



START SAFE WORK SAFE HOME SAFE



Acknowledgement of Country

South Gippsland Water acknowledges Aboriginal and Torres Strait Islander Peoples as Australia's First Peoples. We acknowledge the local Traditional Owners, Gunaikurnai and Bunurong, as the original custodians of the land and water on which we rely. We pay our deepest respects to their Elders, past and present.

We acknowledge the continued cultural, social and spiritual connections that Aboriginal and Torres Strait Islander Peoples have with the lands and waters and recognise and value that the Traditional Owner groups have cared for and protected them for thousands of generations.

In the spirit of reconciliation, we remain committed to working in partnership with the Gunaikurnai and Bunurong to ensure their ongoing contribution to the future of the water management landscape while maintaining their cultural and spiritual connections.

This artwork is proudly featured on our Yarram Water Tower. It was designed by Gunaikurnai Elder Sandra Patten. It as a visual expression of 'Sitting On Country' where she feels at home and connected.

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The Corporation

The South Gippsland Region Water Corporation (South Gippsland Water) is a Victorian Governmentowned entity. We provide water and wastewater services to communities and businesses across a 4,000 square kilometre area of south-eastern Victoria.

The Minister responsible for South Gippsland Water for the period 1 July 2023 to 30 June 2024 was the Hon Harriet Shing MP, Minister for Water.

We operate in accordance with the Statement of Obligations issued by the Minister for Water pursuant to the Water Industry Act 1994 (Vic). We are responsible to the Department of Energy, Environment and Climate Action (DEECA) and are regulated by the Department of Health, Environment Protection Authority (EPA) and the Essential Services Commission (ESC).

About this report

This annual report details the operational and financial performance of South Gippsland Water during 2023–24. It has been prepared in accordance with the relevant Ministerial Reporting Directions, Financial Reporting Directions and Financial Reporting Directions FRD30D – Standard Requirements for the Publication of Annual Reports.

South Gippsland Region Water Corporation Financial Management Compliance Attestation Statement

I, Philip Clark, on behalf of the South Gippsland Region Water Corporation certify that the South Gippsland Region Water Corporation has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.

Philip Clark Chair South Gippsland Region Water Corporation

26 September 2024

Responsible Body declaration

In accordance with the *Financial Management Act 1994,* I am pleased to present South Gippsland Water's Annual Report for the year ending 30 June 2024.

Philip Clark Chair South Gippsland Region Water Corporation

26 September 2024



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Vision

In 2023–24 the South Gippsland Water Board adopted a new 2040 Vision and Strategy, reinforcing our commitment to our customers and communities to provide high quality services.

Our vision

We are a trusted partner, advancing water services to support customer and community aspirations.

Our purpose

Making our community and environment better together.

We demonstrate this by the values our people display in proudly providing safe and sustainable water and wastewater services.

Our values

Our values are inclusive, respectful, reliable, innovative and sustainable.

These values are reinforced by our commitment to workplace safety, represented by: Start safe. Work safe. Home safe.

Our vision

We are a trusted partner, advancing water services to support customer and community aspirations

Our purpose

Making our community and environment better together

Our role

We proudly provide safe and sustainable water and wastewater services to our community

Our values

Inclusive, respectful, reliable, innovative, sustainable Start safe • Work safe • Home safe

Four strategic focus areas

Our strategic focus areas demonstrate our strategic priorities and the connections to the Minister's Letter of Expectations. Together, the focus areas ensure we are delivering for our staff, customers and stakeholders.

They are:

- 1. Trusted people and partners
- 2. A modern and future fit organisation
- 3. Sustainable products and services
- 4. Affordability and financial sustainability

Trusted people and partners

Our highly capable people and strong vibrant culture

Trusted partner to community and regulators, enhancing regional value

Valued engagement with Traditional Owners

Fit for purpose, welcoming and inclusive facilities

Sustainable products and services

Balancing our water resources

Supporting a circular economy

Optimised asset management



A modern and future fit organisation

Easy to use efficient processes, systems and data

Modernised technology Innovation and technology for growth Improved security systems

Affordability and financial sustainability

Grow revenue streams

The value of water is reflected in our pricing

Supporting major customers

Statement by the Chair and Managing Director

Over the past 12 months, South Gippsland Water has taken significant steps forward in our maturity as an essential service to the communities we serve.

Thanks to the hard work of our dedicated staff, our business has achieved some significant milestones in 2023–24 which will see improved outcomes for our customers, the community and the South Gippsland region as a whole.

Safety is central to our operations, underpinned by our mantra of start safe, work safe, home safe. This year we adopted the Safe and Well Plan 2024–26 that sets out our pathway to becoming a High Reliability Organisation. We are already seeing the impacts of this new strategy, with a higher attention to reporting, reflection and action, and a greater priority on psychosocial safety and wellbeing.

We continued our engagement with the Registered Aboriginal Parties in our service area, the Bunurong Land Council Aboriginal Corporation and the Gunaikurnai Land and Waters Aboriginal Corporation, supported by the development and adoption of our first Reflect Reconciliation Action Plan.

Our organisation continues to work with the water industry and our partners in the community to deliver our services. As one of Victoria's smallest water corporations, these partnerships are critical. We would like to thank the local governments we work with – South Gippsland, Bass Coast and Wellington shires – as well as the West Gippsland Catchment Management Authority, the Gippsland Environmental Agencies network and all our fellow regional water corporations for their ongoing support.

Agriculture, including dairy and beef and associated processing, is one of the key industries in our region. We are pleased to sign off on new agreements with the two major dairy factories including a 15-year agreement with Burra Foods to manage their wastewater services and a 15.5-year framework agreement with Saputo Foods to upgrade and manage their wastewater services and assets. Another agreement recently established with Kilcoy Global Foods' newest abattoir at Lance Creek will help bring sustainability to our business and jobs to the region.

We worked closely with Inverloch's community as we delivered the sewer pump station renewal project and how best to rehabilitate this popular site for recreational use following construction. Residents made recommendations on a revegetation option designed to maximise biodiversity values, attract indigenous wildlife and enhance native vegetation.

As cost-of-living pressures impact our community, we increased support to customers seeking hardship assistance. We provided hardship assistance to four times as many customers compared to the previous financial year. We also introduced a new support program to engage with customers who continue to struggle making payments.

We are proud that South Gippsland Water is respected within the industry and our local communities. This year, several of our staff have received individual accolades and have been recognised for their contributions from our partners, including some of our regulators.

We continued to invest in our treatment plants including \$11M in Korumburra's wastewater treatment and processes to improve environmental outcomes. The construction of an emergency storage lagoon at Wonthaggi wastewater treatment plant has already reduced our environmental impact during the wettest months of 2023–24. We continued with our investments in pipe maintenance and renewal to improve our performance, reduce leaks and improve water pressure.

Our commitment to the environment was reinforced in the development of our Net Zero Emissions Plan and in the progression of projects that are already having a positive impact, including a reduction in our overall emissions.

Severe weather, including the February 2024 storm event resulted in major power and communication outages across South Gippsland, impacting our sewerage services in the Poowong, Loch and Nyora areas. Our team worked hard to continue water and wastewater services during these challenging periods, minimising impacts to our communities and ensuring we remained within our operating targets. Our 2040 Vision and Strategy, launched in March 2024, focuses us on meeting the needs of our customers and communities, who rely on us to deliver safe, reliable and affordable water and wastewater services not only now, but as the region grows into the future.

The 2040 Vision and Strategy is the culmination of more than 18 months' work by all levels of the business. For the first time, it brings together all our priorities in one place leading to a singular vision for the business – **South Gippsland Water will be a trusted partner advancing water services to support customer and community aspirations.**

Being a trusted partner to our communities is one of the fundamental values of South Gippsland Water. In line with this, our staff confirmed our organisation values to be: inclusive, respectful, reliable, innovative, and sustainable.

For the next 18 months we will be concentrating on creating a more sustainable business for the region. We are developing a plan to upgrade our facilities, building a financial sustainability model, enabling and supporting our people and modernising our technology, to meet our staff, customer and community's aspirations.

We will develop our people's capability through investment and training in technology that will enable them to deliver more advanced water services that support our community and customers.

In the end, it is South Gippsland Water's staff who are our largest asset. Our people are passionate members of the communities we are privileged to serve. Their drive goes beyond the supply of water services. They have a desire to help improve our world and make their communities and environment better. We could not ask for more capability, commitment and dedication. Our job now is to support them to meet those incredible aspirations.

We are proud to present South Gippsland Water's Annual Report for 2023–24.

Philip Clark **Chair**

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Robert Murphy Managing Director



Purpose and functions

South Gippsland Water is an urban water corporation that provides reliable, environmentally sustainable water and wastewater services in the south-eastern region of Victoria.

We are fortunate to work across a region of rolling green hills, picturesque coastal areas and passionate communities. Servicing 21 townships and their residents, we operate eight separate water systems and 11 wastewater treatment plants.

Our non-residential customers consist of large and small rural industries including a range of farming and horticultural enterprises and their associated processing plants.

We have two internationally recognised national parks – Tarra-Bulga National Park and Wilsons Promontory National Park. Our coastline is one of the most highly sought-after getaway locations for Melbournians, resulting in our townships, parks and beaches swelling with visitors during summer and holiday periods.

Service summary

Headworks

Water catchments with a total area of 1,234 square kilometres

Water services

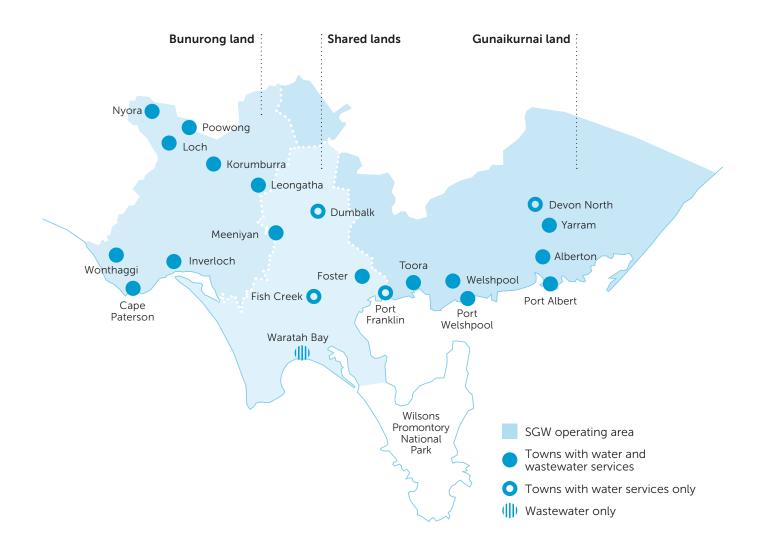
- Eight separate water supply systems
- Eight water treatment plants
- 750 km of water mains
- 13 reservoirs and 18 service storages
- 4,476 million litres (ML) annual volume of drinking water supplied to customers
- Servicing 22,361 customers over 22 rural centres

Wastewater services

- 10 conventional wastewater collection systems
- One vacuum wastewater system
- Two pressure sewer systems
- 11 sewerage treatment plants
- One dedicated saline trade waste system
- 538 km of wastewater mains
- Five marine environment outfalls
- Three inland water discharge points
- Collecting 4,550 ML and treating around 3,480 ML of wastewater
- Servicing 20,199 wastewater customers in 16 townships and surrounding districts



Map of region





Customer outcomes

Our Customer Outcomes were tested in 2022 as part of the Essential Services Commission Price Submission process. An extensive engagement program was undertaken and customers confirmed the five areas of our organisation they value most were:

Reliability	We will plan for the future, be reliable and minimise unplanned interruptions to services
Integrity	We will act with honesty, respect and strive to balance affordability, value for money, and fairness
Environment	Be environmentally sustainable and adapt to a future impacted by climate variability
Water	Provide safe, clean drinking water
Wastewater	Provide a safe wastewater service that contributes to the liveability of our communities

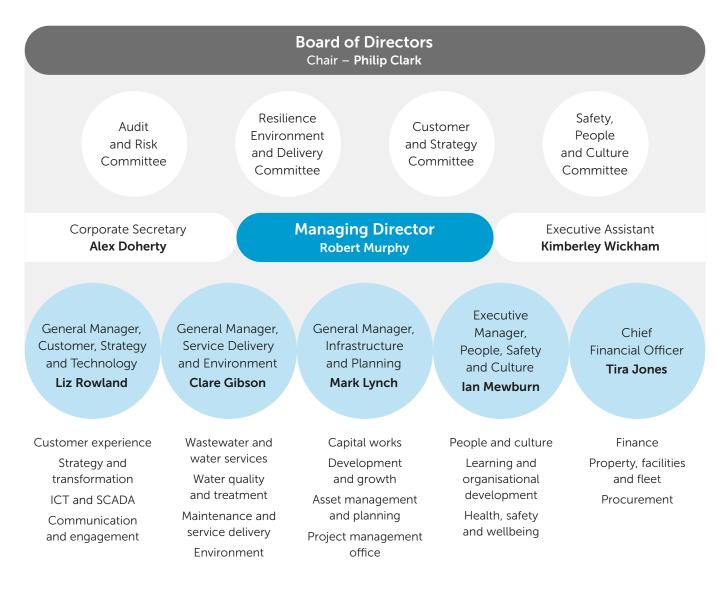
Our commitment to ambitious efficiency targets

Our transformation program commenced in 2022 to deliver both longer term strategic transformation initiatives and high impact quick solutions for a more efficient organisation. A new organisational design is in place to deliver our 2040 Vision and Strategy. Our planning has also identified key initiatives associated with streamlining our business processes, improving data and reporting capabilities, and advancing billing and customer service systems.



About us

Organisation structure



The Board

Our Board members as at 30 June 2024.



Phil Clark Appointed 1 October 2021 (Chair)

Phil is an Engineer with a Master of Business Administration and is a Graduate of the Australian Institute of Company Directors. Phil has previously Chaired at Westernport Water, Inverloch & Districts Financial Enterprises Ltd – Inverloch's Community Bank, ATEC Australia – International Limited and Engineers Without Borders Australia and a Non-Executive Director at City West Water.

His earlier engineering and executive management career was with BHP, including extensive international experience.



Nicola Hepenstall Appointed 1 October 2019 (Deputy Chair)

Nicola is a highly skilled strategist with extensive experience in C-suite leadership roles, holding Executive Director and Non-Executive Director positions spanning marketing services, research, education and member organisations.

With over 25 years' experience in evidence-based consulting, she has worked with State and Federal Government departments and many of Australia's largest companies helping them navigate the complexity of the communications environment and developing strategies.

Nicola is also on the board of VicWater. She has previously held directorships of The Front Project and of Haileybury College, Clemenger Group Limited and Chair of the Association of Market & Social Research Organisations. Nicola holds a Bachelor of Arts (Honours in Psychology) and is a Graduate of the Australian Institute of Company Directors. She was the Australian Marketing Institute's Certified Practising Marketer of the Year 2018.



Robert Murphy Appointed May 2022 (Managing Director)

Robert is the Managing Director of South Gippsland Water and renowned for his collaborative leadership and large infrastructure program delivery skills.

Rob's previous executive appointments include Executive Director Transport Assets, Victorian Department of Transport and General Manager Planning and Capital Delivery, Western Water.

Rob is responsible for the direction of South Gippsland Water's Management Team and the corporate and strategic functions of the organisation. Rob is a Graduate of the Australian Institute of Company Directors and holds a Masters of Business Administration, Post Graduate Diploma in Construction Law and Contract Administration, and a Bachelor of Civil Engineering.

Rob joined the Board of Inverloch District Financial Enterprises Limited in October 2023.



Diana Nestorovska Appointed 1 October 2021

Diana has extensive experience as a non-executive director and legal professional, with strengths in commercial and technology law, governance, risk and compliance, and stakeholder relations at the State, Commonwealth, and international levels.

Diana is a former Australian diplomat and has represented Australian interests in the United Arab Emirates and Qatar. She is currently serving as a Non-Executive Director at VITS LanguageLoop and as the Independent Advisor to the Governance Committee of the Royal Australasian College of Surgeons. Diana holds a Master of Business Administration and is a Graduate of the Australian Institute of Company Directors.



Sumi Prabhakaran Appointed 1 October 2021

Sumi is a Civil Engineer with more than 30 years of senior management and consulting experience in the water, municipal and government sectors. As a management consultant Sumi provides expert advice on strategic asset management, service reviews and systems procurement.

Prior to establishing her own consulting business, Sumi had engineering and executive management experience in the water industry.

Sumi is currently a Board member on the Boroondara Cemetery Trust. Sumi holds a Bachelor of Engineering (Honours), post graduate qualifications in Technology Management and is a Graduate of the Australian Institute of Company Directors and a Fellow of the Institute of Engineers, Australia.



Christopher Rose Appointed 1 October 2017

Christopher is a Director and Founder of Three Pipe Consulting Pty Ltd, a small consulting firm specialising in delivering economic development through sustainable tourism. He has more than 30 years' experience in public land management, 11 years' executive management experience and acted as Chief Executive Officer of Parks Victoria for one year.

Chris is currently a Director of the Game Management Authority and has previously held directorships at Victorian Fisheries Authority, Alpine Tourism (Deputy Chair), Destination Gippsland, the Gippsland Coastal Board, and the Alpine Resorts Coordinating Council. Chris holds a Bachelor of Forest Science. He is a Graduate of the Australian Institute of Company Directors and a Fellow of the Williamson Community Leadership Program.



Carly Moore Appointed 1 October 2021

Carly is a Certified Practising Accountant with over 20 years of experience across the public and private sectors. In 2016 Carly was elected to Hume City Council and served as its Deputy Mayor in 2017–18 and Mayor in 2018–20 and again in 2021–22. Carly is a Graduate of the Australian Institute of Company Directors (GAICD) and has served on the Broadmeadows Revitalisation Board and community-based boards including the Salvation Army 3064 Advisory Board.



Jennifer Ryan Appointed 1 October 2019

Jennifer is a Civil Engineer with a background in construction and project management with more than 25 years' experience in the water industry. She has held senior leadership positions in both government utility and private construction sectors, delivering multi-million-dollar capital works programs throughout Victoria and ACT.

Jennifer has achieved project and industry awards during her career, including the Civil Contractors Federation Training Awards 2017 Women in Civil Excellence Award, and the NAWIC Awards 2012 (Vic & Tas) for Outstanding Achievement in Construction. She holds a Master of Business Administration (Technology Management), a Bachelor of Civil Engineering and Computing, and is a Graduate of the Australian Institute of Company Directors.

Board changes between 1 July 2023 and 30 June 2024

During the reporting period there were two changes to the Board:

- Nicholas Fleming, Director
 1 July 2023 30 September 2023
- Duean White, Director
 1 October 2023 7 December 2023

Further detail on board operations can be found on page 68 of this report.

The Executive Team



General Manager Service Delivery and Environment

Clare Gibson

Clare leads the team that ensures efficient and effective operation and maintenance of our assets, delivering safe, high-quality water and recycled water services to our customers.

Clare's responsibilities include preventing harm to our environment and compliance with water and wastewater quality guidelines, circular economy, environment and catchment management.



General Manager Customer, Strategy and Technology

Liz Rowland

Liz is responsible for managing the communication, customer service, strategy, risk, governance and Information, Communications and Technology (ICT) functions.

This includes leading our customer-centric culture including customer service and call centre, and community relations and communications including education programs and engagement. Liz also oversees risk and governance and ICT programs including the Supervisory Control and Data Acquisition (SCADA) system.

Leading our short and long-term strategic planning, risk and emergency management, the business transformation program, corporate planning, price submission and customer outcomes are within this portfolio. Liz was Company Secretary until April 2024, when responsibilities were transferred to the Corporate Secretary role within the Office of the Managing Director.



Executive Manager People, Safety and Culture

Ian Mewburn

lan is responsible for the people and culture functions including our Equity, Inclusion, and Diversity Strategy. lan's role extends to the Health, Safety and Wellbeing functions, supporting capability, safety and wellbeing across the business. Ian's responsibilities also include providing strategic advice and overseeing training programs, organisational development and payroll.



General Manager Infrastructure and Planning

Mark Lynch

Mark is responsible for service and infrastructure planning, including planning for future water resources and upgrade of water treatment plants and distribution networks. He is also responsible for wastewater service planning, including future upgrades to wastewater treatment and re-use infrastructure. Mark's responsibility also covers working with councils, consultants and developers to ensure that development in our region is supported with water and sewer services. His team has responsibility for delivery of capital investment to renew, expand and upgrade South Gippsland Water's infrastructure.

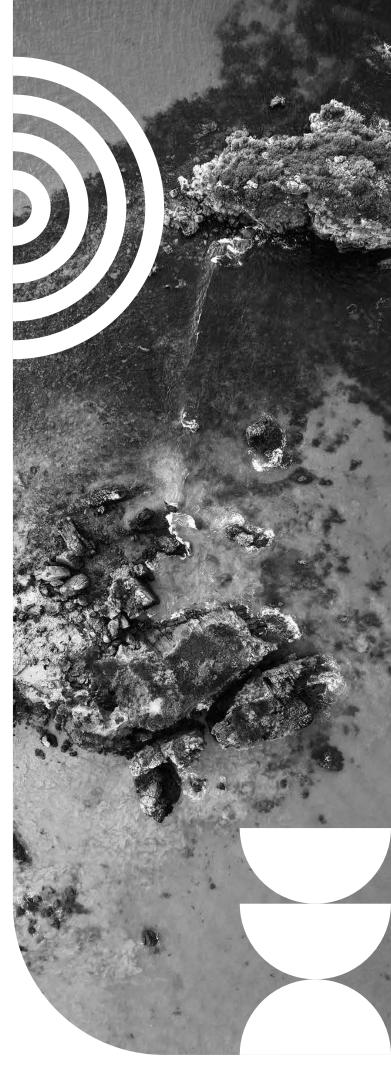


Chief Financial Officer

Tira Jones

Tira is the Chief Financial Officer, overseeing various corporate and commercial functions within the organisation, including commercial services, finance and procurement

As Chief Financial Officer, Tira acts as the custodian of South Gippsland Water's valuable assets and financial resources on behalf of all stakeholders. Tira is accountable for ensuring the maintenance of proper accounting records and systems, as well as other relevant records, in strict accordance with the Standing Directions 2018 under the *Financial Management Act 1994.* By adhering to these regulatory guidelines, Tira ensures transparency, accountability, and sound financial management practices within the organisation, thereby safeguarding the interests of all stakeholders.



Achievements in 2023-24

Trusted people and partners

Worked closely with the

Inverloch community on the rehabilitation of the sewer pump station site

Supported our community through sponsorship of 17 community events

Provided water services to 22,361 customers (connections) and wastewater services to 20,199 customers (connections)

Sustainable products and services

Overall drop in emissions from our business due to improved efficiencies in water treatment processes

Finalised our **Net Zero Emissions Plan** and are on track to meet our commitment for 100% renewable energy by 2025

100% reuse of all biosolids produced

Upgrades to our wastewater treatment plants reduced environmental impacts during the wettest periods of 2023–24

Recycled 248 ML of wastewater for recreational and agricultural uses



A modern and future fit organisation

Replaced 1,740m of mains as part of our multi-year water main renewal program

Upgraded a range of ageing assets at our facilities including the Leongatha, Toora and Fish Creek water treatment plants, and Korumburra wastewater treatment plant

Implemented new operating structure to embed our **new vision and strategy**

Major sewer upgrades to reduce likelihood of sewer spills and accommodate future growth occurred at Korumburra, Inverloch and Wonthaggi

Affordability and financial sustainability

Invested in additional resources to support the 58% rise in customers experiencing vulnerability and financial hardship

Implemented a **new 'pay and save' program** designed to support customers to get back on track with servicing their debt

Established **historic trade waste agreements** with our three largest non-residential customers

Invested in detailed planning for **new information management systems**, expected to occur throughout 2024–25

Report of operations

Operational performance overview

South Gippsland Water's key performance indicators are informed by targets established in our 2023 Price Submission to the Essential Services Commission, standards set for water quality by the Department of Health, and requirements from the Minister for Water's Letter of Expectations.

Our 2023–24 results showed continued high performance in water quality measures. Our customers continue to place us in high regard despite a small drop in satisfaction measures.

The storm event in February 2024 caused significant damage to property across our region, including over four days of power outages. As a result, our annual performance measures saw increases in reported environment incidents and response times to sewer spills and blockages. We saw a drop in emissions in 2023–24 and have invested in projects to ensure we meet emission targets in the future. We rolled out further changes as part of our organisation transformation strategy, including dedicated roles in environment, procurement, and organisation planning, to ensure policies and practices are in place to meet the legislative and operational requirements expected of a State Government entity.

Water quality

South Gippsland Water maintained our water quality monitoring program consistent with requirements of the *Safe Drinking Water Act 2003* and the Safe Drinking Water Regulations 2015. Compliance outlined in the table below is based on the number of drinking water samples collected in the reporting period of 1 July 2023 to 30 June 2024 that complied with drinking water quality standards defined in the Safe Drinking Water Regulations 2015. Details of drinking water compliance are reported separately in our Annual Drinking Water Quality Report. This report is submitted to the Department of Health and published on our website by 1 November every year.

Compliance with drinking water quality standards

Table 1: 2023–24 compliance with drinking water quality standards*

Parameter	Drinking water quality standard	Compliant samples
Escherichia coli (E. coli)	All samples of drinking water collected to contain no <i>E. coli</i> per 100 millilitres of drinking water with the exception of any false positive sample	99.9%
Turbidity	The 95th percentile of results for samples in any 12-month period must be less than 5.0 Nephelometric Turbidity Units (NTU)	100%
Trihalomethanes (total)	Less than or equal to 0.25 milligrams per litre (mg/L) of drinking water	100%
All other parameters as detailed in SGW's risk-based drinking water quality monitoring program	Drinking water is not to contain an algal toxin, pathogen, or any substance or chemical in such amounts as may pose a risk to human health	100%

* As defined in the Safe Drinking Water Regulations 2015

Essential Services Commission outcomes

The following key performance indicators relate to the Essential Services Commission's annual outcomes measures.

Reliability

South Gippsland Water met our targets relating to response times to water bursts and leaks, and average duration of unplanned water supply interruptions. The February 2024 storm event impacted our response times to sewer spills and blockages due to the extended power outages.

