applications under the GIPA Act. Twenty-five applications were determined as shown in the tables below, two were withdrawn by the applicant and three had their processing period extend into 2023-24.

Type of applicant

	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 if information is held	Application withdrawn	Total
Media	3	1	-	-	-	-	-	-	4
Members of Parliament	-	1	-	-	-	-	-	1	2
Private sector business	-	-	-	-	-	-	-	-	-
Not for profit organisations or community groups	2	2	-	-	-	-	-	-	4
Members of the public (application by legal representative)	-	1	-	1	-	-	-	-	2
Members of the public (other)	6	7	1	-	-	-	-	1	15
Total	**11**	**12**	**1**	**1**	**-**	**-**	**-**	**2**	**27**

Type of application

	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 if information is held	Application withdrawn	Total
Personal information applications	-	-	-	-	-	-	-	-	-
Other than personal information)	11	12	1	1	-	-	-	2	27
Part personal information applications & part other	-	-	-	-	-	-	-	-	-
Total	**11**	**12**	**1**	**1**	**-**	**-**	**-**	**2**	**27**

Invalid applications

Reason application is invalid	Number of applications
Application does not comply with formal requirements (section 41)	-
Application is for excluded information of the agency (section 43)	-
Application contravenes restraint order (section 110)	-
Total number of invalid applications received	-
Invalid applications that later become valid applications	-
Total	**0**

Conclusive presumption of overriding public interest against disclosure

Public interest consideration listed in Schedule 1 [1]	Number of times used
Overriding secrecy laws	-
Cabinet information	1
Executive Council information	-
Contempt	-
Legal professional privilege	2
Excluded information	-
Documents affecting law enforcement and public safety	-
Transport safety	-
Adoption	-
Care and protection of children	-
Ministerial code of conduct	-
Aboriginal and environmental heritage	-
Total	**3**

1. More than one public interest consideration can apply to an access application and, if so, each consideration is recorded (but only once per application). This also applies in relation to the following table.

Other public interest considerations against disclosure

Public interest consideration listed in Schedule 14	Number of occasions application not successful [1]
Responsible and effective government	3
Law enforcement and security	-
Individual rights, judicial processes and natural justice	16
Business interests of agencies and other persons	1
Environment, culture, economy and general matters	1
Secrecy provisions	-
Exempt documents under interstate Freedom of Information legislation	-
Total	**21**

1. The above public interest considerations against disclosure includes 10 outcomes from the 2021-22 reporting period with two applications withdrawn.

Timeliness of response

Response time	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	16
Decided after 35 days (by agreement with the applicant)	19
Not decided within time (deemed refusal)	-
Total	**35**

Applications reviewed under Part 5

	Decision varied	Decision upheld	Total
Internal review	-	2	**2**
Review by Information Commissioner[1]	-	-	**-**
Internal review following recommendation (section 93)	-	-	**-**
Review by NCAT	-	-	**-**
Total	**-**	**2**	**2**

1. The Information Commissioner does not have the authority to vary decisions but can make recommendations to the original decision-maker.

Applications transferred to other agencies

	Number of applications
Agency-initiated transfer	**2**
Applicant-initiated transfer	**-**
Total	**2**

Public interest disclosures

WaterNSW is committed to the disclosure of wrongdoing and requires all employees to undertake awareness sessions in fraud and corruption prevention, including the Public Interest Disclosure Scheme. This commitment is further supported through our Public Interest Disclosure Procedure, titled Reporting and Responding to Alleged Wrongdoing and Criminal Conduct, which:

- is published on our Intranet
- establishes an internal reporting system for the purposes of the PID Act which assigns roles and responsibilities in relation to PID reporting
- encourages disclosures
- confirms that WaterNSW will not tolerate any reprisal against an employee who reports or is believed to have reported an incident of wrongdoing.

WaterNSW engages an independent service provider as an avenue for any discloser that does not feel comfortable to report wrongdoing internally or would prefer to have a degree of anonymity around their disclosure. Information on how to make a report to the independent service provider is available at waternsw.com.au.

Public Interest Disclosures	Number
Made by public officials	-
Total public interest disclosures received	**0**

Privacy and Personal Information Protection Act 1998 (PPIP Act)

WaterNSW has voluntarily elected to follow the *NSW Privacy and Personal Information Protection Act 1998* and, where relevant, we comply with the *NSW Health Records and Information Privacy Act 2002*.

WaterNSW is committed to the effective management of personal and health information. The Privacy Statement at waternsw.com.au provides information in relation to WaterNSW's management of such information.

Detailed information about how we manage and protect your personal and health information is included in our Privacy Management Plan. Our Privacy Policy shows we are committed to the effective management of personal and health information.

If you have any questions about the application of this Privacy Statement, or your privacy on this website, or if you have a request to access or correct your personal or health information as held by WaterNSW please contact the WaterNSW Privacy Officer.

From 28 November 2023 the PPIP Act will include State Owned Corporations in its scope, including WaterNSW. In anticipation of being formally captured by the PPIP Act, WaterNSW has undertaken a gap analysis process and developed a roadmap to achieve compliance with the legislation.

Access to Annual Report

This Annual Report is available at waternsw.com.au.

Sustainability

PEEL RIVER SNAGS

Work health and safety

Safety is the highest priority at WaterNSW. Our Work Health and Safety Management System is certified against international standard ISO45001:2018 and verified by independent audit. Safety is one of the key performance indicators in our Statement of Corporate Intent.

At WaterNSW, we have adopted a potential harm-based approach to classifying incidents and injuries in order to sharpen our focus on hazards and behaviours that may result in serious injury rather than low potential harm injuries. Emerging themes continue to drive our focus on WHS risk such as improving driver safety, contractor management and hazard identification.

During 2022-23 WaterNSW focussed on improving usability of our standards and processes through usability mapping, returning our behaviour safety programs (Think Safe4Life and SwitchOn) to face-to-face training, and designing for the future.

WaterNSW has structured its safety teams to focus on execution of its strategic initiatives (Safety Frontier and Public Safety) while maintaining an effective risk-based Safety Management System and partnering with other portfolios to actively manage risk and develop capability. During the year we continued to focus attention on both physical and psychosocial matters ensuring we provide a holistic approach to work health and safety.

Safety frontier

At WaterNSW, safety is who we are, it's how we do things. As we move into the next frontier of safety, we want to exceed the standards we set for ourselves. The Safety Frontier program focuses on uplifting WaterNSW to a generative safety culture by enhancing our safety management system, uplifting capability through training, improving business partnering and developing targeted communication campaigns.

These improvements are aimed at evolving the safety mindset of our people so they:

- switch on to safety and consider their top four reasons to stay safe
- have zero risk appetite for harm to people – safety is for everyone always
- share their experiences in order to learn and improve
- consider safety in everything they do
- report hazards, incidents and near-misses
- have a chronic sense of unease and awareness of hazards in our environment to ensure everyone is safe at all times.

Safety performance

There were no prosecutions or breaches of legislation during the reporting period. However, there were small number of Safework reportable events. Statistics in the table below include WaterNSW employees and contractors.

Name	2021-22	2022-23
Total Recordable Injuries (TRI)	18	13
Total Recordable Injury Frequency Rate (TRIFR)[1]	7.8	6.1
Lost Time Injuries (LTI)	8	5
Lost Time Injury Frequency Rate (LTIFR)[2]	3.4	2.4

1. TRIFR is calculated by dividing TRI by the total hours worked multiplied by one million.
2. LTIFR is calculated by dividing the total number of LTIs by the total hours worked multiplied by one million.

Health and wellbeing

WaterNSW continues to focus on preventative health and wellbeing initiatives including the Healthy Mind and Body hub and Fitness Passport. We encourage vaccination through on-site flu vaccination clinics and reimburse employees if they choose to receive their flu vaccination through a different service.

WaterNSW is committed to ensuring the psychosocial safety of its workforce and complying with new laws outlining stronger obligations for employers to manage employees' psychosocial safety at work. At the end of 2022 we officially launched our seventh safety commitment - *I will always ensure that I am mentally and physically able to perform my role safely.*

During the reporting period we have increased our efforts to reduce and mitigate psychosocial hazards at work. This includes providing mental health support, conducting individualised health and well-being check ins with new employees, and hosting R U OK Day activities and promotions. We are also trialling a new peer support network and ambassadors for our employee assistance program.

Respect@Work

A new positive duty on employers to eliminate workplace sex discrimination and harassment came into effect in December 2022. WaterNSW is committed to ensuring all employees are aware of expectations of behaviour in relation to discrimination and harassment by conducting numerous interactive sessions for both employees and leaders.

Workforce diversity

WaterNSW's Inclusion and diversity program is a strategic initiative that details how we will create a diverse, high performing workplace.

Trends in the representation of workforce diversity groups

Workforce diversity group	Benchmark (%)	2019-20 (%)	2020-21 (%)	2021-22 (%)	2022-23 (%)
Women [1]	50	30.6	30.8	31.1	31.2
Aboriginal people and Torres Straight Islanders [2]	3.3	0.6	1.0	1.1	1.4
People whose first language spoken was not English [3]	23.2	11.3	22.1	22.3	24.9
People with a disability [4]	5.6	1.3	2.2	2.2	1.7
People with a disability requiring work-related adjustment	N/A	0.1	0.5	0.3	0.5

1. The benchmark of 50 percent for representation of women across the sector is intended to reflect the gender composition of the NSW community.
2. The NSW Public Sector AES 2019–25 aims to build on the success of the AES 2014-17 under which the proportion of the workforce identified as aboriginal increased from 2.6 to 3.3 percent overall by 2018 and set an aspirational target of 3 percent (from 1.8 percent) aboriginal employment at each grade of the public sector by 2025.
3. A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language but does provide information about country of birth. The benchmark of 23.2 percent is the percentage of the NSW general population born in a country where English is not the predominant language.
4. The diversity target in the Premier's Priority for a World Class Public Service in 2019 incorporated a diversity target aiming to double the representation of people with disability in the NSW public sector from an estimated 2.8 percent to 5.6 percent by 2025.

Trend in the distribution index for workforce diversity groups

A distribution index score of 100 indicates that the distribution of members of the workforce diversity group across salary bands is equivalent to that of the rest of the workforce.

A score less than 100 means that members of the workforce diversity group tend to be more concentrated at lower salary bands than is the case for other employees. The more pronounced this tendency is, the lower the score will be.

In some cases, the index may be more than 100, indicating that members of the workforce diversity group tend to be more concentrated at higher salary bands than is the case for other employees.

Workforce diversity group	Benchmark (%)	2019-20 (%)	2020-21 (%)	2021-22 (%)	2022-23 (%)
Women	100	99	100	98	99
Aboriginal people and Torres Strait Islanders	100	Distribution index not calculated[1]	Distribution index not calculated[1]	Distribution index not calculated[1]	Distribution index not calculated[1]
People whose first language spoken was not English	100	108	108	108	108
People with a disability	100	Distribution index not calculated[1]	89	91	Distribution index not calculated[1]
People with a disability requiring work-related adjustment	100	Distribution index not calculated[1]	Distribution index not calculated[1]	Distribution index not calculated[1]	Distribution index not calculated[1]

1. Distribution index is not calculated when the number of employees in the workforce diversity group is less than 20 or when the number of other employees is less than 20.

ESG program

WaterNSW has a fundamental role in supporting economic and environmental sustainability through managing the supply of around two-thirds of the water used in NSW. A key way we do this is through our role of managing catchments and water quality.

The Environmental, Social and Governance (ESG) program plan recognises the need to continue our current activities to manage catchments and water quality and identify opportunities to generate additional positive environmental and social outcomes.

Governance

Greater recognition of the importance of sustainability was factored into some of the governance and organisational changes made as part of our revised operating model. Our Board committees were redesigned, with the Sustainability and Service Delivery committee established to ensure that systems and strategies to service customers and communities with a sustainability focus are effective. The committee oversees the ESG program, water delivery and quality, land management, and the Science Program which all contribute to our sustainability objectives.

The new operating model focuses on developing a reporting structure that better demonstrates progress on environmental and social indicators aligned to the program and standards that are being adopted as part of ESG disclosure frameworks. A new team was established with responsibility for delivering the environmental sustainability component of the ESG program such as climate change resilience, net zero emissions and enhanced biodiversity outcomes.

Net zero emissions

WaterNSW has not established a definitive net zero target. Our intent is to meet or exceed the NSW Government's 2050 net zero objective and interim carbon reduction targets of 50 percent by 2030 and 70 percent by 2035 compared to 2005 levels.

We are developing an emissions baseline and profile to inform our roadmap to net zero. This will assist in identifying opportunities to decarbonise our operations. We are also identifying opportunities for carbon sequestration (such as capturing and storing carbon dioxide in trees and soils) and generating renewable energy so that we may become carbon negative (that is, we mitigate more emissions than we emit).

Climate change adaptation

The objective of this pillar of the ESG program is to understand and build resilience to the growing impacts of climate change across WaterNSW's operations and take appropriate actions to minimise impacts on operations, customers and communities.

WaterNSW already performs detailed modelling, including climate change scenario modelling, to inform flood and drought management planning. This helps identify operating and other actions to minimise, where possible, the impacts of rainfall variability.

We are developing a climate change risk and adaptation framework to identify assets vulnerable to climate change. The framework will assist WaterNSW to prioritise climate risk management and adaptation efforts across all our assets and activities.

Land and water management

Catchment management and water management activities focus on managing and protecting water quality, particularly in the declared catchments that are the source of much of Sydney's drinking water. The protection of these areas has broader environmental and social benefits such as the protection and maintenance of native habitats, sites of cultural significance, biodiversity enhancement and better resilience of land and water to the effects of climate change.

WaterNSW has established formal partnerships with councils, landowners and major developers to collaboratively deliver programs of work that support water quality outcomes.

Our Science Program plays a significant role in improving our understanding of the interface between natural systems, water storage and management, and sustainability.

WaterNSW is undertaking a comprehensive assessment of our land holdings to assess management options through an ESG lens, including options for carbon sequestration and biodiversity enhancement.

Waste management and circular economy

WaterNSW applies a life cycle perspective to our activities, including consideration of environmental aspects of all activities we control or can influence.

Waste from project and maintenance activities, including spoil, accounts for the majority of waste by volume. To minimise waste and support circular programs, WaterNSW's environmental approval conditions require materials to be reused where practicable, and construction materials such as metals and timber to be collected and recycled.

WaterNSW has a range of waste management processes to deal with electrical/information technology equipment, paper, used oil and grease, and general office waste. This includes battery collection points and separate collection bins for general waste and recyclable items in offices.

COTTON FARM IN NORTHERN NSW

Modern Slavery Act 2018

WaterNSW prepares a Modern Slavery Statement each year. The statement outlines our actions and systems to mitigate the risk of slavery and human trafficking. We submit our Modern Slavery Statement to the Attorney-General's Department and publish it at waternsw.com.au.

WaterNSW has not identified any instances of modern slavery within our operations or supply chain in 2022-23. We have not received any reports or potential instances of modern slavery from our staff, customers or suppliers. The Anti-Slavery Commissioner has not identified or raised with WaterNSW any significant issues concerning our operations.

Actions taken during 2022-23 to strengthen our approach to mitigate modern slavery risks include:

- Seeking insights from specialists outside WaterNSW to gain assurance that the steps being taken are reasonable when compared to other reporting entities and identify areas of focus.
- Raising staff awareness through training, information sessions, and communications linked to key events such as Anti-Slavery Day.
- Updating the risk assessment of our supply chain and spend profile to focus on high-risk areas.
- Increasing the number of suppliers for which we receive alerts though a third party 'know your supplier' provider which includes a modern slavery risk parameter.
- Regular reporting on the effectiveness of actions as measured against key performance indicators.

Financial performance

Summary financial performance

Financial performance

	2021-22 Actual $million	2022-23 Actual $million	2022-23 Budget $million	2022-23 Variance $million	2023-24 Budget $million
Revenue	411.8	435.4	434.3	1.1	477.6
Operating expenditure	(259.5)	(280.2)	(263.2)	(17.0)	(254.6)
EBITDA[1]	**152.3**	**155.2**	**171.1**	**(15.9)**	**222.9**
Depreciation and amortisation	(89.3)	(95.4)	(91.3)	(4.1)	(103.9)
Interest revenue	0.2	1.2	0.2	1.0	0.4
Interest expense	(57.1)	(61.5)	(64.8)	3.3	(70.6)
Capital work in progress write off	(27.8)	0.0	0.0	0.0	0.0
NPBT[2] excluding asset revaluation	**(21.8)**	**(0.5)**	**15.2**	**(15.7)**	**48.8**
Income	6.6	0.1	(5.5)	5.6	(15.3)
NPAT[3] excluding asset revaluation	**(15.2)**	**(0.4)**	**9.7**	**(10.1)**	**33.5**
Asset revaluation and other gains/(losses)	21.1	3.4	0.0	3.4	0.0
Tax effect of asset revaluation	(6.3)	(1.0)	0.0	(1.0)	0.0
Net profit after tax	**(0.5)**	**2.0**	**9.7**	**(7.7)**	**33.5**
Capital expenditure	**(83.1)**	**(122.2)**	**(164.5)**	**42.3**	**(269.9)**

1. Earnings before interest, taxation, depreciation and amortisation
2. Net profit before tax
3. Net profit after tax

Revenue from water sales was unfavourable, mainly due to the higher availability of water and the unexpected operation of the Sydney Desalination Plant ($6.4 million). However, government contribution revenue for Rural Valleys was favourable due to funding from the Department of Planning and Environment for capital works undertaken by WaterNSW ($7.7 million). In addition, we received $6.6 million of insurance proceeds for capital works and operating expenses arising from weather events.

Operating expenditure was unfavourable as additional expenses were incurred in response to extreme weather events including increased water monitoring and analysis, debris clearing, and remediation on damaged assets ($5.7 million). Weather events also resulted in $5.2 million of assets being written off.

Operating expenditure was also higher than budget as the Cost transformation program only achieved about half of the target savings for the year. The lower than expected savings were in part due to the implementation of our new operating model delaying many initiatives. Higher than expected expenses were also reported for digital projects and land tax. Offsetting these higher than expected operating expenses were savings in salary and wages due to a higher than expected employee vacancy rate.

Capital expenditure - despite flood access issues early in the year the asset renewal and replacement program finished the year strongly, exceeding the $65.2 million budget by $0.5 million. This was mainly due to acceleration of the Lake Cargelligo embankment upgrade, the Warragamba Corridor and Pipeline Tranche 1 works, and replacement of assets damaged by extreme weather events.

Delivery of the remaining capital expenditure program was impacted by various factors including supply chain constraints for fleet and plant replacements, revised scheduling for the WAVE hardware rollout for Internet of Things devices, corporate property renewals, and reassessment of the financial benefits of a potential solar farm at Broken Hill. The Warragamba environmental flows project was also deferred while the decision on whether to proceed on the Warragamba Dam Wall Raising proposal was made.

Insurance proceeds relating to the impact of weather events

As at 30 June 2023, WaterNSW provided $30.8 million for asset replacement and renewal works arising from weather events in 2022-23 and prior years. The cost of these works is expected to be substantially recovered from our insurer icare.

Due to floods in Greater Sydney in March and July 2022, WaterNSW incurred business interruption losses of about $6 million due to increased operation of the Sydney Desalination Plant to assist with managing water quality issues. We also incurred asset repair and replacement costs of $18.5 million in 2022-23 which we expect to recover from icare in 2023-24. In line with NSW Treasury guidance on accounting for insurance recoveries from icare, WaterNSW is not able to account for these insurance recoveries until the insurance proceeds are received from the insurer.

Investment performance

WaterNSW deposits short-term surplus funds into 'at call' accounts with TCorp. The interest rate received on at call deposits vary in line with movements in financial markets.

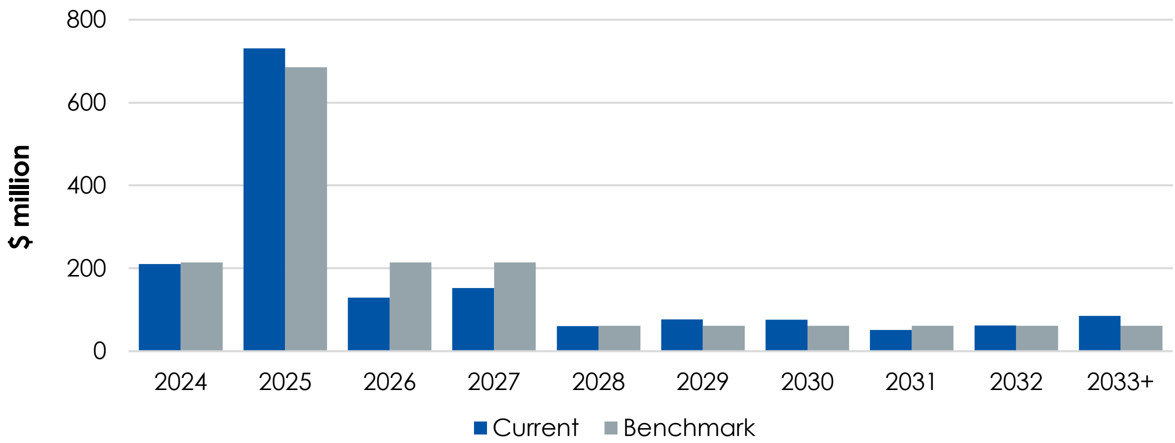
Further information is included in Note 11 of the audited financial statements.

Liability management performance

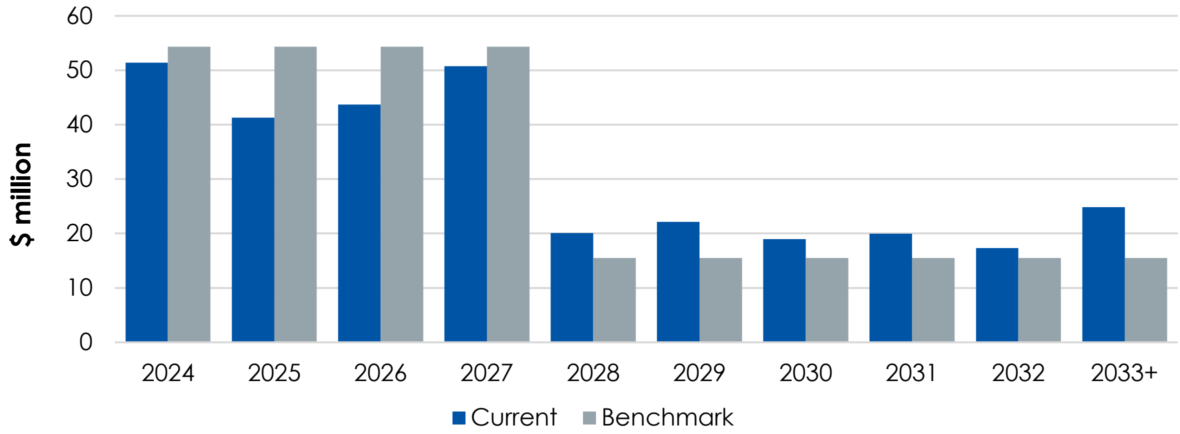
WaterNSW has a financial capital and risk management policy in place which established a debt management benchmark in alignment with the economic regulator's cost of debt methodologies. The policy includes strategies to manage liquidity risk, refinancing risk, interest rate risk, inflation risk and foreign currency risk. Under the policy, an annual implementation plan is prepared which sets debt management limits around the benchmark, and regular reporting is provided to the WaterNSW Board.

The charts below provide details of WaterNSW's liability portfolio performance against the benchmark. Further information on liability management is included in Notes 20 and 25 of the audited financial statements.

Debt maturity profile against 2022-23 benchmark – WaterNSW excluding WaterNSW Infrastructure Pty Ltd



Debt maturity profile against 2022-23 benchmark – WaterNSW Infrastructure Pty Ltd



Events arising after the end of the annual reporting period

Information on after balance date events is included in Note 42 of the audited financial statements.

External costs of production

No external costs were incurred to produce this report.

Land disposal

WaterNSW did not dispose any land with a value greater than $5,000,000 during 2022-23.

Audited financial statements

30 June 2023

Water NSW

ABN 21 147 934 787

General information

Corporate information

Water NSW as a reporting entity (the Consolidated entity), comprises all the entities under its control, namely Water NSW (the Parent entity) and WaterNSW Infrastructure Pty Ltd (the Controlled entity).

1. Water NSW is a statutory State Owned Corporation domiciled in Australia and constituted under the *Water NSW Act 2014*. Water NSW's ultimate Parent is the NSW Government.
2. The principal activities of Water NSW under its Operating Licence are to provide bulk water services, efficiently operate the state's river systems and to protect water catchment areas for its customers in its area of operations in NSW. Water NSW operates under the commercial disciplines of the NSW Government's Commercial Policy Framework and accordingly the Directors have determined that Water NSW is a for-profit entity for financial reporting purposes.
3. WaterNSW Infrastructure Pty Ltd is a wholly owned subsidiary of Water NSW. It was established on 5 November 2018 under the *Corporations Act 2001*. WaterNSW Infrastructure Pty Ltd's ultimate Parent is the NSW Government. WaterNSW Infrastructure Pty Ltd operates under the commercial disciplines of the NSW Government's Commercial Policy Framework and accordingly the Directors have determined that WaterNSW Infrastructure Pty Ltd is a for-profit entity for financial reporting purposes.
4. The principal activity of WaterNSW Infrastructure Pty Ltd is to provide transportation services for the supply of raw water to Essential Water in Broken Hill as the local water provider.

The financial results, financial position and cash flows of the Consolidated entity are consolidated as part of the NSW Total State Sector Accounts.

Water NSW
Statements of comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Revenue					
Revenue from water supply and delivery	2	327,018	312,986	303,526	287,247
Grants and subsidies	3	71,287	67,114	71,287	67,114
Other revenue	4	38,290	31,855	41,698	36,651
Total revenue		436,595	411,955	416,511	391,012
Expenses					
Employee related expenses	5	(139,553)	(132,530)	(139,550)	(132,530)
Depreciation and amortisation	7	(95,440)	(89,327)	(90,275)	(84,239)
Other operating expenses	6	(130,207)	(118,007)	(127,102)	(114,454)
Finance costs	8	(61,465)	(57,122)	(50,401)	(46,695)
Total expenses		(426,665)	(396,986)	(407,328)	(377,918)
Operating profit		9,930	14,969	9,183	13,094
Losses on disposal	9	(10,457)	(36,770)	(10,457)	(36,770)
Gains on revaluation of property, plant and equipment	14	3,394	21,118	3,400	21,118
Profit/(loss) before income tax (expense)/benefit		2,867	(683)	2,126	(2,558)
Income tax (expense)/benefit	10	(899)	228	44	1,810
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Water NSW		1,968	(455)	2,170	(748)
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain on the revaluation of property, plant and equipment, net of tax	14	165,730	83,574	148,910	80,767
Actuarial gain on defined benefit plans, net of tax	27	4,559	23,228	4,559	23,228
Other comprehensive income for the year, net of tax		170,289	106,802	153,469	103,995
Total comprehensive income for the year attributable to the owners of Water NSW		172,257	106,347	155,639	103,247

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

Water NSW
Statements of financial position
As at 30 June 2023

Assets	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Current assets					
Cash and cash equivalents	11	84,668	87,767	84,664	87,684
Trade and other receivables	12	87,721	81,355	84,606	82,434
Income tax refund due	10	-	9,497	-	9,497
Total current assets		172,389	178,619	169,270	179,615
Non-current assets					
Other non-financial assets		735	777	735	777
Other financial assets	13	-	-	79,201	79,201
Property, plant and equipment	14	3,535,776	3,275,428	3,120,967	2,879,376
Right-of-use assets	15	16,618	17,002	16,618	17,002
Intangible assets	16	18,705	20,772	18,013	20,224
Total non-current assets		3,571,834	3,313,979	3,235,534	2,996,580
Total assets		3,744,223	3,492,598	3,404,804	3,176,195
Liabilities					
Current liabilities					
Trade and other payables	19	95,253	94,631	89,295	89,148
Contract liabilities	24	4,053	2,251	4,053	2,251
Borrowings	20	263,463	236,462	241,446	208,422
Provisions	21	114,672	92,195	114,671	92,194
Dividend payable	22	40,000	15,000	40,000	15,000
Other	23	19,404	17,696	19,404	17,696
Total current liabilities		536,845	458,235	508,869	424,711
Non-current liabilities					
Contract liabilities	29	931	933	930	933
Borrowings	25	1,644,186	1,661,790	1,399,555	1,420,957
Deferred tax	10	345,177	271,297	320,449	254,720
Provisions	26	54,288	59,462	54,288	59,462
Other liabilities	28	95,589	105,931	95,588	105,926
Total non-current liabilities		2,140,171	2,099,413	1,870,810	1,841,998
Total liabilities		2,677,016	2,557,648	2,379,679	2,266,709
Net assets		1,067,207	934,950	1,025,125	909,486
Equity					
Contributed equity	30	363,146	363,146	363,146	363,146
Asset revaluation reserve		570,361	405,128	528,567	380,154
Retained profits		133,700	166,676	133,412	166,186
Total equity		1,067,207	934,950	1,025,125	909,486

The above statements of financial position should be read in conjunction with the accompanying notes

Water NSW
Statements of changes in equity
For the year ended 30 June 2023

Consolidated	Contributed equity $'000	Asset revaluation reserve $'000	Retained profits $'000	$'000
Balance at 1 July 2021	388,132	321,954	158,503	868,589
Loss after income tax benefit for the year	-	-	(455)	(455)
Other comprehensive income for the year, net of tax	-	83,574	23,228	106,802
Total comprehensive income for the year	-	83,574	22,773	106,347
Reclassification on disposal of assets	-	(400)	400	-
Transactions with owners in their capacity as owners:				
Transfer of assets to the Department of Planning and Environment (Note 35)	(24,986)	-	-	(24,986)
Dividends declared	-	-	(15,000)	(15,000)
Balance at 30 June 2022	363,146	405,128	166,676	934,950

Consolidated	Contributed equity $'000	Asset revaluation reserve $'000	Retained profits $'000	$'000
Balance at 1 July 2022	363,146	405,128	166,676	934,950
Profit after income tax expense for the year	-	-	1,968	1,968
Other comprehensive income for the year, net of tax	-	165,730	4,559	170,289
Total comprehensive income for the year	-	165,730	6,527	172,257
Reclassification on disposal of assets	-	(497)	497	-
Transactions with owners in their capacity as owners:				
Dividends declared	-	-	(40,000)	(40,000)
Balance at 30 June 2023	363,146	570,361	133,700	1,067,207

The above statements of changes in equity should be read in conjunction with the accompanying notes

Water NSW
Statements of changes in equity
For the year ended 30 June 2023

Parent	Contributed equity $'000	Asset revaluation reserve $'000	Retained profits $'000	$'000
Balance at 1 July 2021	388,132	299,787	158,306	846,225
Loss after income tax benefit for the year	-	-	(748)	(748)
Other comprehensive income for the year, net of tax	-	80,767	23,228	103,995
Total comprehensive income for the year	-	80,767	22,480	103,247
Reclassification on disposal of assets	-	(400)	400	-
Transactions with owners in their capacity as owners:				
Transfer of assets to the Department of Planning and Environment (Note 35)	(24,986)	-	-	(24,986)
Dividends declared	-	-	(15,000)	(15,000)
Balance at 30 June 2022	363,146	380,154	166,186	909,486

Parent	Contributed equity $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2022	363,146	380,154	166,186	909,486
Profit after income tax expense for the year	-	-	2,170	2,170
Other comprehensive income for the year, net of tax	-	148,910	4,559	153,469
Total comprehensive income for the year	-	148,910	6,729	155,639
Reclassification on disposal of assets	-	(497)	497	-
Transactions with owners in their capacity as owners:				
Dividends declared	-	-	(40,000)	(40,000)
Balance at 30 June 2023	363,146	528,567	133,412	1,025,125

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Water NSW
Statements of cash flows
For the year ended 30 June 2023

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Cash flows from operating activities					
Receipts from customers		369,964	347,572	349,644	319,789
Receipts of grants and subsidies		71,357	67,143	71,357	67,143
Payments to suppliers and employees		(274,589)	(243,606)	(270,480)	(238,158)
Restart funding		-	139	-	139
Tax (losses)/liabilities transferred from the Controlled entity		-	-	2	539
Interest received		1,454	201	1,444	200
Interest and other finance costs paid		(51,045)	(48,733)	(43,245)	(41,506)
Income taxes refunded / (paid)		9,497	(1,205)	9,497	(1,205)
Net cash from operating activities	38	126,638	121,511	118,219	106,941
Cash flows from investing activities					
Payments for property, plant and equipment and intangibles		(112,937)	(94,731)	(112,894)	(94,852)
Proceeds from disposal of property, plant and equipment		370	519	370	519
Net cash used in investing activities		(112,567)	(94,212)	(112,524)	(94,333)
Cash flows from financing activities					
Proceeds from borrowings		47,150	14,700	47,150	14,700
Loans received from the Controlled entity		-	-	19,300	25,850
Dividends received from the Controlled entity		-	-	3,400	20,000
Dividends paid		(15,000)	(20,000)	(15,000)	(20,000)
Repayment of borrowings		(47,150)	(14,700)	(47,150)	(14,700)
Repayment of lease liabilities		(2,170)	(2,893)	(2,170)	(2,893)
Repayment of loans to the Controlled entity		-	-	(14,245)	(30,963)
Net cash used in financing activities		(17,170)	(22,893)	(8,715)	(8,006)
Net increase/(decrease) in cash and cash equivalents		(3,099)	4,406	(3,020)	4,602
Cash and cash equivalents at the beginning of the financial year		87,767	83,361	87,684	83,082
Cash and cash equivalents at the end of the financial year	11	84,668	87,767	84,664	87,684

The above statements of cash flows should be read in conjunction with the accompanying notes.

1. Significant accounting policies

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

Principles of consolidation

In the process of preparing the consolidated financial statements for the Consolidated entity, consisting of the Parent and the Controlled entity, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

The Parent entity has reviewed AASB 10 *Consolidated Financial Statements* and considers that the Parent entity maintains control of the Controlled entity under the Standard.

Water NSW consolidated financial statements for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 13 September 2023.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared on a going concern basis in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- applicable International Financial Reporting Standards;
- the requirements of the *Government Sector Finance Act 2018* (GSF Act);
- Treasurer's Directions issued under the GSF Act; and
- the requirements of the *State Owned Corporations Act 1989*.

Reporting period

The financial statements cover the financial performance and cash flows of the Consolidated entity for the reporting period 1 July 2022 to 30 June 2023, and its financial position as at 30 June 2023.

Presentation currency

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000).

Key judgements and estimates

- Notes 1,2,12 and 19 - Estimated revenue and expenses accruals;
- Note 10 - Deferred tax assets and deferred tax liabilities;
- Note 12 - Expected credit losses
- Note 18 - Fair value of property, plant and equipment
- Note 20 – Lease liabilities
- Note 24 – Contract liabilities
- Notes 21 and 27 - Employee benefits and other provisions, including defined benefit superannuation obligations

Effect of climate-related matters

Climate-related matters (physical effects of bushfires, floods and droughts) may affect the financial performance of the Company through impacts on variable water delivery revenue, operating costs (e.g. debris clearing, asset repairs, laboratory analysis and water monitoring, chemical costs and response management), asset impairment and write-offs, and the timing of receipt of related insurance proceeds. Additional capital expenditure may also be necessary to replace damaged assets that are required to be written-off.

The short and long-term effects of climate-related matters may impact the significant accounting estimates of the Company's financial statements, such as recoverable amounts from insurance claims, the expected useful lives of assets and fair value measurements. These estimates are further described in the relevant notes.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Consolidated entity based on known information. Other than as addressed in specific notes, there does not currently appear to be either any significant impact on the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated entity unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

Comparatives information
Where relevant, comparative amounts are restated to conform to the presentation in the current reporting period. This could arise as a result of the requirements of new or revised Australian Accounting Standards and Australian Accounting Interpretations, a voluntary change in accounting policy or a reclassification of items presented. Where a material misstatement occurs, the nature, amount and reason for the reclassification is included in the notes to the financial statements.

The consolidated financial statements include separate financial statements for the Parent entity and the Consolidated entity for the year ended 30 June 2023.

Financial guarantees
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued and initially recognised at fair value plus, in the case of financial guarantees not at fair value through profit or loss, directly attributable transaction costs, where material. After initial recognition, the liability is measured at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised, less accumulated amortisation, where appropriate.

The Consolidated entity has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2023 and as at 30 June 2022. Refer to Note 37 regarding disclosures on contingent liabilities.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Insurance claims

In line with NSW Treasury accounting guidance, when a claim is of a capital nature or for business disruption, the value of the reimbursement is recognised only when the claim is approved and paid by the insurer. When a claim is of an operating nature, the value of the reimbursement is recognised when the claim is approved by the insurer.