Table 2: ESC Outcomes – Reliability

Output	Unit		2022–23	2023–24
Average response time to sewer spills and blockages	Response time (minutes)	Target	≤30	≤30
		Actual	38	85
Average response time to water bursts and leaks (Priority 1)	Response time (minutes)	Target	≤30	≤30
		Actual	21	23
Average duration of unplanned water supply interruptions	Duration (minutes)	Target	110	110
(per customer interruption)		Actual	93	85

Safe drinking water

Two samples collected from Poowong and one from Nyora on 2 January 2024 were not compliant with the drinking water quality standard for *Escherichia coli (E. coli*). The three sample tests were from the one water quality incident. While a definitive cause of the E. coli detections could not be determined, it is believed that torrential rain in the days prior is likely to have been a factor. Spoon drains have now been installed at the Poowong clear water storage basin to minimise the risk of flooding of the basin cover and potential contaminant ingress into the basin.

The target set for percentage of customers who state their preference is to drink tap or filtered water is an increase on our target and actual results from previous years. The decline in drinking preference was consistent with the results of other urban water corporations in Victoria.

Table 3: ESC Outcomes – Safe Drinking Water Regulations

Output		2022–23	2023–24
Number of non-compliances with the Safe Water Drinking Regulations	Target	0	0
	Actual	0	3
Percentage of customers who state their preference is to drink tap	Target	88%	≥91%
or filtered water*	Actual	88%	78%

* Annual customer satisfaction survey

Wastewater

South Gippsland Water continues to work on EPA licence compliance and incidents requiring EPA notification. The number of reported environment incidents increased in 2023–24 due to the February 2024 storm event, which caused pump stations in the Poowong, Loch and Nyora area to be without power for at least four days, with some sites out for up to six days. This resulted in 53 environmental incidents from pump stations on individual properties overflowing.

Table 4: ESC Outcomes – Wastewater

Output	Unit		2022–23	2023–24
Number of non-compliance incidents associated with EPA licence	Number	Target	N/A	0
compliance		Actual	N/A	3
Number of reported environmental incidents (annual)	Number	Target	N/A	≤75
		Actual	41	116
Number of incidents requiring EPA notification (annual)	Number	Target	N/A	≤10
		Actual	11	6

Environment

In 2023–24 we continued to work on reducing our overall greenhouse gas emissions, resulting in a 2% decrease from 2022–23 emissions. We made significant progress on initiatives throughout 2023–24 that will contribute to substantial reductions in future years.

Our annual biosolids reuse figure of 109% in 2023–24 is drawn from our reuse of all biosolids produced during 2023–24 as well as the reuse of some stockpiled material from previous years.

Table 5: ESC Outcomes – Environment

Output	Unit		2023–24
Annual greenhouse gas emissions	Tonnes CO ₂ -e	Target	7,500
		Actual	7,108
Annual reuse of biosolids produced	Percentage	Target	55%
		Actual	109%

Integrity

Insights from the Insync Regional Water Alliance Customer Survey showed that we met our target in the satisfaction of our customers regarding South Gippsland Water as a service provider. The result was a slight drop from last year. We also had a slight drop in customers believing they get value-for-money from South Gippsland Water. Both drops are consistent with the results for other water corporations in the survey.

Table 6: ESC Outcomes – Integrity

Output	Unit		2022–23	2023–24
Percentage of customer survey respondents satisfied or very	Percentage	Target	80%	<u>≥</u> 85%
satisfied with South Gippsland Water as a service provider.*		Actual	89%	85%***
Customers responding 'yes', they receive value for money for	Percentage	Target	73%	≥73%
the services that are provided.**		Actual	75%	72%***
Customers in the Customer Support Program who report they agree or strongly agree the program has helped them with	Percentage	Target	N/A	In development
payment difficulties		Actual	N/A	N/A

* Rated 4 & 5 out of 5, reference ESC annual customer satisfaction survey

** ESC annual customer satisfaction survey

*** Insync Regional Water Alliance Customer Survey 2023

Minister's Letter of Expectations key performance indicators

As an Urban Water Corporation, South Gippsland Water is required to demonstrate progress against the Minister for Water Letter of Expectations. There are eight components in the Letter of Expectations (LOE):

- LOE 1: Climate change and energy
- LOE 2: Customer, community and engagement
- LOE 3: Recognise Aboriginal values
- LOE 4: Recognise recreational values
- LOE 5: Resilient and liveable cities and towns
- LOE 6: Leadership, diversity and culture
- LOE 7: Performance and financial management
- LOE 8: Compliance and enforcement (in relation to bulk entitlement reporting for annual reports only)

A summary of our progress against the *high-level key performance indicators*¹ for each of the eight components is provided below. Detailed reporting requirements for each LOE are provided in the performance reporting section of this report.

LOE 1: Climate change and energy

CC1 Emission reductions

In 2023–24 our overall emissions decreased from 7,265 t CO_2 -e to 7,108 t CO_2 -e, a reduction of 2% from 2022–2023.

CC2 Electricity use

In 2023–24 we sourced renewable electricity through solar systems operating at nine of our sites and depots, with a combined capacity of 1,171KW. Combined with our partnership with Zero Emissions Water (ZEW), we are on track to progress our renewable energy commitment in 2025.

CC3 Adaptation to climate change and variability

Our Urban Water Strategy provides a 50-year forecast of water supply and describes how South Gippsland Water plans to balance supply and demand in a more variable climate. The strategy assesses water supply system resilience through events such as drought, bushfires, power outages and blue-green algal blooms. A resilience assessment has been used to develop a range of actions in response to identified priorities. South Gippsland Water continues to prioritise processes to ensure adaptation to climate change and variability is considered in business operations, service delivery, capital improvements and other investments. Further information and reporting requirements on climate change and energy can be found in Part 2: Sustainable Products and Services of this report.

LOE 2: Customer, community and engagement

C1 Customer satisfaction

South Gippsland Water maintains high levels of customer satisfaction as detailed in Table 6.

Impacts of customer bill changes between 2022–23 and 2023–24 are provided on page 57 (Table 34).

C2 Customer and community engagement

South Gippsland Water is committed to maintaining strong connections to customers and communities through our many engagement programs. These are outlined in the social sustainability section (page 33).

LOE 3: Recognise Aboriginal values

AC1 Supporting Aboriginal self-determination

AC2 Partnerships with Traditional Owners

The South Gippsland Water's service region includes two Registered Aboriginal Parties:

- Bunurong Land Council Aboriginal Corporation, covering the western region of our service area
- Gunaikurnai Land and Waters Aboriginal Corporation, covering the eastern region of our service area.

Bunurong Land Council Aboriginal Corporation

South Gippsland Water is developing a formal Memorandum of Understanding with the Bunurong Land Council Aboriginal Corporation (Bunurong). While we had hoped to complete this work by 2023, finalising this historic and important agreement has been delayed due to several factors. We intend to pick this project up again 2024–25, working closely with Bunurong on their aspirations for the future management of their land and water on which we work.

¹ Victorian Water Industry Corporate Planning and Reporting Guidelines 2023–24, Section 6.3 Annual Performance Reporting, p6

Gunaikurnai Land and Waters Aboriginal Corporation

South Gippsland Water is part of the Gippsland Environmental Alliance. Alongside other Alliance members and Gunaikurnai representatives, we have committed to developing an employment action plan for Traditional Owners.

South Gippsland Water is proud to be a part of the Gippsland Environmental Alliance working group set up in 2023–24 to drive this project forward. Known as the Aboriginal Workforce Strategy, this agreement is intended to provide culturally safe employment outcomes for Gunaikurnai, while adding to our business and better managing our resources.

AC3 Aboriginal Inclusion Plan/Reconciliation Action Plan

In 2023–24 South Gippsland Water celebrated the development of our first Reflect Reconciliation Action Plan.

This marks a milestone for our business and we look forward to start implementing its actions in 2024–25.

Further details of our engagement with Traditional Owners are provided on page 33.

LOE 4: Recognise recreational values

Rec1 Recreational values

In 2023–24 South Gippsland Water commenced the development of a framework for engaging communities in planning for recreational use of our reservoirs and catchments. This includes three reservoirs in Korumburra that have been decommissioned and are no longer used for drinking water. A number of community organisations access our assets for recreational purposes, including the Korumburra Golf Club, Leongatha and Poowong Angling Clubs, and the Poowong-Triholm Landcare Group. The recreational planning framework will help identify further opportunities for recreational and community engagement with our sites.

LOE 5: Resilient and liveable cities and towns

L1 Integrated Water Management

South Gippsland Water plays a key role in the Gippsland Integrated Water Management (IWM) Forum, including five South Gippsland projects identified in the Gippsland IWM Forum Strategic Directions Statement. In 2023–24 we led work on the feasibility of stormwater capture and use in Leongatha to substitute drinking water with a fit-for-purpose alternative source. This will be completed in 2024–25. We are working on strategies to increase the volume of water re-use from our Foster, Meeniyan, Wonthaggi, Cape Paterson and Inverloch wastewater treatment plants. Further detail on our work is outlined on page 43.

L2 Water efficiency

We continue to lead work on water efficiency initiatives and community programs. These include water main renewal work, which resulted in the upgrade and replacement of 1.74km of water mains in 2023–24. Community programs include National Water Week, where we support local schools in education materials around water efficiency.

During 2023–24 we supported nineteen lower-income customers through our Community Rebate Program.

Information on water consumption in 2023–24 is provided on page 26.

L3 Circular economy outcomes

In 2023–24, 216 dry tonnes of (100%) biosolids were processed for reuse into Australian Standard compost. We also processed some of the stockpiled biosolids produced from previous years. Project planning was undertaken for additional projects connected to our Circular Economy roadmap. These will start to be implemented in 2024–25.

L4 Environmental Statutory Obligations

2023–24 saw increased focus and planning to enable South Gippsland Water to meet our environmental statutory obligations. The delivery of wastewater emergency storage lagoons is already demonstrating effectiveness in reducing environmental impacts during heavy wet weather periods. Further details on our strategic initiatives and delivery of projects can be found in Part 2: Sustainable products and services (page 42).

LOE 6: Leadership, diversity and culture

G1 Diversity and inclusion

Sound Gippsland Water continued delivery of our Equity, Inclusion and Diversity Strategic Plan 2021–2024, enabling progress in several measurable areas including diversity in age, LGBTIQA+ and ability level.

We also continued implementation of our Gender Equality Action Plan 2022–2025. In 2023–24 we met our target for the share of women in general manager and executive officer roles (50%). We remain committed to improving our share of women in senior management and engineering, maintenance and water and wastewater treatment roles. While we did not meet our targets for employment of Aboriginal Peoples, we intend to address this through the Gippsland Environmental Alliance's development of the Aboriginal Workforce Strategy.

In 2023–24 South Gippsland Water facilitated the establishment of an Independent Aboriginal Board Delegate. This is part of a Victorian Government initiative to increase awareness of board roles and opportunities in Aboriginal communities and provide practical experience to develop governance skills relevant to public sector boards. The successful candidate will commence in the 2024–25 financial year.

G2 Health and safety

In 2023–24 South Gippsland Water adopted the Safe and Well Plan 2024–2026, a new strategic plan for the improvement of health, safety and wellbeing of our people. The plan sets out our pathway on becoming a High Reliability Organisation, an approach in operation across many of the safest high-risk industries.

We saw an increase in the total number of safety reports driven by the emphasis on all types of reporting being a positive indicator and the opportunity to learn in each instance. The ratio of proactive reports (hazards and near misses) to reactive reports (incidents and all types of injuries) dropped slightly due to an increase in incident reporting. Further details are provided on page 67.

LOE 7: Performance and financial management

PF1 Audited statement of performance

The full year operating result for 2023–24 was a loss before tax of \$8.7M. Total revenue received for the period was \$40.2M, slightly down on the prior year by \$0.3M. However, total expenditure for the year increased by \$4.3M to \$49.0M. The Corporation achieved 69% of the planned capital expenditure, with \$24.7M spent, relative to the \$35.7M in the Corporate Plan. Net Cash Flow from Operations was \$8.2M, which was \$3.7M below budget but \$1.2M higher than last year.

Financial reporting as set out in FRD 27 – Presentation and Reporting of Performance Information is provided in the Financial Report on page 81. The financial performance overview can be found on page 59.

LOE 8: Compliance and enforcement

BE1 Demonstrate bulk entitlements are compliant with individual reporting conditions South Gippsland Water holds 11 Bulk Entitlement Conversion Orders that define our legal rights to extract water to supply our water systems. We have systems in place to monitor usage, as well as reciprocal water trading agreements with South East Water. In 2023–24 no reciprocal water trading was undertaken. All bulk entitlement conditions were met and no difficulties were experienced in meeting these conditions.

Further information on bulk entitlements and water access is located in the Water consumption method section on page 29.

Part 1: Trusted people and partners

Water services

In 2023–24, South Gippsland Water provided 2,140 ML of potable water to 19,196 residential connections and 2,336 ML to 3,165 non-residential connections. Our total recycled volume was 248 ML.

Leakage from our system remains a challenge that we are strategically addressing through our major capital project program. Extreme wet weather events in 2023–24 involving periods of heavy rain after dry periods resulted in poorer quality source water coming into our treatment plants. This resulted in inefficiencies in potable water production and increased our overall volume of water considered as losses. The boil water advisory in January 2024 in Poowong, Loch and Nyora and the flushing of those systems also contributed to our water losses.

Table 7: Reporting water consumption for residential and non-residential connections (RLC_A R_WER4)

Water Consumption Volumes in ML/yr (on Report 2023–24 unless otherwise stated)								
Residential	Number of residential connections		19,196						
connections	Potable water volume consumed by residential connections		2,140						
	Per capita daily residential potable water consumption	305L/day							
	Recycled water volume used by residential connections		0						
	Treated stormwater volume used by residential connections		0						
Non-residential	Number of non-residential connections		3,165						
connections	Potable water volume consumed by non-residential connections	Potable water volume consumed by non-residential connections ¹							
	Recycled water volume (end use) used by non-residential	Commercial purposes	0						
	connections. It is mandatory to provide the split below (per ESC performance indicators)	Industrial purposes	0						
	(Agricultural purposes	241						
		Municipal purposes	6						
		Total	247						
	Treated stormwater volume (end use) or harvested stormwater for beneficial use used by non-residential connections	Total	0						
	Total number of connections		22,361						
	Total potable water consumed ²		4,509						
	Total recycled water and stormwater volume		247.67						
	Total volume of water used by connections ³		4,756						
	Average annual water consumption		4,866						
Non-revenue	Leakage ⁴		1,055						
water	Firefighting ⁵		N/A						
	Other		148						
	Total non-revenue water ⁶		1,204						
	Total volume of water from all sources ⁷		5,958						

1 Excludes standpipes

2 Billed authorised consumption, including standpipes (32 ML)

3 Billed authorised consumption plus recycled water use

4 Real losses

5 Reliable data for this not readily available

6 Non-revenue water by ESC definition

7 Total system throughput plus recycled water use

Water consumption

Table 8 details how water was consumed across the communities we serve. Wonthaggi, Inverloch and Cape Paterson remain our largest servicing area by population and volume, comprising 55% of our residential customers and 32% of total water consumption.

	Resid	ential o	custor	ner	No	Non-residential customer									Non-revenue water				
	Number	Potable water volume	Recycled wastewater volume	Recycled stormwater water volume	Number	Potable water volume	Recycled wastewater volume	Recycled stormwater water volume	Total number of customers	Total potable water volume	Total recycled water volume	Total consumption	Average annual consumption	Weekly residential potable water consumption	Leakage	Firefighting	Other	Total non - revenue water	Total all water sources
Devon North Alberton Yarram Port Albert	1,345	153	N/A	N/A	495	195	221	N/A	1,840	348	221	569	506	3	46	N/A	4	50	619
Dumbalk	84	9	N/A	N/A	20	4	N/A	N/A	104	13	N/A	13	14	0	4	N/A	1	5	17
Fish Creek	106	13	N/A	N/A	96	48	N/A	N/A	202	61	N/A	61	64	0	41	N/A	3	44	105
Foster	729	75	N/A	N/A	200	57	N/A	N/A	929	132	N/A	132	131	1	72	N/A	3	75	208
Korumburra	2,007	256	N/A	N/A	343	468	0	N/A	2,350	724	0	724	727	5	37	N/A	21	58	782
Wonthaggi Inverloch Cape Paterson	10,589	1,073	N/A	N/A	810	447	0	N/A	11,399	1,520	0	1,520	1,432	21	307	N/A	58	365	1,885
Leongatha Koonwarra	2,819	386	N/A	N/A	592	873	0	N/A	3,411	1,259	0	1,259	1,500	8	107	N/A	33	140	1,398
Meeniyan	222	28	N/A	N/A	59	12	10	N/A	281	40	10	50	47	1	7	N/A	1	8	58
Loch Poowong Nyora	590	78	N/A	N/A	140	63	N/A	N/A	730	141	N/A	141	161	2	216	N/A	9	225	366
Waratah Bay	0	0	N/A	N/A	0	0	15	N/A	0	0	15	15	15	0	N/A	N/A	N/A	N/A	15
Toora Port Franklin Welshpool Port Welshpool	705	70	N/A	N/A	410	202	3	N/A	1,115	272	3	275	269	1	219	N/A	13	232	507
Total	19,196	2,140	_	-	3,165	2,368	248	-	22,361	4,508	248	4,756	4,866	41	1,054	-	148	1,204	5,958

Table 8: 2023–24 water consumption by locality (ML)

Regional water consumption

Table 9: Total potable water consumption (ML) by location

	2019–20	2020–21	2021–22	2022–23	2023–24
Alberton/Port Albert Yarram/Devon North	362	356	330	344	348
Dumbalk	13	12	14	13	13
Fish Creek	59	57	76	59	61
Foster	128	133	129	137	132
Korumburra	698	715	735	727	724
Wonthaggi/Cape Paterson/Inverloch	1,307	1,364	1,424	1,476	1,520
Leongatha/Koonwarra	1,593	1,507	1,567	1,445	1,259
Meeniyan	44	44	42	41	40
Poowong/Loch/Nyora	168	151	182	153	141
Waratah Bay	0	0	0	0	0
Toora/Welshpool/Port Welshpool/Port Franklin	317	292	252	261	272
Total	4,689	4,631	4,751	4,656	4,508

Major non-residential water users

South Gippsland Water services three major customers defined as a non-residential water user consuming equal or greater than 50 ML over a twelve-month period.

Table 10: Major non-residential water users volumetric range (RLC_AR_WER2)

Volumetric range – ML per year	Number of customers
Equal to or greater than 50 ML and less than 100 ML	1
Equal to or greater than 100 ML and less than 200 ML	0
Equal to or greater than 200 ML and less than 300 ML	0
Equal to or greater than 300 ML and less than 400 ML	1
Equal to or greater than 400 ML and less than 500 ML	0
Equal to or greater than 500 ML and less than 750 ML	1
Equal to or greater than 750 ML and less than 1,000 ML	0
Greater than 1,000 ML	0
Total no. customers	3

Our three major customers, Saputo Dairy Australia Ltd (Saputo), Burra Foods Pty Ltd (Burra) and Tabro Meat Pty Ltd, engage with South Gippsland Water on matters relating to water efficiency, trade waste and future requirements. In 2023–24 we established a 15-year agreement with Burra Foods to manage their wastewater services, and a 15-year framework agreement with Saputo Foods to upgrade and manage their wastewater services and assets.

All organisations are actively participating in water conservation programs.

Table 11: Major non-residential water users' participation in water efficiency programs (RLC_AR_WER3)

Name of customer	Participation in water efficiency program (Y/N)	Water Management Plan developed (Y/N)
Saputo Dairy Australia Ltd.	Y	Not available
Burra Foods Pty Ltd.	Y	Not available
Tabro Meat Pty Ltd.	Y	Not available

Other non-residential service support

In August and September 2023, South Gippsland Water supported Parks Victoria in the operation of the water and wastewater treatment plants at Tidal River, the main visitor hub for Wilsons Promontory, one of Victoria's most popular National Parks. The treatment plants provide essential water and sewage services to the accommodation, camp sites, offices, ranger facilities and toilet blocks at Tidal River.

Bulk Entitlement compliance

South Gippsland Water holds 11 Bulk Entitlement Conversion Orders that define our legal rights to extract water to supply our water systems.

A Bulk Entitlement Metering Plan is maintained to ensure repairs, replacements, operational processes and data control are conducted in accordance with bulk entitlement requirements.

A summary of our Bulk Entitlement Orders is provided below.

Table 12: Bulk entitlement order by location and water supply

Bulk Entitlement Order	Water supply	Towns serviced	BE ML/yr	Raw water volume taken ML ¹	Storages ²	Volume in storages at 30/6/24 ML	Entitlement transfer from ML/yr	Entitlement transfer to ML/yr
Devon North Alberton, Yarram, Port Albert	Tarra River	Devon Nth, Alberton, Yarram, Port Albert	853	420	N/A	N/A	Nil	Nil
Dumbalk	Tarwin River East	Dumbalk	100	17	N/A	N/A	Nil	Nil
Fish Creek	Battery Creek	Fish Creek	251	105	Battery Creek Reservoir	123	Nil	Nil
Foster	Deep Creek	Foster	326	208	Deep Creek Reservoir	230	Nil	Nil
Korumburra	Coalition Creek	Korumburra	1,000	0 ³	No. 1	see note ³	Nil	Nil
	Ness Creek				No. 2	O ³		
	Bellview Creek				No. 3	see note ³		
Leongatha	Ruby Creek	Leongatha, Koonwarra	2,476	1,426	Reservoir 1	16	Nil	Nil
					Reservoir 2	68		
				Hyland Reservoir	466	_		
				Western Reservoir	639			
	Coalition Creek		800		N/A	see note ³		
Loch, Poowong, Nyora	Little Bass River	Loch, Poowong, Nyora	420	0 ³	Little Bass Reservoir	see note ³	Nil	Nil
Meeniyan	Tarwin River	Meeniyan	200	48	N/A	N/A	Nil	Nil
Toora, Port Franklin, Welshpool, Port Welshpool	Agnes River	Toora, Port Franklin, Welshpool, Port Welshpool	1,617	552	Cooks Dam	58	Nil	Nil
Wonthaggi- Inverloch	Lance Creek	Wonthaggi, Inverloch, Cape Paterson	5,6006	3,031	Lance Creek Reservoir	2,967	Nil	Nil ⁴
Greater Yarra System- Thomson River Pool- South Gippsland Water	Greater Yarra System- Thomson River Pool	Wonthaggi, Inverloch, Cape Patterson	1,0007	844 ⁵	NA	NA	Nil ⁴	Nil

1 Annual amount of water taken in ML for 2023-24 reporting period.

2 Storages included under each bulk entitlement.

3 These water storages are no longer in use for supplying raw water (supplied from the Lance Creek water system).

Little Bass, Coalition Creek and Bellview Creek Reservoir volumes are not actively measured.

4 See Reciprocal Water Trading between South Gippsland Water and South East Water (page 30)

5 $\,$ Total includes 844 ML reverse flow water and desalinated water.

6 Total of Lance Creek 3,800 ML/year and Powlett River 1,800 ML/year.

7 Bulk Entitlement carry over volume as at 30 June 2023 is 1,767 ML.

General report requirements: bulk entitlements

South Gippsland Water complied with all system and condition requirements in 2023–24.

Table 13: Bulk Entitlement reporting requirements 2023–24

Amendments to bulk entitlements	On 21 September 2023, the Minister for Water made an amendment to South Gippsland Water's Greater Yarra System – Thomson River Pool bulk entitlement, to update references to reflect the transfer of part of Yarra Valley Water's Greater Yarra System – Thomson River Pool bulk entitlement to Gippsland Water.
New bulk entitlements	No new bulk entitlements in 2023–24
Failure to comply with provisions of bulk entitlements	All systems complied with the provisions of bulk entitlements
Difficulties experienced in complying with entitlement and remedial actions	All bulk entitlement conditions were met, and no difficulties were experienced in meeting these conditions
Compliance with making allowances	No proposals were submitted associated with making allowances
Compliance with environmental obligations	Environmental obligations were in place for all bulk entitlements and no changes were made to the programs
Compliance with metering obligations	Metering programs were in place for all bulk entitlements and no changes were made to the programs

Reciprocal Water Trading between South Gippsland Water and South East Water

In 2023–24 no reciprocal water trading was undertaken. When the Victorian Desalination Plant is in operation, South East Water and South Gippsland Water undertake reciprocal trades of water allocations. This is part of an ongoing administrative process to enable South Gippsland Water to continue to access, by substitution, our water from the Melbourne surface water system. This is via the offtake on the transfer pipeline while the transfer pipeline is pumping desalinated water from the Victorian Desalination Project to Cardinia Reservoir. South East Water trades the required volume of desalinated water allocation to South Gippsland Water and South Gippsland Water trades the same volume of Melbourne surface water allocation (under its Greater Yarra System – Thomson River pool bulk entitlement) back to South East Water resulting in a net zero ML trade.

This is required because South Gippsland Water does not hold an entitlement to desalinated water. This ongoing administrative process was agreed between South East Water, South Gippsland Water, Melbourne Water, Westernport Water and Department of Energy, Environment and Climate Action (DEECA).

Use of alternative water sources

There was no use of alternative water sources for potable water supply in the 2023–24 reporting period.

Regional Catchment Management Strategy

South Gippsland Water continues to support the Victorian Government's *Our Catchments, Our Communities* strategy. This is via the Catchment Partnership Agreements with the West and East Gippsland Catchment Management Authorities (CMAs). This association strengthens the commitments made by the Victorian Government in various documents, such as the *West Gippsland Regional Catchment Strategy 2021–2027.* The Strategy is an important overarching strategic document for managing land, water and biodiversity in our region. We support the West Gippsland Catchment Management Authority in project implementations where applicable within the South Gippsland water supply catchment areas.

South Gippsland Water supports the close link between catchment management and our goals to manage and provide environmentally sound, safe, high-quality drinking water to customers. As a key stakeholder in environment and catchment management initiatives, we continue to work with the West Gippsland Catchment Management Authority, South Gippsland Landcare and local councils in implementing programs to manage and protect catchment areas. South Gippsland Water H2O Grants are in place to support riparian fencing and revegetation of gullies and slips. There has been ongoing support of programs including the Corner Inlet Connections project and the recognition of significant cultural values of Traditional Owners, the Gunaikurnai and Bunurong.



Catchment risk management

South Gippsland Water is a strong advocate for catchment risk management and is represented in the Australian Water Association Catchment Management Specialist Network as a committee member.

We implement and practice the principles of the Health-based Targets approach to assessing catchment risks to drinking water. This approach to catchment risk provides comprehensive information to assess risk to water quality for all water supplies in the South Gippsland drinking water catchments.

Statutory planning permits continue to be assessed against the Ministerial Guidelines for planning permits in open potable water supply catchments. We work with the Municipal Shires of South Gippsland, Bass Coast, Baw Baw and Wellington in the management of Onsite Domestic Wastewater Management Plans.

Victorian Waterway Management Strategy

South Gippsland Water supports the *West Gippsland Regional Catchment Strategy 2021–2027* as a key planning document for river, estuary and wetland management in West Gippsland.