Goods and Services Tax (GST)

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the statement of financial position.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows from investing and financing activities that are recoverable from or payable to the ATO are classified as cash flows from operating activities.

Where applicable, commitments are disclosed inclusive of GST (refer to Note 34).

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated entity for the annual reporting period ended 30 June 2023. The impact of these new or amended Accounting Standards and Interpretations is disclosed below.

Standard	Effective date	Summary	Impact on the financial report
AASB 17 Insurance Contracts	Financial year commencing on or after 1 January 2023	AASB 17 replaces AASB 4 Insurance Contracts and applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.	No material impact at this stage
AASB 2020-1 and AASB 2020 - 6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	Financial year commencing on or after 1 January 2023	Amends AASB 101 to require a liability to be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period.	No material impact at this stage
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Financial year commencing on or after 1 January 2023	The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations.	No material impact at this stage
AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates and AASB 2021-6 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	Financial year commencing on or after 1 January 2023	AASB 2021-2 amendments provide a definition of and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies. AASB 2021-6 amends AASB 1049 Whole of Government and General Government Sector Financial Reporting, AASB 1054 Australian Additional Disclosures and AASB 1060 to address disclosure of material accounting policy information rather than significant accounting policies consistent with AASB 2021	No material impact at this stage

2. Revenue from water supply and delivery

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Regulated - Greater Sydney	204,796	197,083	204,796	197,083
Regulated – Rural	71,482	65,749	71,482	65,749
Regulated – Broken Hill Pipeline	23,492	25,739	-	-
Regulated and Unregulated - Other	23,956	21,902	23,956	21,902
Other revenue from water supply	3,292	2,513	3,292	2,513
Revenue from water supply and delivery	327,018	312,986	303,526	287,247

Disaggregation of revenue

The disaggregation of revenue from contracts with customers that relate to water supply and delivery is as follows:

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Major product lines				
Water supply and delivery	327,018	312,986	303,526	287,247
Geographical regions				
NSW	327,018	312,986	303,526	287,247
Timing of revenue recognition				
Services transferred over time	322,704	310,288	299,212	284,549
Services transferred at a point in time	4,314	2,698	4,314	2,698
	327,018	312,986	303,526	287,247

The Consolidated entity's revenue streams from contracts with customers consist of only a single performance obligation and a single transaction price. The transaction price is determined either by the Independent Pricing and Regulatory Tribunal (IPART) for regulated revenues or by agreement with the customer. Regulated revenue and other revenue from water supply is represented by the following main categories:

Fixed availability charges
Fixed availability charges are fixed charges to customers to cover the costs of providing water supply services. These charges are regulated and approved by IPART. The Consolidated entity transfers control over the availability of the services and recognises revenue evenly over time as customers continue to receive their service connection.

Volumetric charges
Volumetric charges reflect revenue derived from the consumption of water and water services. These charges are regulated and approved by IPART. The Consolidated entity transfers control over the services to customers who then simultaneously consume theses services, with the transfer and consumption considered to occur over time.

The Consolidated entity recognises revenue based on a right to invoice as this corresponds with the value customers have received to date from their consumption of services. Consumption is measured through the reading of the Consolidated entity's installed meters.

Regulated river water charges
Regulated river water charges reflect revenue derived from the consumption of water and water services such as High Security, General Security and Usage Charges in each of the valleys.

Charges in the Murray Darling Basin (MDB) valleys (Border, Gwydir, Namoi, Peel, Macquarie, Lachlan and Belubula, Murrumbidgee, Lowbidgee, Murray and Lower Darling, and certain customers in the Fish River Supply Scheme) are regulated by IPART under accreditation arrangements in Part 9 of the Water Charge Rules (2010) Cth (WCR). The Australian Competition and Consumer Commission approved IPART's accreditation under rule 63 of the WCR, with effect from 1 June 2016.

Charges in the Coastal valleys (North Coast, Hunter and Paterson, and South Coast), and certain customers in the Fish River Supply Scheme are regulated by IPART under the *Independent Pricing and Regulatory Tribunal Act 1992*.

The Consolidated entity transfers control over the services to customers who then simultaneously consume theses services, with the transfer and consumption considered to occur over time. The Consolidated entity recognises revenue based on a right to invoice as this corresponds with the value customers have received to date from their consumption of services. Consumption is measured through the reading of the Consolidated entity's installed meters.

Unregulated river water charges
Unregulated river water charges represent 1 and 2 part tariffs for the entitlement charge and usage charge in each of the rural valleys. The Consolidated entity transfers control over the services to customers who then simultaneously consume these services, with the transfer and consumption considered to occur over time.

Other revenue from water supply
Revenue from consent charges, solicitors' enquiries and drillers licences is received at a point in time, as payments are due when these services are provided.

Recognition and measurement

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Consolidated entity:

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- allocates the transaction price to the separate performance obligations on the basis of the relative standalone selling price of each distinct good or service to be delivered; and
- recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. For completed contracts that have variable consideration, AASB *15 Revenue from Contracts with Customers* para c5(b) allows entities to use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative periods.

Water supply revenue
The Consolidated entity provides water services to its customers under the conditions of their licences. Revenue from rendering of these services comprises both fixed and variable charges. The fixed component is charged according to each licence entitlement, whereas the variable component is charged according to actual consumption and use by the licence holder. The variable usage charges are recognised when the services are provided. The fixed charges are recognised on a periodic basis in accordance with the respective IPART Price Determinations.

IPART can set regulated charges for customers which are less than full cost recovery based on a range of considerations, such as the impact of prices on customers, regulatory policy and community considerations. The Operating Subsidy represents IPART's estimate of the under-recovery of costs in the North Coast and South Coast valleys that would need to be borne by either the Parent or NSW Government (e.g. CSO or Community Service Obligation Payment), where the revenue generated by IPART charges (i.e. the customer's share of total efficient costs) is less than the revenue that is required to achieve full cost recovery.

3. Grants and subsidies

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
NSW Government contributions to operations	38,002	33,684	38,002	33,684
NSW Government subsidies	13,184	11,497	13,184	11,497
Other Government grants	20,101	21,933	20,101	21,933
	71,287	67,114	71,287	67,114

Recognition and measurement
The Consolidated entity receives NSW Government contributions from the NSW Department of Planning and Environment to fund part of its operations. The cost of providing rural bulk water services is shared between the NSW Government and customers under the IPART 2022-25 Rural Valley Bulk Water Price Determination. The Government Share of Revenue reflects IPART's view of the total efficient costs which should be recovered from the NSW Government on behalf of other parties and the broader community. The Government Share of Revenue is determined using IPART's cost sharing framework which allocates total efficient costs between the NSW Government and customers. Under this framework, IPART applies the 'impactor pays' principle in identifying the percentage of cost which should be paid for by the NSW Government and customers for each activity undertaken by the Consolidated entity to provide rural bulk water services.

Government grants and subsidies revenue
The Consolidated entity receives Government funding for agreed activities and for past and future capital investment.

Government grants and contributions are recognised and measured in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

Operating grants and contributions that are receivable for expenses incurred or revenue foregone are recognised as revenue in profit or loss on a systematic basis over the periods for which the grant or contribution is to apply.

Income for government funded projects is recognised once all attached conditions of the funding agreement have been satisfied. Funds received in advance or in excess of funding agreements are held as a liability.

For funding received relating to the construction of capital assets, the total grant amount received is treated as deferred revenue on receipt. Upon completion of the asset, the deferred revenue is then recognised in profit or loss on a systematic basis over the useful life of the asset.

During 2022, the Parent received $7.3 million from the NSW Department of Planning and Environment to reimburse costs incurred in progressing the final business cases, and pre-construction and early works, for the Wyangala, Dungowan and Mole River Dam projects.

4. Other revenue

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Murray-Darling Basin Authority (MDBA) and other utilities	13,828	14,544	13,828	14,544
Operating leases	2,777	2,477	2,777	2,477
Interest	1,166	79	1,156	78
Ancillary services	4,437	3,896	4,437	3,896
Other minor revenue	1,912	1,102	1,886	1,089
External engagements	7,604	5,721	7,604	5,721
Intra-group revenue – pipeline services	-	-	1,044	1,410
Insurance recoveries	6,566	4,036	6,566	4,036
Dividend from the Controlled entity	-	-	2,400	3,400
	38,290	31,855	41,698	36,651

Disaggregation of revenue
The disaggregation of revenue by geographic regions is presented in the table below:

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
NSW	38,290	31,855	41,698	36,651

	Consolidated 2023	Consolidated 2022	Parent 2023	Parent 2022
Services transferred over time	26,816	24,209	27,859	25,606
Services transferred at a point in time	677	453	652	453
Revenue out of scope of AASB 15	10,797	7,193	13,187	10,592
Total other revenue	38,290	31,855	41,698	36,651

Recognition and measurement

Murray-Darling Basin Authority (MDBA) and other utilities
Water NSW operates and maintains the NSW section of the Murray River system through carrying out a variety of operating and capital works. Revenue from these works are recognised on an accrual basis.

Interest revenue
Interest revenue is recognised on an accrual basis using the effective interest method.

Operating leases
Income from leased properties is recognised on a straight line basis over the term of the lease. Incentives granted over leased properties are recognised as an integral part of the total rent income.

***Rendering* of other services**
Service revenue is recognised on an accrual basis and in accordance with the substance of the agreement covering such transactions.

***Insurance* recoveries**
Proceeds from claims of an operating nature are recognised when the insurer accepts the claim. Proceeds from claims of a capital nature or for business disruption claims are recognised when received.

Insurance recoveries include $6.5 million (2022: $3.3 million) of proceeds claimed pursuant to extreme weather events in recent years (2020 bushfires, 2020 floods and subsequent floods).

5. Employee related expenses

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Employee related expenses (excluding post employee benefits)	147,660	135,617	147,657	135,617
Capitalisation of employee related expenses	(23,574)	(18,009)	(23,574)	(18,009)
Superannuation - Defined benefit plans	3,363	3,719	3,363	3,719
Superannuation - Defined contribution plans	12,104	11,203	12,104	11,203
	139,553	132,530	139,550	132,530

6. Other operating expenses

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Contractors	38,576	30,570	38,488	30,501
Electricity and other energy	2,774	2,398	2,774	2,398
Data management	24,973	26,621	24,973	26,621
License fees	2,122	2,749	2,121	2,749
Materials, plant and equipment	5,887	4,739	5,886	4,737
Property	6,793	5,758	6,793	5,461
Transport and travel	6,104	3,983	6,097	3,981
Insurance premiums	6,201	4,966	6,057	4,835
Other expenses from ordinary activities	12,386	10,654	12,354	10,623
Credit losses	22	136	22	136
Construction/installation for third parties	3,178	3,449	3,178	3,449
Operation and maintenance contract Broken Hill Pipeline	2,801	3,000	-	-
Short term and low value leases	503	827	472	806
Consultants	1,088	2,261	1,088	2,261
Water monitoring	7,742	6,792	7,742	6,792
Land management	9,057	9,104	9,057	9,104
	130,207	118,007	127,102	114,454

Total other operating expenses (predominantly contractors) include $7.2 million (2022: $0.8 million) of costs incurred or provided for pursuant to extreme weather events in recent years (2020 bushfires, 2020 floods and subsequent floods).

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Reconciliation of total maintenance expenses				
Employee-related maintenance expenses	15,243	13,111	15,243	13,111
Contracted labour and other (non-employee related) expenses	24,316	16,795	22,605	15,163
Total maintenance expenses	39,559	29,906	37,848	28,274

NSW Treasury Policy TPP06-6 *Capitalisation of Expenditure on Property, Plant and Equipment* requires the total maintenance expense to be dissected into employee related maintenance and other maintenance.

7. Depreciation and amortisation

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Depreciation	87,693	82,084	82,552	76,996
Amortisation	5,582	4,467	5,558	4,467
Depreciation - right of use assets	2,165	2,776	2,165	2,776
	95,440	89,327	90,275	84,239

Recognition and measurement

Depreciation of property, plant and equipment and amortisation of intangible assets
Depreciation and amortisation are provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the entity.

All material identifiable components of assets are separately depreciated over their respective useful lives. The useful lives of assets by class are set out in the following table for 2023 and 2022:

Asset class	Useful life
Infrastructure systems	5 to 150 years
Buildings	1 to 100 years
Plant and equipment	2 to 50 years
Vehicles	5 to 20 years
Furniture and fittings	3 to 20 years
Information systems	2 to 10 years
Water meters	4 to 20 years
Computer software/easements	3 to 25 years
Right-of-use assets	1 to 20 years

Physical, economic and environmental factors are taken into consideration in assessing the useful lives of the assets, including but not limited to asset condition and obsolescence, technology changes, commercial contract lives and renewals, and climate change.

8. Finance costs

	Consolidated		Parent	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Interest expense on loans	25,781	23,512	21,622	19,907
Government Guarantee Fee	26,160	24,797	22,155	21,059
Other borrowing costs	1,028	490	1,028	490
Unwinding of discounts on provision	13	9	13	9
Borrowing costs capitalised	(1,536)	(1,551)	(1,536)	(1,551)
Amortisation of deferred discounts on loans	9,198	9,101	6,298	6,017
Interest expense on leases	821	764	821	764
	61,465	57,122	50,401	46,695

Recognition and measurement

Interest and other borrowing costs, such as the Government Guarantee Fee payable in respect of the Consolidated entity borrowings, are expensed as incurred within finance expenses in profit or loss unless they relate to qualifying assets, in which case they are capitalised as part of the cost of those assets.

Where funds are borrowed specifically to acquire or construct the qualifying asset, then the borrowing costs capitalised are the actual costs incurred on the borrowings, net of any investment income earned from temporarily investing surplus funds.

Where funds come from general borrowings, then a capitalisation rate is applied to project expenditure.

The Consolidated entity applies a capitalisation rate methodology (including Government Guarantee Fee) as the financing activity of the Consolidated entity is co-ordinated centrally. The capitalisation rate is the weighted average of the borrowing costs applicable to the Consolidated entity's general outstanding borrowings for that period.

Borrowing costs capitalised in an accounting period will be determined based on the average project spend (net of any third party capital contribution).

Where construction of an asset is partially funded by way of customer contribution or government grant, the average expenditure on the qualifying asset which is eligible for application of the capitalisation rate will be cumulative expenditure net of actual customer contributions or government grants received.

Qualifying assets are assets that take 12 months or more to be ready for their intended use with the project value in excess of $1 million (net of government grant or customer capital contribution).

9. Gains/(losses) on disposal

	Consolidated		Parent	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Proceeds from sale of assets	370	519	370	519
Written down value of property, plant and equipment	(10,827)	(9,467)	(10,827)	(9,467)
Capital Work In Progress write-off	-	(27,822)	-	(27,822)
Net gain/(loss) on disposal	(10,457)	(36,770)	(10,457)	(36,770)

Recognition and measurement

Gains or losses on disposals are determined by comparing proceeds with the asset's carrying amount. The net gain or loss on the disposal of assets is included in profit or loss. Where an asset that has been previously revalued is disposed, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to retained earnings.

In the prior year, the Consolidated entity wrote-off capital work in progress costs incurred in investigating a number of projects in response to the recent droughts as these projects are no longer considered probable.

The net loss on disposal includes $5.2 million (2022: $5.1 million) of assets written off pursuant to extreme weather events in recent years (2020 bushfires, 2020 floods and subsequent floods).

10. Income tax

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Income tax expense/(benefit)				
Current tax	(754)	(6,636)	(756)	(7,176)
Adjustment for current tax recognised for prior periods	(1,581)	279	(1,581)	280
Current Year Tax Losses Recognised as Deferred Tax	2,316	1,771	2,316	1,771
Deferred tax - origination and reversal of temporary differences	918	4,358	(23)	3,315
Aggregate income tax expense/(benefit)	899	(228)	(44)	(1,810)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate				
Profit/(loss) before income tax (expense)/benefit	2,867	(683)	2,126	(2,558)
Tax at the statutory tax rate of 30%	860	(205)	638	(767)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-deductible expenses	27	33	27	33
Other differences	(14)	6	(14)	6
Intercompany dividend	-	-	(720)	(1,020)
	873	(166)	(69)	(1,748)
Prior year temporary differences not recognised now recognised	26	(62)	25	(62)
Income tax expense/(benefit)	899	(228)	(44)	(1,810)

Consolidated - 30 June 2023	Opening balance $'000	Recognised in income $'000	Recognised in equity / retained earnings $'000	Closing balance $'000
Deferred tax balance				
Property, plant and equipment	(334,091)	(1,356)	(71,028)	(406,475)
Other creditors	95	7	-	102
Employee benefits	14,253	203	-	14,456
Leased premises	762	(2)	-	760
Defined benefit superannuation	16,530	372	(1,953)	14,949
Allowance for impairment of receivables	179	1	-	180
Deferred Government grants	27,173	(2,665)	-	24,508
Other provisions and accruals	2,031	225	-	2,256
Income Tax losses	1,771	2,316	-	4,087
	(271,297)	(899)	(72,981)	(345,177)

Consolidated – 30 June 2022	Opening balance	Recognised in income $'000	Recognised in equity / retained earnings $'000	Closing balance $'000
Deferred tax balance				
Property, plant and equipment	(294,036)	(4,238)	(35,817)	(334,091)
Other creditors	19	76	-	95
Employee benefits	15,776	(1,523)	-	14,253
Leased premises	587	175	-	762
Defined benefit superannuation	26,005	481	(9,956)	16,530
Allowance for impairment of receivables	164	15	-	179
Deferred Government grants	28,035	(862)	-	27,173
Other provisions and accruals	2,284	(253)	-	2,031
Income Tax Losses	-	1,771	-	1,771
	(221,166)	(4,358)	(45,773)	(271,297)

Parent - 30 June 2023	Opening balance $'000	Recognised in income $'000	Recognised in equity / retained earnings $'000	Closing balance $'000
Deferred tax balance				
Property, plant and equipment	(317,507)	(415)	(63,820)	(381,742)
Other creditors	95	7	-	102
Employee benefits	14,253	203	-	14,456
Leased premises	762	(2)	-	760
Defined benefit superannuation	16,530	372	(1,953)	14,949
Allowance for impairment of receivables	179	1	-	180
Deferred Government grants	27,174	(2,665)	-	24,509
Other provisions and accruals	2,023	227	-	2,250
Income Tax losses	1,771	2,316	-	4,087
	(254,720)	44	(65,773)	(320,449)

Parent – 30 June 2022	Opening balance $'000	Recognised in income $'000	Recognised in equity / retained earnings $'000	Closing balance $'000
Deferred tax balance				
Property, plant and equipment	(279,696)	(3,197)	(34,614)	(317,507)
Other creditors	19	76	-	95
Employee benefits	15,776	(1,523)	-	14,253
Leased premises	587	175	-	762
Defined benefit superannuation	26,005	481	(9,956)	16,530
Allowance for impairment of receivables	164	15	-	179
Deferred Government grants	28,035	(861)	-	27,174
Other provisions and accruals	2,275	(252)	-	2,023
Income Tax Losses	-	1,771	-	1,771
	(206,835)	(3,315)	(44,570)	(254,720)

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Income tax refund due				
Income tax refund due	-	9,497	-	9,497

Recognition and measurement

Income tax
The Parent and Controlled entity are subject to the National Tax Equivalent Regime (NTER) which is based on the *Income Tax Assessment Act 1936 and 1997 (as amended)*. Income tax equivalents are payable to Revenue NSW. Income tax on profit or loss comprises current and deferred tax respectively. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised and are expected to apply when the related deferred income tax asset/liability is realised/settled.