South Gippsland Water continues to proactively ensure that compliance with our Bulk Entitlements and Environmental Watering Program is consistent with the *Victorian Waterway Management Strategy* and the *West Gippsland Waterway Strategy*. Ecological outcomes are supported through programs such as the availability of passing flows from reservoirs, as well as supporting the economic values of waterways, community use, participation, advocacy and stewardship in the region's waterways.

Water consumption method

Data on water consumption and losses is calculated from flowmeter data as recorded by Water Treatment Plant operators routinely over the course of the year.

Monthly log entries for a suite of water uses in each plant are tabulated to calculate monthly water production at each water treatment plant. This is tallied for the entire year, and for all water systems, in order to calculate the total volume of potable water produced.

Estimated losses are recorded in transfer mains by water treatment operators and maintenance staff where differences/anomalies in flowmeter data can demonstrate a water loss.

The below water volumes are considered in calculating annual water consumption for each given system:

- Raw Water Inlet Meter total for the month.
- Backwash, Desludge & Online Monitoring Water.
- Sampling Water.
- Tank Overflows.
- Sludge Removal: sludge removable from site.
- Water Returned to Inlet of WTP / Water Returned to Reservoir (or Supernatant).
- Carry Water: to inlet of WTP (in some chemical processes).
- CWS Outlet Meter: total for the month.
- Main Breaks/Flushing/Air Scouring.
- Unbilled Metered (SGW usage).
- Billed Unmetered (Commercial).
- Billed Metered Residential/Commercial/ Industrial usage.
- Billed Metered Standpipe/Hydrant usage.

Operational performance

South Gippsland Water's commitment to being a trusted service provider is demonstrated in our operational performance across 2023–24. We achieved slight decreases in minutes off during planned water supply interruptions and our dedicated teams were able to respond quickly to resolve unplanned water supply interruptions. All interruptions in 2023–24 were resolved within five hours.

The February 2024 storm event resulted in power outages that impacted sewerage services in the Poowong, Loch

and Nyora region. Despite these impacts, the number of sewer spills reported per 100 kilometres of sewer main remain well below operating targets.

2023–24 also saw an increase in the amount of water recycled across all our wastewater sites, with the standout at Tarraville, which achieved a 129% increase in recycled water reuse.

Performance measures relating to our operational performance are set out in Table 14 below.

 Table 14: Reporting on operational performance relating to urban water and sewerage network reliability

 and water reuse (PFM_AR_ASP3)

Operational performance						
	ESC ref	2022–23 result	2023–24 result	Variance to 2022–23	2023–24 target	Variance to target
Water and sewerage network reliability indicators						
Water service – minutes of supply (unplanned) ¹ Minutes on average a customer was without water supply during a year from unplanned water supply interruptions	REW 8	89.10	85.69	-3.8%	110.0	-22.1%
Water service – minutes of supply (planned) ¹ Minutes on average a customer was without water supply during a year from planned water supply interruptions		128.85	115.14	-10.6%	240.0	-52.0%
Unplanned water supply interruptions ² Percentage of customers receiving (5) unplanned interruptions in the year	REW 5	0%	0%	0%	0%	0%
Sewerage service – sewer blockages³ Number of sewer blockages reported per 100 kilometres of sewer main	RES 1	7.86	11.3	43.8%	18	-37.2%
Sewerage service – sewer spills ⁴ Number of sewer spills reported per 100 kilometres of sewer main	RES 6	5.4	5.0	-7.1%	28	-82.1%
Sewerage service – containment of sewer spills ⁵ Sewer spills from reticulation and branch sewers contained within 5 hours	RES 7	100%	100%	0.0%	95%	5.3%
Water reuse indicators						
Recycled water – effluent treatment and reuse⁶ Proportion of water recycled as a percentage of the volume of effluent produced	CRR 1	2.50%	5.80%	132.0%	4.00%	44.8%

1 A combined target has not been developed: targets related to this indicator are separated to planned and unplanned. Variances from 2022–23 attributed to improved planning processes for interruptions including the continual proactive approach of installing valves in networks to allow repair works to be managed in a more timely manner.

2 All interruptions were repaired within five hours.

3 Increase due to impacts of emergency events in 2023–24 including power and communications outages in Poowong, Loch and Nyora areas from the February 2024 storm event. The 2023 Annual Report recorded 25.8 sewer blockages in 2022–23, including house connection blockages. This has been recorded in the table above as 7.86, as we now exclude these house connection blockages.

4 Remains consistent with previous year and well below target.

5 All spills contained within time period.

6 An increase in reuse is attributed to drier conditions over the summer periods. All reuse sites increased the amount of recycled water consumed compared to the previous year, particularly Tarraville (+129%).

Social sustainability

South Gippsland Water takes pride in our connection and care for our community and customers. Across 2023–24 we continued to deliver community-oriented programs as well as provide support to community initiatives and events. We took important steps forward on our engagement journey with the Traditional Owners, the Bunurong and Gunairkurnai, as we prepare to implement our first Reconciliation Action Plan.

We recognise the importance of connecting with community in the design and delivery of major projects to ensure awareness of the work being undertaken and for ways to seek input from community on future planning. This section provides a summary of our community engagement work undertaken across 2023–24.

Community Advisory Committee

Our Community Advisory Committee provides us with an opportunity to explore issues impacting our communities. The Committee has provided the following statement:

"We're very happy to be part of South Gippsland Water's Community Advisory Committee. Water is critical for life. But it is not necessarily valued as highly as it should be.

Being part of this Committee has given us the opportunity to see how South Gippsland Water operates to keep our taps running and toilets flushing. It's much more complex than most of us realise. On the ground they expertly look after our region's critical infrastructure to ensure we get safe drinking water, while looking after both our health and the health of the environment.

Being involved in this Committee means we can influence South Gippsland Water's planning and make sure that necessary infrastructure projects represent value for money – they keep our services reliable. We know parts of our community are doing it tough, and the support South Gippsland Water can provide to alleviate the stress of bills is something we highly value.

We're growing as a region. Seeing South Gippsland Water plan for that, and for our changing climate, has been one of the interesting areas we've explored as a committee. We have enjoyed meeting and learning from many of the dedicated staff of South Gippsland Water. Their passion and integrity always shine through.

It is wonderful to see how well a utility can care for its community and customers. We look forward to working with South Gippsland Water into the future to further improve these critical water and wastewater services."

Aboriginal community engagement

Reconciliation Action Plan

In 2023–24 South Gippsland Water finalised our first Reflect Reconciliation Action Plan (RAP), a major step forward on our reconciliation journey. A number of actions outlined in the RAP will be implemented in 2024–25.

We recognise the importance of the journey towards being more proactive on reconciliation and look forward to continued engagement with the Bunurong Land Council Aboriginal Corporation and the Gunaikurnai Land and Waters Aboriginal Corporation.

Bass Coast and South Gippsland Reconciliation Action Group

South Gippsland Water is a proud member of the Bass Coast and South Gippsland Reconciliation Action Group. This group helps recognise and supports Aboriginal and Torres Strait Islanders in our region through events such as Sorry Day, National Reconciliation Week and NAIDOC Week.

The Group meets monthly, often with a guest speaker, to discuss the challenges faced by Aboriginal and Torres Strait Islanders in our community.

Water is Life

South Gippsland Water understands the importance of working with our region's Traditional Owners to identify opportunities for delivering on the Water is Life commitments around water rights.

The development of the Bunurong Memorandum of Understanding will enable us to better understand, and action, the aspirations of Bunurong when it comes to water rights, water planning and management.

We will work with the Gunaikurnai to explore water rights and water entitlements in key locations such as the Agnes Falls Scenic Reserve, managed by Parks Victoria, and the Agnes River, which supplies water for the towns of Toora, Welshpool and Port Welshpool.

Rethinking our reservoirs: recreational use

South Gippsland Water is working on a framework in 2024–25 to better engage our communities in planning for recreational use of reservoirs and other assets.

Currently, ad hoc recreational opportunities by anglers take place at three of our reservoirs; Little Bass, Bellview and Coalition Creek. These arrangements have yet to be formalised.

We stopped using these three reservoirs for drinking water purposes in 2018 following construction of a major pipeline that connected many of our outlying towns to our Lance Creek Reservoir, just outside of Wonthaggi. Decommissioning works involved lowering the water levels at each of the sites and removing some of the redundant infrastructure.

The future of the reservoirs is also being discussed as part of our 50-year Urban Water Strategy, which will help us mitigate the impacts of climate change.

Community and recreational use of reservoirs

Across 2023–24 the following community groups engaged with our reservoirs and catchment areas:

- The Korumburra Golf Club continues to use Coalition Creek Reservoir to irrigate its fairways and greens.
- The Leongatha Angling Club benefit from access to our four Leongatha reservoirs for recreational fishing.
- In 2023–24 Poowong Angling Club used Little Bass Reservoir for fishing purposes. Sadly, this small angling club has recently folded.
- Poowong-Triholm Landcare Group also have an interest in Little Bass as a conservation site for the famous, and protected, Giant Gippsland Earthworm.

Giving back: community sponsorships

Table 15 provides a summary of the community support and sponsorship provided by South Gippsland Water.

Name	Activities	Financial support	In-kind
Public water fountains	2 x public fountains purchased for townships of Fish Creek and Cape Paterson	\$10,000	\checkmark
Water bottles	500 water bottles purchased for community events or prizes, such as Korumburra Primary School Human Powered Vehicle team	\$4,200	
Community sponsorships (formally H20 and H40 grants)	Korumburra Secondary College, Great Victorian Bike Ride	\$2,000	\checkmark
Bass Coast and South Gippsland Reconciliation Group	Events – National Reconciliation Week, Sorry Day, NAIDOC Week	N/A	\checkmark
South Coast Water Partnership	A key partnership to promote the health benefits of drinking water. The partnership meets quarterly but engages more often during summer Choose Tap campaign	N/A	\checkmark
National Water Week	Annual water literacy activity for primary school children	\$3,000	\checkmark
Water trailers for events	In 2023–24 South Gippsland Water supported 17 major community events with our free water trailers	N/A (Approx. \$500 per use)	\checkmark
Community events (careers and community expos, markets, AGMs)	In 2023–24 South Gippsland Water presented at 11 events including the Bass Coast Careers Expo, Korumburra Broadening Horizons careers event and the Inverloch Community Expo	N/A	\checkmark

Table 15: Summary of community support in 2023–24

We are privileged to service the people of South Gippsland. The business has continued to benefit from our valued partnerships amongst the broader water sector.

Supporting our communities

Public drinking fountains

Public drinking water fountains are a beneficial and long-lasting support to our communities. South Gippsland Water has installed 14 fountains to date. This represents an investment of around \$100,000 by South Gippsland Water in public amenities.

Our public drinking water fountain program is with two councils, South Gippsland and Bass Coast, where we provide up to two fountains per year. In 2023–24 we installed fountains at Cape Paterson Life Saving Club and Terrill Park, Fish Creek. We look forward to celebrating their installation with events in 2024–25.

Drinking water trailers and portable drinking fountains

In 2023–24 we provided free drinking water via our drinking water trailer program to 17 different community events. These included Leongatha's Biktoberfest, Tarwin and District Community Lifestyle Festival, Fish Stories Festival, Stony Creek's Family Fun Day, Gippsland TAFE's O'Week, Wonthaggi Neighbourhood Centre's 40th birthday, Arawata Pet Day, the Foster Show, Loch Food and Wine Festival and the Inverloch-Kongwak Easter Fair. We look forward to continuing to provide this free service to our communities in 2024–25.

Water bottles and other merchandise

In 2023–24 South Gippsland Water invested \$4,200 in branded, stainless steel water bottles as prizes for school children participating in our National Water Week competition. We also provided some to support groups such as South Gippsland Shire Council's Murray to Moyne fundraising cycling team.

In 2024–25 it is intended to use remaining drink bottles as school prizes again in our National Water Week poster competition, at careers and job expos, and community events.

New GSL grant – PS2023

In 2023 as part of our Price Submission, we introduced a fourth community resilience Guaranteed Service Level (GSL). This was first piloted when Inverloch experienced a Boil Water Advisory in 2022. This event occurred during the Price Submission consultation, with South Gippsland Water then issuing this grant in good faith. Subsequently, the GSL was enacted during the January 2024 Poowong Boil Water Advisory.

The Poowong Boil Water Advisory grant received four applications. After assessing these applications against the grant guidelines, South Gippsland Water awarded \$10,000 to Poowong Consolidated School to invest in a generator. The school has strong links to the community and a reputation for being sustainable. The school wants to improve its ability to remain open to students in the face of the increasing power outages.

Listening to our customers

We place a strong emphasis on listening to our communities, taking on board their feedback, and tailoring our planning and programs accordingly.

Through our Essential Services Commission-approved Customer Outcomes, we can show where we are meeting our customers' expectations and where we may need to redouble our efforts.

We rely on two customer surveys to enable us to reflect on the four key areas we must deliver on according to our Price Submission – Value for Money, Trust, Respect in the Community and Overall Satisfaction. Since 2014 we have worked with survey specialist and data analyst, Insync, to help us conduct and create an annual customer survey. This survey is a statisticallyvalid look at our communities and how they feel about our business.

We work in collaboration with other like-minded Victorian regional water corporations to gain a wider perspective of how the industry is viewed by country Victorians as a whole.

In 2023–24 we conducted this survey online for the first time.

We also use the Essential Services Commission's annual customer survey, which is revised quarterly and again focused on the four key areas from our Price Submission.

We use the IAP2 model of public consultation to gain our communities' views of our infrastructure projects, pipe and pump renewal programs and service delivery. An example of this is the consultation we undertook around the \$12M Inverloch Sewer Pump Station upgrade. The community informed how we would work to rehabilitate this popular site for recreational use following construction of the new asset.



Water literacy

Our key education activity for each year is centred around National Water Week. All Victorian water corporations invite local primary school children to participate in a poster competition, with winners announced during National Water Week. The annual competition attracts up to 500 entries from across the state.

South Gippsland Water is working more closely with the Bass Coast Local Learning and Engagement Network in a bid to help local high school children think about a career in the water industry post-formal schooling. This relationship is proving to be productive, with many of our trainees coming from local schools.

South Gippsland Water maintains a suite of educational material on our website for all ages. We conduct water literacy sessions at various educational facilities on request.

Another activity eagerly taken up by our local schools is the Schools Water Efficiency Program. There are 23 schools in our region that use this program to monitor their water use in a bid to save money and water.

South Gippsland Water operates on several social media platforms including Facebook, Instagram and LinkedIn. Alongside our website, and traditional media, we use these tools to keep our communities and customers informed about our business and the processes we undertake to deliver their services. In 2024–25 we hope to expand and formalise our educational offerings.

Measuring our impact: community and customer engagement

South Gippsland Water has key metrics, agreed to by our community and accepted by the Essential Services Commission, as part of our Price Submission process. These indicators help both us and our customers have an agreed set of values for South Gippsland Water to strive to meet. It is about finding the balance – agreeing with our customers on the service level they can expect for the money they're willing to pay.

We continuously test this balance with the community via annual customer surveys as well as anecdotal feedback from the field. Every five years we significantly review these Customer Outcomes to ensure they reflect the community's current view of water and wastewater services. These Customer Outcomes are central to measuring the success of our community and customer engagement programs. We report on the following as part of our Customer Outcomes, agreed with the community, as part of our Price Submission 2023:

- Customers who prefer to drink our tap water at 91% or above (stretch target, previous target 88%)
- Maintain our high customer satisfaction levels at 85% or above
- Customers rate our services as Value for Money at 73% or above.

These three key metrics help us understand whether our customer and community engagement programs have been successful, or otherwise.

We report these to four different committees in the business and publish the Customer Outcomes quarterly on our website.

Reporting to:

- Community Advisory Committee
- Executive Leadership Committee Transformation and Customer
- Board Committee Transformation and Customer
- South Gippsland Water Board of Management
- Our customers via our website, bill inserts and social media.

We take any deviation from our results very seriously. Our customers and community are central to all that we do as they pay for all the programs and services we deliver on.

Collaboration within the water sector

South Gippsland Water collaborates with our colleagues in several forums to ensure agencies are taking a holistic approach when it comes to managing our land and water.

We support the implementation of the *Central and Gippsland Region Sustainable Water Strategy* as part of our work to mitigate the effects of climate change and plan for reliable water services into the future.

Organisation	Engagement	Financial support	In-kind
Water Industry Operations Conference	Staff attendance Program sponsors Participation in water tasting competition	(N/A) \$45 contribution per staff member	\checkmark
WaterSmart program (DECCA)	Working with Ambulance Victoria to monitor water use and audit through VicFacilities	\$105,000	\checkmark
WaterAid (Silver Membership in 2023–24)	Charity focused on overseas – provision of clean water	\$12,000	
The Water Conservancy (previously Smart Water)	Focused on water efficiency programs and communications (DECCA to centrally manage contract from 2023–24 on)	\$7,000	
Schools Water Efficiency Program (SWEP)	23 schools in Bass Coast and South Gippsland participate in this water efficiency program	N/A	\checkmark
Gippsland Environmental Alliance	Annual contribution to co-ordinator role	\$10,000	\checkmark
Australian Water Association OzWater Conference	Key industry forum Staff attendance <i>Silver membership. AWA number is 7041994384.</i> OzWater, annual awards, industry events.	\$1,585	
Intelligent Water Networks	Staff champion Staff attendance at annual conference	N/A	
Water Services Association of Australia	Staff development opportunities Industry and technical forums Annual conference	N/A	
Institute of Water Administrators	Representative on Board Special Interest Groups Annual conference	N/A	\checkmark
West Gippsland Catchment Management Authority	Invest in project to improve fencing, rehabilitate land around Foster Creek (following Korumburra Wastewater Treatment Plant incident in 2021)	\$50,000	
Integrated Water Management	Forum Funding contribution for coordinator role	\$10,000	
VicWater	Peak industry association Annual conference	N/A	
Gippsland Regional Water Alliance	Association of regional water corporations Engages in efficiencies and service provision	N/A	\checkmark

Part 2: Sustainable products and services

Environment and sustainability

Our commitment to delivering water and wastewater services with minimal environmental impact has been paramount as we navigate a stringent compliance landscape. We continue to enhance our environmental program and have made significant progress in meeting our obligations under the *Environment Protection Act 2017.* The development of our Net Zero Emissions Plan represents a crucial milestone in our commitment to reducing the impacts of climate change. We remain on track to achieve our ambitious targets, including net zero Scope 2 emissions by 2025 and total net zero emissions by 2035.

Our commitment to protecting the environment and sustainability of our operations in 2023–24 included:

- Upskilling of staff in responding to incidents, managing waste, and completing operational activities that lead to positive environmental outcomes.
- Completing a General Environmental Duty Gap Analysis and environmental uplift program that included investing in over \$120,000 to ensure we met our obligations under the Environment Protection Act and improved overall environmental performance.
- Review and update of our Environmental Management System (EMS).
- Continue to work towards our goals of net zero emissions by 2035 and the organisation powered by 100 per cent renewable electricity by 2025.
- 216 dry tonnes of (100%) biosolids were transferred to the Gippsland Regional Organics facility at Dutson Downs to be processed and reused into Australian Standard compost. The compost is used on farms to improve soil quality and contributes to Victoria's circular economy by diverting material from landfill.
- Development of key EPA compliance documents including:
 - Risk Management and Monitoring Programs (RMMP's) for each wastewater treatment plant. These documents replace a corporation wide management plan and have improved the function and clarity of our Environmental Monitoring Program
 - Health and Environmental Management Plan (HEMP) and User Site Management Plans (USMP). These documents update the Environmental improvement plans and provide greater environmental controls and monitoring when using recycled wastewater.

- Recycling 248 ML of wastewater for recreational and agricultural uses.
- Embedding avoid, reduce, minimise principles into asset planning to ensure we minimise our impacts on native flora and fauna when building assets or infrastructure. This contributes to the delivery of the Victorian Government's *Biodiversity 2037 Strategy*.
- Working with external stakeholders.

Greenhouse gas emissions and energy consumption

We continue to make significant progress in reducing our greenhouse gas emissions and energy consumption as we approach our commitment to achieve net zero by 2035 and 100% renewable energy by 2025. Over the past year, our overall emissions decreased from 7,265 t CO_2 -e to 7,108 t CO_2 -e, a reduction of 2% compared to 2022–23.

Our scope 1 emissions totalled 3,115 t CO_2 -e, primarily from the treatment of wastewater. Notably, we observed a decrease in emissions from wastewater treatment at most plants, particularly in Korumburra, attributed to system upgrades that improve the quality of incoming wastewater from trade waste customers.

Our scope 2 emissions from electricity consumption decreased by 798 t CO_2 -e compared to 2022–23. This reduction is due to enhanced energy efficiencies, reduced aeration and decreased pumping requirements at several of our water treatment plants. Additionally, the carbon emission factor for grid-purchased electricity was lowered in 2023–24, contributing to the overall reduction in emissions.

During 2023–24, 15% of our total energy demands were met by renewable energy sources. We currently have solar systems at nine of our sites and depots, with a combined capacity of 1,171 KW. Although we faced some issues with our Wonthaggi and Korumburra WWTP solar systems, reducing overall renewable energy consumption, these systems are expected to return to normal operation in 2024–25.

Our partnership with Zero Emissions Water (ZEW), a collective of 12 Victorian water corporations working together to reduce emissions, continues to provide value for both us and our customers. Over the past year, we acquired 647 Large Generation Certificates (LGCs) through this agreement, which we are storing for use in the next financial year. These LGCs will help us meet our 100% renewable energy commitment by 2025, as we eliminate our scope 2 emissions.

We did observe a minor increase of 15 t CO_2 -e in emissions from our offices and depots due to an increase in staff numbers and the installation of new radio towers, which required additional electrical connections.

South Gippsland Water remains dedicated to reducing our greenhouse gas emissions and energy consumption. Our ongoing efforts, including

improvements in energy and wastewater efficiency, strategic investments in renewable energy infrastructure, and collaborative initiatives with the Zero Emissions Water collective, demonstrate our unwavering commitment to sustainability. We look forward to continuing this positive trajectory and delivering meaningful environmental benefits for our communities and future generations.

Table 17: Total scope 1 and 2 emissions reporting (CLM_AR_EMR1)

	Sco	pe 1 and 2 em	issions (t CO ₂	,-e)	Variance	
	2022–23	2023–24	scope 1 and 2	emissions	(%) between	
Service delivery category	total scope 1 and 2 emissions	Scope 1 emissions	Scope 2 emissions	Total emissions	2022–23 and 2023–24	Commentary
Water treatment and supply	1,861	44	1,691	1,735	-6.80%	Electricity consumption at our water treatment sites has decreased overall, and the carbon emission factor for grid-purchased electricity has been reduced in 23/24
Sewage collection, treatment, and recycling	4,660	2,465	2,150	4,615	-0.97%	A minor decrease in emissions was mainly attributed to improvements in quality of trade waste received and lower nutrient loads into Korumburra WWTP
Transport	608	606	_	606	-0.003	Our fleet emissions remained stable over the past year as we prepare to implement our Fleet Transition Plan
Other (e.g. offices, depots, etc.)	136	1	151	152	11.70%	An increase in staff numbers working in offices has resulted in higher emissions due to additional electricity demand. Additionally, the installation of new radio towers required new electricity connections, further contributing to the increase
Total emissions (after REC retirement)	7,265	3,116	3,992	7,108	-2.20%	-
Carbon offsets (self-generated) retired	_	_		_	_	-
Net emissions (after offset retirement)	7,265	3,116	3,992	7,108	-2.20%	An overall drop in emissions was mainly due to finding efficiencies in water treatment and a lower emissions factor for electricity under NGER accounting

Table 18: Reporting climate active eligible Carbon offset units retired to reduce scope 1 emissions (CLM_AR_EMR3)

Name and type of project/s implemented to generate retired carbon offset units / supported by carbon offset retirement	Climate Active eligible offset unit	Offset quantity	Retirement date	Offset unit vintage year	Public registry
N/A	N/A	N/A	N/A	N/A	N/A

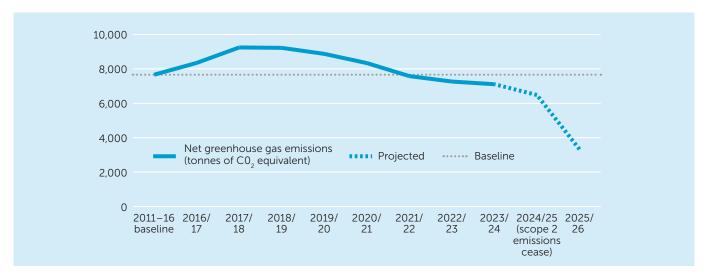


Figure 1: Baseline, actual and projected scope 1 and 2 greenhouse gas emissions (CLM_AR_EMR4)

Table 19: Full breakdown of scope 1 emissions by greenhouse gas (CLM_AR_EMR5)

	Scope 1 Emissions by greenhouse gas (source greenhouse gas reported in t CO ₂ -e)							
Service delivery category	Carbon dioxide (CO2) in t CO2Methane (CH4) in t CO2-eNitrous oxide (N2O) in t CO2-e							
Water treatment and supply	44	-	_	-				
Sewage collection, treatment, and recycling	2,392	2,014	378	_				
Transport	599	_	4	_				
Other (e.g. offices, depots, etc.)	30	_	_	_				
Total	3,065	0						

Table 20: Reporting scope 3 emissions (CLM_AR_EMR6)

Scope 3 emissions source	Scope 3 emissions (in t CO ₂ -e)	Commentary (including calculation methodology and inclusions)
Commercial air travel	N/A	N/A
Waste disposal	N/A	N/A
Any other scope 3 sources assessed (categorised as appropriate)	N/A	N/A
Total reported scope 3 emissions	N/A	Reporting not required

Environment Management System

Our accredited ISO 14001 Environmental Management System (EMS) embodies South Gippsland Water's commitment to responsible environmental management and remains an integral part of managing South Gippsland Water's Environmental Performance. Our Environment and Sustainability Policy defines our commitment to conducting activities in an environmentally-responsible manner. This policy considers resource availability, environmental values, legislative obligations and community expectations. It serves as the foundation for setting our objectives and targets, and it underscores our dedication to complying with relevant legal requirements.

Our EMS system is audited by an external provider annually to ensure compliance and to drive continual improvement. Our 2023 audit, conducted by DNV, revealed no non-conformances and confirmed that our EMS remains compliant with ISO 14001 standards.