Tax consolidation
The Consolidated entity formed a tax consolidated group with effect from 5 November 2018, when WaterNSW Infrastructure Pty Ltd was established. The Parent entity and Controlled entity continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

Assets or liabilities arising under the tax funding and tax sharing agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Under the terms of this agreement, the Controlled entity will reimburse the Parent entity for any current income tax payable by the Controlled entity arising in respect of its activities.

In the opinion of the Directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the Controlled entity in case of a default by Parent entity.

11. Current assets - cash and cash equivalents

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Cash at bank	24,459	19,005	24,455	18,922
NSW Treasury Corporation 11am at Call Facility	60,209	68,762	60,209	68,762
	84,668	87,767	84,664	87,684

The above balance reconciles to cash and cash equivalents in the statements of cash flows.

Recognition and measurement

Cash and cash equivalents includes cash on hand, deposits at call and other short-term, highly liquid investments with a maturity period of three months or less which are readily convertible to known amounts of cash and which are subject to insignificant risk associated with changes in value.

12. Current assets - trade and other receivables

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Trade receivables	22,251	22,077	18,592	21,906
Allowance for expected credit losses	(468)	(390)	(468)	(390)
	21,783	21,687	18,124	21,516
Accrued revenue from unbilled charges	58,618	51,568	56,792	49,448
Other receivables	4,260	3,761	4,231	3,732
Prepayments	3,192	4,545	3,191	4,544
Less: Allowance for expected credit losses	(132)	(206)	(132)	(206)
	65,938	59,668	64,082	57,518
Other receivables from the Controlled entity	-	-	2,400	3,400
	87,721	81,355	84,606	82,434

Allowance for expected credit losses

The ageing of trade receivables for expected credit losses provided for above are as follows:

Consolidated	Carrying amount 2023 $'000	Carrying amount 2022 $'000	Allowance for expected credit losses 2023 $'000	Allowance for expected credit losses 2022 $'000
Not overdue	466	2,864	32	196
31-60 days overdue	2,182	-	146	-
61-90 days overdue	97	7	11	1
More than 90 days overdue	4,485	1,900	309	175
Sundry debtors	626	1,769	5	18
Government clients	47,204	53,090	-	-
Other debtors (accruals)	19,530	13,568	97	206
Prepayments	3,192	4,545	-	-
Other receivables not in scope of AASB 9	10,539	4,208	-	-
	88,321	81,951	600	596

Parent	Carrying amount 2023 $'000	Carrying amount 2022 $'000	Allowance for expected credit losses 2023 $'000	Allowance for expected credit losses 2022 $'000
Not overdue	466	2,864	32	196
31-60 days overdue	2,182	-	146	-
61-90 days overdue	97	7	11	1
Over 90 days overdue	4,485	1,900	309	175
Sundry Debtors	626	1,769	5	18
Government clients	41,766	50,772	-	-
Other debtors (accruals)	19,530	13,568	97	206
Prepayments	3,191	4,544	-	-
Other receivables not in scope of AASB 9	12,906	7,607	-	-
	85,6206	83,030	600	596

The ageing of trade receivables past due but not impaired is presented in the table below.

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
31-60 days overdue	551	3,755	551	3,755
61-90 days overdue	9	-	9	-
>90 day overdue	487	175	487	175
	1,047	3,930	1,047	3,930

Movements in the allowance for expected credit losses are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Opening balance	596	546	596	546
Additional provisions recognised	23	135	23	135
Amount used	(19)	(85)	(19)	(85)
Closing balance	600	596	600	596

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 40.

Recognition and measurement

Trade and other receivables represent amounts that are receivable by the Consolidated entity for providing services to customers prior to the end of the reporting period and that are yet to be collected.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are initially recognised at fair value and subsequently measured at amortised cost, less any allowance for expected credit losses.

Accrued unbilled usage charges comprises estimates for accrued revenue for water usage, where meters have not been read as at the reporting date. These charges are billed to customers with actual consumption once meters are read. The Consolidated entity estimates the accrual based on consumption data and other inputs.

COVID-19 impact
No significant impact of the COVID-19 pandemic on the expected credit losses provision has been identified. NSW Government customers are not expected to default or have a reduced ability to meet their obligations in the next 12 months.

Only water (non-government) customers balances have been assessed for expected credit losses, which have been estimated based on a forward-looking economic assessment derived from the Reserve Bank of Australia economic outlook and NSW Treasury economic outlook.

13. Non-current assets - other financial assets

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Investment in WaterNSW Infrastructure Pty Ltd	-	-	79,201	79,201

Reconciliation

Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Opening carrying amount	-	-	79,201	79,201
Closing carrying amount	-	-	79,201	79,201

Recognition and measurement

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset its carrying value is written off.

A subsidiary is an entity over which the Consolidated entity has control. The Consolidated entity controls an entity when the Consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are stated in the financial statements of the Consolidated entity at cost less accumulated impairment losses.

Impairment of financial assets

The Consolidated entity recognises a loss allowance for expected credit losses on its financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

14. Non-current assets - property, plant and equipment

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Market Land	59,612	43,887	59,612	43,887
System Land (incl. Land under Leases)	313,073	226,670	313,064	226,647
	372,685	270,557	372,676	270,534
Plant and equipment - at cost	21,056	20,337	21,056	20,337
Less: Accumulated depreciation	(16,565)	(15,716)	(16,565)	(15,716)
	4,491	4,621	4,491	4,621
Furniture and fit-out - at cost	16,457	15,107	16,457	15,107
Less: Accumulated depreciation	(10,004)	(8,748)	(10,004)	(8,748)
	6,453	6,359	6,453	6,359
Motor vehicles - at cost	24,906	24,777	24,906	24,777
Less: Accumulated depreciation	(15,523)	(12,337)	(15,523)	(12,337)
	9,383	12,440	9,383	12,440
Information systems - at cost	35,793	36,201	35,793	36,201
Less: Accumulated depreciation	(27,441)	(25,511)	(27,441)	(25,511)
	8,352	10,690	8,352	10,690
Work in progress (WIP)	240,780	176,998	240,639	176,686
Infrastructure - at fair value (income approach)	2,842,568	2,740,788	2,427,768	2,345,071
Less: Accumulated depreciation	(4,904)	(3,736)	(4,763)	(3,736)
	2,837,664	2,737,052	2,423,005	2,341,335
Water Meters - at fair value (income approach)	22,947	23,231	22,947	23,231
Less: Accumulated depreciation	(1,126)	(245)	(1,126)	(245)
	21,821	22,986	21,821	22,986
Buildings - at fair value (income approach)	34,487	34,037	34,487	34,037
Less: Accumulated depreciation	(340)	(312)	(340)	(312)
	34,147	33,725	34,147	33,725
	3,535,776	3,275,428	3,120,967	2,879,376

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Work in progress $'000	Infra-structure $'000	Water meters $'000	Buildings $'000	System land + Land Under Leases $'000	Market land $'000	Other PP&E $'000	Total $'000
Balance at 1 July 2021	240,310	2,626,289	23,788	34,668	202,022	38,246	39,393	3,204,716
Additions	82,954	-	-	-	-	-	-	82,954
Equity Transfer	(24,986)	-	-	-	-	-	-	(24,986)
Disposals	-	(9,105)	(171)	-	-	-	(191)	(9,467)
Revaluation gain OCI*	-	88,738	1,436	811	24,229	4,178	-	119,392
Revaluation gain/(loss) in profit or loss	-	18,714	660	-	281	1,463	-	21,118
Transfers from WIP	(85,065)	79,672	-	-	138	-	5,255	-
Write off of assets	(27,822)	-	-	-	-	-	-	(27,822)
Transfers in/(out)	(8,394)	-	-	-	-	-	1	(8,393)
Depreciation expense	-	(67,256)	(2,727)	(1,754)	-	-	(10,347)	(82,084)
Balance at 30 June 2022	176,997	2,737,052	22,986	33,725	226,670	43,887	34,111	3,275,428
Additions	122,231	-	-	-	-	-	-	122,231
Disposals	-	(10,523)	(78)	(25)	(1)	-	(203)	(10,830)
Revaluation gain OCI*	-	135,584	133	1,890	85,711	13,440	-	236,758
Revaluation gain/(loss) in profit or loss	-	112	369	-	195	2,718	-	3,394
Transfers from WIP	(54,934)	45,622	4,673	233	67	-	4,340	1
Transfers in/(out)	(3,514)	3,212	(3,209)	-	431	(433)	-	(3,513)
Depreciation expense	-	(73,395)	(3,053)	(1,676)	-	-	(9,569)	(87,693)
Balance at 30 June 2023	240,780	2,837,664	21,821	34,147	313,073	59,612	28,679	3,535,776

* OCI - Other comprehensive income

Parent	Work in progress $'000	Infra-structure $'000	Water meters $'000	Buildings $'000	System land + Land Under Leases $'000	Market land $'000	Other PP&E $'000	Total $'000
Balance at 1 July 2021	239,823	2,229,470	23,788	34,668	202,022	38,246	39,393	2,807,410
Additions	83,075	-	-	-	-	-	-	83,075
Equity Transfer	(24,986)	-	-	-	-	-	-	(24,986)
Disposals	-	(9,105)	(171)	-	-	-	(191)	(9,467)
Revaluation gain OCI*	-	84,737	1,436	811	24,220	4,178	-	115,382
Revaluation gain/(loss) in profit and loss	-	18,714	660	-	281	1,463	-	21,118
Transfers from WIP	(85,065)	79,686	-	-	124	-	5,255	-
Write off of assets	(27,822)	-	-	-	-	-	-	(27,822)
Transfers in/(out)	(8,340)	-	-	-	-	-	1	(8,339)
Depreciation expense	-	(62,167)	(2,727)	(1,754)	-	-	(10,347)	(76,995)
Balance at 30 June 2022	176,685	2,341,335	22,986	33,725	226,647	43,887	34,111	2,879,376
Additions	122,188	-	-	-	-	-	-	122,188
Disposals	-	(10,523)	(77)	(25)	(1)	-	(202)	(10,828)
Revaluation gain OCI*	-	111,547	132	1,890	85,720	13,439	-	212,728
Revaluation gain (loss) in profit and loss	-	113	369	-	200	2,718	-	3,400
Transfers from WIP	(54,886)	45,574	4,673	233	66	-	4,340	-
Transfers in/(out)	(3,348)	3,212	(3,209)	-	432	(432)	-	(3,345)
Depreciation expense	-	(68,253)	(3,053)	(1,676)	-	-	(9,570)	(82,552)
Balance at 30 June 2023	240,639	2,423,005	21,821	34,147	313,064	59,612	28,679	3,120,967

* OCI - Other comprehensive income

System Land disclosed above includes land under leases as per below:

Consolidated/Parent	Land under leases $'000
Balance at 30 June 2022	-
Revaluation gain OCI*	11,453
Transfers in/(out)	3,049
Balance at 30 June 2023	14,502

* OCI - Other comprehensive income

Refer to note 18 for further information on fair value measurement.

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Revalued assets measured at historical cost				
Infrastructure systems	1,950,585	1,944,386	1,594,274	1,583,434
Water meters	26,960	27,024	26,960	27,024
Buildings	19,950	20,991	19,950	20,991
System Land (incl. Land under leases)	103,830	103,734	103,816	103,734
Market Land	14,779	14,779	14,779	14,779
	2,116,104	2,110,914	1,759,779	1,749,962

Asset classes
The Consolidated entity has the following asset classes comprising property, plant and equipment:

System assets
These are infrastructure assets that deliver, store and provide bulk water services to customers through an integrated network of various asset categories. This class also includes system land and water meters. System land is land upon which the various system asset categories are located and which has no other alternative use.

Market land and buildings
These are properties held and owned by the Consolidated entity and that have potential for alternative use.

Land under leases
Where the Consolidated entity is the lessor for operating leases, the underlying assets involved are identified and presented separately.

In 2023 the Consolidated entity completed a comprehensive revaluation of its leased assets. It was determined that the land under leases should be disclosed as a distinct category of land and should be valued using income approach. This change in accounting estimate is effective beginning 1 July 2023 and resulted in $11.5 million increase to property, plant and equipment.

Other Plant and equipment
These assets include office equipment and operating plant and machinery. This class is included as part of other property, plant and equipment items.

Motor vehicles
These assets include motor vehicles and marine craft. This class is included as part of other property, plant and equipment items.

Furniture and fit-out
These assets include furniture and fit-out assets. This class is included as part of other property, plant and equipment items.

Information systems
These assets include computer hardware, such as servers, desktop computers, laptops and other associated computer peripherals. This class is included as part of other property, plant and equipment items.
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Recognition and measurement

Acquisitions and capitalisation
Property, plant and equipment assets are recognised initially at the cost of acquisition, which includes costs directly attributable to bringing the relevant asset to the location and condition necessary for it to operate as intended.

Items costing $1,000 or more for information systems and $5,000 or more for all other plant and equipment individually and having a minimum expected working life of more than one year are capitalised.

In the case of system assets categories that work together to form an entire network, all expenditures are capitalised regardless of cost. For system assets constructed by the Consolidated entity for its own use, the initial cost capitalised includes the cost of construction including direct labour, materials, contractors' services costs, inspection costs, capital support costs and borrowing costs where applicable. These costs are capitalised initially as work in progress and then reclassified as completed assets when the asset becomes operational.

Subsequent expenditure on property, plant and equipment
Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated entity and the cost of the item can be measured reliably. The carrying amount of any component is derecognised when replaced. Repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Major inspection costs
The cost of a major inspection is capitalised as part of the cost of the asset if it is probable that future economic benefits will flow to the Consolidated entity and the cost can be measured reliably. Any inspection cost capitalised is recognised as a component asset and depreciated over the period of time until the next inspection. When each major inspection cost is capitalised, any remaining cost or estimated cost of the previous inspection is derecognised.

Restoration costs
The present value of the expected cost for the restoration or cost of dismantling of an asset at the end of its useful life is included in the cost of the respective asset if the recognition criteria for a provision is met.
For fair value measurement information please refer to Note 18.

Impairment of assets
At the end of each reporting period the Consolidated entity assesses impairment by evaluation of conditions and events that may be indicative of impairment. The assessment will include considering external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised as an expense in profit or loss, unless an asset has previously been revalued through the asset revaluation reserve, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation through the statement of other comprehensive income, with any excess recognised in profit or loss. Impairment losses recognised in respect of a cash generating unit are allocated to reduce the carrying amount of the assets in the unit on a pro rata basis, except for those assets that have a separately determinable recoverable amount.

15. Non-current assets - right-of-use assets

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Land and buildings - right-of-use	27,082	25,593	27,082	25,593
Less: Accumulated depreciation	(10,464)	(8,591)	(10,464)	(8,591)
	16,618	17,002	16,618	17,002
Leasehold improvements - right-of-use	147	147	147	147
Less: Accumulated depreciation	(147)	(147)	(147)	(147)
	-	-	-	-
	16,618	17,002	16,618	17,002

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated/Parent	Land and buildings $'000	Leasehold improvements $'000	Total $'000
Balance at 1 July 2021	16,418	20	16,438
Additions	238	-	238
Remeasurement	3,102	-	3,102
Depreciation expense	(2,756)	(20)	(2,776)
Balance at 30 June 2022	17,002	-	17,002
Additions	1,527	-	1,527
Remeasurement	254	-	254
Depreciation expense	(2,165)	-	(2,165)
Balance at 30 June 2023	16,618	-	16,618

Recognition and measurement

A right-of-use asset is recognised at the commencement date of a lease (i.e. the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability (refer Note 17), adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Subsequent to initial recognition, right-of-use assets are measured using the cost model which requires a lessee to measure the asset at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life.

The right-of-use assets are also subject to impairment testing. Where there is an indication that an asset may be impaired, the recoverable amount of the asset is estimated and if this is less than its carrying amount, the carrying amount of the asset is written down to its recoverable amount and an impairment loss is recorded in profit or loss. Refer to the accounting policies for property, plant and equipment in Note 14.

The Consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Property

- For property leases less than five years, or greater than five years but substantially shorter than the asset's useful life (e.g. the lease term is 10 years while the useful life of the leased property is 60 years), valuations will be based on indices published by Property NSW.
- For property leases greater than five years where the right-of-use asset's tenure is closely aligned to the asset's useful life, the Consolidated entity will obtain external valuations consistent with owned property i.e. be subject to a comprehensive revaluation every three years in line with TPP 21-09 *Valuation of Physical Non-Current Assets at Fair Value*.
- The carrying amount of right-of-use assets arising from property leases is deemed as fair value.