The role of the EMS is to identify, manage and reduce impacts to the environment from our activities. Key areas of improvement over 2023–24 include:

- implementing waste management practices in line with EPA waste duties
- updating documents and procedures to reflect new EPA compliance documents like Risk Management and Monitoring Programs (RMMPs), Health Environmental Management Plan (HEMP) and User Site Management Plans (USMPs)
- reviewing controls for environmental risks
- developing objectives and targets to improve environmental performance
- specification of environmental responsibilities
- continual environmental management improvement.

Built assets

We have completed or progressed several projects and programs, listed below, over the year that have accommodated potential climate change impacts on our assets and infrastructure.

Inverloch SPS upgrade

A \$10 million upgrade of the Inverloch sewer system to ensure reliability, compliance and prevent environmental incidents. Environmental restoration of the two sites is now underway. We sought input from local residents on two revegetation options designed to maximise biodiversity values, attract indigenous wildlife and enhance native vegetation. The project was delivered in collaboration with the Bass Coast Council and Inverloch's Melaleuca Nursery to plant and maintain the site.

Emergency storage lagoons

Construction of the Wonthaggi and Korumburra wastewater treatment plant emergency storage lagoons (ESL) is nearing completion. The ESLs allow for extra capacity to store wastewater during wetter months and prevent environmental impacts by temporarily storing untreated sewage onsite until it can be appropriately treated.

To date, we have invested \$6.97M for the Wonthaggi WWTP upgrade, which includes 20 ML of emergency storage. Additionally, we have allocated \$4.34M for Korumburra WWTP that provides 15 ML of emergency storage.



Biodiversity and natural environment

South Gippsland Water's commitment to protecting biodiversity and the natural environment has remained steadfast over the past year. Our invasive weed management program, guided by the *Catchment and Land Protection Act 1994*, focused on noxious and environmental weed species. This program targeted invasive species across our 13 reservoirs, 18 service storages and 11 sewage treatment plants. Employing a targeted, risk-based approach, we prioritised weed management efforts to enhance and preserve biodiversity at our sites.

Additionally, we have actively participated in the Strong Country Stakeholder Working Group, supporting the Bunurong Land and Waters Council Aboriginal Corporation (BLCAC) and the West Gippsland Catchment Management Authority (WGCMA) in delivering new biodiversity projects within the region. Our commitment includes funding initiatives to enhance environmental values within the Powlett River catchment, which connects to Lance Creek Reservoir.

Climate change adaptation

Climate change poses a significant operational risk to our infrastructure, water resources, community health and safety, and financial sustainability. We are actively working to mitigate these risks and are preparing to address the challenges presented by an increasingly unpredictable and severe climate. Our 2023–24 highlights included:

- Development of our Net Zero Emissions Plan
- Endorsement of the Cape to Cape Resilience Plan
- Development of our Power Resilience Plan
- Continuation of our recycled water scheme that provides recycled wastewater to recreational and agricultural users
- Reviewing and upgrading our assets and infrastructure to enhance resilience to the impacts of climate change.
- Implementation of the Urban Water Strategy (see below)
- Implementation of the Drought Preparedness Plan (see below).

Urban Water Strategy

Our Urban Water Strategy provides a 50-year forecast of water supply and describes how South Gippsland Water plans to balance supply and demand in a more variable climate. The strategy assesses water supply system resilience through events such as drought, bushfires, power outages and blue-green algal blooms. A resilience assessment has been used to develop a range of actions in response to identified priorities. Progress on these actions during 2023–24 included:

- Successful scoping of our emergency backup generator requirements. The project is now commencing the tender phase.
- Conducting assessments on the management of eutrophication events within catchment areas.
- Finalising the designs for water mains renewal projects in Korumburra and Poowong.
 Upgrading the aged infrastructure will improve resilience and enable more accurate monitoring of system efficiency.

An action plan for increasing reuse of treated wastewater was also developed. Progress on these actions during 2023–24 included:

- Investigating methods to improve availability of Class C recycled wastewater at Foster and Meeniyan wastewater treatment plants.
- Scoping for a pump system upgrade at our Meeniyan wastewater treatment plant to improve distribution and availability of recycled wastewater.

Integrated Water Management (urban)

South Gippsland Water is actively working to create more resilient water supplies through Integrated Water Management (IWM). We have continued to play a key role in the work of the Gippsland IWM Forum over the past year.

Multiple stakeholders have a role managing various aspects of the water cycle, including urban water corporations, such as South Gippsland Water, catchment management authorities, local governments, Traditional Owners and many others. The IWM forum brings entities together to jointly identify strategic and project opportunities to improve planning and management of water resources.



The Gippsland IWM Forum's *Strategic Directions Statement* was updated in 2022 and includes five key projects in the South Gippsland region. We are leading a project on the feasibility of stormwater capture and use in Leongatha to substitute drinking water with a fit-for-purpose alternative source, which will be completed in 2024–25. We have also been working on strategies to increase the volume of water re-use from our Foster, Meeniyan, Wonthaggi, Cape Paterson and Inverloch wastewater treatment plants. We are aiming to make re-use water available for new customers in the region and reduce the volume of treated effluent that must be discharged.

Drought Preparedness Plan

The Urban Water Strategy includes a Drought Preparedness Plan summarising key information about the supply system and details important actions to prepare for and respond to water shortages. These water shortages can be due not only to drought, but also to other extreme circumstances such as water quality and emergency events.

The Plan:

- Details how South Gippsland Water monitors and plans for water shortages.
- Defines how South Gippsland Water will engage with customers, communities and stakeholders on planning and preparing for water shortages.
- Specifies priority community assets that might require water during water shortages and how water will be provided (i.e., water use plans, exemptions and alternative water).
- Documents how South Gippsland Water will work with the responsible asset manager (e.g., local council) to access identified alternative water sources.
- Identifies proposed exemptions under each relevant stage of water restrictions.
- Includes principles for determining what are exempt users and a timeframe for determination on the submissions for exemptions.

Conditions during the 2023–24 period did not necessitate imposition of any staged water restrictions.

Net Zero Emissions Plan and Emissions Reductions Pledge

We have commenced the implementation of our Net Zero Emissions Plan, which provides a pathway to our net zero emissions target by 2035. The plan addresses how we plan to reduce greenhouse gas emissions from all sources, including electricity consumption and emissions directly from transport and wastewater treatment. During the 2023–24 financial year South Gippsland Water has progressed several aspects of the plan including:

- Explored green energy opportunities to meet our 100% renewable energy commitments in 2025.
- Sourcing Large Scale Generation Certificates (LGCs) from Zero Emissions Water (ZEW).
- Continuing our investment in behind-the-meter electricity generation through solar.
- Developing our Fleet Transition Plan that outlines a plan to move our internal combustion engine (ICE) vehicle fleet to electric and hybrid.
- Assessing the options for Australian Carbon Credit Unit (ACCU) generation or procurement to offset our emissions.

Service delivery category	2022–23 Total electricity consumption (MWh)	2023–24 Total electricity consumption (MWh)	Commentary
Water treatment and supply	2,155	2,140	There was a slight reduction in electricity consumption at several of our water treatment plants, attributed to enhanced energy efficiencies, reduced aeration, and decreased pumping requirements
Sewage collection, treatment, and recycling	2,614	2,722	Increased aeration of wastewater lagoons to improve water quality has resulted in slightly higher electricity consumption in 2023–24.
Other (e.g. offices, depots, etc.)	160	190	Over the past year, new assets such as radio towers have been installed to enhance the capacity of our network. Additionally, we have observed increased energy demands in office areas due to the gradual rise in staff numbers.
Total (by service delivery category)	4,929	5,052	Overall electricity consumption was slightly higher due to increased aeration at some of our plants and the installation of new communications assets.

Table 21: Total electricity consumption reporting (service delivery categories) (CLM_AR_IRE1)

Table 22: Total electricity consumption reporting (by source) (CLM_AR_IRE2)

Electricity source	2022–23 Total electricity consumption (MWh)	2023–24 Total electricity consumption (MWh)	Commentary
Purchased directly through an electricity retailer	4,929	5,053	This marks the final year of our service agreement before transitioning to the SEC for electricity procurement.
Not directly purchased but sourced from outside the organisation	-	-	-
Corporation led/ self-sourced activities and initiatives	880	750	Issues with the solar systems at Wonthaggi and Korumburra WWTP caused a reduction in behind-the-meter electricity generation.
Total (all by source)	5,809	5,803	While our consumption of renewable energy generated from our solar systems was down, efficiencies were identified within our water treatment department leading to lower consumption.

 Table 23: Total renewable electricity consumption reporting (CLM_AR_IRE3)

Renewable electricity consumption categories	2022–23 renewable electricity consumption (MWh)	2023–24 renewable electricity consumption (MWh)	2023–24 renewable electricity consumption (% of total consumption)	Variance (%) between 2023–24 and 2022–23	Commentary
Total renewable electricity of the Commonwealth Gove		n grid-sourced el	ectricity South Gi	ppsland Water re	ported because
Total grid-sourced	-	-	-	-	-
Total renewable electricity of	consumption from	n Corporation led	/self-sourced act	ivities and initiati	ves
Biogas	-	-	-	-	_
Hydroelectric	-	-	-	-	_
Solar	880	750	14.84%	-14.77%	Issues with the solar system at Wonthaggi and Korumburra WWTP caused a reduction in behind-the- meter electricity generation.
Wind	-	-	-	-	-
Other renewable	-	-	-	-	-
Total renewable electricity consumption	880	750	14.84%	-14.77%	-

Circular Economy

During 2022–23 we completed our Circular Economy Vision and Roadmap. In 2023–24 we reviewed and updated waste management practices. This includes recycling and reusing waste generated from site works and capital projects such as soil, concrete and asphalt. We have also reviewed ways to reuse or recycle former assets like pipes, valves and e-waste. Project planning was also undertaken for additional projects connected to our Circular Economy Roadmap. These will be implemented in 2024–25.

Biosolids reuse

We achieved 100% reuse of biosolids mass produced during 2023–24 as well as processing the reuse of stockpiled material from previous years.

 Table 24: Total on-site renewable electricity generation capacity and generation reporting (CLM_AR_IRE4)

	2023–24 total on-site	2023–				
Renewable electricity source	renewable electricity generation capacity	Consumed on-site	Exported	Other purposes	Total generated KW (by source)	Commentary
Biogas	_	_	-	_	_	_
Hydroelectric	-	_	-	_	_	_
Solar	1,171 KW	750	494	_	1,244	_
Wind	_	_	-	_	_	_
Other renewable	_	_	_	_	_	_
Total (renewable)	1,171 KW	750	494	-	1,244	-

South Gippsland Water does not produce non-renewable on-site electricity. We do not have energy storage systems on our sites.

 Table 25: Total other (non-renewable) on-site electricity generation capacity and generation reporting

 (CLM_AR_IRE5)

	2023–24	2023-241	2023–24 total on-site electricity generated (MWh)				
Non-renewable electricity source	total on-site non-renewable electricity generation capacity (MW)	Consumed on-site	Exported	Other purposes	Total generated (by source)	Commentary	
Non-renewable sources	N/A	N/A	N/A	N/A	N/A	N/A	
Total (non-renewable)	N/A	N/A	N/A	N/A	N/A	N/A	

Table 26: Total energy storage system reporting (power capacity and total storage capacity (CLM_AR_IRE6)

Energy storage system	2023–24 total energy storage system power capacity (MW)	2023–24 total energy storage system storage capacity (MWh)	Commentary	
Total: energy storage systems	N/A	N/A	N/A	

 Table 27: Total Renewable Energy Certificate (REC) retirement reporting to reduce scope 2 emissions

 (CLM_AR_IRE7)

REC retirement method	2023–24 RECs retired	Commentary
Voluntarily retired by South Gippsland Water	_	_
GreenPower	-	-
Certified carbon neutral electricity purchased	_	_
Voluntarily retired on South Gippsland Water's behalf	_	_
Mandatorily retired or conveyed to South Gippsland Water's electricity retailer for mandatory retirement (if applicable)	_	-
Total RECs retired to reduce scope 2 emissions	_	No RECs retired in 2023-24

 Table 28: Total energy usage from fuels and electricity segregated by energy source (CLM_AR_IRE8)

Total energy usage	Renewable (in MJ)	Non-renewable (in MJ)	TOTAL (in MJ)	Commentary
From fuels	-	10,077,489	10,077,489	-
From electricity	2,701,289	18,189,000	20,890,289	-
Total	2,701,289	28,266,489	30,967,778	-

 Table 29: Total energy usage per Corporation Full Time Equivalent (FTE) employee (CLM_AR_IRE9)

Total energy usage (fuels and electricity) in MJ	Total FTE employees	Energy usage (MJ) per FTE employee	Commentary
30,967,778	126	245,776	-

Table 30: Total stationary fuel use in buildings and machinery (CLM_AR_IRE10)

	Total stationary fuel use (buildings and machinery)		
Fuel type	in MJ	in t CO ₂ -e	Commentary
Fossil gas	462,119	24	-
Biogas	_	7	Leongatha WWTP
Diesel	943,300	66	Predominantly from generator use during February 2024 electricity outage from storms
LPG	15,000	1	_
Petrol	39,000	3	-
Other	-	-	_
Total	1,459,419	100	_

Wastewater

Wastewater management

During 2023–24, South Gippsland Water continued to deliver wastewater services across our communities. Recent investments in our infrastructure including emergency storage lagoons in Korumburra and Wonthaggi, and the replacement of the wastewater main in Bena Road, Korumburra are already demonstrating value by reducing the risk of environmental spills in major wet weather periods.

Our network is constantly monitored as we progress our maintenance programs in areas considered high risk. Our pipeline and manhole rehabilitation program is focussed on identifying sources of inflow and infiltration. In 2022–23, a major source of infiltration was identified from a broken manhole pit at Wonthaggi. The repair of this resulted in a significant reduction of stormwater infiltration into our network during the winter months of 2023–24.

South Gippsland Water complied with Environment Protection Authority (EPA) licence requirements at seven of our 10 wastewater systems. There were three non-compliant events in 2023–24. These are listed below including our responses.

- Meeniyan Wastewater Treatment Plant exceeded the annual median quality limit for phosphorus due to a reduction in nutrient removal through the wetland system. Investigation, planning and design works to improve the final effluent quality and increase reclaimed water usage at this site is progressing.
- The Foster Wastewater Treatment Plant exceeded the allowable mean daily discharge flow for the year due to wet weather events in 2023. An investigation into reducing inflow and infiltration within the sewerage network and future capacity planning for this site is underway.
- An offensive odour was emitted from the Wonthaggi Wastewater Treatment Plant during the delivery of industrial wastewater by tanker. Modifications to the treatment plant inlet works were implemented to reduce odour emissions from the site.

In delivering a program to achieve future compliance conditions, improvements in wastewater management implemented during the year included:

- An upgrade to increase the emergency storage volume at Korumburra Wastewater Treatment Plant to reduce the risk of spills was completed.
- Commenced construction to increase the emergency storage volume at Wonthaggi Wastewater Treatment Plant to reduce the risk of spills.
- Completed the planning and design, and commenced procurement for on-site backup generators at Leongatha, Korumburra and Toora wastewater treatment plants to maintain compliant effluent and reduce the risk of spills during extended power outages.
- Targeted cleaning and relining of sewer pipelines to reduce blockages and spills in higher risk areas.
- Implemented continued improvements to wastewater management systems particularly for monitoring, calibration, documentation and reporting.
- Assessed region-wide risks associated with all sites to inform future planning.

Treated effluent and sustainable water re-use

South Gippsland Water recognises that, with appropriate management, by-products of wastewater treatment can be a resource rather than a waste product. Eight of our wastewater treatment systems re-use treated water. Two systems achieve 100% re-use. As a dispersed, high-rainfall area, identifying viable opportunities for re-use water is challenging.

South Gippsland experienced a drier summer in 2023–24 compared to the previous year, resulting in increased opportunities for re-use. Treated effluent re-use systems are in place at Tarraville, Toora, Waratah Bay, Meeniyan and Leongatha. A total of 248 ML (5.8%) of treated effluent was re-used during 2023–24, more than double what was re-used in 2022–23. Most of the re-use is on agricultural land and a small amount is used for recreation/sporting grounds. We continually look for further opportunities to establish wastewater re-use schemes where beneficial and cost-effective outcomes can be secured.

Re-use programs include:

- Tarraville Wastewater Treatment Plant: treated wastewater is piped to an adjacent property for crop irrigation.
- Toora Wastewater Treatment Plant: the Toora Football Club uses treated wastewater to irrigate the playing surface of the recreation oval. This re-use arrangement has effectively drought-proofed this important community facility.
- Waratah Bay Wastewater Treatment Plant: all treated wastewater is used onsite for pasture irrigation.
- Meeniyan Wastewater Treatment Plant: the sewerage scheme constructed at Meeniyan has incorporated wetlands as the final treatment process. This provides treated effluent to multiple re- use sites within the area including the Stony Creek Football Oval, the Meeniyan Football Oval and the Meeniyan Golf Course, and provides for irrigation on South Gippsland Water's land surrounding the treatment plant.
- Leongatha Wastewater Treatment Plant: a treated wastewater standpipe is available to contractors for various uses such as road construction and weed spraying.
- Poowong, Loch, Nyora sewerage system: a collaborative approach with South East Water sees most of the effluent from the Poowong, Loch and Nyora Sewerage Scheme treated at the Lang Lang Wastewater Treatment Plant to Class A standard. It is then used by industry and agriculture in the Lang Lang, Koo Wee Rup South and Nyora areas.

Our water re-use practices are in compliance with the EPA's Victorian Guideline for Water Recycling (2021).

Asset management

South Gippsland Water delivers water and wastewater services to meet regulatory obligations and agreed customer service standards. Asset Management at South Gippsland Water is managed under our Strategic Asset Management Plan (SAMP). The SAMP applies to assets throughout each phase of the lifecycle, including Leadership and Accountability, Planning, Acquisition, Operation and Disposal, as they relate to the management of non-current and non-financial assets.

South Gippsland Water is required to manage assets in accordance with the State Government Asset Management Accountability Framework (AMAF) which is based on the ISO 55000 Asset Management Series. Table 31 is a summary of the current status against 47 AMAF requirements based on a third-party assessment completed in July 2024. The business is compliant with 28 requirements and has compliance deficiencies for 19 categories. There were no Material compliance deficiencies.

Where compliance deficiencies have been identified, we have developed a plan, with target completion dates, to achieve compliance.



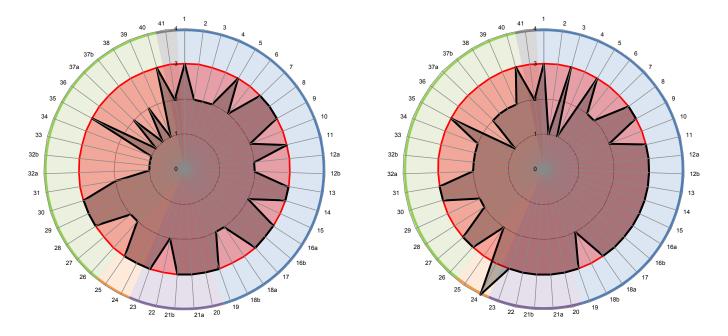
Table 31: AMAF Compliance Status 2023–24

Target	Performance	
Leadership and accountability	Requirement 1	Compliant.
Resourcing and skills	Requirements 2 and 3	Compliant for one requirement. A compliance deficiency was identified in one area and requires documentation to be updated to align with the new organisation structure adopted in 2024.
Governance	Requirements 4 and 5	Compliant for one requirement. A compliance deficiency was identified in one area and requires documentation to be updated to align with the new 2040 Vision and Strategy adopted in 2024.
Allocating asset management responsibility	Requirements 6–10	Compliant for two requirements. Compliance deficiencies were identified in three areas and require documentation updates (two areas) and a business process improvement.
Attestation requirements	Requirement 11	Compliant.
Monitoring asset performance	Requirements 12a, 12b–14	Compliant in all four areas.
Asset management system performance	Requirements 15, 16a, 16b	Compliant in all three areas.
Reporting to government	Requirement 17	Compliant.
Evaluation of asset performance	Requirements 18a, 18b	Compliant in one area. A compliance deficiency was identified that requires update of a business process on asset risk rating.
Other requirements	Requirement 19	Compliant.
Asset management strategy	Requirements 20, 21a, 21b	Compliant.
Risk management and contingency planning	Requirement 22 and 23	Compliant.
Acquisition overview	Requirement 24	Compliant.
Acquisition process	Requirement 25	A compliance deficiency was identified that requires an update to the business procurement procedure.
Monitoring and preventative action	Requirement 26–30	Compliant in three areas. Compliance deficiencies were identified in two areas that require an update to Asset Class Plans.
Maintenance of assets	Requirement 31, 32a, 32b	Compliant in one area. Compliance deficiencies were identified in two areas that require a business process improvement.
Information management	Requirements 33–36, 37a, 37b and 38	Compliant in one area. Compliance deficiencies were identified in six areas that require documentation and business process improvements. The transformation projects currently underway will facilitate the improvements needed.
Record keeping	Requirement 39	A compliance deficiency was identified that requires a business process and documentation improvement.
Asset valuation	Requirement 40	Compliant.
Disposal	Requirement 41	A compliance deficiency was identified that requires updates to Asset Class Plans.

Asset Management Accountability Framework (AMAF) Maturity Rating

In 2021, we reported on an Asset Management Accountability Framework (AMAF) Maturity Rating for the first time. South Gippsland Water's target maturity rating is 'Competent', meaning systems and processes are fully in place, consistently applied and systematically meeting the AMAF requirement, including a continuous improvement process to expand system performance above AMAF minimum requirements. In 2024, we engaged a third party to assess AMAF Maturity. Figure 2 shows our 2021 and 2024 maturity ratings and shows considerable improvement in many areas.

Figure 2: AMAF Maturity Rating in 2021 (left) and 2024 (right). South Gippsland Water's target maturity rating is 'competent' or level 3.



Part 3: A modern and future fit organisation

Major projects 2023-24

South Gippsland Water progressed a number of significant capital works designed to enhance our system capacity, strategically reduce the risk of leakages and spills, and improve operational efficiency. A summary of this work is provided below.

Drinking water storage upgrades and renewals

- These projects benefit customers across the region by maintaining safe, clean drinking water.
- Renewal work was completed on the Toora storage and minor renewals and upgrades were completed on a range of other storages with a total investment of \$0.4 million.

Water treatment plant upgrades

- These projects support growth in the region and maintain safe, clean drinking water.
- Design work is underway for a major upgrade at our largest water treatment plant, Lance Creek. The upgrade will involve construction of a new drinking water storage tank.
- Design is also underway for renewal of filters and other equipment at the Foster and Toora water treatment plants.
- Work completed to date involved a total investment of \$0.2 million.

Water reticulation main renewals

- This program of works is to renew and upgrade a range of aging assets to maintain water service reliability and water quality.
- Work has continued on this program since 2019 and will continue throughout the next regulatory price period from 2023–28.
- During 2023–24 there were 28 projects completed across the region with a total investment of \$1.5 million. Over 1.74km of mains were renewed as part of the program.

Sewer system rehabilitation

- Sewer blockages and spills are often caused by aged sewers blocked when tree roots grow into cracked and broken pipework.
- There is an ongoing program of cleaning, inspection by Closed Circuit Television (CCTV) and relining. Sewer manhole inspection and repair are part of the program of works.
- There is also an ongoing program of minor renewals at sewer pumping stations.
- The program value was \$1.1 million for 2023–24.

Water and wastewater treatment plant renewals

- This program of works is to upgrade a range of aging assets to maintain treatment plant reliability, water quality and improve safety.
- Work has continued on this program since 2019 and will continue throughout the next regulatory price period from 2023–28.
- During 2023–24, significant renewals were completed at Leongatha, Toora and Fish Creek water treatment plants and at Korumburra Wastewater Treatment Plant and started at the Toora and Leongatha water treatment plants and a range of wastewater treatment plants.
- The total investment during 2023–24 was \$1.3 million.

Emergency power program

- Climate variability is increasing the number of severe storms and intense rainfall events experienced in the region. Storms in 2021, 2023 and again in 2024 caused interruptions to power supplies and communications systems vital for water and wastewater services.
- The project is designed to improve the resilience of water and wastewater services during and after major storms. Upgrades to power and communications have occurred across the region. The program will continue through the next year.

Korumburra sewer upgrades

- A range of projects have now been completed to reduce the likelihood of sewer spills, accommodate growth and support local businesses.
- The projects included an upgrade of the trunk sewer, construction of a new branch sewer, construction of a major new pipeline for a trade waste customer and upgrade of the plant emergency storage lagoons.
- The total investment in 2023–24 has been \$7.5 million.

Inverloch sewer upgrades

- The project to increase the capacity and resilience of two of sewer pump stations was completed, supporting growth in the town and reducing the likelihood of sewer spills during extreme weather events.
- Investment for the project will be \$4.9 million.

Wonthaggi sewer upgrades

- The project aims to increase the capacity of the Wonthaggi Wastewater Treatment Plant to accommodate growth and reduce the likelihood of sewer spills.
- A new emergency storage lagoon has been largely completed at the site.
- Investment for the project for 2023–24 has been \$5.0 million.

South Gippsland Water has also been working with State Government and the metropolitan retail water corporations to secure additional water resources for our Lance Creek water system, a system that supplies about 60% of our customers. Additional water resources will help reduce the future likelihood of water restrictions caused by climate variability, while accommodating growth in towns such as Wonthaggi.

Information and communication technology investment

The Information and Communication Technology (ICT) team continue to work on our digital transformation project improving work processes, upgrading core business applications, replacing aging equipment, supporting the business, and ultimately improving support for our customers. We also have a strong focus on improving cybersecurity and business continuity.

Cyber, digital transformation and data analytics have been of particular importance during 2023-24 and will remain priorities for the coming year and into the future. For the 2023–24 reporting period, South Gippsland Water spent \$4,042,886 on Information Communication and Technology. Expenditure comprises two categories: Non-business as Usual expenditure (capital expenditure) relates to extending or enhancing South Gippsland Water's current capabilities through clearly defined projects. Business as Usual expenditure is all remaining ICT expenditure, which primarily relates to ongoing activities to operate and maintain the current capability. The focus is on improving access to operational plant and implementing a standards-based approach. Operational plant improvements are focused on improving customer delivery.

Table 32: 2023-24 ICT expenditure

Business	Non-busine		
as usual			Total
\$3,185,363	\$0	\$857,523	\$4,042,886

Part 4: Affordability and financial sustainability

Our customers

Operational performance

South Gippsland Water is committed to ensuring our customers receive quality service and support.

In 2023–24 our customer experience team enhanced the support services we offer our customers including small businesses, developed new support programs and expanded our team to improve our responsiveness to vulnerable customers. We received just three payment issue complaints in 2023–24 at a rate of 0.01%, a key indicator these investments are being well received by our customers.

We saw an increase in the number of water quality complaints which can be attributed to the emergency events that occurred in 2023–24 including the storm event in February 2024.

Table 33: Operational performance relating to customer responsiveness (PFM_AR_ASP5)

Operational performance						
Customer Responsiveness Indicators	ESC ref	2022–23 result	2023–24 result	Variance to 2022–23	2023–24 target	Variance to target
Water bills – customers on flexible payment plans No. of customers with instalment plans	UPP 1	505²	642	27.1% ³	620	3.5%
Water bills – customers awarded hardship grants No. of customers awarded hardship grants	UPP 6	0	04	0	20	-100.0%
Customer Responsiveness – water quality complaints ¹ No. of complaints per 100 customers	CRS 4	0.11.2	0.41	186.0%5	0.6	-39.6%
Customer Responsiveness – number of payment issue complaints No. of complaints per 100 customers	CRS 7	0.03	0.01	-50.6%6	1.2	-98.9%
Customer Responsiveness – total complaints ⁷ No. of complaints per 100 customers	CRS 3	0.41	0.81	108.2%	2	-60.0%

1 Figures rounded.

2 Figures as audited and approved by ESC, not as reported in the 2023 Annual Report.

3 Increase attributed to impacts of cost-of-living pressures on customers.

- 4 A large number of customers in hardship have had the Utility Relief grant applied eliminating debt before being transitioned onto flexible payment plans
- 5 Increase attributed to number of emergency events in 2023–24 including the February 2024 storm.
- 6 Decrease in payment issue complaints attributed to the increase in support options including flexible payment plans for customers impacted by cost-of-living pressures.
- 7 Figures have been recalculated based on the ESC definitions for complaints. As a result, the 2022–23 result has increased to 0.4 from the 0.3 that was reported in the 2023 Annual Report. Increase from 2022–23 to 2023–24 in part attributed to the impacts of emergency events in 2023–24 and an increase in customer expectations.

Customer Support Program

2023–24 marks the end of the first year of our current regulatory period. Key to note for this period is the increased customer support offerings and the commitment to maintaining support put in place during the pandemic. Key elements of the program include:

- We have extended the Customer Support Program to small businesses, recognising the vital role these customers play in our local economies.
- We have established a new co-payment program 'Pay and Save', designed to re-engage customers who are having trouble paying their account. Selected customers were hand-picked for participation in the program trial throughout 2023–24.
- We have self-funded an additional \$5,000 budget towards the Community Rebate Program.

- We have extended the period of operation for instalment plans to two years for all customers.
- There is a payment extension period of 12 weeks for all customers.
- We offer one-on-one facilitated support for assessing eligibility and, where confirmed, submitting Utility Relief Grants.
- We have a dedicated customer support officer to assist customers who experience vulnerability.
- We re-worded service accounts to an easy English version that is more customer friendly.
- We engaged local support agencies and counselling services in the region to assist with referrals and support services for customers.

Case study: 'Pay and Save' - Co-payment program trial

As part of our commitments during this regulatory period, South Gippsland Water committed to establishing a new co-payment program designed to re-engage customers with debt and assist them in getting back on track with paying off their debt.

Program design:

- An incentive scheme has been devised to offer to select customers in the form of a co-payment, whereby South Gippsland Water contributes to the payment of their account.
- We aim to set up an instalment plan with a set amount and frequent contributions either weekly, fortnightly or monthly.
- A minimum payment of \$10 and maximum of \$100 per payment.
- An ongoing payment plan would be communicated to the customer by email or letter.
- If the customer adheres to the payment plan, then South Gippsland Water would contribute the payment of every fourth instalment with a cap set on total payment contributions of \$500 per customer per year.

- The purpose is to engage nonpayers with an incentive to make payments.
- The scheme would apply to selected customers including small businesses who may be struggling to pay off their accounts. It will be via invitation only.
- This will be an internal program not advertised to all account holders and applicants will be selected at the discretion of Customer Support Officers.
- This program is manually managed and actioned by the Customer Support Team.

Despite the program only being established in the latter portion of the year, the Customer Support Team has been able to onboard 10 customers into the program. Specifically targeting customers who have already applied for and received the full Utility Relief Grant but remain in financial hardship. Early indications from the trial have been positive, in that the program provides an avenue for our Customer Support Team to re-engage these customers.

The trial will continue to operate through the 2024–25 financial year. We expect the program participants and value of co-payments to grow in 2024–25 financial year.

Management of social, economic and pricing impacts

Cost of living pressures continue to have a major impact on our customers. Despite the impacts of real growth and inflation on pricing, increases in residential bills were minimised in 2023–24 through lower water consumption.

Facilitating support for our customers

Through the customer support program, we offer a wide range of assistance for those customers facing financial difficulties and other circumstances that impact on their ability to access services and maintain payment of accounts, such as:

- engaging in discussions with customers to understand suitable payment options
- treating all customers with sensitivity and without making value judgments
- always respecting customer privacy in personal communications and in South Gippsland Water databases
- communicating in a way that is appropriate to the needs of the customer, including all resources being fully accessible to people with a disability, those who may have limitations in using or accessing digital technology, or social factors that impact interactions
- providing interpreter services upon request
- making all efforts to identify any need for additional support early and prior to accounts moving into arrears

- reaching agreement with eligible customers on the most appropriate support for their circumstances, recognising financial pressures may be short-term or long-term and including information about, or referral to, relevant regional support agencies
- not engaging in legal action, restriction of water supply and additional debt recovery actions against customers who meet our hardship criteria and continue to make payments according to an agreed schedule
- monitoring the operation of customer support agreements to proactively identify any issues as early as possible and communicate with customers to establish alternative arrangements if necessary
- detailing the circumstances in which access to support will cease
- ensuring employees receive regular and broad training in working effectively with the range of customer circumstances and communication needs
- providing customers with information about assistance programs and government concessions, including the Utility Relief Grant Scheme and Community Rebate Program
- providing information and assistance to reduce water consumption
- advising customers about their right to lodge a complaint with the Energy and Water Ombudsman if their affordability issue is not resolved with us.

In 2023–24 we saw a 58% increase in customers accessing utility relief grant scheme payments.

Indicator	2022–23 (\$ real 2023–24*)	2023–24
Residential bill – owner occupier (\$ real 2023–24) The actual bill for an owner-occupier with typical (average) water use in real 2023–24 dollars	\$1,222	\$1,240
Percentage change from prior year		1.5%
Residential bill – tenant (\$ real 2023–24) The actual bill for a tenant with typical (average) water use in real 2023–24 dollars	\$270	\$265
Percentage change from prior year		-1.7%
Typical (average) water use (kL) assumed in owner-occupier and tenant bill calculations	121	111
Non-residential bill – business (\$ real 2023–24) The annual bill for a business using 3 ML per annum in real 2023–24 dollars	\$7,949	\$8,145
Percentage change from prior year		2.5%

Table 34: Total urban bills for 2023–24 compared with 2022–23 (CCE_AR_BIL2)

* Real growth of 7% applied, based on the March 2023 annually adjusted escalation rate provided by DEECA.

Case study: Facilitated support to access Utility Relief Grants

During the pandemic, South Gippsland Water put in place resources to enable one-to-one facilitated support for customers experiencing vulnerability and financial hardship to access the Utility Relief Grant Scheme (URGS).

The last five years have seen considerable growth in the value and number of customers being assisted via URGS payments. Each customer receiving a facilitated URGS grant has spent an estimated 20–30 minutes with a Customer Service Officer to process their application and apply for the grant. During 2023–24, resources dedicated to customer support were increased to 1.4 FTE. This allowed an additional focus on tenants, who often have a lower overall account debt due to only paying usage charges. As a result, their URGS payment is lower than an owner occupier. Tenants can be one of our most vulnerable cohorts, for which the URGS payment makes a marked impact on their finances. Tenants are generally extremely grateful for the assistance provided. This focus on tenants explains the comparatively lower growth in total dollar value of grants compared to 2022–23 given the growth in the number of customers assisted.

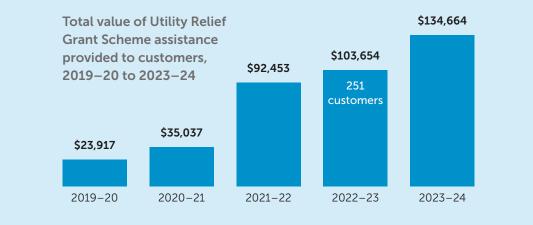


Table 35: Customer support (CCE_AR_CCE1)

Community service obligations	2022–23 (\$)	2022–23 no. of customers	2023–24 (\$)	2023–24 no. of customers
Provision of Water and Sewerage Concessions	\$1,854,639	6,560	\$1,904,881	6,412
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	\$150,624	575	\$149,827	575
Utility Relief Grant scheme payments	\$103,654	251	\$134,664	396
Water Concession on life support machines	\$0	0	\$0	0
Hardship Relief Grant Scheme (Sewerage and Water Connection Scheme)*	0	0	0	0

* The Sewerage and Water Connection Scheme rebate was not applied by the sector in 2023–24.

Community Rebate Program

South Gippsland Water receives funds for the continued implementation of the Community Rebate Program. During 2023–24 19 lower-income customers were supported by the provision of water efficiency improvements including fixing leaks and replacing inefficient or faulty toilet cisterns and hot water systems.

Upon identification of eligibility and potential need or benefit from the program, our staff arrange for a South Gippsland Water-appointed plumber to attend the customer's home. The plumber conducts a water audit and identifies plumbing works that the customer may benefit from.

Following this audit, the plumber arranges to conduct the works with the program funding up to \$1,000 per customer. Eligible plumbing works included in the program are leak repairs, water-efficient showerheads, toilet repairs/replacements, tap repairs/replacement, hot water re-circulators, flow control devices, evaporative cooler repair/replacement and hot water service repair or replacement.

Where works exceed the \$1,000 cap the customer can choose to fund the balance or forego a portion of the works.

South Gippsland Water also self-funds up to \$5,000 per year of additional funding to assist customers or properties who may be experiencing hardship but sit outside the program guidelines. As an example, in one instance this year, a customer aged in their 70's disclosed to our Customer Support Officer that they were in financial hardship and had been taking cold showers (despite it being late autumn and chilly in South Gippsland) due to a broken and leaking hot water service. This customer was able to benefit from the program with South Gippsland Water funding the cap exceedance balance out of discretionary funds. This enabled all repairs and a new hot water service to be installed.

Table 36: Community Programs (RLC_AR_WER1)

Name of program	Number of customers
Community Rebate Program	19
Community Housing Retrofit Program*	N/A

* South Gippsland Water was not a participating organisation in 2023–24

Financial performance overview

The full year operating result for 2023–24 was a loss before tax of \$8.7M. This result includes the impact of \$0.9M in asset disposals. Net Cash Flow from Operations was \$8.2M, which was \$3.7M below budget but \$1.2M higher than last year.

Total revenue received for the period was \$40.2M, slightly down on the prior year by \$0.3M due to a significant reduction in capital income (\$3.5M this period vs \$7.3M last period) offsetting the higher services revenue. The weaker performance in capital income is due to decreases in gifted assets as a result of delays in the completion of housing developments across the region. South Gippsland Water experienced reduced water consumption across both residential and non-residential customers in 2023–24.

Total expenditure for the year increased by \$4.3M to \$49.0M. The main drivers of increased cash-related operating expenditure in this period were higher chemical and sampling costs as a result of the incidents during the year. The current-year expenditure was also impacted by \$0.9M of net asset disposals, a similar value to the previous year.

South Gippsland Water achieved 69% of the planned capital expenditure, with \$24.7M spent, relative to the \$35.7M in the Corporate Plan.

Cashflow from Operations for the period financed 27% of the net capital expenditure (\$26.4M in net investing cash outflows for the period) with the remainder of the program funded by increased debt. A larger capex program is expected in the forthcoming years as South Gippsland Water continues to invest in water and wastewater assets to service major customers, meet the community growth needs, replace aging assets and protect our environment.

Total assets have increased by \$141.7M (27%) in the period, a significant increase due to a management asset revaluation that had not been done since FY2021.

Total liabilities has also increased, but by only \$49.6M (25%). The increase in liabilities is primarily from increased borrowings across both short-term and long-term (+\$17.1M), serving as working capital for the capital program.

The current ratio has reduced to 0.4 compared to the prior period at 0.7, with South Gippsland Water currently maintaining a higher balance in short-term borrowings due to interest rates being more favourable than long-term borrowings at present.

Table 37: Reporting on financial performance (PFM_AR_ASP2)

Financial performance 2023-24							
Key Performance Indicators	2022–23 result	2023–24 result	Variance to 2022–23	2023–24 target	Variance to target		
Cash Interest Cover ¹ Net operating cash flows before net interest and tax/net interest payments	2.9	2.7	-8.0%	3.4	-22.7%		
Gearing Ratio² Total Debt (including finance leases)/total assets	20.3%	18.5%	-8.5%	24.5%	-24.2%		
Internal Financing Ratio ³ Net operating cash flow less dividends/net capital expenditure	33.7%	29.8%	-11.7%	30.4%	-2.1%		
Current Ratio ⁴ Current assets/current liabilities (excluding long- term employee provisions and revenue in advance)	0.7	0.4	-40.7%	0.4	10.8%4		
Return on Assets⁵ Earnings before net interest and tax/average assets	-0.2%	-0.7%	-315.1%	-0.14%	-362.8%		
Return on Equity⁶ Net profit after tax/average total equity	-1.3%	-1.7%	-30.1%	-1.3%	-36.3%		
EBITDA Margin⁷ Earnings Before Interest, Tax, Depreciation and Amortisation/total revenue	32.5%	27.2%	-16.3%	35.8%	-24.0%		

Notes:

- 1. The unfavourable variance compared to the prior year is due to net operating cash inflows before interest paid remaining constant, but interest payments paid increasing. The unfavourable variance compared to target is due to lower net operating cash inflows brought about by higher payments to suppliers, in addition to below-target usage charges. In future years, the Corporation will look to improve on the net operating position through a combination of cost efficiency initiatives (to be determined) and approved tariff increases.
- 2. The favourable variance compared to prior year and target is due to the revaluation increasing the asset base.
- 3. The unfavourable variance compared to the prior year is due to the 17% increase in net operating cash inflows being less than the increase in net capital investment, which is 32% higher in 2023–24 compared to the prior year. The improvement in net operating cash inflows is due to increases in service and usage charges being greater than the increase in interest payments. The Corporation aims to improve this result through cost efficiency initiatives and approved tariff uplifts.
- 4. The current ratio is unfavourable to the prior year due to timing of higher closing cash balance in prior year compared to the current year, as well as higher short-term borrowings in 2023–24 compared to the prior year. The target was improved upon due to the higher receivables balance compared to prior year being more than the increase in payables and related accruals. The 10.8% variance to target result is attributed to the rounding of result figures in the 2023–24 result (0.43) and the 2023–24 target (0.39).
- 5. The unfavourable variance to both the prior year and target is due to lower revenue from development contributions and gifted assets, 53% less than the prior year. This was coupled with increased operational expenditure (up 12% from the prior year) driven by higher chemical and sampling costs. This was despite the asset base growing by more in 2023–24 than it did in the previous year. The Corporation is aiming to improve this result through cost efficiency initiatives and approved tariff uplifts.
- 6. The unfavourable variance compared to both prior year and target is due to lower net profit driven by reduced revenue relating to developments and higher operational expenditure, as explained in the preceding note. The Corporation is aiming to improve on this result through cost efficiency initiatives and approved tariff uplifts.
- 7. The unfavourable variance compared to target is due to lower earnings driven by lower revenue from development contributions and gifted assets as well as higher operational expenditure. The Corporation is aiming to improve on this result through cost efficiency initiatives and approved tariff uplifts.

Table 38: Five-year financial summary

Financial result	2023–24 \$'000	2022–23 \$′000	2021–22 \$'000	2020–21 \$'000	2019–20 \$'000			
Profit and loss – summary								
Core revenue	36,504	32,901	32,272	30,737	28,561			
Developer contributions and gifted assets	3,453	7,322	6,054	8,011	4,353			
Other revenue	288	311	344	398	172			
Total revenue	40,245	40,534	38,670	39,146	33,086			
Operating expenditure	28,791	25,618	23,588	24,038	21,711			
Depreciation	14,912	14,139	14,476	11,913	11,528			
Finance costs	4,780	3,627	2,844	2,789	2,744			
Other	511	1,613	2,365	640	538			
Total expenditure	48,994	44,997	43,273	39,380	36,521			
Net profit (loss) before tax	-8,749	-4,463	-4,603	-234	-3,435			
Net profit (loss) after tax	-6,584	-3,148	-3,310	-243	-2,653			
Balance sheet – summary								
Current assets	8,303	9,778	10,566	9,931	6,930			
Non-current assets	663,662	520,500	510,254	508,984	438,572			
Total assets	671,965	530,278	520,820	518,915	445,502			
Current liabilities	19,393	13,544	18,733	17,505	17,522			
Non-current liabilities	228,365	184,593	167,168	165,484	137,158			
Total liabilities	247,758	198,137	185,901	182,989	154,680			
Net assets	424,207	332,141	334,919	335,926	290,823			
Net cash flows from operations	8,184	7,008	9,214	9,092	7,786			
Payments for infrastructure, property, plant and equipment	27,463	20,856	16,669	22,423	18,924			

Summary of Financial Performance

Performance indicator	2023–24	2022–23	2021–22	2020-21	2019–20
Internal financing ratio	29.8%	33.6%	53.4%	39.9%	38.0%
Gearing ratio	18.5%	20.3%	18.0%	16.5%	15.4%
Interest cover (cash) – times	2.7	2.9	4.3	4.4	4
Return on assets	-0.7%	-0.2%	-0.3%	0.5%	-0.2%
Return on equity	-1.7%	-0.9%	-1.0%	-0.1%	-0.9%
Current ratio – times	0.4	0.7	0.7	0.7	0.5

Report of operations standard disclosures

Our people

South Gippsland Water recognises that our highly capable and engaged employees are integral to delivering outcomes for our customers and community.

Investment in employee wellbeing, learning and development continued to be a major focus. We supported ongoing development of skills in science, engineering, and plant and network operations and maintenance through support for Certificate II and III TAFE courses. To meet emerging skill and capability needs, there has been a growing emphasis on higher level learning through study assistance for university. Knowledge sharing has also been enabled through broad support for specialist training programs and sector networks and conferences.

Employment and conduct principles

South Gippsland Water is committed to applying merit and equity principles in all aspect of employment, from recruitment to performance and development, through to the end of the employment relationship. We embed our employment and conduct principles through a robust induction and orientation process, which includes issuing new employees with a copy of the Code of Conduct for Victorian Public Sector Employees. Inclusivity, respect, equity principles and awareness of human rights are embedded into induction materials and ongoing training programs to continually build on individual and organisation-wide understanding.

These mechanisms collectively address ethical issues such as conflict of interest, integrity, respect and human rights. Board Directors and senior management make pecuniary interest statements annually.

Strategic People Plan and New Values

South Gippsland Water launched our Strategic People Plan 2024–2026, which sets out the human resource, learning and organisational development actions of the 2040 Vision and Strategy. Key focus areas are to build capability to meet future technological needs and improve our ability to attract and retain employees.

Development of the 2040 Vision and Strategy included adoption of a new set of organisational values, complementing the Victorian Public Sector Values and Code of Conduct. These values were created by a dedicated group of employees, consulted widely and endorsed by all levels of the organisation as the cultural ideals needed to achieve the goals of the new strategy.

The new values are:

Inclusive: We embrace diversity and foster collaboration

Respectful: We treat people with dignity, kindness, consideration and honour Traditional Owners

Reliable: We deliver on our commitments with integrity

Innovative: We are curious and creative, seeking ways to improve and adapt

Sustainable: We prioritise the environment, our wellbeing and financial sustainability

Start Safe, Work Safe, Home Safe

The values are being incorporated into all aspects of employee activities, to ensure that they are embedded into the culture and form part of how we do work.



Equity, inclusion and diversity

South Gippsland Water recognises that a diverse and inclusive workforce is not just an ethical responsibility, it also brings skills, experiences and attitudes that encourage innovation and better decision making. We are committed to an equitable, inclusive workplace that reflects the diversity of the communities we serve.

Delivery of our Equity, Inclusion and Diversity Strategic Plan 2021–2024 has enabled improvement in several measurable areas, including diversity in age, LGBTIQA+ and ability level.

South Gippsland Water continued to implement our Gender Equality Action Plan 2022–2025, led by an internal Champions Group. The first progress report against the Action Plan demonstrated improvement in gender balance in leadership roles and in addressing the gender pay gap, particularly in base salary.

Actions completed have directly addressed awareness of respectful behaviour within the workplace and accessibility of reporting mechanisms for discrimination, harassment and sexual harassment. Research was also undertaken to identify barriers to minority demographics entering into and progressing within gender segregated roles.

We continue to seek collaboration opportunities with Gunaikurnai Land and Waters Aboriginal Council and Bunurong Land Council Aboriginal Corporation with respect to employment opportunities, care of Country, and cultural awareness and safety. South Gippsland Water is an active member of the Aboriginal Workforce Work Group, as part of the Gippsland Environmental Agencies collective.

South Gippsland Water's Equity, Inclusion and Diversity Strategic Plan 2021–2024 and Gender Equality Action Plan 2022–2025 are available online via www.sgwater. com.au/about-us/corporate-policy-legislation.

Employee Assistance Program (EAP)

South Gippsland Water offers a confidential Employee Assistance Program to assist staff and their immediate family in times of stress and difficulty. The program provides employees and family members with counselling, coaching, and support for workplace and personal issues.

This service offering has been expanded to include regular access to an onsite counsellor who provided individual or team sessions at Foster, Leongatha and Wonthaggi.

We receive non-identifiable reports to assist us in recognising and proactively addressing any potential themes that might present for the workforce.

Enterprise Agreement

Our four-year Enterprise Agreement was approved by the Fair Work Commission in April 2022 and is in effect. One of the many changes negotiated was overtime harmonisation between our indoor and outdoor workforces, a key step forward in addressing the gender pay gap. The Agreement will nominally expire on 19 June 2025. Further opportunities for addressing the gender pay gap and other inequities have been identified for consideration as part of upcoming negotiations.

Organisational restructure

With the development of the 2040 Vision and Strategy, there was a need to review the organisational structure to enable delivery. This process was launched through a series of workshops and surveys, seeking input from all employees. Insights were used to develop a proposed new organisational structure that was future-focussed while still providing what was needed in the short term.

A highly engaging consultation period, with consistent communication with unions, helped formulate more than 20 alternative proposals to be put forward. With careful consideration, part or all of several of the alternative proposals were adopted into the final structure. The structure was implemented through three major transition periods, allowing recruitment of key roles before new teams were formed, minimising service disruption and impact to employees.

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Table 39:	Workforce	Inclusion	Policy	reporting	outcomes

Workforce Inclusion Policy initiative	Target (% FTE)	Baseline ¹	Performance 2022–23	Performance 2023–24
Gender diversity	General Managers and Executive Officers 50% of each gender by June 2024	2015–16 80% men 20% women	40% men 60% women	50% men 50% women
	Senior managers ² 50% of each gender by June 2024	2015–16 73% men 27% women	69% men 31% women	62.5% men 37.5% women
	Engineering, maintenance and water and wastewater treatment 70% identifying as men, 30% identifying as women by June 2024	N/A	86% men 14% women	81% men 19% women
	Corporate support and customer service 40% male 60% female by June 2024	N/A	27% men 73% women	33% men 67% women
Cultural and linguistic diversity	1% of our workforce identify as Aboriginal and/or Torres Strait Islander and/or partnership with regional organisations provide employment by 2024	2015–16 1%	0% 8% prefer not to say	0% 1% prefer not to say
	5% of our workforce speak a language other than English at home by 2024	2015–16 13%	7% yes 9% prefer not to say	4% yes 3% prefer not to say
Age diversity	7% of staff age 25 or under by June 2024	2015–16 3.8%	2%	5%
Flexible work arrangements	100% of workforce will work flexibly by 2024 ³	2015–16 Data not available	100%	100%
Caring responsibilities	50% of our workforce identify as having caring responsibilities by 2024	2015–16 Data not available	64% 9% prefer not to say	49.25%
LGBTIQA+ diversity	4% of our workforce identify as belonging to the LGBTIQA+ communities by 2024	2015–16 6%	3% 19% prefer not to say 2% doesn't know	7% yes 10% prefer not to say
All abilities	6% of our workforce identify as a person with a disability by 2024	2015–16 2% (May 2016)	2% yes 10% prefer not to say	7% yes 10% prefer not to say
Cross-Cultural Training	Number of staff who have attended accredited cross-cultural training	NA	0	24

1 Baseline years reflect the year the target was introduced 2015–16.

2 Relates to all senior executive officers contracted as SEO including senior technical positions not holding management responsibilities (e.g. senior engineer).

3 The definition of 'flexible work arrangements' will be formalised within the organisation upon development of a Flexible Work Arrangements framework. Currently access to an RDO, working from home, part-time arrangements, or additional purchased leave are counted as 'working flexibly'.

4 Cross-cultural training for Directors and a cohort of employees was scheduled but had to be deferred.

2024 People Matter Survey

We had an 86% participation rate this year in the Victorian Public Sector Commission People Matter Survey, matching the participation rate of 2023. In line with previous years, the results of the survey will be used to identify areas for celebration and improvement. Action plans are developed at an organisation and team level to ensure there is appropriate follow up on commitments.

Workforce data

Table 40: Workforce data, employment type

		All employees			Fixed-term and c	asual employees
Employees (headcount)		Full-time (headcount)	Part-time (headcount)	FTE	Headcount	FTE
June 2023	124	102	22	117.15	18	15.69
June 2024	134	94	27	126.18	13	11.81

Table 41: Workforce data, employee profile

	June 2022–23			June 2023–24				
	Ongoi	ng	Fixed-ter casual em		Ongoi	ng	Fixed terr casual emp	
	Employee (headcount)	FTE	Employee (headcount)	FTE	Employee (headcount)	FTE	Employee (headcount)	FTE
Gender								
Men	73	71.63	9	7.68	80	77.8	6	5.63
Women	33	29.83	9	8.01	41	36.57	7	6.18
Self-described	0	0	0	0	0	0	0	0
Age					` 			
Under 25	2	2	1	1	4	4	3	2.42
25-34	21	20.47	3	3	26	24.89	2	2
35-44	24	22.1	4	4	24	22.16	2	2
45-54	29	28.36	3	2.7	32	31.06	3	2.76
55–64	28	26.53	5	4.15	31	28.42	3	2.63
Over 64	2	2	2	0.84	4	3.84	0	0
Classification								
Trainee	0	0	1	1	0	0	3	3
Band 3	3	3	1	1	3	3	1	.42
Band 4	17	16.1	2	1.31	22	20.32	1	.76
Band 5	16	15.31	2	2	9	8.31	0	0
Band 6	26	24.31	1	1	27	25.2	4	3.63
Band 7	11	10.37	2	1.7	21	19.84	0	0
Band 8	18	17.95	1	0.21	19	18.95	0	0
SEO	15	14.42	3	2.47	20	18.75	0	0
Executives	0	0	4	4	0	0	3	3
Managing Director	0	0	1	1	0	0	1	1
	106	101.46	18	15.69	121	114.37	13	11.81
			124	117.15			134	126.18

Health, safety and wellbeing

Safe and Well Three-Year Plan

South Gippsland Water adopted the Safe and Well Plan 2024–2026, a new strategic plan for the improvement of our people's health, safety and wellbeing. The plan sets out our pathway on becoming a High Reliability Organisation, an approach in operation across many of the safest high-risk industries.