16. Non-current assets - Intangible assets

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Rights of access and other legal rights	5,714	5,405	4,999	4,857
Less: Accumulated amortisation	(1,680)	(1,374)	(1,657)	(1,374)
	4,034	4,031	3,342	3,483
Software - at cost	44,728	42,427	44,728	42,427
Less: Accumulated amortisation	(30,057)	(25,686)	(30,057)	(25,686)
	14,671	16,741	14,671	16,741
	18,705	20,772	18,013	20,224

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Work in progress $'000	Rights of access and other $'000	Software $'000	Total $'000
Balance at 1 July 2021	-	4,282	12,564	16,846
Transfers from WIP	(8,392)	24	8,368	-
Transfers from property, plant and equipment	8,392	-	-	8,392
Amortisation expense	-	(275)	(4,191)	(4,466)
Balance at 30 June 2022	-	4,031	16,741	20,772
Transfers from WIP	(3,514)	309	3,205	-
Transfers from property, plant and equipment	3,514	-	-	3,514
Amortisation expense	-	(306)	(5,275)	(5,581)
Balance at 30 June 2023	-	4,034	14,671	18,705

Parent	Work in Progress $'000	Rights of access and other $'000	Software $'000	Total $'000
Balance at 1 July 2021	-	3,787	12,564	16,351
Transfers from WIP	(8,340)	(29)	8,368	(1)
Transfers from property, plant and equipment	8,340	-	-	8,340
Amortisation expense	-	(275)	(4,191)	(4,466)
Balance at 30 June 2022	-	3,483	16,741	20,224
Transfers from WIP	(3,348)	143	3,205	-
Transfers from property, plant and equipment	3,348	-	-	3,348
Amortisation expense	-	(284)	(5,275)	(5,559)
Balance at 30 June 2023	-	3,342	14,671	18,013

Recognition and measurement

Intangible assets are identifiable non-monetary assets without physical substance. Intangible assets are only recognised if it is probable that future economic benefits will flow to the Consolidated entity and the cost of the asset can be reliably measured. Intangible assets are capitalised initially at cost. Costs incurred on incomplete intangible assets that are being progressively acquired, such as software, are recognised as acquisitions in progress at the reporting date. These assets are reclassified as completed intangible assets when the assets are fully acquired and are operational or available for use.

Following initial recognition, the cost approach is applied as it is considered that there is no active market that can be referenced for performing revaluations to a market-based fair value.

All research costs are expensed. Development costs are only capitalised when the criteria set out in AASB 138 *Intangible Assets* are met. The useful lives of intangible assets are assessed to be either finite or indefinite.

Where intangible assets are determined to have finite lives, they are amortised on a straight-line basis and the expense is recognised as part of the depreciation and amortisation line item in profit or loss. These assets are recognised in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses, where applicable.

Where intangible assets are determined to have indefinite lives, they are not amortised. These assets are recognised in the statement of financial position at cost less accumulated impairment, where applicable. Easements over property and the Instrument of Delegation for foreshore lands are typical assets that come under this category.

Software-as-a-Service (SaaS) arrangements
SaaS arrangements are service contracts providing the Consolidated entity with the right to access a cloud provider's application software over the contract period. As such the Consolidated entity does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability for, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

Impairment of assets
Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss. Please refer to Note 14 for the accounting policy on the impairment of assets.

17. Leases

The Consolidated entity as a lessee
The Consolidated entity leases various properties. Lease contracts are typically made for fixed periods of 1 to 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The entity does not provide residual value guarantees in relation to leases.

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

The Consolidated entity has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a term of 12 months or less. Low value assets are assets with a fair value of $10,000 or less when new.

Right-of-use assets under leases
Right-of use assets are disclosed in Note 15.

Lease liabilities
The following table presents liabilities under leases:

	Consolidated		Parent	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Opening balance	19,539	18,391	19,539	18,391
Interest expenses	821	764	821	764
Payments	(2,978)	(3,657)	(2,978)	(3,657)
Other movements	1,767	4,041	1,767	4,041
Closing balance	19,149	19,539	19,149	19,539

The following amounts were recognised in the statement of comprehensive income in respect of leases where the entity is the lessee:

	Consolidated		Parent	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Depreciation expense of right-of-use assets	(2,165)	(2,776)	(2,165)	(2,776)
Interest expense on lease liabilities	(800)	(764)	(800)	(764)
Short-term and low-value leases	(503)	(827)	(472)	(806)
Total amount recognised in the statement of comprehensive income	(3,468)	(4,367)	(3,437)	(4,346)

Recognition and measurement

The entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

i. Right-of-use assets
Recognition and measurement criteria are disclosed at Note 15.

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

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of purchase options reasonably certain to be exercised by the entity; and
- payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) 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, which is generally the case for the entity's leases, the lessee's incremental borrowing rate is used, being the rate that the entity would have to pay to borrow the 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 date, the amount of lease liabilities is 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 term, 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 the assessment of an option to purchase the underlying asset.

The Consolidated entity's lease liabilities are reported under borrowings (refer Notes 20 and 25).

iii. Short-term leases and leases of low-value assets
The Consolidated entity applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

The Consolidated entity as a lessor
The Consolidated entity's properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Although the entity is exposed to changes in the residual value at the end of current leases, the entity typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Lessor for operating leases
Future minimum rentals receivable (undiscounted) under non-cancellable operating leases as at 30 June are, as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
Within one year	1,635	2,272	1,635	2,272
Later than one year and not later than five years	5,641	6,123	5,641	6,123
Later than five years	38,190	40,883	38,190	40,883
Total (including GST)	45,466	49,278	45,466	49,278

Recognition and measurement - lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

18. Fair value measurement

Fair value hierarchy
This note explains the judgements and estimates made in determining the fair value of property, plant and equipment. To provide an indication about the reliability of the inputs used in determining the fair value, the Consolidated entity has divided property, plant and equipment into the three separate fair value hierarchy levels prescribed under Australian Accounting Standards.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	59,612	313,073	372,685
Infrastructure systems	-	-	2,893,632	2,893,632
Work in progress	-	-	240,779	240,779
Other property, plant and equipment	-	-	28,679	28,679
Total assets	-	59,612	3,476,163	3,535,775

Consolidated - 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	43,887	226,670	270,557
Infrastructure systems	-	-	2,793,763	2,793,763
Other property, plant and equipment	-	-	34,111	34,111
Work in progress	-	-	176,997	176,997
Total assets	-	43,887	3,231,541	3,275,428

Parent - 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	59,612	313,064	372,676
Infrastructure systems	-	-	2,478,973	2,478,973
Work in progress	-	-	240,639	240,639
Other property, plant and equipment	-	-	28,679	28,679
Total assets	-	59,612	3,061,355	3,120,967

Parent - 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	43,887	226,647	270,534
Infrastructure systems	-	-	2,398,046	2,398,046
Other property, plant and equipment	-	-	34,111	34,111
Work in progress	-	-	176,685	176,685
Total assets	-	43,887	2,835,489	2,879,376

Level 3 assets

Movements in level 3 assets during the current and previous financial year are set out below:

Consolidated	Infra-structure $'000	Land $'000	Other PP&E $'000	Work in Progress $'000	Total $'000
Balance at 1 July 2021	2,684,745	202,022	39,393	240,310	3,166,470
Gains recognised in profit or loss	19,374	281	-	-	19,655
Gains recognised in other comprehensive income	90,985	24,229	-	-	115,214
Additions	79,672	138	5,255	(2,111)	82,954
Disposals	(9,276)	-	(191)	-	(9,467)
Depreciation/Amortisation	(71,737)	-	(10,347)	-	(82,084)
Other reclassifications and transfers	-	-	1	(8,394)	(8,393)
WIP written off	-	-	-	(27,822)	(27,822)
Equity transfer	-	-	-	(24,986)	(24,986)
Balance at 30 June 2022	2,793,763	226,670	34,111	176,997	3,231,541
Gains recognised in profit or loss	481	195	-	-	676
Gains recognised in other comprehensive income	137,607	85,711	-	-	223,318
Additions	50,528	67	4,340	67,296	122,231
Disposals	(10,626)	(1)	(203)	-	(10,830)
Depreciation/Amortisation	(78,124)	-	(9,569)	-	(87,693)
Other reclassifications and transfers	3	431	-	(3,514)	(3,080)
Balance at 30 June 2023	2,893,632	313,073	28,679	240,779	3,476,163

Parent	Infra-structure $'000	Land $'000	Other PP&E $'000	Work in progress $'000	Total $'000
Balance at 1 July 2021	2,287,927	202,022	39,393	239,823	2,769,164
Gains recognised in profit or loss	19,374	281	-	-	19,655
Gains recognised in other comprehensive income	86,984	24,220	-	-	111,204
Additions	79,686	124	5,255	(1,990)	83,075
Disposals	(9,276)	-	(191)	-	(9,467)
Depreciation/Amortisation	(66,648)	-	(10,347)	-	(76,995)
Other reclassifications and transfers	-	-	1	(8,340)	(8,339)
WIP written off	-	-	-	(27,822)	(27,822)
Equity transfer	-	-	-	(24,986)	(24,986)
Balance at 30 June 2022	2,398,047	226,647	34,111	176,686	2,835,490
Gains recognised in profit or loss	481	200	-	-	681
Gains recognised in other comprehensive income	113,570	85,720	-	-	199,290
Additions	50,481	67	4,340	67,301	122,189
Disposals	(10,626)	(1)	(203)	-	(10,830)
Depreciation/Amortisation	(72,982)	-	(9,569)	-	(82,551)
Other reclassifications and transfers	3	431	-	(3,348)	(2,914)
Balance at 30 June 2023	2,478,974	313,064	28,679	240,639	3,061,355

Valuation techniques and inputs used to determine the fair value of land

Following initial recognition at cost, market land is carried at fair value in accordance with TPP 21-09 *Valuation of Physical Non-Current Assets at Fair Value*. Land is subject to an independent revaluation at least every three years. However, the carrying amount of land is reviewed each year to ensure that it does not differ materially from fair value.

The most recent revaluation of land was undertaken at 30 June 2023. The next independent valuation is due in the year ended 30 June 2026. Market land has been valued by the valuer on the basis that it is not contaminated. Refer to Note 37 Contingent liabilities.

The market approach has been utilised to determine fair value. The market approach provides an indication of value by comparing the subject asset with similar assets for which price information is available. Price information for asset transactions is adjusted to reflect any differences in the legal, economic or physical characteristics of the transacted asset and the asset being valued.

Land subject to an operating lease has been disclosed separately from owned assets held and used by WaterNSW. This land has been valued using the income approach ($14.5m) as part of the 3 yearly comprehensive land valuation process undertaken in 2023. This land has previously been valued as part of the WaterNSW system land portfolio using the market value approach (2022: $3.0m). There were no other changes to the approach undertaken to revalue system land during the year.

The significant unobservable inputs used in the fair value measurement of the system land assets relate to the professional judgement utilised to adjust market prices and other relevant information generated by market transactions to arrive at fair value. The use of a significantly higher (lower) transaction would result in a significantly higher (lower) fair value measurement.

The impact on total land assets caused by movements in the value of the system land are as follows:

Consolidated - 2023	Scenario A $'000	Scenario B $'000	Scenario C $'000	Scenario D $'000
% change in land value	1	(1)	5	(5)
Increase/(decrease) in fair value	3,727	(3,727)	18,634	(18,634)

Consolidated - 2022	Scenario A: $'000	Scenario B: $'000	Scenario C: $'000	Scenario D: $'000
% change in land value	1	(1)	5	(5)
Increase/(decrease) in fair value	2,705	(2,705)	13,528	(13,528)

Parent - 2023	Scenario A $'000	Scenario B $'000	Scenario C $'000	Scenario D $'000
% change in land value	1	(1)	5	(5)
Increase/(decrease) in fair value	3,727	(3,727)	18,634	(18,634)

Parent - 2022	Scenario A: $'000	Scenario B: $'000	Scenario C: $'000	Scenario D: $'000
% change in land value	1	(1)	5	(5)
Increase/(decrease) in fair value	2,705	(2,705)	13,526	(13,526)

Under these sensitivities movements up or down in value per hectare would have an immaterial impact on the overall valuation of the property, plant and equipment.

Valuation techniques and inputs used to determine the fair value of infrastructure systems and buildings
Buildings, system land (including land under leases) and water meters are considered an integral part of system assets. Buildings, land under leases and water meters are revalued using the income approach, system land is revalued using market approach. The fair value measurement of system assets has been categorised as Level 3 in the fair value hierarchy based on the unobservable inputs to the measurement calculation. Determining fair value is highly dependent on the inputs or assumptions used to estimate the future net cash flows that are able to be derived from the relevant assets. The forecast which is approved by the Board is developed by management through a comprehensive annual business planning and budgeting process. The approved budget takes into consideration limits set in the Consolidated entity's regulatory Price Determinations.
System assets, including infrastructure, buildings, land under leases and meters, are revalued on an annual basis using the income approach.

Cash Generating Units (CGUs)
The Consolidated entity considers it has three CGUs (parent - two CGUs). This reflects the segmented asset bases, customers and regulatory pricing determinations (revenue streams) of the Consolidated entity - Greater Sydney, Rural (including WAMC customers), and Broken Hill business segments (parent entity - Greater Sydney and Rural (including WAMC customers) business segments).

The Consolidated entity uses the income approach to determine the fair value of infrastructure assets. The model uses a discounted cash flow methodology over a five year period with a terminal value of the regulated asset base (RAB) for year five. The following key methods and assumptions have been used to arrive at fair value:
- Application of three separate CGUs.
- Each CGU used the same income approach model with differing inputs based on their respective regulatory pricing determinations.
- Discount rate – nominal pre-tax discount rate based on parameters as most recently published by the economic regulator(s) and the current market cost of long-term debt.

Future cash flows:
- Determined on a nominal basis (including indexation);
- Estimated over five years based on Statement of Corporate Intent (SCI) operating and capital expenditure forecasts;
- Based upon maintaining specialised assets in their current condition, consequently future capital expenditure increasing service potential is excluded;
- Future revenue estimates were based on SCI operating expenditure forecasts and water supply volumes, with prices adjusted to reflect the adjusted capital expenditure program (per above), and the consequential forecast roll-forward RAB and new regulated revenue requirements;
- Terminal value - at the end of year five being the RAB (based on adjusted capital expenditure per above); and
- Expectations about possible variations in the amount and timing of future cash flows which reflect the most likely outcome as determined by management.

The following net cash flows were used in the revaluation model of each CGU:

Consolidated	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000
Undiscounted cash flows - 2023					
Greater Sydney CGU	(54,700)	7,700	(6,400)	50,900	70,900
Rural CGU	(16,000)	12,500	1,500	2,300	15,500
Broken Hill CGU	18,600	18,100	20,300	18,200	20,800
	(52,100)	38,300	15,400	71,400	107,200

Consolidated	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000
Undiscounted cash flows - 2022					
Greater Sydney CGU	11,600	12,300	17,500	45,000	55,900
Rural CGU	(48,200)	13,600	30,000	30,500	32,700
Broken Hill CGU	16,600	17,900	18,500	19,200	20,700
	(20,000)	43,800	66,000	94,700	109,300

Parent	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000
Undiscounted cash flows - 2023					
Greater Sydney CGU	(54,700)	7,700	(6,400)	50,900	70,900
Rural CGU	(16,000)	12,500	1,500	2,300	15,500
	(70,700)	20,200	(4,900)	53,200	86,400

Parent	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000
Undiscounted cash flows - 2022					
Greater Sydney CGU	11,600	12,300	17,500	45,000	55,900
Rural CGU	(48,200)	13,600	30,000	30,500	32,700
	(36,600)	25,900	47,500	75,500	88,600

Changes to the cash flow estimates in the revaluation model will result in a higher or lower fair value measurement. Where the change is an increase/(decrease) in estimated cash flows, the fair value of assets will increase/(decrease). As the cash flow estimates are discounted by the discount rate, the significance of the change in cash flows is largest in Year 1 when the effect of the discounting is smallest. The significance of the change reduces each year and is smallest in Year 5 when the effect of discounting is largest.
A change in the discount rate will also change the measurement of fair value for a given set of estimated future cash flows. The following table presents the impact of a change to the discount rate on the cash flows disclosed above.

Consolidated 2023/2022	Actual revaluation $'000	Scenario A +1% $'000	Scenario B -1% $'000
Greater Sydney CGU			
Discount rate	6.93% / 7.00%	7.93% / 8.00%	5.93% / 6.00%
Fair value	2,016,100 / 1,859,800	1,931,900 / 1,784,900	2,104,700 / 1,938,700
Rural CGU			
Discount rate	6.93% /7.00%	7.93% /8.00%	5.93% / 6.00%
Fair value	1,139,500 / 1,056,800	1,092,500 / 1,012,800	1,188,900 / 1,103,100
Broken Hill CGU			
Discount rate	6.93% / 7.00%	7.93% / 8.00%	5.93% / 6.00%
Fair value	415,500 / 396,600	400,000 / 381,800	431,800 / 412,200

Parent 2023/2022	Actual revaluation $ '000	Scenario A +1% $ '000	Scenario B -1% $ '000
Greater Sydney CGU			
Discount rate	6.93% / 7.00%	7.93% / 8.00%	5.93% / 6.00%
Fair value	2,016,100 / 1,859,800	1,931,900 / 1,784,900	2,104,700 / 1,938,700
Rural CGU			
Discount rate	6.93% / 7.00%	7.93% / 8.00%	5.93% / 6.00%
Fair value	1,139,500 / 1,056,800	1,092,500 / 1,012,800	1,188,900 / 1,103,100

A change in cash flow estimates will also change the measurement of fair value. The following table presents the impact of a change to the cash flow estimates above, assuming no change to the discount rate:

Consolidated 2023/2022	Actual revaluation $ '000	Scenario C $'000	Scenario D $'000
Greater Sydney CGU			
Operating cash flows change		+5%	-5%
Fair value	2,016,100 / 1,859,800	2,018,100 / 1,865,800	2,014,000/ 1,854,100
Rural CGU			
Operating cashflows change		+5%	-5%
Fair value	1,139,500 / 1,056,800	1,140,000 / 1,058,800	1,139,000 / 1,054,800
Broken Hill CGU			
Operating cashflows change		+5%	-5%
Fair value	415,500 / 396,600	432,200 / 400,500	398,800 / 392,700

Parent 2023/2022	Actual revaluation $'000	Scenario C $'000	Scenario D $'000
Greater Sydney CGU			
Operating cash flow change		+5%	-5%
Fair value	2,016,100 / 1,859,800	2,018,100 / 1,865,800	2,014,000 / 1,854,100
Rural CGU			
Operating cashflow change		+5%	-5%
Fair value	1,139,500 / 1,056,800	1,140,000 / 1,058,800	1,139,000 / 1,054,800

A change in terminal value estimates will also change the measurement of fair value. The following table presents the impact of a change to the terminal value, assuming no change to cash flow estimates or discount rate:

Consolidated 2023/2022	Actual revaluation $'000	Scenario E $'000	Scenario F $'000
Greater Sydney CGU			
Terminal value change		+5%	-5%
Fair value	2,016,100 / 1,859,800	2,114,800 / 1,947,100	1,917,300 / 1,772,500
Rural CGU			
Terminal value change		+5%	-5%
Fair value	1,139,500 / 1,056,800	1,196,000 /1,083,500	1,083,100 / 1,005,900
Broken Hill CGU			
Terminal value change		+5%	-5%
Fair value	415,500 / 396,600	424,300 / 412,500	391,300 / 380,700

Parent 2023/2022	Actual revaluation $'000	Scenario E $'000	Scenario F $'000
Greater Sydney CGU			
Terminal value change		+5%	-5%
Fair value	2,016,100 / 1,859,800	2,114,800 / 1,947,100	1,917,300 / 1,772,500
Rural CGU			
Terminal value change		+5%	-5%
Fair value	1,139,500 / 1,056,800	1,196,000 / 1,083,500	1,083,100 / 1,005,900

A change in variable revenue from water delivery volumes will also change the measurement of fair value. The following table presents the impact of a change to the water volumes, assuming no change to cash flow estimates or discount rate:

Consolidated 2023/2022	Actual revaluation $'000	Scenario G $'000	Scenario H $'000
Greater Sydney CGU			
Water volume change		+10%	-10%
Fair value	2,016,100 / -	2,040,900 / -	1,991,300 / -
Rural CGU			
Water volume change		+10%	-10%
Fair value	1,139,500 / -	1,154,100 /-	1,124,900 / -
Broken Hill CGU			
Water volume change		+10%	-10%
Fair value	415,500 / -	416,400 / -	414,600 / -

Parent 2023/2022	Actual revaluation $'000	Scenario G $'000	Scenario H $'000
Greater Sydney CGU			
Water volume change		+10%	-10%
Fair value	2,016,100 / -	2,040,900 /-	1,991,300 / -
Rural CGU			
Water volume change		+10%	-10%
Fair value	1,139,500 / -	1,154,100 / -	1,124,900 / -

The fair value of the Consolidated entity's assets may be impacted by variable revenues due to climate-related events, such as droughts and floods. Droughts could lead to a decrease in water availability, which could impact the Consolidated entity's ability to generate revenue and reduce the fair value of the assets. Floods could result in lower sales due to a reduction in water quality as well as less demand for water which could reduce the fair value of the assets.