Key principles of this approach are:

- that all systems are imperfect,
- incidents and near misses are learning opportunities, and
- people are integral as expert resources.

Initial actions have included delivering a new safety leadership program, developing bowtie risk assessments and shifting metrics to focus on critical risk management.

Mental health and wellbeing

Psychosocial safety and wellbeing remains a priority, supported by an ongoing psychological safety program, reinforcing a climate that makes it safe for people to speak up.

Specific interventions for workload and stress, including a workload risk assessment tool, have been implemented to proactively manage the risk created by these workplace hazards. Education on mental health, fatigue, habits, culture, stress, mindfulness and effective work practices have continued, to ensure employees have the knowledge and skills needed.

In 2023–24, The Resilience Project was again engaged as a key partner to implement a self-paced personal wellbeing program. A number of guest speakers also presented at all-staff events, sharing personal stories of mental health and wellbeing challenges.

Driver fatigue research

As part of South Gippsland Water's participation in the National Road Safety Partnership Program, employees were able to take part in a driver fatigue research program, run by Monash University Accident Research Centre and other prominent industry bodies. The study monitored drivers' fatigue levels and attitudes towards driving before and after a fatigue education program. The outcomes are used to inform the development of a new broadly-available driver fatigue education program.

Committees and Governance

The Occupational Health and Safety Consultative Committee maintained strong engagement and oversight of health, safety and wellbeing matters.

Health and Safety Representatives were highly active, participating in voluntary work groups to help improve safety processes.

A Major Change Consultative Committee was established during the organisational restructure and consultation process. This committee played an integral role in ensuring effective consultation processes, monitoring employee wellbeing and guiding implementation of actions to ensure support mechanisms were in place.

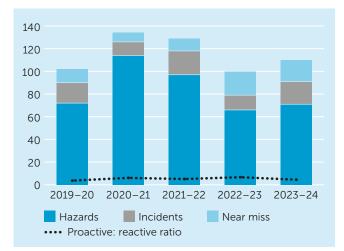
Accreditation of Occupational Health and Safety management systems against the ISO45001:2018 standard has been maintained, ensuring ongoing alignment to best practice.



Health and safety reporting

The total number of reports increased over the 2023–24 period, driven by the emphasis on all types of reporting being a positive indicator and the opportunity to learn in each instance. The ratio of proactive reports (hazards and near misses) to reactive reports (incidents and all types of injuries) dropped slightly, due to an increase in incident reporting. Despite these changes the results remain in the target range.

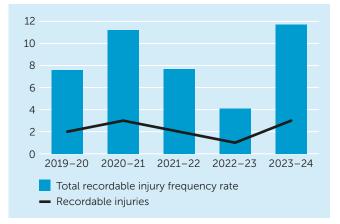
Figure 3: Health and safety reporting 2019–20 to 2023–24



Recordable injuries

The rate of recordable injuries per million hours worked increased to 11.7, due to three injuries occurring. The three employees each returned to work within a short period of time and each event provided actionable improvements to processes.

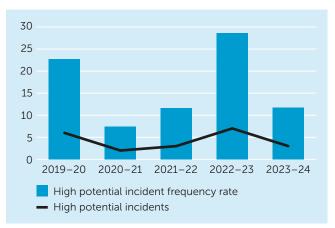
Figure 4: Total recordable injury frequency rate 2018–19 to 2023–24



High potential events

The rate of high potential events per million hours worked decreased to 11.7; all reported events were near misses. The detailed investigations that follow these events involve people that are part of all aspects of the activity, generating a detailed understanding of what happened and identifying key learnings and actions. These actions make the business's highest risk activities measurably safer.

Figure 5: High potential incident frequency rate 2018–19 to 2023–24



WorkCover performance

Table 42: WorkCover lost time claims 2021–22 to 2023–24

	2021–22	2022–23	2023–24
Lost Time claims	2	0	1
Lost Time Claims per 100 FTE	1.6	0	0.8
The average cost per claim for the year	\$68,694.00*	0	\$3,270.08

* Comprised of one minor claim and one major claim

Corporate information

Role of the Board and membership

The Board of Directors, appointed by the Minister for Water, operates under the provisions of the *Water Act 1989* and has responsibility for the governance of South Gippsland Water, providing strategic direction and accountability for the performance of South Gippsland Water.

Responsibility for the ongoing operation and implementation of strategy is delegated to the Managing Director and Executive Leadership Team. At 30 June 2024, the Board was comprised of a Non-executive Chair, six Non-executive Directors and the Managing Director.

In 2023–24, all current Board members continued their directorships except for Nick Fleming, who finished his term on 30 September 2023. Duean White was a Director between 1 October 2023 and 7 December 2023.

Remuneration of Non-executive Directors and Executive Officers

Refer to the Notes to Accounts within the Financial Report.

Meetings, committees and composition of committees

The Board generally meets on the fourth Thursday of nominated months and as required in order to effectively carry out its responsibilities. Board Committees meet as per their Charters, aligned with the corporation strategic focus as outlined below. The Board Chair is invited to attend all Board Committee meetings as the Ex officio. Table 43: Board committees, membership and purpose 2023–24

1 July 2023 to 30 June 2024

Audit and Risk Committee

The Audit and Risk Committee is an advisory committee of the Board. The primary objectives of the Committee are to assist the Board in discharging its responsibilities for financial and non-financial reporting, maintaining a reliable system of internal controls, risk management systems, and fostering the organisation's ethical environment. The Committee exercises independent judgement and is objective in its deliberations, decisions and advice. The Committee meets periodically with the internal and external auditors.

The Committee comprises of Carly Moore (Chair), Diana Nestorovska, Sumi Prabhakaran and Christopher Rose.

Resilience Environment and Delivery Committee

The primary objective of the Resilience, Environment and Delivery Committee is to assist the Board to fulfil its governance responsibilities in relation to service delivery in the areas of water and wastewater treatment and maintenance. The Committee oversees the capital planning program and asset management. The establishment of the Committee has strengthened oversight of our environmental existing and emerging programs.

The Committee comprises of Jennifer Ryan (Chair), Sumi Prabhakaran, and Phil Clark.

Safety People and Culture Committee

The primary objective of the People Safety and Culture Committee is to assist the Board to fulfill its governance responsibilities in relation to organisational development, corporate culture and to provide a safe and healthy workplace. It also manages Director inductions and performance, executive performance and remuneration processes.

The Committee comprises of Diana Nestorovska (Chair), Nicola Hepenstall, Jennifer Ryan and Phil Clark.

Customer and Strategy Committee

The primary objective of the Customer and Strategy Committee is to assist the Board to fulfil its governance responsibilities in relation to customer experience, communications, performance, transformation and strategy.

The Committee comprises of Nicola Hepenstall (Chair), Carly Moore and Christopher Rose.

Table 44: Director	attendance at	Board and	Committee	meetings
		Doura arra	001111110000	incedings.

Director	Board	Audit and Risk Committee	Customer Strategy Committee	Resilience Environment and Delivery Committee	Safety People and Culture Committee
Phil Clark (Board Chair)	9/9	N/A	N/A	0/3	1/3
Carly Moore (Chair of Audit and Risk Committee)	9/9	5/5	2/2	N/A	N/A
Christopher Rose	9/9	5/5	1/2	N/A	N/A
Diana Nestorovska (Chair of Safety People and Culture Committee)	8/9	5/5	N/A	N/A	3/3
Nick Fleming (1 July 2023 – 30 September 2023)	2/3	N/A	1/1	N/A	N/A
Nicola Hepenstall (Deputy Chair; Chair of Customer and Strategy Committee)	8/9	N/A	2/2	N/A	3/3
Jennifer Ryan (Chair of Resilience Environment and Delivery Committee)	9/9	N/A	N/A	3/3	3/3
Sumi Prabhakaran	9/9	5/5	N/A	3/3	N/A
Duean White (1 October 2023 – 7 December 2023)	1/1	NA	NA	NA	NA
Robert Murphy (Managing Director)	8/9	5/5	1/2	2/3	2/3

Independent Aboriginal Board Delegate

In 2023–24, South Gippsland Water facilitated the establishment of an Independent Aboriginal Board Delegate. This position is part of a Victorian Government initiative to increase awareness of board roles and opportunities in Aboriginal communities, and provide practical experience to develop governance skills relevant to public sector boards. The successful candidate commenced early in the 2024–25 financial year.

Statement of Availability of Other Information

In compliance with the requirements of the Ministerial Directions of the Minister for Finance, Financial Reporting Direction (FRD) 22, details in respect of the information items below have been retained by the Corporation and are available to the relevant Ministers, Members of Parliament and the public (subject to Freedom of Information requirements, if applicable). However, in adopting best practice disclosure policies and to ensure the Corporation discharges its accountability obligations, where relevant, details about some of the following matters have been disclosed within this Report of Operations:

- a) A statement that declarations of pecuniary interests have been duly completed by all relevant officers of the Corporation.
- b) Details of shares held by senior officers as nominee or held beneficially in a statutory Corporation or subsidiary.
- c) Details of publications produced by the Corporation about the activities of the Corporation and where they can be obtained.
- d) Details of changes in prices, fees, charges, rates and levies charged by the Corporation for its services, including services that are administered.
- e) Details of any major external reviews carried out in respect of the operation of the Corporation.
- f) Details of any other research and development activities undertaken by the Corporation that are not otherwise covered either in the Report of Operations or in a document which contains the Financial Report and Report of Operations.
- g) Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit.
- h) Details of major promotional, public relations and marketing activities undertaken by the Corporation to develop community awareness of the services provided by the Corporation.
- Details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the Report of Operations.

- A general statement on industrial relations with the Corporation and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations.
- A list of major committees sponsored by the Corporation, the purposes of each committee and the extent to which the purposes have been achieved.

This information is available on request from: South Gippsland Region Water Corporation, Company Secretary PO Box 102, Foster, VIC, 3960 Phone: 03 5682 0444 Email: sgwater@sgwater.com.au

Declaration of pecuniary interests

In addition to complying with the disclosure and conflict of interest requirements under the *Corporations Act 2001,* each Director, the Managing Director and Executive Managers are required to disclose any pecuniary interests under the provisions of the *Water Act 1989.*

Audit programs

External

RSM Australia (Pty Ltd), as an agent for the Auditor-General Victoria, undertook the external audit for 2023–24.

Internal

Pitcher and Partners undertook four internal audits during 2023–24.

Namely: Payroll, AMAF Revisit, Portable and Attractive Asset Disposal, Cybersecurity

Manner of establishment and the relevant Minister

South Gippsland Region Water Corporation (trading as South Gippsland Water) was constituted on 22 December 1994, under the *Water Act 1989,* by order of the Hon. Geoff Coleman, Minister for Natural Resources (Order No S102 published in the Government Gazette). The order took effect from 1 January 1995. The responsible Minister for the period from 1 July 2023 to 30 June 2024 was the Hon. Harriet Shing.

Objectives, functions, powers and duties

Under the Water Act 1989, South Gippsland Water is responsible for a range of functions in our service area relating to water supply and sewerage. These are:

Water supply

- to provide, manage, operate and protect water supply systems, including the collection, storage, treatment, transfer and distribution of water
- to identify community needs relating to water supply and to plan for the future needs of the community relating to water supply
- to develop and implement programs for the conservation and efficient use of water
- to investigate, promote and conduct research into any matter related to its functions, powers and duties in relation to water supply
- to educate the public about any aspect of water supply.

Wastewater

- to provide, manage, and operate systems for the conveyance, treatment and disposal of sewage and, if the Corporation so decides, trade waste
- to identify community needs relating to sewage services and to plan for the future needs of the community relating to sewage services
- to develop and implement programs for the recycling and re-use of treated wastewater
- to investigate, promote and conduct research into any matter related to its functions, powers and duties in relation to sewerage services
- to educate the public about any aspect of sewerage both the water and wastewater functions must be performed in an environmentally sound way, having regard to the need to preserve aspects which have landscape and fauna and flora values.

Freedom of Information (Fol)

Operation

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the Corporation. South Gippsland Water is considered to be a 'Government Agency' under the terms of the *Freedom of Information Act 1982.* Accordingly, it is required to comply with the procedures that have been prescribed along with the Corporation's Freedom of Information policy guidelines. Decisions to release information are made by an Authorised Officer. All applicants are advised of the internal review and appeal provisions available.

Applications

There were no applications received by South Gippsland Water under the *Freedom of Information Act 1982* during 2023–24.

Contact for requests

Requests under the *Freedom of Information Act 1982*, describing the documents requested, must be made in writing. A Freedom of Information (FoI) application fee of \$31.80 from 1 July 2023 is payable. Depending on the circumstances, further charges may also be payable. FoI fees and charges are not subject to GST.

The requests should be addressed to: The Fol Contact Officer 14-18 Pioneer Street, Foster, Vic 3960 PO Box 102, Foster, Vic 3960 Phone: (03) 5682 0444 Fax: (03) 5682 1199 Email: sgwater@sgwater.com.au

Compliance with the Building Act 1993

The Corporation is compliant with the *Building Act* 1993 and maintenance provisions of the *Building Act* 1993. Business processes are in place to ensure all buildings comply with standards.

Maintenance and inspection programs are in place to ensure that Essential Safety Measures are in place for buildings and facilities.

Goods and Service Tax (GST)

South Gippsland Water received a ruling from the Australian Taxation Office that establishes that our basic services ... 'supply of water, sewerage (and seweragelike) services ... (are) ... GST-free,' to our customers. South Gippsland Water put in place appropriate accounting arrangements to manage all other aspects of GST.

Details of Government advertising expenditure

In 2023–24 South Gippsland Water's advertising expenditure did not exceed \$100,000.

Events subsequent to balance date

There were no events that have arisen subsequent to balance date through to the reporting date that may have a significant impact on the operations of the entity in future years.

Public Interest Disclosure Act 2012

Compliance with the *Public Interest Disclosures Act 2012*

The *Public Interest Disclosure Act 2012* (PID Act) enables people to make a disclosure about corrupt or improper conduct by a public officer or a public body. South Gippsland Water is a public body for the purposes of the Public Interest Disclosures Act 2012.

What is a public interest disclosure?

A public interest disclosure is a complaint of corrupt or improper conduct or detrimental action by a public officer or a public body. 'Improper or corrupt conduct' involves substantial mismanagement of public resources, risk to public health or safety or the environment, or corruption. 'Detrimental action' is action taken against a person in reprisal for making a public interest disclosure.

How do I make a public interest disclosure?

You can make a public interest disclosure about South Gippsland Water or its board members, officers or employees by contacting IBAC using the details below. South Gippsland Water is not able to receive public interest disclosures. We have established procedures to protect persons from detrimental action in reprisal for making a public interest disclosure about South Gippsland Water, its board members, officers or employees.

You can access our procedures on the website at: www.sgwater.com.au/about-us/corporate-policylegislation/.

Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria

- Address: Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3000.
- Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001
- Internet: www.ibac.vic.gov.au
- Phone: 1300 735 135

See the website above for the secure email disclosure process, which also provides for anonymous disclosures.

Procurement

Local Jobs First: Victorian Industry Participation Policy Implementation

In October 2003, the Victorian Parliament passed the Victorian Industry Participation Policy Act 2003 (VIPP), which requires public bodies and departments to report on the implementation of the policy. Departments and public bodies are required to apply the VIPP in all tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria. The VIPP was updated to the Local Jobs First Act in August 2018 to incorporate the Major Project Skills Guarantee (MPSG) Policy. South Gippsland Water is required to apply the Local Jobs First Policy in all contracts valued at \$1 million or more.

Competitive Neutrality Policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete, with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest.

Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

South Gippsland Water continues to comply with the requirements of the Competitive Neutrality Policy.

Contracts

During 2023–24, six contracts were awarded that exceeded the threshold for the Local Jobs First legislation. The objectives and requirements of the Local Jobs First legislation were applied during evaluation of tenders for these contracts:

- A contract to construct a new branch sewer in Korumburra was awarded with a contract value of \$1.8 million. The contract, which started in November 2023, is expected to deliver 94.8% local content.
- A contract for construction of a new emergency storage lagoon at the Wonthaggi Wastewater Treatment Plant was awarded with a contract value of \$5.9 million. The contract, which started in November 2023, is expected to deliver 99.7% local content.

- A contract to construct new, replacement water mains in Commercial St Korumburra was awarded with a contract value of \$3.1 million. The contract, which started in June 2024, is expected to deliver 90.7% local content.
- A contract for provision of laboratory services was awarded with a contract value of \$2.8 million over five years. The contract, which started in October 2023, is expected to deliver a minimum of 97.0% local content.
- A contract for provision of meter reading services was awarded with a contract value of \$1.2 million over five years. The contract will start on 1st July 2024 and is expected to deliver a minimum of 97.0% local content.
- Two Framework Agreements were awarded for the provision of Technical Support Services over five years. Multiple individual contracts will be awarded under the Framework Agreements, with a total value exceeding \$1 million per Agreement. Local content is expected to exceed 97.0% for both Agreements.

During 2023–24, two contracts that met the Local Jobs First legislation were completed.

- A \$4.9 million contract for design and construction of sewer pump station upgrades and associated sewer pipelines in Inverloch, a contract that delivered 99.6% local content.
- A \$2.3 million contract for construction of a new trunk sewer in Korumburra was completed and delivered 91.2% local content.
- The \$1.8 million contract to construct a new branch sewer in Korumburra was completed and delivered 94.8% local content.

Disclosure of major contracts

A 'major contract' is a contract entered into during the reporting period valued at \$10 million or more. South Gippsland Water did not award any major contracts during 2023–24.

Details of consultancies

The total number of consultancy engagements for which services were provided and/or were effective or operational and which were valued at \$10,000 or greater was 15. The total value of these consultancies was \$862,234. Details of these consultancies including names of consultants, a summary of the project, total project fees and expenditure during 2023–24 are published on the South Gippsland Water website.

Across 2023–24 there were 34 consultancy engagements valued at less than \$10,000, with a combined value of \$98,628.

Disclosure of review and study expenses

South Gippsland Water is currently updating reporting systems to ensure future reporting periods contain the information required under FRD 22 on review and study expenses. This information was not available for the 2023–24 reporting period.

Procurement opportunities with Aboriginal Enterprises

South Gippsland Water is in the early stages of implementing strategies to support engagement and partnerships with Aboriginal Enterprises, including engaging with Indigenous Chamber of Commerce organisation Kinaway, becoming a member of Supply Nation, and identifying opportunities in the supply chain for targeted Aboriginal business engagement.

Whilst in the early stages of this work due to recent structural changes, South Gippsland Water is committed to this process and to reporting the gains achieved in subsequent reporting periods.

Social Procurement Framework

South Gippsland Water is fully committed to supporting the Government's directions under the Social Procurement Framework (SPF) and we recognise that we play a key role in advancing social and sustainable outcomes for Victorians. Our systems have had limited our ability to track social procurement outcomes. Investments in ICT upgrades planned in 2024–25 will enable us to deliver on our social procurement aspirations and ensure compliance with Government directions.

In 2023–24 we established a dedicated Procurement Senior Specialist who will oversee the implementation of this strategy and ensure social procurement opportunities are identified, recorded and supported. In 2024–25 we will focus on exploring opportunities for supporting the growth of regional Aboriginalowned businesses.

It is anticipated that the 2024–25 financial year will see an uptick in South Gippsland Water contracting with both Aboriginal and Social Procurement entities with the realisation of the benefits this delivers all parties.

Emergency procurement

In 2023–24 there was no emergency procurement to report.

Disclosure of procurement complaints

There were no procurement complaints recorded in 2023–24.

Performance report

For the year ended 30 June 2024

Table 45: Reporting on financial performance (PFM_AR_ASP2)

Financial performance 2023–24						
Key Performance Indicators	2022–23 result	2023–24 result	Variance to 2022–23	2023–24 target	Variance to target	
Cash Interest Cover ¹ Net operating cash flows before net interest and tax/net interest payments	2.9	2.7	-8.0%	3.4	-22.7%	
Gearing Ratio ² Total Debt (including finance leases)/total assets	20.3%	18.5%	-8.5%	24.5%	-24.2%	
Internal Financing Ratio ³ Net operating cash flow less dividends/net capital expenditure	33.7%	29.8%	-11.7%	30.4%	-2.1%	
Current Ratio ⁴ Current assets/current liabilities (excluding long- term employee provisions and revenue in advance)	0.7	0.4	-40.7%	0.4	10.8%4	
Return on Assets ⁵ Earnings before net interest and tax/average assets	-0.2%	-0.7%	-315.1%	-0.14%	-362.8%	
Return on Equity ⁶ Net profit after tax/average total equity	-1.3%	-1.7%	-30.1%	-1.3%	-36.3%	
EBITDA Margin ⁷ Earnings Before Interest, Tax, Depreciation and Amortisation/total revenue	32.5%	27.2%	-16.3%	35.8%	-24.0%	

Notes:

- 1 The unfavourable variance compared to the prior year is due to net operating cash inflows before interest paid remaining constant, but interest payments paid increasing. The unfavourable variance compared to target is due to lower net operating cash inflows brought about by higher payments to suppliers, in addition to below-target usage charges. In future years, the Corporation will look to improve on the net operating position through a combination of cost efficiency initiatives (to be determined) and approved tariff increases.
- 2 The favourable variance compared to prior year and target is due to the revaluation increasing the asset base.
- 3 The unfavourable variance compared to the prior year is due to the 17% increase in net operating cash inflows being less than the increase in net capital investment, which is 32% higher in 2023–24 compared to the prior year. The improvement in net operating cash inflows is due to increases in service and usage charges being greater than the increase in interest payments. The Corporation aims to improve this result through cost efficiency initiatives and approved tariff uplifts.
- 4 The current ratio is unfavourable to the prior year due to timing of higher closing cash balance in prior year compared to the current year, as well as higher short-term borrowings in 2023–24 compared to the prior year. The target was improved upon due to the higher receivables balance compared to prior year being more than the increase in payables and related accruals. The 10.8% variance to target result is attributed to the rounding of result figures in the 2023–24 result (0.43) and the 2023–24 target (0.39).
- 5 The unfavourable variance to both the prior year and target is due to lower revenue from development contributions and gifted assets, 53% less than the prior year. This was coupled with increased operational expenditure (up 12% from the prior year) driven by higher chemical and sampling costs. This was despite the asset base growing by more in 2023–24 than it did in the previous year. The Corporation is aiming to improve this result through cost efficiency initiatives and approved tariff uplifts.
- 6 The unfavourable variance compared to both prior year and target is due to lower net profit driven by reduced revenue relating to developments and higher operational expenditure, as explained in the preceding note. The Corporation is aiming to improve on this result through cost efficiency initiatives and approved tariff uplifts.
- 7 The unfavourable variance compared to target is due to lower earnings driven by lower revenue from development contributions and gifted assets as well as higher operational expenditure. The Corporation is aiming to improve on this result through cost efficiency initiatives and approved tariff uplifts.

 Table 46: Reporting on operational performance relating to urban water and sewerage network reliability

 and water reuse (PFM_AR_ASP3)

Operational performance						
	ESC ref	2022–23 result	2023–24 result	Variance to 2022–23	2023–24 target	Variance to target
Water and sewerage network reliability indicators						·
Water service – minutes of supply (unplanned) ¹ Minutes on average a customer was without water supply during a year from unplanned water supply interruptions	REW 8	89.10	85.69	-3.8%	110.0	-22.1%
Water service – minutes of supply (planned) ¹ Minutes on average a customer was without water supply during a year from planned water supply interruptions	KEW Ø	128.85	115.14	-10.6%	240.0	-52.0%
Unplanned water supply interruptions ² Percentage of customers receiving (5) unplanned interruptions in the year	REW 5	0%	0%	0.0%	0%	0.0%
Sewerage service – sewer blockages ³ Number of sewer blockages reported per 100 kilometres of sewer main	RES 1	7.86	11.3	43.8%	18	-37.2%
Sewerage service – sewer spills ⁴ Number of sewer spills reported per 100 kilometres of sewer main	RES 6	5.4	5.0	-7.1%	28	-82.1%
Sewerage service – containment of sewer spills ⁵ Sewer spills from reticulation and branch sewers contained within 5 hours	RES 7	100%	100%	0.0%	95%	5.3%
Water reuse indicators						
Recycled water – effluent treatment and reuse ⁶ Proportion of water recycled as a percentage of the volume of effluent produced	CRR 1	2.50%	5.80%	132.0%	4.00%	44.8%

1 A combined target has not been developed: targets related to this indicator are separated to planned and unplanned. Variances from 2022–23 attributed to improved planning processes for interruptions including the continual proactive approach of installing valves in networks to allow repair works to be managed in a more timely manner.

2 All interruptions were repaired within five hours.

- 3 Increase due to impacts of emergency events in 2023–24 including power and communications outages in Poowong, Loch and Nyora areas from the February 2024 storm event. The 2023 Annual Report recorded 25.8 sewer blockages in 2022–23, including house connection blockages. This has been recorded in the table above as 7.86, as we now exclude these house connection blockages.
- 4 Remains consistent with previous year and well below target.

5 All spills contained within time period.

6 An increase in reuse is attributed to drier conditions over the summer periods. All reuse sites increased the amount of recycled water consumed compared to the previous year, particularly Tarraville (+129%).