The Consolidated entity will continue to monitor the impacts of climate-related events on the fair value of its assets.

In revaluing system assets, the asset's current use is considered its highest and best use.

Valuation techniques and inputs used to determine fair value of other property, plant and equipment.
Other property, plant and equipment is valued at fair value in accordance with Australian Accounting Standards and guidance within TPP 21-09 Valuation of Physical Non-Current Assets at Fair Value. For non-specialised assets, TPP 21-09 allows for recognition at depreciated historical cost as an acceptable surrogate for fair value. Depreciated historical cost is considered an appropriate surrogate because any difference between fair value and depreciated historical cost is unlikely to be material. Further, the benefit of ascertaining a more accurate estimate of fair value does not justify the additional costs of obtaining it.

In revaluing other property, plant and equipment, the asset's current use is considered its highest and best use.

There were no changes to the valuation technique adopted for other property, plant and equipment during the year.

19. Current liabilities - trade and other payables

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Trade payables	15,474	6,555	15,201	6,296
Other liabilities - pass through charges	9,540	10,580	9,540	10,580
Non-trade payables and accrued expenses	24,275	34,055	23,871	33,677
Accrued salaries, wages and on-costs	11,704	11,337	11,704	11,337
Fringe benefits tax	32	34	32	34
Accrued interest on loans	34,228	32,070	28,947	27,224
	95,253	94,631	89,295	89,148

Refer to note 40 for further information on financial instruments.

Recognition and measurement

Trade and other payables
Trade and other payables represent liabilities for goods and services provided to the Consolidated entity and other amounts that remain unpaid at reporting date. They are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Invoices are generally payable in 30 days.

20. Current liabilities – borrowings

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Current borrowings	260,646	233,691	209,470	181,547
Loan from the Controlled entity	-	-	29,159	24,104
Lease liabilities	2,817	2,771	2,817	2,771
	263,463	236,462	241,446	208,422

Refer to note 40 for further information on financial instruments.

Recognition and measurement

Interest-bearing borrowings obtained by the Consolidated entity from the NSW Treasury Corporation (TCorp) are recognised initially at the fair value of the consideration received, which incorporates any transaction costs associated with the borrowing. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any differences between the initial fair value and the final redemption value of borrowings, such as discounts and premiums. These differences are amortised to profit or loss as part of the finance costs over the period of the loan on an effective interest basis.

Gains or losses are recognised in profit or loss when liabilities are derecognised, such as through a debt restructuring or early repayment of debt, as well as through the amortisation process. Where there is an unconditional right to defer settlement of the borrowings for at least 12 months after the reporting date and management intends to defer the settlement, the borrowings are recognised as a non-current liability. All other borrowings that are to be settled within 12 months are recognised as a current liability.

Under the Debt Management Facility, the Consolidated entity is able to rollover its maturing debt to any term offered by its lender (TCorp), provided the total capital value of the debt remains within limits approved under the *Government Sector Finance Act 2018* (Refer Note 40(d)). The Consolidated entity also pays a Government Guarantee Fee to NSW Treasury to have its loans guaranteed by the State of NSW.

21. Current liabilities – provisions

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Annual leave	14,975	14,997	14,975	14,997
Long service leave	25,911	25,383	25,911	25,383
Other benefits	1,008	915	1,008	915
Insurance works	30,847	17,602	30,847	17,602
Payroll tax	2,218	2,192	2,218	2,192
Other	2,589	2,618	2,589	2,618
Termination benefits	953	303	953	303
Remediation	1,121	1,073	1,121	1,073
Land tax	35,050	27,112	35,049	27,111
	114,672	92,195	114,671	92,194

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the Consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Long service leave	22,543	24,451	22,543	24,451

Recognition and measurement

Annual leave
The liability for annual leave benefits is actuarially calculated to determine the present value of the future benefit that employees have earned in return for their service up to the reporting date. Annual leave, which is not expected to be settled wholly within 12 months of the end of the annual reporting period in which the employees render the related service is required to be measured at present value in accordance with AASB 119 *Employee Benefits*. The discount rate used is the yield at the reporting date on high quality corporate bond rates that have maturity dates approximating to the terms of the annual leave obligations.

If benefits are expected to be settled wholly within 12 months of the end of the reporting period, then they are measured at the undiscounted amount of the benefit.

Annual leave 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. As such, it is required to be measured at present value in accordance with AASB 119 (although short-cut methods are permitted). Actuarial advice obtained by the Consolidated entity has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. The entity has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the entity does not expect to settle the liability within 12 months as the entity does not have an unconditional right to defer settlement.

Long service leave
The present value of the future benefit related to long service leave is calculated using an actuarial valuation method called the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Consideration is given to expected wages and salary levels, experience of employee departures and periods of service. The discount rate of 5.5% (2022: 5.25%) used is the yield at the reporting date on high quality corporate bond rates that have maturity dates approximating the terms of the long service leave obligations.

Unconditional entitlements to long service leave benefits are classified as current liabilities in the statement of financial position, while conditional and pre-conditional entitlements are classified as non-current liabilities as they do not fall due for settlement at the reporting date.

Termination benefits
Termination benefits are employee benefits payable as a result of an employee's decision to accept voluntary redundancy in exchange for those benefits. The liability for redundancy benefits for specific employees is measured at the non-discounted calculated entitlement that will be paid to those employees. The liability for redundancy benefits for employees that are subject to a restructuring program is recognised when a detailed formal plan for the restructuring exists and when a valid expectation in those affected has been raised.

Restoration
The provision for restoration is based on long term estimates to restore leased premises discounted to their present value. The restoration costs are separately capitalised against assets that have been acquired as part of leasing the premises, such as fit outs. Where the Consolidated entity has not incurred expenditure to acquire assets as part of leasing the premises, the restoration costs are expensed in profit or loss.

Other provisions
Unused non-vesting sick leave does not give rise to a liability as it is considered improbable that sick leave taken in the future will be greater than the benefits accrued in the future.

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

Insurance works
The insurance provision recognises the costs relating to the Consolidated entity's obligation to repair or replace assets resulting from damage as a result of the 2020 bushfires and various floods since 2020. The frequency and severity of climate-related events, such as bushfires and floods, have increased in recent years, which has resulted in an increase in insurance works for the Consolidated entity. During the year, the Consolidated entity reported an increase in insurance works related to these events, which have resulted in $18.5 million (OpEx: $7.2m; CapEx: $11.3m) of additional costs to the business (2022: $24.7 million – OpEx: $4.9m; CapEx: $19.9m).

We will continue to monitor the impacts of climate-related events on our insurance claims, premiums, and deductibles, and adjust our plans and forecasts accordingly.

Land Tax
The land tax provision recognises the Consolidated entity's obligation to pay tax on the taxable value of land that is owned by Water NSW.

22. Current liabilities - Dividend payable

Under the NTER, the Corporation is not required to maintain a dividend franking account.

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Dividend payable	40,000	15,000	40,000	15,000

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Opening balance	15,000	20,000	15,000	20,000
Dividend declared	40,000	15,000	40,000	15,000
Dividend paid	(15,000)	(20,000)	(15,000)	(20,000)
Closing balance	40,000	15,000	40,000	15,000

Recognition and measurement

Dividends payable are agreed by the Board of Water NSW, the Directors of WaterNSW Infrastructure and the relevant Ministers in May/June of each financial year. This process establishes a present obligation for the future payment of a dividend.

Dividends are calculated in accordance with the requirements of TPG 21-10 *Capital Structure and Financial Distribution Policy for Government Businesses*.

23. Current liabilities – other

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Subsidies and grants received in advance	19,394	17,687	19,394	17,687
Refund liabilities	10	9	10	9
	19,404	17,696	19,404	17,696

Recognition and measurement

Refund liabilities are recognised where the Consolidated entity receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the Consolidated entity does not expect to be entitled to and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

24. Current liabilities - contract liabilities

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Contract liabilities	4,053	2,251	4,053	2,251

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period is expected to be recognised as revenue in future periods as follows:

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Within 6 months	1,073	2,251	1,073	2,251

Recognition and measurement

Contract liabilities are recognised when a customer pays consideration, or when the Consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the Consolidated entity has transferred the goods or services to the customer. The liability is the Consolidated entity's obligation to transfer goods or services to a customer from which it has received consideration.

25. Non-current liabilities – borrowings

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Borrowings	1,627,854	1,645,022	1,383,223	1,404,189
Lease liabilities	16,332	16,768	16,332	16,768
	1,644,186	1,661,790	1,399,555	1,420,957

Refer to note 40 for further information on financial instruments.

Financing arrangements

The following facilities were available at the reporting date:

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Total facilities				
Long term borrowing facility	2,400,000	2,400,000	2,050,000	2,050,000
Come & Go facility	50,000	50,000	50,000	50,000
Credit card facility	2,000	2,000	2,000	2,000
Borrowing facility - WaterNSW Infrastructure	-	-	65,000	65,000
	2,452,000	2,452,000	2,167,000	2,167,000
Used at the reporting date				
Long term borrowing facility	1,888,500	1,878,713	1,592,693	1,585,736
Come & Go facility	-	-	-	-
Credit card facility	491	429	491	429
Borrowing facility - WaterNSW Infrastructure	-	-	29,159	24,104
	1,888,991	1,879,142	1,622,343	1,610,269
Unused at the reporting date				
Long term borrowing facility	511,500	521,287	457,307	464,264
Come & Go facility	50,000	50,000	50,000	50,000
Credit card facility	1,509	1,571	1,509	1,571
Borrowing facility - WaterNSW Infrastructure	-	-	35,841	40,896
	563,009	572,858	544,657	556,731

'Come and Go' short-term borrowing facility
The Consolidated entity has a $50 million (2022: $50 million) short term borrowing facility in place with TCorp. The 'Come and Go' facility is used extensively as part of the Consolidated entity's daily cash management function.

Long term borrowing facility
The Consolidated entity has the NSW Treasurer's approval to obtain long-term borrowing facilities from the central borrowing authority, TCorp. TCorp loans are negotiated with either a floating interest rate, in which case the rate is reset periodically, or at a fixed rate where interest is paid half-yearly in arrears or on maturity. Additionally, TCorp provides CPI indexed bonds and resettable loans to the Consolidated entity.

Intercompany loan
On 25 May 2020, the Treasurer approved an intercompany loan for $65 million of which $29.2 million was used at 30 June 2023 (2022: $24.1 million). The intercompany loan is at-call, interest free and unsecured, and is measured at amortised cost. The Treasurer's approval for this inter-company loan lapsed on 25 May 2023 and renewal of this approval has been requested.

Changes in liabilities arising from financing activities - Consolidated - 30 June 2023	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Leases $'000	Totals $'000
Balance at 1 July 2022	15,000	233,691	1,645,022	19,539	1,913,252
Non-cash movements	40,000	26,955	(17,168)	1,780	51,567
Net cash movements	(15,000)	-	-	(2,170)	(17,170)
Balance at 30 June 2023	40,000	260,646	1,627,854	19,149	1,947,649

Changes in liabilities arising from financing activities - Consolidated - 30 June 2022	Dividends $'000	Short-Term borrowings $'000	Long-Term borrowings $'000	Leases $'000	Totals $'000
Balance at 1 July 2021	20,000	259,623	1,609,499	18,391	1,907,513
Non-cash movements	15,000	(25,932)	35,523	3,340	27,931
Net cash movements	(20,000)	-	-	(2,192)	(22,192)
Balance at 30 June 2022	15,000	233,691	1,645,022	19,539	1,913,252

Changes in liabilities arising from financing activities - Parent - 30 June 2023	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Leases $'000	Loans from Controlled entity $'000	Dividends from Controlled entity $'000	Totals $'000
Balance at 1 July 2022	15,000	181,547	1,404,189	19,539	24,104	(3,400)	1,640,979
Non-cash movements	40,000	27,923	(22,418)	1,780	-	2,400	49,685
Net cash movements	(15,000)	-	-	(2,170)	5,055	3,400	(8,715)
Balance at 30 June 2023	40,000	209,470	1,381,771	19,149	29,159	2,400	1,681,949

Changes in liabilities arising from financing activities - Parent - 30 June 2022	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Leases $'000	Loans from Controlled entity $'000	Dividends from Controlled entity $'000	Totals $'000
Balance at 1 July 2021	20,000	206,581	1,372,649	18,391	29,217	(20,000)	1,626,838
Non-cash movements	15,000	(25,034)	31,540	4,041	-	(3,400)	22,147
Net cash movements	(20,000)	-	-	(2,893)	(5,113)	20,000	(8,006)
Balance at 30 June 2022	15,000	181,547	1,404,189	19,539	24,104	(3,400)	1,640,979

26. Non-current liabilities – provisions

	Consolidated		Parent	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Long service leave	3,872	3,793	3,872	3,793
Payroll tax	210	206	210	206
Restoration	374	359	374	359
Defined benefit superannuation scheme	49,832	55,104	49,832	55,104
	54,288	59,462	54,288	59,462

Recognition and measurement

Defined benefit superannuation schemes

The Consolidated entity contributes to three defined benefit superannuation schemes in the NSW Public Sector Pooled Fund. These are: State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and State Authorities Non-contributory Superannuation Scheme (SANCS).

The net obligation in respect of defined benefits plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The benefit is also adjusted for any asset ceiling (i.e. the present value of economic benefits available as refunds from the plan or reductions in future contributions to the plan).

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability or asset are recognised in other comprehensive income (directly through retained earnings) in the reporting period in which they occur. Such remeasurements include actuarial gains or losses, the return on plan assets (excluding amounts included in net interest on the defined benefit liability or asset) and any change in effect of the asset ceiling (excluding amounts included in net interest on the defined benefit liability or asset).

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The gains and losses on the settlement of a defined benefit plan are recognised when the settlement occurs.

AASB 119 *Employee Benefits* does not specify whether the current and non-current portions of the liability should be disclosed because at times the distinction can be arbitrary. Management has determined that the liability be disclosed as non-current as this best reflects when the liability will most likely be settled.
Assumptions underlying defined benefit superannuation expenses and liabilities are disclosed in Note 27.

Movements in provisions

Movements in each class of provision (current and non-current) during the current financial year, other than employee benefits, are set out below:

Consolidated - 2023	Other provisions $'000	Land Tax $'000	Restoration $'000	Remediation $'000	Insurance works $'000
Carrying amount at the start of the year	2,618	27,112	359	1,073	17,602
Additional provisions recognized	97	7,938	15	48	15,688
Amounts used	(126)	-	-	-	(2,444)
Carrying amount at the end of the year	2,589	35,050	374	1,121	30,846

Parent - 2023	Other provisions $'000	Land Tax $'000	Restoration $'000	Remediation $'000	Insurance works $'000
Carrying amount at the start of the year	2,618	27,112	358	1,073	17,602
Additional provisions recognized	97	7,938	15	48	15,688
Amounts used	(126)	-	-	-	(2,444)
Carrying amount at the end of the year	2,589	35,050	373	1,121	30,846

27. Non-current liabilities - defined benefit obligations

a) Defined benefit superannuation schemes

Nature of the benefits provided by the fund

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

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

These schemes are all defined benefit schemes – at least a component of the final benefit is 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 the Schemes are closed to new members.

Description of the regulatory framework
The schemes in the Pooled Fund were established and are governed by the following NSW legislation:
- *Superannuation Act 1916*,
- *State Authorities Superannuation Act 1987*,
- *State Authorities Non-Contributory Superannuation Scheme 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 as at 30 June 2024.

Description of other entities' responsibilities for the governance of the fund
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; and
- Compliance with other applicable regulations.

Description of risks
There are a number of risks to which the Pooled 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 benefits 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 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.

Description of significant events
There were no fund amendments, curtailments or settlements during the year.

Reconciliation of the net defined benefit liability	SASS $'000	Consolidated / SANCS $'000	Parent SSS $'000	Total $'000
As at 30 June 2023				
Net defined benefit liability at beginning of the year	8,188	2,374	44,542	55,104
Current service cost	181	160	108	449
Net interest on net defined benefit liability	407	116	2,343	2,866
Actual return on fund assets less interest income	(1,308)	(98)	(4,084)	(5,490)
Actuarial (gains)/losses arising from changes in financial assumptions	(542)	(16)	(3,976)	(4,534)
Actuarial (gains)/losses arising from liability experience	1,605	16	1,893	3,514
Employer contributions	(1,019)	(374)	(682)	(2,075)
Net defined benefit liability at end of the year	7,512	2,178	40,144	49,832

Reconciliation of the net defined benefit liability	SASS $'000	Consolidated / SANCS $'000	Parent SSS $'000	Total $'000
At 30 June 2022				
Net defined benefit liability at beginning of the year	12,402	2,758	71,526	86,686
Current service cost	301	181	366	847
Net interest on net defined benefit liability	370	80	2,208	2,658
Actual return on fund assets less interest income	1,398	117	4,267	5,782
Actuarial (gain)/loss from change in financial assumptions	(5,719)	(420)	(36,359)	(42,498)
Actuarial (gain)/loss arising from liability experience	370	1	3,161	3,531
Employer contributions	(934)	(343)	(625)	(1,902)
Net defined benefit liability at end of the year	8,188	2,374	44,542	55,104

Reconciliation of the fair value of fund assets	SASS $'000	Consolidated / SANCS $'000	Parent SSS $'000	Total $'000
As at 30 June 2023				
Fair value of fund assets at beginning of the year	35,156	2,994	103,116	141,266
Interest income	1,744	138	5,284	7,166
Actual return on Fund assets less Interest income	1,308	98	4,084	5,490
Employer contributions	1,019	374	682	2,075
Contributions by participants	324	-	187	512
Benefits paid	(7,657)	(1,311)	(8,075)	(17,044)
Taxes, premiums & expenses paid	(199)	(186)	257	(128)
Fair value of fund assets at end of the year	31,695	2,107	105,535	139,337

Reconciliation of the fair value of fund assets	SASS $'000	Consolidated / SANCS $'000	Parent SSS $'000	Total $'000
As at 30 June 2022				
Fair value of fund assets at beginning of the year	36,266	3,178	109,416	148,860
Interest income	1,048	87	3,290	4,425
Actual return on fund assets less interest income	(1,398)	(117)	(4,267)	(5,782)
Employer contributions	934	343	625	1,902
Contributions by participants	338	-	195	533
Benefits paid	(1,829)	(456)	(6,834)	(9,119)
Taxes, premiums and expenses paid	(203)	(41)	691	447
Fair value of fund assets at end of the year	35,156	2,994	103,116	141,266

Reconciliation of the Defined Benefit Obligation	SASS $'000	Consolidated / SANCS $'000	Parent SSS $'000	Total $'000
At 30 June 2023				
Present value of obligation at the beginning of the year	43,344	5,367	147,660	196,372
Current service cost	181	160	108	449
Interest cost	2,151	254	7,627	10,032
Contributions by participants	324	-	187	511
Actuarial (gains)/losses arising from changes in financial assumptions	(542)	(16)	(3,976)	(4,534)
Actuarial (gains)/losses arising from liability experience	1,605	16	1,893	3,514
Benefits paid	(7,657)	(1,311)	(8,075)	(17,043)
Taxes, premiums & expenses paid	(199)	(186)	257	(128)
Present value of the obligation at the end of the year	39,207	4,284	145,681	189,173

Reconciliation of the Defined Benefit Obligation	SASS $000	Consolidated / SANCS $000	Parent SSS $000	Total $000
As at 30 June 2022				
Present value of obligation at the beginning of the year	48,669	5,935	180,942	235,546
Current service cost	301	181	366	848
Interest cost	1,418	167	5,498	7,083
Contributions by participants	338	-	195	534
Actuarial (gain)/loss from change in financial assumptions	(5,720)	(420)	(36,359)	(42,499)
Actuarial (gain)/loss arising from liability experience	370	1	3,161	3,531
Benefits paid	(1,829)	(456)	(6,834)	(9,118)
Taxes, premiums and expenses paid	(203)	(41)	691	447
Present value of obligation at the end of the year	43,344	5,367	147,660	196,372

Fair value of Fund assets
All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers and assets are not separately invested for each entity. As such, the disclosures below relate to total assets of the Pooled Fund.

Assets category	2023 Quoted prices in market for identical assets Level 1 $'000	2023 Significant observable inputs Level 2 $'000	2023 Unobservable inputs Level 3 $'000	2023 Totals $'000	2022 Quoted prices in market for identical assets Level 1 $'000	2022 Significant observable inputs Level 2 $'000	2022 Unobservable inputs Level 3 $'000	2022 Totals $'000
Assets category								
As at 30 June								
Short Term Securities	2,896,493	2,434,323	-	5,330,816	1,854,969	3,186,223	-	5,041,193
Australian fixed interest	-	100,350	-	100,350	-	244,972	-	244,972
International fixed interest	-	1,288,564	12,473	1,301,037	4,287	1,415,027	20,329	1,439,642
Australian equities	4,352,503	796,671	4,528,929	9,678,103	5,893,947	622,584	2,246	6,518,777
International equities	13,942,743	155,394	39,901	14,138,038	12,002,063	169,289	3,055	12,174,407
Property	-	-	769,724	769,724	-	-	2,362,344	2,362,344
Alternatives	179	1,206,068	4,852,952	6,059,199	(637)	2,160,192	6,936,165	9,095,720
Totals	21,191,918	5,981,370	10,203,979	37,377,267	19,754,629	7,798,287	9,324,139	36,877,055

The percentage invested in each asset class at the reporting date is:	2023 %	2022 %
Short term securities	14.30%	13.70%
Australian fixed interest	0.30%	0.70%
International fixed interest	3.50%	3.90%
Australian equities	25.90%	17.70%
International equities	37.80%	33.00%
Property	2.10%	6.40%
Alternatives	16.20%	24.70%
Total	100.00%	100.00%

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.

Fair value of entity's own financial instruments
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 $338 million (2022: $362 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $570 million (2022: $540 million).

Significant actuarial assumptions at the reporting date	30 June 2023	30 June 2022
Discount rate	5.65% p.a	5.30% p.a
Salary increase rate (excluding promotional increases)	4.45% for 23/24, 2.95% for 24/25, 2.74% for 25/26, 3.20% pa thereafter	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	6.65% for 22/23; 3.50% for 23/24; 3.00% for 24/25; 2.50% pa thereafter	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

The pensioner mortality assumptions are as per 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 Consolidated entity's total defined benefit obligation as at 30 June 2023 under several scenarios is presented below. The total benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2023. Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

Consolidated/Parent	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	as above	as above - 0.5% p.a.	as above +0.5% p.a.
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	189,172	199,356	179,808

Consolidated/Parent	Base case	Scenario C +0.5% CPI rate change	Scenario D -0.5% CPI rate change
Discount rate	as above	as above	as above
Rate of CPI increase	as above	plus 0.5% p.a.	less 0.5% p.a.
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	189,172	199,272	179,832

Consolidated/Parent	Base case	Scenario E +0.5% Salary rate increase	Scenario F -0.5% Salary rate increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	plus 0.5% p.a.	less 0.5% p.a.
Defined benefit obligation ($'000)	189,172	189,656	188,700

Consolidated/Parent	Base case	Scenario G Lower Mortality*	Scenario H Higher Mortality**
Defined benefit obligation ($'000)	189,172	191,464	187,456

* Assumes the short term pensioner mortality improvement factors for years 2023-2026 also apply for years after 2026.
**Assumes the long term pensioner mortality improvement factors for years post 2026 also apply for the years 2023 to 2026.
The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

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

Funding arrangements
Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.
Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Surplus/deficit
The following is a summary of the 30 June 2023 financial position of the Fund calculated in accordance with AASB 1056 *Accounting Standard "Superannuation Entities:*

	SASS $'000	Consolidated / SANCS $'000	Parent SSS $'000	Total $'000
As at 30 June 2023				
Accrued benefits*	36,004	3,815	122,342	162,161
Net market value of fund assets	(31,697)	(2,107)	(105,536)	(139,340)
Net (surplus) / deficit	4,307	1,708	16,806	22,821

	SASS $'000	Consolidated / SANCS $'000	Parent SSS $'000	Total $'000
As at 30 June 2022				
Accrued benefits*	39,414	4,834	115,341	159,589
Net market value of fund assets	(35,157)	(2,994)	(103,117)	(141,268)
Net (surplus) / deficit	4,257	1,840	12,224	18,321

* There is no allowance for a contribution tax provision within the accrued benefit figure for AASB 1056. Allowance for contribution tax is made when setting the contribution rates.

Economic assumptions
The economic assumptions adopted for the 30 June 2022 in accordance with AASB 1056 *Superannuation Entities*:

Weighted average assumptions	Per annum
Expected rate of return on Fund assets backing current pension liabilities	7.0% p.a.
Expected rate of return on Fund assets backing other liabilities	6.2% p.a.
Expected salary increase rate (excluding promotional salary increases)	4.45% for 23/24, 2.95% for 24/25, 2.74% for 25/26, 3.20% pa thereafter
Expected rate of CPI increase	6.65% for 22/23; 3.50% for 23/24; 3.00% for 24/25; 2.50% pa thereafter

Sensitivity Analysis - AASB 1056
Scenarios A and B relate to the sensitivity of the Accrued Benefits under AASB 1056 to changes in the expected return on Fund assets.

	Base Case	Scenario A -0.5% return	Scenario B +0.5% return
Expected rates of return on Fund assets	7.0%/6.2%	6.5%/5.7%	7.5%/6.7%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Accrued Benefits ($'000)	162,161	168,971	155,861

Financial Year to 30 June 2024	SASS $'000	Consolidated/ SANCS $'000	Parent SSS $'000	Total $'000
Expected employer contributions	823	411	2,195	3,429

30 June 2023	SASS $'000	Consolidated/ SANCS $'000	Parent SSS $'000	Total $'000
Profit or loss impact				
Current service cost	181	160	108	449
Net interest	407	116	2,343	2,866
Profit or loss component of the defined benefit cost	588	276	2,451	3,315

30 June 2022	SASS $'000	Consolidated/ SANCS $'000	Parent SSS $'000	Total $'000
Profit or loss Impact				
Current service cost	301	181	366	848
Net interest	370	80	2,208	2,658
Profit or loss component of the defined benefit cost	671	261	2,574	3,506

30 June 2023	SASS $'000	Consolidated / SANCS $'000	Parent SSS $'000	Total $'000
Other Comprehensive Income				
Actuarial (gains)/losses on liabilities	1,063	1	(2,084)	(1,020)
Actual return on Fund assets less interest income	(1,308)	(98)	(4,084)	(5,490)
Total remeasurement in other comprehensive income	(245)	(97)	(6,168)	(6,510)

30 June 2022	SASS $'000	Consolidated / SANCS $'000	Parent SSS $'000	Total $'000
Other comprehensive income				
Actuarial (gains)/ losses on liabilities	(5,350)	(419)	(33,199)	(38,968)
Actual return on Fund assets less interest income	1,398	117	4,267	5,782
Total remeasurement in other comprehensive income	(3,952)	(302)	(28,932)	(33,186)

Maturity profile of defined benefit obligation
The weighted average duration of the defined benefit obligation is 10.9 years.

Scenarios A and B relate to sensitivity of the Total Accrued Benefits figure shown in the AASB 1056 results.

28. Non-current liabilities - Other liabilities

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Subsidies and grants received in advance	95,555	105,898	95,555	105,893
Other liabilities	34	33	33	33
	95,589	105,931	95,588	105,926

Recognition and measurement

Deferred Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received, and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are initially recognised as liabilities at fair value and are then recognised as income over the expected useful life of the asset on a straight-line basis. That portion of deferred government grants received in relation to capital expenditure that relates to useful life in excess of 12 months is treated as a non-current liability.

29. Non-current liabilities - contract liabilities

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Contract liabilities	931	933	930	933

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period is expected to be recognised as revenue in future periods as follows:

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
12 to 18 months	931	933	930	933

30. Equity - Contributed equity

The contributed equity of the Consolidated entity is divided into two equal shares. The Consolidated entity's shareholders are: The Treasurer and Minister for Finance. All shares are issued and fully paid. The contributed equity balance represents transfers on formation of Water NSW, repayment of capital to NSW Government and various transfers of assets and liabilities to and from NSW Government owned entities.

Capital risk management
The Consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Consolidated entity, with approvals of the shareholders, may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the previous Annual Report.

Recognition and measurement

The contributed equity represents the net assets balance transferred between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies that are designated or required by Accounting Standards to be treated as contributions by owners. This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. In most instances this will approximate fair value. Refer to note 35 for further information.

WaterNSW Infrastructure Pty Ltd is incorporated under the *Corporations Act 2001* with issued capital of one hundred (100) fully paid $1 ordinary shares. The current shareholder is Water NSW. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Consolidated entity.

31. Related party transactions

Parent entity
The entity has related party relationships with key management personnel (refer (a) below) and with entities that belong to the NSW Total State Sector Consolidated group controlled by the NSW government (refer (b) below).

Subsidiaries
Interests in subsidiaries are set out in note 39.

(a) Key management personnel
Disclosures relating to key management personnel are set out in note 32.

(b) Government-related entities
Government-related entities are those that are controlled or jointly controlled or significantly influenced by the NSW Government. The aggregate value of the transactions and outstanding balances are as follows:

Related Party	Nature of transaction	Note reference
Sydney Water Corporation	Sale of bulk water	Note 2
NSW Department of Planning and Environment	Government grants	Note 3
NSW Department of Planning and Environment	Administered assets	Note 41
NSW Treasury Corporation	Borrowings and interest repayment	Note 20, Note 25
NSW Department of Planning and Environment	Equity transfer	Note 35
NSW Treasury	Dividends	Note 22
NSW Treasury	Government Guarantee Fee	Note 8
Revenue NSW	Income Tax, Land Tax, Payroll Tax	Note 10, Note 21, Note 26
NSW Department of Planning and Environment	Rebates	Note 2
Essential Energy	Broken Hill Pipeline transportation services	Note 2

32. Key management personnel disclosures

The Consolidated entity has related party relationships with key management personnel (refer (a) below) and their related entities (refer (b) below).

(a) Key management personnel compensation
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated entity, directly or indirectly. This comprises all directors, whether executive or non-executive, and senior executives who lead the various business units of the Consolidated entity, the Consolidated entity’s two shareholder Ministers and its Portfolio Minister. Compensation is shown below for the directors and the senior executives only. The NSW Legislature pays the Ministers their compensation and this is not reimbursable from the Consolidated entity.

The aggregate compensation made to directors and other members of key management personnel of the Consolidated entity is set out below:

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Short-term employee benefits	3,984	4,230	3,984	4,230
Post-employment benefits	249	278	249	278
Long-term benefits	45	37	45	37
Termination benefits	-	316	-	316
	4,278	4,861	4,278	4,861

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Directors, excluding Chief Executive Officer*	530	523	530	523
Senior executives, including Chief Executive officer	3,748	4,338	3,748	4,338
Remuneration of Key Management Personnel	4,278	4,861	4,278	4,861

The above disclosures for senior executives are based on accruals of employee benefits during the reporting period in accordance with the requirements of AASB 124 Related Parties and AASB 119 Employee Benefits.

(b) Other transactions with key management personnel
Any transactions undertaken with key management personnel or entities related to them are conducted on an arm's length basis on commercial terms and conditions. In accordance with the requirements of TC 16-12 *Related Party Disclosures* the Consolidated entity collects arm's length transactions only in excess of $100,000. Such transactions are disclosed if it is concluded that they are either quantitatively or qualitatively material to the Consolidated entity's financial statements. During the prior financial year the Consolidated entity paid membership fees and participated in the conferences and workshops conducted by the Water Services Association of Australia (WSAA) transactions totalling: $0 (Including GST - $0) (2022: $50,930 (including GST - $4,630)). The Chief Executive Officer of Water NSW was a board member of WSAA until November 2022.

There were no other related party transactions to disclose.

33. Auditors remuneration

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Auditors remuneration				
Financial audit of Water NSW	343	333	343	333
Financial audit of WaterNSW Infrastructure Pty Ltd	31	31	-	-
Total remuneration	374	364	343	333

34. Commitments

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Capital commitments				
Committed at the reporting date but not recognised as liabilities, payable:				
Property, plant and equipment and intangible assets	107,249	93,840	107,150	93,743
Committed at the reporting date but not recognised as liabilities, payable:				
Within one year	82,811	81,672	82,712	81,575
One to five years	24,438	12,168	24,438	12,168
	107,249	93,840	107,150	93,743

Amounts disclosed as capital commitments includes GST of $9.7 million (2022: $8.5 million) recoverable from the Australian Taxation Office.

35. Equity Transfer

On 1 September 2021, pursuant to the WaterNSW Assets, Rights and Liabilities Transfer Order 2021 signed by the Minister for Water Property and Housing, certain assets of Water NSW were transferred to the Department of Planning and Environment (DPE) at fair value. This transaction was treated as an equity transfer in accordance with TPP 21-08 *Accounting Policy: Contribution by owners made to wholly-owned Public Sector Entities*.

The values of assets transferred to DPE as a result of this transfer are as follows:

	Fair value $'000
Work in progress	(24,986)
Fair value of the assets transferred	(24,986)

36. Contingent assets

The Consolidated entity is currently progressing various insurance claims with its insurer, iCare to recover unrecognised insurance proceeds in relation to capital works required to replace assets written-off and business interruption due to lost water supply revenue in Greater Sydney whilst water quality issues were managed pursuant to extreme weather events in recent years (2020 bushfires, 2020 floods and subsequent floods).

Proceeds from these ongoing insurance claims will be recognised when received. The expected value of the settlement has not been disclosed to avoid prejudicing the claims process.

37. Contingent liabilities

Details of contingent liabilities are set out below. These are matters in which provisions are not required as it is not probable that a future sacrifice will be required or the amount is not capable of reliable measurement.

Operational activities
Risk exposure occurs as a result of operational activities. These exposures comprise various matters that have or possibly could lead to disputes over past or existing contracts or other operational activities. The Consolidated entity is a party to various legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such claims cannot be reliably measured at this time. In the directors' opinion, disclosure of any further information would be prejudicial to the interests of the Consolidated entity.

Green State Power
Under the Green State Power transfer agreement Water NSW was paid a pre-tax cash amount of $7.15 million by Green State Power in July 2014 to cover potential obligations in the future. The obligations are for potential compensation to the hydro-operator during the first 30 year term for any power station unavailability that is caused by an act or omission of the Consolidated entity (excluding planned works or force majeure). The potential liability is capped (for both Burrinjuck Dam and Keepit Dam combined) to $5 million.