Table 47: Operational performance relating to customer responsiveness (PFM_AR_ASP5)

Operational performance						
Customer responsiveness indicators	ESC ref	2022–23 result	2023–24 result	Variance to 2022–23	2023–24 target	Variance to target
Water bills – customers on flexible payment plans No. of customers with instalment plans	UPP 1	505²	642	27.1% ³	620	3.5%
Water bills – customers awarded hardship grants No. of customers awarded hardship grants	UPP 6	0	04	0	20	-100.0%
Customer responsiveness – water quality complaints ¹ No. of complaints per 100 customers	CRS 4	0.11,2	0.41	186.0%5	0.6	-39.6%
Customer responsiveness – number of payment issue complaints No. of complaints per 100 customers	CRS 7	0.03	0.01	-50.6%6	1.2	-98.9%
Customer responsiveness – total complaints ⁷ No. of complaints per 100 customers	CRS 3	0.41	0.81	108.2%	2	-60.0%

1 Figures rounded.

- 2 Figures as audited and approved by ESC, not as reported in the 2023 Annual Report.
- 3 Increase attributed to impacts of cost-of-living pressures on customers.
- 4 A large number of customers in hardship have had the Utility Relief grant applied eliminating debt before being transitioned onto flexible payment plans
- 5 Increase attributed to number of emergency events in 2023–24 including the February 2024 storm.
- 6 Decrease in payment issue complaints attributed to the increase in support options including flexible payment plans for customers impacted by cost-of-living pressures.
- 7 Figures have been recalculated based on the ESC definitions for complaints. As a result, the 2022–23 result has increased to 0.4 from the 0.3 that was reported in the 2023 Annual Report. Increase from 2022–23 to 2023–24 in part attributed to the impacts of emergency events in 2023–24 and an increase in customer expectations.

Performance reporting changes for 2022–23

The following changes have been made to the Performance Indicators:

• Water bills – average household use KPIs have been removed.

Statutory Certification



Statutory Certification

SOUTH GIPPSLAND REGION WATER CORPORATION

Certification of Performance Report for 2023-24

We certify that the accompanying Performance Report of South Gippsland Water Region Water Corporation in respect of the 2023-24 financial year is presented fairly in accordance with the Financial Management Act 1994.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister and as set out in the 2023-24 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.

Miala Sepon tall

Nicola Hepenstall Acting Chair

sht sh

Robert Murphy Managing Director

Tira Jones Chief Financial Officer

Dated this day, the 4th October 2024

Independent Auditor's Report

To the Board of	the South Gippsland Region Water Corpor	ation
Opinion	I have audited the performance report of the S Corporation (the corporation) for the year end	
	 financial performance indicators water and sewerage network reliability customer responsiveness performance i water reuse indicator 	
	• certification of performance report. In my opinion, the performance report of the S Corporation for the year ended 30 June 2024, accordance with the performance reporting re- <i>Management Act 1994</i> .	presents fairly, in all material respects, in
Basis for Opinion	I have conducted my audit in accordance with Australian Standards on Assurance Engagemen under that Act and those standards in the Aud Performance Report section of my report.	ts. I further describe my responsibilities
	My independence is established by the <i>Constit</i> independent of the corporation in accordance Accounting Professional and Ethical Standards <i>Professional Accountants</i> (the Code) that are re report in Victoria and have also fulfilled our oth with the Code.	with the ethical requirements of the Board's APES 110 <i>Code of Ethics for</i> elevant to my audit of the performance
	I believe that the audit evidence I have obtaine a basis for my opinion.	ed is sufficient and appropriate to provide
Board's responsibilities for the performance report	The Board is responsible for the preparation ar report in accordance with the performance rep <i>Management Act 1994</i> , and for such internal c necessary to enable the preparation and fair pu that is free from material misstatement, wheth	oorting requirements of the <i>Financial</i> ontrol as the Board determines is resentation of the performance report

Level 31 / 35 Collins Street, Melbourne Vic 3000 T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Independent Auditor's Report

Auditor's responsibilities for the audit of the performance report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance report.

As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether the performance report represents the underlying events and results in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE 7 October 2024

Paul Martin as delegate for the Auditor-General of Victoria



Financial report

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Comprehensive Operating Statement

For the financial year ended 30 June 2024

	Notes	2024 \$'000	2023 \$'000
Revenue and income from transactions			
Revenue from contracts with customers	2.1	39,957	40,223
Government grants and contributions		-	50
Interest income		29	44
Other income		259	217
Total revenue and income from transactions		40,245	40,534
Expenses from transactions			
Finance cost	6.1.2	4,780	3,627
Depreciation and impairment	4.1.1	14,298	13,616
Amortisation	4.2	614	523
Environmental contribution	8.2	1,369	1,369
Employee benefits	3.1.1	13,534	12,214
Direct operating expenses and repairs & maintenance	3.2	7,385	6,950
Other expenses	3.3	6,194	6,140
Total expenses from transactions		48,174	44,439
Net result		(7,929)	(3,905)
Other economic flows included in net result			
Net gain/(loss) on disposal of non-financial assets	9.2	(820)	(525)
Net gain/(loss) on financial instruments	9.2	-	(33)
Total other economic flow included in net result		(820)	(558)
Net result before income tax		(8,749)	(4,463)
Income tax expense/(benefit)	8.1.1	2,165	1,315
Net result		(6,584)	(3,148)
Other comprehensive income Items that will not be reclassified to net result Change in physical asset revaluation surplus	9.1.1	131,533	494
Tax effect on revaluation	8.1.2, 9.1.1	(32,883)	(124)
Total other comprehensive income for the period		98,650	370
Comprehensive result		92,066	(2,778)

The above Comprehensive operating statement should be read in conjunction with the accompanying notes.

South Gippsland Region Water Corporation Balance Sheet As at 30 June 2024

	Notes	2024 \$'000	2023 \$'000
	Notes	\$ 000	÷ 000
ASSETS			
Current assets			
Cash and cash equivalents	6.2	645	3,188
Receivables	5.1	3,395	2,670
Contract assets	5.2	2,566	2,149
Inventories		1,222	1,233
Assets held for sale		12	46
Prepayments		463	492
Total current assets		8,303	9,778
Non-current assets			
Receivables	5.1	189	185
ZEW Investment	5.5	5	5
Infrastructure, property, plant and equipment	4.1	638,276	495,579
Intangible assets	4.2	3,896	4,380
Deferred tax assets	8.1.2	21,296	20,351
Total non-current assets		663,662	520,500
TOTAL ASSETS		671,965	530,278
LIABILITIES			
Current liabilities			
Payables	5.3	5,836	4,706
Contract liabilities	5.4	1,722	1,758
Interest bearing liabilities	6.1	7,106	2,225
Employee benefits	3.1.2	3,594	3,435
Other provisions	5.7	996	1,353
Prepaid income		139	67
Total current liabilities		19,393	13,544
Non-current liabilities			
Interest bearing liabilities	6.1	117,500	105,300
Employee benefits	3.1.2	217	297
Other financial liabilities	5.6	109	120
Deferred tax liabilities	8.1.2	110,539	78,876
Total non-current liabilities		228,365	184,593
TOTAL LIABILITIES		247,758	198,137
NET ASSETS		424,207	332,141
EQUITY			
Contributed capital		95,333	95,333
Asset Revaluation Reserve	9.1.1	289,160	190,510
Accumulated Surplus	3.1.1	39,714	46,298
TOTAL EQUITY	-	424,207	332,141
	-	424,207	332,141

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

Cash Flow Statement

For the financial year ended 30 June 2024

	Notes	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges/Revenue from contract with customers		34,832	32,258
Receipts from other sources		2,609	3,751
Receipts from Government - recurrent		-	50
Goods and Services Tax received from the ATO ⁽ⁱ⁾		3,552	2,866
Payments		,	
Payments to suppliers and employees		(26,866)	(27,002)
Interest paid		(4,546)	(3,491)
Income taxes paid		-	-
Goods and Services Tax paid to the ATO ⁽ⁱ⁾		(28)	(55)
Environmental contribution levy paid		(1,369)	(1,369)
Net cash inflow operating activities	6.2.1	8,184	7,008
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(27,463)	(20,856)
Payments for intangible assets		(49)	(347)
Proceeds from sale of motor vehicles		106	435
Net cash outflow from investing activities		(27,406)	(20,768)
Cash flows from financing activities			
Proceeds from borrowings		23,381	18,500
Repayment of borrowings		(6,300)	(4,668)
Net movements in contractor deposits		(402)	(1,165)
Net cash inflow from financing activities		16,679	12,667
Net decrease in cash and cash equivalents		(2,543)	(1,093)
Cash and deposits at the beginning of the financial year		3,188	4,281
Cash and deposits at the end of the financial year	6.2	645	3,188

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

(i) The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to the taxation authority is classified as operating cash flows.

Statement of Changes in Equity

For the financial year ended 30 June 2024

		Contributed capital	Asset Revaluation Reserve	Accumulated Surplus	Total Equity
	Notes	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2022 Total comprehensive income for the year		95,333	190,140	49,446	334,919
- Net result for the period - Revaluation		-	- 494	(3,148)	(3,148) 494
 Income tax relating to other comprehensive income 	8.1.2	-	(124)	-	(124)
Balance as at 30 June 2023		95,333	190,510	46,298	332,141
Balance as at 1 July 2023 Total comprehensive income for the year		95,333	190,510	46,298	332,141
- Net result for the period		-	-	(6,584)	(6,584)
- Revaluation		-	131,533	-	131,533
 Income tax relating to other comprehensive income 	8.1.2	-	(32,883)	-	(32,883)
Balance as at 30 June 2024		95,333	289,160	39,714	424,207

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

Notes to the financial statements

NOTE 1: BASIS OF PREPARATION

Introduction

South Gippsland Region Water Corporation (SGW) is a Victorian Water Corporation responsible for water and wastewater service provision for over 36,000 customers located in 22 towns across a service delivery area of more than 4,000 square kilometers. We manage, maintain, and operate 10 water and 11 wastewater systems in the South Gippsland Region.

South Gippsland Region Water Corporation is a not-for-profit government entity in the State of Victoria, established pursuant to Water Act 1989.

The principal address is: South Gippsland Region Water Corporation 14 – 18 Pioneer Street Foster Vic 3960

1.1 Basis of preparation

A description of the nature of its operations and South Gippsland Region Water Corporation's principal activities is included in the Report of operations, which does not form part of these financial statements.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income, and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which South Gippsland Region Water Corporation operates ('the functional currency'). The financial statements are presented in Australian dollars, which is South Gippsland Region Water Corporation functional and presentation currency.

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being South Gippsland Region Water Corporation operational cycle.

Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollars.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets, all classes of infrastructure and property, plant and equipment.

Comparative information

In these financial statements, South Gippsland Region Water Corporation has changed the classification or presentation of certain disclosures (and relevant comparative information) to improve readability by the user. This change in the presentation has not arisen as a result of the identification of errors or changes in accounting policies by South Gippsland Region Water Corporation. Where adjustments have been made to comparative information as a result of the correction of errors and changes in accounting policies, the nature of error and its magnitude has been disclosed in line with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

Notes to the financial statements

NOTE 1: BASIS OF PREPARATION (CONTINUED)

Accounting estimates

Judgements and estimates require assumptions to be made about highly uncertain external factors such as discount rates, probability factors, the effects of inflation, changing technology, political and social trends and climate change. There are many uncertainties in the estimation process and assumptions that are valid at the time of estimation but may change significantly when new information becomes available.

Judgements and assumptions made by management in applying Australian Accounting Standards that have significant effects on the financial statements and estimates relate to:

- Contract Assets Accrued water usage charges (Note 5.2);
- Estimated fair value of derivative financial instruments (Note 5.6 and Note 7.3);
- Estimated fair value of land, buildings, infrastructure, plant and equipment (Note 4.1.1);
- Estimation of useful life of non- financial assets (Note 4.1.4);
- Impairment of assets (Note 4.1.4);
- Deferred tax assets and liabilities (Note 8.1.2);
- Employee benefit provisions (Note 3.1.2);
- Superannuation defined benefit scheme Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to (Note 3.1.3);
- Revenue recognition Determining whether the performance obligations are sufficiently specific so as to determine whether the arrangement is within the scope of AASB 15 or AASB 1058 (Note 2.1);
- Revenue Recognition The timing of satisfaction of performance obligations and determining transaction price and amounts allocated to performance obligations (Note 2);
- Recognition and measurement of Software as-a-Service (SaaS) arrangements (Note 4.2); and
- The timing of satisfaction of performance obligations (Note 5.2 & 5.4).

For the year ended 30 June 2024, South Gippsland Region Water Corporation recognised a net loss of \$6,584,000 after tax. South Gippsland Region Water Corporation's net current liabilities as at 30 June 2024 were \$11,090,000 and net assets were \$424,207,000. South Gippsland Region Water Corporation has \$0.6m of resources comprising cash, cash equivalents and unused credit lines available at the date of authorisation of these financial statements.

Management are continuously reviewing budgets and forecasts while monitoring cash flow requirements and customer payment trends and conclude that the going concern assumption remains appropriate.

These financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

Compliance information

These general-purpose financial statements have been prepared in accordance with the Financial Management Act 1994 (FMA) and applicable Australian Accounting Standards (AASs), which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting (AASB 1049). Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. In addition, the Corporation adopted Disclosure of Accounting Policies (Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates) from 1 July 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they did not impact the accounting policy information disclosed throughout.

Notes to the financial statements

NOTE 2: FUNDING DELIVERY OF SERVICES

This note provides additional information about how the South Gippsland Region Water Corporation is funded and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. To enable South Gippsland Region Water Corporation to fulfil its objectives under the Water Act 1989 (to supply water and wastewater services), it receives income predominately from customers for the supply of water and wastewater services.

South Gippsland Region Water Corporation has an ongoing obligation to provide a continuous supply of the major services to our customers in our service region, and so customers simultaneously receive and consume the benefit in line with South Gippsland Region Water Corporation performing its obligations. Service and usage charges are recognised over time.

Revenue and income that fund delivery of South Gippsland Region Water Corporation's services are accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes.

2.1 Revenue from contracts with customers

	Notes	2024 \$'000	2023 \$'000
Revenue from service, usage and trade waste charges	2.1.1	35,830	32,149
Developer contributions	2.1.2	3,316	7,052
Other revenue	2.1.3	811	1,022
Total revenue from contracts with customers		39,957	40,223

South Gippsland Region Water Corporation derives revenue from the transfer of goods and/or services over time and at a point in time in the following revenue streams. Revenue is recognised when, or as, the performance obligations to the customer are satisfied. Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (refer Note 5.4). Where the performance obligations are satisfied but not yet billed, a contract asset is recorded (refer Note 5.2).

2.1.1 Service and usage charges

	2024	2023
	\$'000	\$'000
Service charges		
Water service charges	8,713	7,853
Wastewater service charges	12,095	10,885
Trade waste service charges	290	281
Total service charges	21,098	19,019
Usage charges		
Water usage charges	10,990	9,767
Wastewater usage charges	504	444
Trade waste usage charges	3,238	2,919
Total usage charges	14,732	13,130

Revenue from service, usage and trade waste charges is determined to be in accordance with AASB 15 Revenue from Contracts with Customers (AASB 15).

Notes to the financial statements

NOTE 2: FUNDING DELIVERY OF SERVICES (CONTINUED)

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Service charges (trade waste, water and sewerage)	Service charges are recognised as revenue when the services have been provided or service charge has been made. Service charges are billed in advance and recognised evenly throughout the financial year to reflect continuous service being provided to customers. Service charges are based on fixed fee for access to water, and sewerage disposal. The charges are payable within 30 days.	Revenue is recognised over time as service is provided.
Usage charges, Disposal charges - sewerage	Water usage and sewer disposal charges are recognised as revenue when water is consumed by customers, and sewage waste is disposed by customers. Meter reading is undertaken progressively during the year and are billed tri-annual in arrears. An estimation of usage and disposal charges is made at the end of each accounting period for connection where meters were not read at balance date. This is calculated by determining the level of billable service provided multiplied by the cost of each service. The charges are payable within 30 days. At balance date, any portion of service charges that is billed in advance and the performance obligation is not satisfied, is recognised as contract liabilities (refer Note 5.4). The charges for fully satisfied performance obligations that are unbilled at year end are estimated and contract assets are recognised (refer Note 5.2).	Revenue is recognised over time as service is provided.
Trade waste disposal charges	Revenue related to trade waste disposal is based on the volume of waste disposed by customers.	Revenue is recognised over time as service is provided.

Contract assets and liabilities have been disclosed in notes 5.2 and 5.4.

2.1.2 Developer contributions

	2024 \$'000	2023 \$'000
Developer contributed assets	1,769	5,268
New customer contributions	1,547	1,784
Total developer contributions	3,316	7,052

Notes to the financial statements

NOTE 2: FUNDING DELIVERY OF SERVICES (CONTINUED)

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Developer contributed assets	 Developer contributed assets arise when developers pay for the cost of construction of new infrastructure assets and subsequently gift these assets to the Corporation to maintain in perpetuity. Depending on the type of developer application, this can result in the performance obligation being satisfied: when the Statement of Compliance is issued to the customer, or when the customer is connected to the Corporation's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued. Revenue is recognised at the fair value of the gifted assets by assessing the value of the works using schedule of rates. 	Revenue is recognised at a point in time.
New customer contributions	 New customer contributions represent non-refundable upfront charges applicable when customers request to build or develop a property and connect to the Corporation's water supply and sewerage infrastructure network. The charges contribute towards the cost of augmenting the Corporation's water supply distribution systems and sewerage disposal systems. Depending on the type of new customer contribution application, this can result in the performance obligation being satisfied at a point in time when the Corporation satisfies its performance obligation. This will vary depending on the type of application submitted by the customer. As a result, a performance obligation can be satisfied when: the Statement of Compliance is issued to the customer; or the customer is connected to the Corporation's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued; or the customer receives consent from the Corporation to proceed with their application. 	Revenue is recognised at a point in time.

2.1.3 Other revenue

	2024 \$'000	2023 \$'000
Fees and charges	811 811	1,022 1,022

Fees and charges are recognised when or as performance obligations are satisfied. Performance obligations relating to various plumbing services, application, recycled water inspection and meter installation fees are satisfied at a point in time when South Gippsland Region Water Corporation renders the specified service requested by the customer. Revenue is recognised over time based on the number of customers serviced as the customer simultaneously receives and consumes the benefits provided by the third parties.

Notes to the financial statements

NOTE 2: FUNDING DELIVERY OF SERVICES (CONTINUED)

2.1.4 Timing of recognition of revenue from customers

The Corporation derives revenue from the transfer of goods and services over time and at a point in time for the following charges.

	Service charges - water	Usage charges - water	Service charges - sewerage	Disposal charges - sewerage	Developer contributions	New customer contributions	Other revenue	Total revenue with customers
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2023								
At a point in time	-	-	-	-	5,268	1,784	-	7,052
Over time	7,853	9,767	11,166	3,363	-	-	1,022	33,171
Total	7,853	9,767	11,166	3,363	5,268	1,784	1,022	40,223
2024								
At a point in time	-	-	-	-	1,769	1,547	-	3,316
Over time	8,713	10,990	12,385	3,742	-	-	811	36,641
Total	8,713	10,990	12,385	3,742	1,769	1,547	811	39,957

Notes to the financial statements

NOTE 3: THE COST OF DELIVERY OF SERVICES

This note provides additional information about how the Corporation's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

3.1 Expenses incurred in the delivery of services

	Note	2024 \$'000	2023 \$'000
Employee benefit expenses	3.1.1	13,534	12,214
Direct operating expenses	3.2	5,562	4,955
Repairs and maintenance	3.2	1,823	1,995
Operating expenses	3.3	6,194	6,140
Total expenses incurred in delivery of services		27,113	25,304

3.1.1 Employee benefits in the Comprehensive Operating Statement

	2024 \$'000	2023 \$'000
Salaries and wages, annual leave and long service leave	11,951	10,839
Defined contribution superannuation expense	1,208	1,065
Other employee	375	310
Total employee benefit costs	13,534	12,214

Employee benefits include all costs related to employment including wages and salaries, bonuses, fringe benefits tax, leave entitlements, termination payments, Work Cover premiums and payroll tax. Other employee sub-total includes payroll tax, Work Cover premiums and fringe benefits tax.

Directly attributable costs for bringing an asset to the location and condition necessary for operation, such as costs of employee benefits arising directly from the construction or acquisition of the item of infrastructure, property, plant and equipment are capitalised.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. (refer note 3.1.3)

Notes to the financial statements

NOTE 3: THE COST OF DELIVERY OF SERVICES (CONTINUED)

3.1.2 Employee benefits provision in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2024 \$'000	2023 \$'000
Current provisions:		
Rostered days off	107	115
Time in lieu	11	7
Annual Leave		
Unconditional and expected to settle within 12 months	848	749
Unconditional and expected to settle after 12 months	341	376
Long Service Leave		
Unconditional and expected to settle within 12 months	263	136
Unconditional and expected to settle after 12 months	1,588	1,666
	3,158	3,049
Provisions for on-costs		
Unconditional and expected to settle within 12 months	159	116
Unconditional and expected to settle after 12 months	277	270
	436	386
Total current provisions for employee benefits	3,594	3,435
Non-current provisions:		
Long service leave - conditional	190	262
On-costs	27	35
Total non-current provisions for employee benefits	217	297
Total provisions for employee benefits	3,811	3,732

Reconciliation of movements in on-cost provisions

	2024 \$'000	2023 \$'000
Opening balance	421	446
Additional provisions recognised	172	178
Amounts utilised during the period	(139)	(211)
Effect of changes in the discount rate	9	8
Closing balance	463	421
Current	436	386
Non-current	27	35
Closing balance	463	421

Notes to the financial statements

NOTE 3: THE COST OF DELIVERY OF SERVICES (CONTINUED)

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the water corporation does not have an unconditional right to defer settlements of these liabilities.

The components of this liability are measured at:

- Undiscounted value the component the Corporation expects to wholly settle within 12 months; or
- Present value the component the Corporation does not expect to wholly settle within 12 months.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

On-costs

On costs, such as payroll tax, superannuation and workers' compensation insurance, are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Long service leave

Long Service Leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed as a current liability, even where South Gippsland Region Water Corporation does not expect to settle the liability within 12 months. South Gippsland Region Water Corporation does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value if the Corporation expects to wholly settle within 12 months; and
- present value if the Corporation does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

3.1.3 Superannuation

Superannuation contributions

South Gippsland Region Water Corporation obligations for contributions to the Fund are recognised as an expense in the Comprehensive Operating Statement when they are made or due.

South Gippsland Region Water Corporation makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (Vision Super). The Fund has two categories of membership, accumulation and defined benefit, both of which are funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Operating Statement when they are made or become due.

Contributions by South Gippsland Region Water Corporation (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2024 and 30 June 2023 are detailed below:

Scheme	Type of scheme	2024 Rate	2024 \$'000	2023 Rate	2023 \$'000
Vision Super	Defined benefits	16.50%	21	16.50%	20
Vision Super	Accumulation	11.00%	529	10.50%	526
Other	Accumulation	11.00%	822	10.50%	710

Notes to the financial statements

NOTE 3: THE COST OF DELIVERY OF SERVICES (CONTINUED)

Defined benefit

South Gippsland Region Water Corporation does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan. There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of South Gippsland Region Water Corporation in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

The Corporation makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. In addition, the Corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

The 2023 triennial actuarial investigation surplus amounts

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2024 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2024.

Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. A full investigation was conducted as at 30 June 2023.

The Fund's actuarial investigation as at 30 June 2023 identified the following:

	2023 (Triennial) \$'000	2022 (Interim) \$'000
VBI surplus/(deficit)	84.7	44.6
Total service liability surplus/(deficit)	123.6	105.8
Discounted accrued benefits surplus	141.9	111.9

2022 (7 : : !)

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2023.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2023.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2023.

The 2024 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2024 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2024.

To determine the VBI, the Fund Actuary used the following long-term assumptions:

	2024 (Interim)
Net investment returns	5.6%
Salary information	3.5%
Price inflation (CPI)	2.7%

Vision Super has advised that the estimated VBI at 30 June 2024 was 105.4% (2023: 104.1%).

Notes to the financial statements

NOTE 3: THE COST OF DELIVERY OF SERVICES (CONTINUED)

The 2020 triennial investigation

The last triennial actuarial investigation conducted prior to 30 June 2023 was at 30 June 2020. This actuarial investigation was completed by 31 December 2020. The financial assumptions for the purposes of that investigation was:

	2020 Triennial investigation	2023 Triennial investigation
Net investment returns	5.6%	5.7%
Salary information	3.5%	3.5%
Price inflation (CPI)	2.7%	2.8%

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of Prudential Standard SPS 160 *Defined Benefit Matters* (SPS160) and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 98% from 26 July 2024 (2023: 97%).

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including South Gippsland Region Water Corporation) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

Notes to the financial statements

NOTE 3: THE COST OF DELIVERY OF SERVICES (CONTINUED)

3.2 Direct operating expenses and repairs & maintenance

	2024 \$'000	2023 \$'000
Repairs and maintenance	1,823	1,995
Electricity	875	877
Melbourne Water bulk entitlement	650	558
Chemicals	1,673	1,358
Testing and sampling	921	757
Other direct costs	1,443	1,405
Total	7,385	6,950

Expense	Description	Recognition policy
Repairs and maintenance	Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, (\$1,000 refer Note 4), the cost is capitalised and depreciated, otherwise the cost is expensed when incurred. The carrying amounts of any inventories held for distribution are expensed when the inventories are distributed.	Accruals basis. Recognised in the Comprehensive operating statement.
Electricity	Electricity usage of running the business activities.	Accruals basis. Recognised in the Comprehensive operating statement.
Melbourne water bulk entitlement	Melbourne Water charges for the legal right to take and store the entitled portion of water.	As incurred. Recognised in the Comprehensive operating statement.
Chemicals	Chemicals used for measuring water quality.	Accruals basis. Recognised in the Comprehensive operating statement.
Testing and sampling	Testing and sampling associated with maintaining water quality.	Accruals basis. Recognised in the Comprehensive operating statement.
Other direct costs	Contracting costs including sludge removal and dam monitoring.	Accruals basis. Recognised in the Comprehensive operating statement.

Notes to the financial statements

NOTE 3: THE COST OF DELIVERY OF SERVICES (CONTINUED)

3.3 Other operating expenses

	2024 \$'000	2023 \$'000
Administrative expenses	3,758	3,296
Customer services expenses	457	363
Training and travel	397	330
Vehicle and fleet costs	824	718
Facility expenses	344	378
Miscellaneous expenses	414	1,055
Total	6,194	6,140

Other operating expenses generally represent the day-to-day running costs incurred to support operations. Administration including IT maintenance contracts, customer services, training and travel, vehicle and fleet, facility (including short-term office rental) and miscellaneous expenses are recognised as an expense in the reporting period in which they are incurred.