Origin Energy
Under the Operations and Maintenance Agreement for the operation of the Kangaroo-Fitzroy Project with Origin Energy the Consolidated entity has an exposure to pay Origin Energy liquidated damages if its assets are not available for use to transfer water to enable the generation of hydro-electricity. Liquidated damages are calculated on a sliding scale if asset availability falls below 94% in a calendar month. The maximum monthly exposure to liquidated damages is $250,000 if asset availability for the whole of the month is zero. The Consolidated entity's maximum exposure to liquidated damages is $600,000 in any calendar year.

Site contamination
The Consolidated entity has a potential exposure to risk from contaminated land and infrastructure that may contain hazardous materials and environmental incidents. There is an ongoing program for the management of contamination and remediation where required. It is not possible to estimate liabilities reliably, as the need for and the type of management and remediation is dependent on future events that cannot be determined at this time.

38. Cash flow information

Reconciliation of profit after tax to net cash from operating activities in the statement of cash flows.

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Profit (loss) after tax	1,968	(455)	2,170	(748)
Depreciation	89,858	84,860	84,717	79,772
Amortisation	5,582	4,467	5,558	4,467
Fair value adjustment through profit and loss	(3,394)	(21,118)	(3,400)	(21,118)
Loss on disposal of property, plant and equipment	10,457	36,770	10,457	36,770
Dec/(inc) trade and other receivables	(3,819)	(6,660)	(3,021)	(12,120)
Dec/(inc) other operating assets	42	39	42	39
Inc/(dec) trade and other payables	(7,304)	4,687	(7,709)	5,087
Dec/(inc) income tax	10,611	(1,856)	9,669	(2,900)
Inc/(dec) other costs of finance	9,198	9,591	6,297	6,506
Inc/(dec) other provisions	14,479	11,303	14,479	11,303
Inc/(dec) other operating liabilities	(1,040)	(117)	(1,040)	(117)
Net cash from operating activities	126,638	121,511	118,219	106,941

39. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 14:

Name	Principal place of business / Country of incorporation	Ownership interest 2023 %	2022 %
WaterNSW Infrastructure Pty Ltd - 100 shares at $1 per share	Australia	100	100

40. Financial instruments

a) Risk management framework

The Consolidated entity's principal financial instruments are outlined below. These financial instruments arise directly from operations of the entity or are required by the entity to finance its operations. The Consolidated entity does not enter into or trade financial instruments including derivative financial instruments for speculative purposes.

The Consolidated entity's main risks arising from financial instruments are outlined below, together with the entity's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing identified risks. Risk management policies are established to identify and analyse the risks faced by the entity, as well as to set limits and controls and monitor identified risks. Compliance with policies is reviewed by the Audit and Risk Committee on a continuous basis.

The totals for each category of financial instruments, measured in accordance with AASB 9 *Financial Instruments* as detailed in the accounting policies to these financials statements, are as follows:

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Financial assets				
Cash and cash equivalents (category: not applicable)	84,668	87,767	84,664	87,684
Trade and other receivables* (category: amortised cost)	80,395	73,178	77,279	74,287
Financial assets - totals	165,063	160,945	161,943	161,971
Financial liabilities				
Trade and other payables*(category: amortised cost)	95,253	96,823	89,295	91,340
Contract liabilities* (category: amortised cost)	4,984	3,184	4,983	3,184
Borrowings (category: amortised cost)	1,888,500	1,878,713	1,621,852	1,609,840
Lease liabilities	19,149	19,539	19,149	19,539
Financial liabilities - totals	2,006,955	1,998,259	1,734,349	1,723,903

* Excludes statutory receivables payables as well as prepayments and deferred income and which fall outside the scope of AASB 7 *Financial Instruments: Disclosures*.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Consolidated entity's exposures to market risk are primarily through interest rate risks related to borrowings. The Consolidated entity has negligible exposure to foreign currency risk and does not enter into commodity contracts.

Interest rate risk

Exposure to interest rate risk arises primarily through the Consolidated entity's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, through TCorp. The Consolidated entity does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity.

TCorp manages interest rate risk exposures applicable to specific borrowings of the Consolidated entity in accordance with a debt portfolio mandate agreed between the two parties. TCorp receives a fee for this service. At reporting date, the carrying value of borrowings managed by TCorp for the Consolidated entity stood at $1,889 million (2022: $1,879 million).

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Fixed rate instruments				
Commonwealth guaranteed	-	16,150	-	16,150
Loans State guaranteed	1,874,437	1,849,569	1,578,629	1,556,592
Loans to Authorities	14,063	12,994	14,063	12,994
Fixed rate instruments	1,888,500	1,878,713	1,592,692	1,585,736

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Variable rate instruments				
Cash and cash equivalents	84,668	87,767	84,664	87,684

The Consolidated entity's exposure to interest rate risk is set out below.

Intercompany loan of $29.2 million (2022: $24.1 million) is at-call, unsecured and interest free. The interest rate risk exposure is considered to be very low.

	Basis points increase			Basis points decrease		
Consolidated – 2023	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $000	Effect on equity $000
Cash and cash equivalents	100	847	847	(100)	(847)	(847)

	Basis points increase			Basis points decrease		
Consolidated - 2022	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $000	Effect on equity $000
Cash and cash equivalents	100	878	878	(100)	(878)	(878)

Parent - 2023	Basis points change	Basis points increase: Effect on profit before tax $'000	Basis points increase: Effect on equity $'000	Basis points change	Basis points decrease: Effect on profit before tax $'000	Basis points decrease: Effect on equity $'000
Cash and cash equivalents	100	847	847	(100)	(847)	(847)

Parent - 2022	Basis points change	Basis points increase: Effect on profit before tax $'000	Basis points increase: Effect on equity $'000	Basis points change	Basis points decrease: Effect on profit before tax $'000	Basis points decrease: Effect on equity $'000
Cash and cash equivalents	100	877	877	(100)	(877)	(877)

(c) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Consolidated entity. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment) in the statement of financial position. Credit risk arises from the financial assets of the Consolidated entity, including cash, receivables, and deposits. Credit risk associated with financial assets, other than receivables, is managed through the selection of counterparties, the establishment of minimum credit rating standards, and obtaining sufficient collateral or bank guarantees where appropriate as a means of mitigating the risk of loss.

The Consolidated entity held bank guarantees from various suppliers for the amount of $17.8 million as at 30 June 2023 (2022: $14.7 million).

The Consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all non-government customers of the Consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

No collateral is held by the Consolidated entity and no material financial guarantees have been granted.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than one year.

Credit risk associated with financial assets, other than receivables, is managed through the selection of counterparties and the establishment of minimum credit rating standards. The Consolidated entity's deposits held with NSW Treasury Corporation are guaranteed by the State.

Cash and cash equivalents
Credit risk related to business with banks and other financial institutions is managed by the Audit and Risk Committee in accordance with approved Board policy. Investment with individual counterparties is limited to TCorp, and the NSW Government's state financial services provider bank.

Trade and other receivables
All trade receivables are recognised at amounts receivable at reporting date. The Consolidated entity monitors collectability of trade debtors on an ongoing basis and has policies in place to recover or write-off amounts outstanding. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

The entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. The expected loss rates are based on historical observed loss rates and forward-looking information. This analysis includes past experience, and current and expected changes in economic conditions and debtor credit ratings. Debts which are known to be uncollectible are written off. All credit and recovery risks associated with trade debtors have been provided for in the statement of financial position.

Under the *Water Act 1912* and the *Water Management Act 2000* if the New South Wales Department of Planning and Environment issues a new licence or transfers an existing licence then that licensee automatically becomes a customer of the Consolidated entity under the conditions of that licence. The Consolidated entity does not undertake any credit quality assessment or define any credit limits before accepting new water customers issued such licences. The *Water Act 1912* allows outstanding monies to be charged on the land supplied with water, and if this charge is registered against the land title, the debt will pass with the land to any future owner. Given these facts, fees charged on a water access licence are largely perpetual and not standard commercial debt where only court action is available to collect a debt when a debt is considered doubtful, unless security is held against the debt. Generally prospective acquirers of a water access licence undertake searches on the licence they are seeking to acquire to determine whether there is any debt outstanding. If there is, the acquirer discounts the market value of the licence by the debt owing or arranges to settle the debt at the time of acquisition. The Consolidated entity also has trade receivables for non-water related charges. The majority of such debt relates to government related bodies and are considered low risk.

(d) Liquidity risk

Liquidity risk is the risk that the Consolidated entity will be unable to meet its payment obligations when they fall due. The Consolidated entity continuously manages risk by monitoring its future cash flows and maturities and holding adequate amounts of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of readily accessible standby facilities.

The Consolidated entity has obtained approval under the *Government Sector Finance Act 2018* (Note 25) for limits on its borrowing facilities.

The Consolidated entity's Treasury Risk Management Policy establishes prudential limits on the percentage of debt which can mature in any one financial year. Planned future capital expenditure will be funded in part through TCorp borrowings. Future committed expenditure is disclosed in Note 34.

The Consolidated entity's current ratio is 0.32 (Parent – 0.33). There is $260.6 million (Parent - $209.5 million) in borrowings that mature in the next twelve months. However, management has the capacity to rollover the debt as and when it falls due. Under the debt management agreement with TCorp, the Consolidated entity is able to rollover maturing debt into new debt so long as the total capital value of loan portfolio remains within the approved limit.

During the current and prior reporting year there were no defaults on loans payable. No assets have been pledged as collateral. The Consolidated entity's exposure to liquidity risk is deemed insignificant based on prior periods data and the current assessment of risk.

Remaining contractual maturities

The following tables detail the Consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2023	Weighted average interest rate* %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	95,253	-	-	-	95,253
Contract liabilities	-	4,984	-	-	-	4,984
Interest-bearing - fixed rate						
Borrowings	2.03%	290,847	796,153	497,693	481,509	2,066,202
Lease liability	3.56%	2,957	2,497	8,182	9,405	23,041
Total non-derivatives		394,041	798,650	505,875	490,914	2,189,480

Consolidated - 2022	Weighted average interest rate* %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	96,823	-	-	-	96,823
Contract liabilities	-	3,184	-	-	-	3,184
Interest-bearing - fixed rate						
Borrowings	1.86%	260,927	284,037	1,040,986	434,954	2,020,904
Lease liability	3.10%	2,911	2,697	6,810	11,532	23,950
Total non-derivatives		363,845	286,734	1,047,796	446,486	2,144,861

Parent - 2023	Weighted average interest rate* %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	89,295	-	-	-	89,295
Contract liabilities	-	4,983	-	-	-	4,983
Intercompany loan	-	29,159	-	-	-	29,159
Interest-bearing - fixed rate						
Borrowings	1.91%	234,571	750,653	374,123	372,832	1,732,179
Lease liability	3.56%	2,957	2,497	8,182	9,405	23,041
Total non-derivatives		360,965	753,150	382,305	382,237	1,878,657

Parent - 2022	Weighted average interest rate* %	1 year or less $'000	Between 1 and 2 years $'000	Between 1 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	91,340	-	-	-	91,340
Contract liabilities	-	3,184	-	-	-	3,184
Intercompany loan	-	24,104	-	-	-	24,104
Interest-bearing - fixed rate						
Borrowings	1.69%	204,278	229,278	932,177	332,044	1,697,777
Lease liability	3.10%	2,911	2,697	6,810	11,533	23,951
Total non-derivatives		325,817	231,975	938,987	343,577	1,840,356

(e) Fair value of financial instruments

Cash and cash equivalents, trade and other receivables, trade and other payables and other financial liabilities are short term instruments in nature whose carrying amounts are considered to be a reasonable approximation of their fair values. Borrowings are stated at amortised cost.

The following table details the financial instruments, by class, where the fair value differs from the carrying amount:

Consolidated	2023 Carrying amount $'000	2023 Fair value $'000	2022 Carrying amount $'000	2022 Fair value $'000
Liabilities				
Borrowings	1,888,500	1,796,969	1,878,713	1,837,868
	1,888,500	1,796,969	1,878,713	1,837,868

Parent	2023 Carrying amount $'000	2023 Fair value $'000	2022 Carrying amount $'000	2022 Fair value $'000
Liabilities				
Borrowings	1,592,693	1,517,019	1,585,736	1,549,662
	1,592,693	1,517,019	1,585,736	1,549,662

f) Capital management

The Consolidated entity's agreed capital structure is reviewed every year as part of the Statement of Corporate Intent process. The purpose of such a review is to confirm whether or not the current capital structure continues to be appropriate and, if not, to negotiate revised arrangements between the Board and NSW Treasury.

Dividend policy

The declared dividend of $40.0 million (2022: $15.0 million) is in line with TPG 21-10 *Capital Structure and Financial Distribution Policy for Government Businesses*.

41. Administered Items

Administered revenue, assets and liabilities

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Administered revenue				
WAMC*- water charges	15,822	16,029	15,822	16,029
NRAR**** funding	4,735	4,808	4,735	4,808
YCATAC**-Yanco Columbo system levy	102	97	102	97
MDBA and BRC - Rural Valleys***	16,569	16,364	16,569	16,364
MDBA and BRC WAMC***	7,150	5,024	7,150	5,024
Total administered revenue	44,378	42,322	44,378	42,322

	Consolidated 2023	Consolidated 2022	Parent 2023	Parent 2022
Administered assets				
Administered cash WAMC*	3,043	2,097	3,043	2,097
Administered cash MDBA*** Rural Valleys	4,708	7,228	4,708	7,228
Administered cash MDBA*** & BRC Pass Through WAMC	1,788	1,253	1,788	1,253
Administered cash YCATAC**	3	1	3	1
Debtors and accrued charges WAMC*	2,292	2,469	2,292	2,469
Debtors and accrued charges MDBA*** Rural Valleys	1,133	990	1,133	990
Debtors MDBA*** & BRC Pass Through WAMC	65	109	65	109
Debtors and accrued charges YCATAC**	5	4	5	4
Total administered assets	13,037	14,151	13,037	14,151

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Administered liabilities				
Creditors and accruals WAMC*	5,334	4,566	5,334	4,566
Creditors and accruals YCATAC**	8	5	8	5
Creditors and accruals MDBA and BRC***	5,842	8,218	5,842	8,218
Creditors MDBA*** & BRC Pass Through WAMC	1,853	1,362	1,853	1,362
Total administered liabilities	13,037	14,151	13,037	14,151

* WAMC - Water Administration Ministerial Corporation
**YCATAC - Yanco Creek and Tributaries Advisory Council
***MDBA - Murray-Darling Basin Authority, BRC - The Dumaresq-Barwon Border Rivers Commission
****NRAR - Natural Resources Access Regulator

These charges are payable by the Consolidated entity to the respective agencies as and when collected. Accrued charges are based on known entitlement charges and on usage, where applicable. Billing of customers is completed after year end.

Recognition and measurement

The Consolidated entity administers, but does not control, certain activities. The Consolidated entity is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of the Consolidated entity's own objectives. Transactions and balances relating to the administered activities are not recognised as the Consolidated entity's income and expenses, but are disclosed in the accompanying schedules. The accrual basis of accounting and applicable accounting standards have been adopted.

42. Events after the reporting period

No matters or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Consolidated entity's operations, the results of those operations, or the Consolidated entity's state of affairs in future financial years.

End of Audited Financial Statements

WATER NSW

STATEMENT BY THE ACCOUNTABLE AUTHORITY

30 JUNE 2023

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

a) Present fairly Water NSW financial position, financial performance and cash flows as at 30 June 2023.

b) have been prepared in accordance with;

- applicable Australian Accounting Standards (including Australian Accounting Interpretations);
- the applicable requirements of the Act;
- the Government Sector Finance Regulation 2018;
- the Treasurer's directions, and
- the *State-Owned Corporations Act 1989*.

I am not aware of any circumstances at the date of this statement that would render any particulars included in the financial statements to be misleading or inaccurate.

At the date of this statement, there are reasonable grounds to believe that Water NSW will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

Peter Duncan AM
Chair of the Board of Directors
Water NSW
13 September 2023

AUDITOR-GENERAL
NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Water NSW

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Water NSW (the Corporation), which comprise the Statement by the Accountable Authority, the Statements of comprehensive income for the year ended 30 June 2022, the Statements of financial position as at 30 June 2022, the Statements of changes in equity and the Statements of cash flows for the year then ended, notes comprising Significant accounting policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

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 financial position, financial performance and cash flows of the Corporation and the consolidated entity.

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 and the consolidated entity 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.

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Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2023. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters. I have determined the matters described below to be the key audit matters to be communicated in my report.

Key Audit Matters	How my audit addressed the matters
Fair value of system assets	
At 30 June 2023, the consolidated entity's statement of financial position reported $2.9 billion in system assets measured at fair value. System assets, which consist of infrastructure, water meters and buildings, are highly specialised and account for 82 per cent of the total property, plant and equipment balance. I consider this to be a key audit matter because: • the system assets are financially significant to the statement of financial position • the discounted cash flow (DCF) model used to value the system assets is complex and involves significant judgements and assumptions • changes in assumptions, such as the discount rate, demand growth expectations, price and cost assumptions, can significantly affect the fair value. Further information on the valuation techniques, inputs and sensitivity for system assets is disclosed in Note 14 and 18.	Key audit procedures included: • obtaining an understanding of the consolidated entity's approach to estimating the fair value of system assets • assessing whether the DCF model: – incorporated all key assumptions and inputs relevant to valuing system assets of a water entity – met the requirements of Australian Accounting Standards • assessing the competence, capability and objectivity of management's independent experts • reviewing the reasonableness of key assumptions and sensitivity of the conclusions to changes in the assumptions • reviewing the model's mathematical accuracy • assessing the adequacy of the financial statement disclosures against the requirements of the Australian Accounting Standards.
Valuing of defined benefit superannuation liabilities	
At 30 June 2023, the consolidated entity's statement of financial position reported net defined benefit superannuation liabilities totalling $49.8 million. This liability balance is provided by the Administrator of the SAS Trustee, based on an independent actuarial assessment. I consider this to be a key audit matter because: • the defined benefit superannuation liability is financially significant to the statement of financial position • 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 • the value of the liability is sensitive to minor changes in valuation inputs. Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 24.	Key audit procedures included: • obtaining an understanding of the processes and key controls in place supporting the: – membership data used in the model – defined benefit superannuation liability calculation. • assessing the completeness and accuracy of the membership data used in the model • with the assistance of actuarial experts reviewing the methodology and key assumptions for reasonableness • assessing qualifications, competence and objectivity of actuarial experts • assessing the adequacy of the financial statement disclosures against the requirements of Australian Accounting Standards and Treasurer's Directions.

Directors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Corporation or the consolidated entity 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

Karen Taylor
Delegate of the Auditor-General for New South Wales

14 September 2023
SYDNEY

Compliance Index