Expense	Description	Recognition policy
Administration expenses	All operating expenses, maintenance contracts, license fees and other costs associated with operating the information technology environment of the Corporation.	Accruals basis. Recognised in the Comprehensive operating statement.
Customer services expenses	Costs relating to the issuing of bills and the collection of debt.	Accruals basis. Recognised in the Comprehensive operating statement.
Training and travel	Costs relating to training and travel in delivering services.	Accruals basis. Recognised in the Comprehensive operating statement.
Vehicle and fleet costs	Costs relating to running of the vehicles and leasing.	Accruals basis. Recognised in the Comprehensive operating statement.
Facility expenses	Costs relating to facility maintenance.	Accruals basis. Recognised in the Comprehensive operating statement.
Miscellaneous expenses	Includes postage, courier, stationary, membership/subscriptions, bank changes, printing, legal and internal audit.	Accruals basis. Recognised in the Comprehensive operating statement.

South Gippsland Region Water Corporation Notes to the financial statements

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

South Gippsland Region Water Corporation controls infrastructure and other assets that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to South Gippsland Region Water Corporation to be utilised for delivery of those outputs.

4.1 Infrastructure, property, plant, and equipment

4.1.1 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment

	Land	Buildings	Motor vehicles	Plant and equipment	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Infrastructure Sewer treatment and disposal	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2024											
Opening net book amount - 1 July 2023	14,524	2,592	4,020	4,221	166,986	51,206	32,503	123,421	70,567	25,539	495,579
Additions	-	-	-	-	509	-	-	907	-	24,930	26,346
Disposals (net)	-	-	(14)	(82)	(65)	(11)	(90)	(515)	(107)	-	(884)
Transfer between asset classes	-	6	395	275	1,443	239	2,763	10,881	681	(16,683)	-
Revaluation	-	-	-	-	48,167	14,160	10,794	37,215	21,197	-	131,533
Depreciation	-	(143)	(1,226)	(776)	(4,058)	(941)	(1,366)	(3,879)	(1,909)	-	(14,298)
Closing net book amount	14,524	2,455	3,175	3,638	212,982	64,653	44,604	168,030	90,429	33,786	638,276
At 30 June 2024											
Gross book value	14,524	2,598	7,319	9,311	213,007	64,655	44,716	168,308	90,452	33,786	648,676
Accumulated depreciation	-	(143)	(4,144)	(5,673)	(25)	(2)	(112)	(278)	(23)	-	(10,400)
Net book amount	14,524	2,455	3,175	3,638	212,982	64,653	44,604	168,030	90,429	33,786	638,276

	Land	Buildings	Motor vehicles	Plant and equipment	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Infrastructure Sewer treatment and disposal	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2023											
Opening net book amount - 1 July 2022	14,524	2,110	1,804	4,222	165,250	52,485	32,879	120,083	71,622	20,170	485,149
Additions	-	-	-	-	1,640	-	-	4,594	-	18,240	24,474
Disposals (net)	-	-	(61)	(8)	(170)	(425)	(41)	(94)	(123)	-	(922)
Transfer between asset classes	-	116	3,066	867	4,309	113	979	2,485	936	(12,871)	-
Revaluation	-	494	-	-	-	-	-	-	-	-	494
Depreciation	-	(128)	(789)	(860)	(4,043)	(967)	(1,314)	(3,647)	(1,868)	-	(13,616)
Closing carrying amount	14,524	2,592	4,020	4,221	166,986	51,206	32,503	123,421	70,567	25,539	495,579
At 30 June 2023 Gross book value	14,524	2,592	7,170	9,194	175,321	53,207	35,067	131,030	74,479	25,539	528,123
Accumulated depreciation	14,324	2,392	(3,150)	(4,973)	(8,335)	(2,001)	(2,564)	(7,609)	(3,912)	23,335	(32,544)
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Carrying amount	14,524	2,592	4,020	4,221	166,986	51,206	32,503	123,421	70,567	25,539	495,579

Notes to the financial statements

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.1.2 Initial recognition and subsequent measurement

Infrastructure, property, plant and equipment

Items of infrastructure, property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Items with a cost or value in excess of \$1,000 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Motor vehicles

Vehicles are valued using the current replacement cost method. The South Gippsland Region Water Corporation acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the South Gippsland Region Water Corporation who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Revaluation of infrastructure, property, plant and equipment

Non-financial physical assets are revalued at fair value every five years in accordance with the Government purpose classifications defined in Financial Reporting Direction 103I Non-Financial Physical Assets (FRD 103I).

The Valuer-General Victoria (VGV) is the Government's independent valuation agency and is used by South Gippsland Region Water Corporation to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors under the direction of the VGV.

Revaluations may occur more frequently if fair value assessments indicate material changes in values. In such instances, interim managerial revaluations are undertaken in accordance with the requirements of FRD 103I.

South Gippsland Region Water Corporation in conjunction with VGV, monitors changes in the fair value of each asset class through relevant data sources, in order to determine whether a revaluation is required.

South Gippsland Region Water Corporation assets relating to land, buildings, infrastructure assets were independently valued by the VGV as at 30 June 2021. The market that the assets were valued in was impacted by the uncertainty that the coronavirus (COVID-19) outbreak caused. The value assessed at the valuation date may therefore change over a relatively short time period.

Refer to Note 7.3 Fair value determination for further information on the revaluation methods used for the asset classes.

4.1.3 Accounting for revaluation movements

Infrastructure, property, plant and equipment

Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset).

Revaluation increases or decreases arise from differences between an asset's carrying value and its fair value.

Revaluation increases and decreases relating to individual assets in a class of PPE, are offset against other assets in that class but are not offset against assets in different classes. An asset revaluation surplus is not transferred to accumulated funds on the derecognition of the related asset.

Notes to the financial statements

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

Revaluation increments are credited directly to the asset revaluation reserve, except to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense, in which case the increment is recognised immediately as revenue.

Revaluation decrements are recognised immediately as an expense, except to the extent that a credit balance exists in the asset revaluation reserve applicable to the same class of assets, in which case the decrement is debited directly to the asset revaluation reserve.

4.1.4 Depreciation and impairment

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives, are depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Typical useful lives within each asset class are consistent with the previous year and fall within the following ranges:

Asset	Useful Life
Corporate Buildings	50 years
Furniture and equipment	10 years
Plant and machinery	7 to 10 years
Motor vehicle	4 years
Water Infrastructure	
Water harvesting	150 years
Water quality	10 to 100 years
Mains and reticulation	40 to 100 years
Pump stations	18 to 75 years
Water meters	15 years
Wastewater Infrastructure	
Sewer collection	18 to 75 years
Pump stations	50 years
Sewer treatment plants	50 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Land assets, which are considered to have an indefinite life, are not depreciated.

Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

Impairment

Non-financial assets, including items of Infrastructure, Property, Plant and Equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Exposure to climate-related matters could be an indicator that an asset (or a group of assets) is impaired.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an impairment, except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

Notes to the financial statements

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

The recoverable amount for most assets is measured at the higher of current replacement cost and fair value less costs to sell. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of the business.

The recoverable amount of specialised non-cash-generating assets which are held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement.

4.2 Intangible assets

\$'000 \$'000 \$'000 \$'000 \$'000 \$'000 \$'000 Year ended 30 June 2023 0pening net book amount 1,260 2,115 557 11 649 4,592 Additions - - 6 305 311 Transfer between asset class 688 - - 6 305 Amortisation (375) (142) (6) - - (523) Closing net book amount 1,573 1,973 551 17 266 4,380 At 30 June 2023 - - (12) - - (5,770) Carrying amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 - - 10 171 181 Carrying amount 1,573 1,973 551 17 266 4,380 Additions - - 10 171 181 Transfer between asset classes 127 - <td< th=""><th></th><th>Software costs</th><th>Access rights ei</th><th>Water ntitlements</th><th>Large-scale generation certificates</th><th>Work in progress</th><th>Total</th></td<>		Software costs	Access rights ei	Water ntitlements	Large-scale generation certificates	Work in progress	Total
Opening net book amount 1,260 2,115 557 11 649 4,592 Additions - - - 6 305 311 Transfer between asset class 688 - - - (688) - Amortisation (375) (142) (6) - - (523) Closing net book amount 1,573 1,973 551 17 266 4,380 At 30 June 2023 - - (53) 17 266 4,380 Accumulated amortisation (4,531) (1,227) (12) - - (5,770) Carrying amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 - - 10 171 181 Transfer between asset classes 127 - - 10 171 181 Transfer between asset classes 127 - - - (127) - Amortisation		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Additions - - - 6 305 311 Transfer between asset class 688 - - - (688) - Amortisation (375) (142) (6) - - (523) Closing net book amount 1,573 1,973 551 17 266 4,380 At 30 June 2023 - - (5770) (12) - - (5,770) Carrying amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 - - (5,770) (12) - - (5,770) Carrying amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 - - 10 171 181 Transfer between asset classes 127 - - (127) - Additions - - - (51) (51) (51) Other movements - - - - (51) (51) Closing net book amount<	Year ended 30 June 2023						
Transfer between asset class 688 - - - (688) - Amortisation (375) (142) (6) - - (523) Closing net book amount 1,573 1,973 551 17 266 4,380 At 30 June 2023 - - (523) - - (5770) Carrying amount 6,104 3,200 563 17 266 4,380 Year ended 30 June 2024 - - (5,770) - - (5,770) Carrying amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 - - - (5,770) - - (5,770) Carrying amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 - - 10 171 181 Transfer between asset classes 127 - - (127) - Amortisation (465) (143) (6) - - (614) Other mo	Opening net book amount	1,260	2,115	557	11	649	4,592
Amortisation (375) (142) (6) - - (523) Closing net book amount 1,573 1,973 551 17 266 4,380 At 30 June 2023 Cost of fair value 6,104 3,200 563 17 266 10,150 Accumulated amortisation (4,531) (1,227) (12) - - (5,770) Carrying amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 Opening net book amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 Opening net book amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 Opening net book amount 1,573 1,973 551 17 266 4,380 Moditions - - - 10 171 181 Transfer between asset classes 127 - - (127) - Amortisation (465) (143) (6) - - (51) (51)	Additions	-	-	-	6	305	311
Closing net book amount 1,573 1,973 551 17 266 4,380 At 30 June 2023 Cost of fair value 6,104 3,200 563 17 266 10,150 Accumulated amortisation (4,531) (1,227) (12) - - (5,770) Carrying amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 0 973 551 17 266 4,380 Year ended 30 June 2024 0 0 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 0 0 171 181 171 181 Transfer between asset classes 127 - - - (127) - Amortisation (465) (143) (6) - - (614) Other movements - - - - (51) (51) Closing net book amount 1,235 1,830 545	Transfer between asset class	688	-	-	-	(688)	-
At 30 June 2023 6,104 3,200 563 17 266 10,150 Accumulated amortisation (4,531) (1,227) (12) - - (5,770) Carrying amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 0 0 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 0 0 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 0 0 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 0 0 171 181 171 181 Transfer between asset classes 127 - - - (127) - Amortisation (465) (143) (6) - - (614) - - (614) Other movements - - - - (51) (51) (51) (51) Closing net book amount 1,235 1,830 545 27 </td <td>Amortisation</td> <td>(375)</td> <td>(142)</td> <td>(6)</td> <td>-</td> <td>-</td> <td>(523)</td>	Amortisation	(375)	(142)	(6)	-	-	(523)
Cost of fair value 6,104 3,200 563 17 266 10,150 Accumulated amortisation (4,531) (1,227) (12) - - (5,770) Carrying amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 Vear ended 30 June 2024 Opening net book amount 1,573 1,973 551 17 266 4,380 Additions - - - 10 171 181 Transfer between asset classes 127 - - (127) - Amortisation (465) (143) (6) - - (614) Other movements - - - - (51) (51) Closing net book amount 1,235 1,830 545 27 259 3,896 At 30 June 2024 - 6,230 3,200 563 27 259 10,279 Accumulated amortisation (4,995) (1,370	Closing net book amount	1,573	1,973	551	17	266	4,380
Accumulated amortisation (4,531) (1,227) (12) - - (5,770) Carrying amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 - - (5,770) - - (5,770) Opening net book amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 - - - 10 171 181 Opening net book amount 1,573 1,973 551 17 266 4,380 Additions - - - 10 171 181 Transfer between asset classes 127 - - - (127) - Amortisation (465) (143) (6) - - (614) Other movements - - - - (51) (51) Closing net book amount 1,235 1,830 545 27 259 3,896 At 30 June 2024 - 6,230 3,200 563 27 259 10,27	At 30 June 2023						
Carrying amount 1,573 1,973 551 17 266 4,380 Year ended 30 June 2024 Opening net book amount 1,573 1,973 551 17 266 4,380 Additions - - - 10 171 181 Transfer between asset classes 127 - - 10 171 181 Transfer between asset classes 127 - - - (127) - Amortisation (465) (143) (6) - - (614) Other movements - - - - (51) (51) Closing net book amount 1,235 1,830 545 27 259 3,896 At 30 June 2024 Cost of fair value 6,230 3,200 563 27 259 10,279 Accumulated amortisation (4,995) (1,370) (18) - - (6,383)	Cost of fair value	6,104	3,200	563	17	266	10,150
Year ended 30 June 2024 Opening net book amount 1,573 1,973 551 17 266 4,380 Additions - - - 10 171 181 Transfer between asset classes 127 - - (127) - Amortisation (465) (143) (6) - - (614) Other movements - - - - (51) (51) Closing net book amount 1,235 1,830 545 27 259 3,896 At 30 June 2024 Cost of fair value 6,230 3,200 563 27 259 10,279 Accumulated amortisation (4,995) (1,370) (18) - - (6,383)	Accumulated amortisation	(4,531)	(1,227)	(12)	-	-	(5,770)
Opening net book amount 1,573 1,973 551 17 266 4,380 Additions - - - 10 171 181 Transfer between asset classes 127 - - (127) - Amortisation (465) (143) (6) - - (614) Other movements - - - - (51) (51) Closing net book amount 1,235 1,830 545 27 259 3,896 At 30 June 2024 - - 6,230 3,200 563 27 259 10,279 Accumulated amortisation (4,995) (1,370) (18) - - (6,383)	Carrying amount	1,573	1,973	551	17	266	4,380
Additions - - - 10 171 181 Transfer between asset classes 127 - - (127) - Amortisation (465) (143) (6) - - (614) Other movements - - - - (51) (51) Closing net book amount 1,235 1,830 545 27 259 3,896 At 30 June 2024 - - 6,230 3,200 563 27 259 10,279 Accumulated amortisation (4,995) (1,370) (18) - - (6,383)	Year ended 30 June 2024						
Transfer between asset classes 127 - - (127) - Amortisation (465) (143) (6) - - (614) Other movements - - - - (51) (51) Closing net book amount 1,235 1,830 545 27 259 3,896 At 30 June 2024 Cost of fair value 6,230 3,200 563 27 259 10,279 Accumulated amortisation (4,995) (1,370) (18) - - (6,383)	Opening net book amount	1,573	1,973	551	17	266	4,380
Amortisation (465) (143) (6) - - (614) Other movements - - - - (51) (51) Closing net book amount 1,235 1,830 545 27 259 3,896 At 30 June 2024 Cost of fair value 6,230 3,200 563 27 259 10,279 Accumulated amortisation (4,995) (1,370) (18) - - (6,383)	Additions	-	-	-	10	171	181
Other movements - - - (51) (51) Closing net book amount 1,235 1,830 545 27 259 3,896 At 30 June 2024 Cost of fair value 6,230 3,200 563 27 259 10,279 Accumulated amortisation (4,995) (1,370) (18) - - (6,383)	Transfer between asset classes	127	-	-	-	(127)	-
Closing net book amount 1,235 1,830 545 27 259 3,896 At 30 June 2024 Cost of fair value 6,230 3,200 563 27 259 10,279 Accumulated amortisation (4,995) (1,370) (18) - - (6,383)	Amortisation	(465)	(143)	(6)	-	-	(614)
At 30 June 2024 6,230 3,200 563 27 259 10,279 Accumulated amortisation (4,995) (1,370) (18) - - (6,383)	Other movements	-	-	-	-	(51)	(51)
Cost of fair value 6,230 3,200 563 27 259 10,279 Accumulated amortisation (4,995) (1,370) (18) - - (6,383)	Closing net book amount	1,235	1,830	545	27	259	3,896
Accumulated amortisation (4,995) (1,370) (18) (6,383)	At 30 June 2024						
	Cost of fair value	6,230	3,200	563	27	259	10,279
Carrying amount 1,235 1,830 545 27 259 3,896	Accumulated amortisation	(4,995)	(1,370)	(18)	-	-	(6,383 <u>)</u>
	Carrying amount	1,235	1,830	545	27	259	3,896

Recognition and measurement

Intangible assets represent identifiable non-monetary assets without physical substance.

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) an intention to complete the intangible asset and use or sell it;
- c) the ability to use or sell the intangible asset;
- d) the intangible asset will generate probable future economic benefits;
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Notes to the financial statements

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight-line), commencing from the time the asset is available for use (when it is in the location and condition necessary for it to be capable of operating in the manner intended by management). The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed for impairment annually as outlined below.

A summary of the policies applied to South Gippsland Region Water Corporation's intangible assets is as follows:

Intangible asset	Water share entitlements	Access rights	Large-scale generation certificates	Software costs
Useful lives	Indefinite	Finite	Indefinite	Finite
Amortisation method used	99 years straight line	22 years straight line	Not amortised or revalued	3 and 7 years – straight line
Internally generated/acquired	Acquired	Acquired	Acquired	Internally generated / acquired
Impairment test / Recoverable amount testing	Tested annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end. Tested for impairment whenever an indication of impairment is identified.	Tested annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end. Tested for impairment whenever an indication of impairment is identified.

Software costs

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

Software as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Corporation with the right to access the cloud provider's application software over the contract period. As such the Corporation does not receive a software intangible asset at the contract commencement date.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as an administration expense (Note 3.3) over the term of the service contract

• Fee for use of application software.

Recognise as an administration expense (Note 3.3) as the service is received

Training costs.

The Corporation made the following key judgements that may have the most significant effect on the amounts recognised in the financial statements.

Notes to the financial statements

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

Determination whether configuration and customisation services are distinct from the SaaS access

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses as the costs do not meet the recognition criteria under AASB 138 Intangible Assets.

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Nondistinct configuration and customisation costs are expensed over the SaaS contract term.

Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

During the financial year, the Corporation recognised \$0 (2023: \$0) as prepayments in respect of configuration and customisation activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS application software over the contract term.

Capitalisation of configuration and customisation costs in SaaS arrangements

In implementing SaaS arrangements, the Corporation has developed software code that either enhances, modifies or creates additional capability to the existing owned software. This software is used to connect with the SaaS arrangement cloud-based application.

Judgement has been applied in determining whether the changes to owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets. During the financial year, the Corporation recognised \$171k (2023: \$305k) as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

Permanent water entitlements

Permanent water entitlements purchased after 1 July 2011 are treated as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109A Intangible Assets) and amortised over 99 years. Permanent entitlements purchased after 1 July 2011 will be tested annually for impairment. Bulk permanent water entitlements prior to 1 July 2011 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

Large-scale Generation Certificates

Large-scale Generation Certificates (LGCs) are recognised as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109A Intangible Assets) and are not subject to amortisation as they have an indefinite life. LCGs are tested annually for impairment based on the LGC spot price at financial year- end. There was no indication of impairment in 2023-24 due to a higher spot price compared to cost.

Access rights

South Gippsland Region Water Corporation has a contract to access South East Water's Lang Lang water recycling plant, transfer main and reuse facility and sewerage services, which is amortised over 22 years to the contract expiry date (30 June 2036).

Impairment of intangible assets

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in section 4.1.4.

Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES

Introduction

This section sets out those assets and liabilities that arose from South Gippsland Region Water Corporation's operations and the delivery of services.

5.1 Receivables

	2024 \$'000	2023 \$'000
Current	÷ 000	Ş 000
Contractual		
Service and usage charges	3,011	2,340
Allowance for expected credit losses	(93)	(110)
Sewer scheme receivables	14	14
Statutory		
GST recoverable	463	426
Total current receivables	3,395	2,670
Non-current		
Contractual		
Sewer scheme receivables-non current	210	228
Allowance for expected credit losses	(21)	(43)
Total non-current receivables	189	185
Total receivables	3,584	2,855

Receivables consist of:

Receivable	Initial measurement	Subsequent measurement
Contractual receivables (other receivables and loans)	Recognised at fair value plus any directly attributable transaction costs. South Gippsland Region Water Corporation holds contractual receivables with the objective of collecting the contractual cash flows.	Classified as financial instrument and measured at amortised cost using the effective interest method, less any impairment.
Contractual receivables (service and usage charges)	Measured at transaction price, unless they contain a significant financing component, when they are recognised at fair value. South Gippsland Region Water Corporation does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.	Classified as financial instrument and measured at amortised cost less any expected credit loss.
Statutory receivables	Recognised at fair value plus any directly attributable transaction costs.	Amortised cost less any expected credit loss.

The carrying amount at amortised cost is the reasonable approximation of fair value.

Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.1.1 Impairment of contractual and statutory receivables

South Gippsland Region Water Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables.

On that basis, the loss allowance as at 30 June 2024 and 30 June 2023, was determined as follows for receivables – service and usage charges and other receivables.

	Current	More than 30 days past due	More than 180 days past due	Total
	\$'000	\$'000	\$'000	\$'000
30 June 2024				
Expected loss rate - Owners	0.00%	0.00%	0.00%	
Expected loss rate - Alberton Scheme	0.00%	0.00%	23.00%	
Expected loss rate - Other	0.00%	10.00%	22.00%	
Gross carrying amount - receivables from service and usage charges - Owners	1,014	247	542	1,803
Gross carrying amount - receivables from service and usage charges - Alberton Scheme	-	-	176	176
Gross carrying amount - receivables from service and usage charges - Other	882	81	293	1,256
Total	1,896	328	1,011	3,235
Loss allowance	-	8	106	114

	Current	More than 30 days past due	More than 180 days past due	Total
	\$'000	\$'000	\$'000	\$'000
30 June 2023				
Expected loss rate - Owners	0.00%	0.00%	14.71%	
Expected loss rate - Alberton Scheme	0.00%	0.00%	22.84%	
Expected loss rate - Other	0.00%	9.67%	23.96%	
Gross carrying amount - receivables from service and usage charges - Owners	715	181	408	1,304
Gross carrying amount - receivables from service and usage charges - Alberton Scheme	-	-	190	190
Gross carrying amount - receivables from service and usage charges - Other	850	51	187	1,088
Total	1,565	232	785	2,582
Loss Allowance	-	5	148	153

Receivables from service and usage charges are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments for a period of greater than 360 days past due.

Loss allowance on receivables from service and usage charges are presented in administrative and other operating expenses within the comprehensive operating statement.

No interest is charged for the first 30 days from the invoice date. Thereafter, interest is charged at 2.9 per cent on the outstanding balance, excluding tenants. The average credit period for sales of goods / services and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired.

2024

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.1.2 Reconciliation of expected credit loss allowance

·	2024 \$'000	2023 \$'000
Opening balance 1 July	153	137
Expected credit losses from transactions	(39)	16
Expected credit losses written off	-	-
Balance as at 30 June	114	153

The expected credit loss allowance is calculated based on debtor days and we then apply an expected default rate based on historical expected credit losses and forward-looking estimates.

Due to current macro-economic environment,, it is expected that rising interest rates and the general cost of living, and inflation will exceed the relevant thresholds. Hence we have re-commenced the debt collection process. Legislation allows us to recover debt once owners turnover their property. and thus historically these debtors have had a 10% provision, however this has been reduced to 0% in FY 2023-24 due to their recoverability always being certain. The remainder of the > 180 days debtors have been calculated at 22%-23%. As a result, the allowance for doubtful debts has been decreased by \$39,000 at the end of 2023-24.

Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

5.2 Contract assets

Current	2024 \$'000	2023 \$'000
Service and usage charges	2,566	2,149
Total current contract assets	2,566	2,149
Total contract assets	2,566	2,149
	Service and usage charges	Total
	\$'000	\$'000
Opening balance as at 1 July 2023	2,149	2,149
Less: Amounts billed during the year	(2,149)	(2,149)
Add: Amount accrued at year end (to be billed)	2,566	2,566
Carrying amount as at 30 June 2024	2,566	2,566

Contract asset	Description	Recognition
Contract assets relating to service and usage charges - Accrued revenue	Accrued revenue is recognised for water and sewage usage as well as other works and services that have been provided to customers at balance date but not yet billed.	Usage charges are all recognised as revenue when the service or other goods have been provided. The contract assets are transferred to contractual receivables when the rights become unconditional. This usually occurs when South Gippsland Region Water Corporation issues a bill to

the customer.

Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.3 Payables

	2024 \$'000	2023 \$'000
Current payables		
Contractual		
Trade creditors	3,313	1,828
Accrued expenses	1,353	1,540
Accrued borrowing expense	867	633
Security deposits / retentions	277	679
Total	5,810	4,680
Statutory		
Taxes payable	26	26
Total payables	5,836	4,706

Payables for supplies and services have an average credit period of 30 days, (2023: 30 days). No interest is charged on the other payables.

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, statutory payables are not classified as financial instruments.

5.3.1 Ageing analysis of contractual payables

				Maturity dates			
	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	1 - 3 months \$'000	3 months - 1 year \$'000	Total \$'000	
2024							
Trade creditors Accrued expenses,	3,313	3,313	3,255	58	-	3,313	
accrued borrowing expense and security deposits / retentions	2,497	2,497	2,497	-	-	2,497	
Total	5,810	5,810	5,752	58	-	5,810	
2023							
Trade creditors Accrued expenses,	1,828	1,828	1,765	60	3	1,828	
accrued borrowing expense and security deposits / retentions	2,852	2,852	2,852	-	-	2,852	
Total	4,680	4,680	4,448	60	3	4,680	

Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.4 Contract liabilities

	Service usage charges - customer paid in advance \$'000	Developer contributions - unearned income \$'000	Total \$'000
Carrying amount as at 1 July 2022	559	460	1,019
Add: payments received in advance for provision of goods and services	1,830	2,790	4,620
Less: revenue recognised in the reporting period for the completion of performance obligations	(1,827)	(2,054)	(3,881)
Closing balance at 30 June 2023	562	1,196	1,758
Add: payments received in advance for provision of goods and services	1,664	1,552	3,215
Less: revenue recognised in the reporting period for the completion of performance obligations	(1,668)	(1,583)	(3,251)
Total contract liabilities at 30 June 2024	558	1,164	1,722
Represented by Current contract liabilities Non-current contract liabilities	558	1,164	1,722

Contract liabilities	Description	Recognition
Contract liabilities relating to service usage charges - Customers paid in advance	Payments received in advance of the provision of goods or services or performance obligation yet to be performed by the South Gippsland Region Water Corporation to settle the terms of receipt of income.	Recognised as revenue, once it has performed the performance obligations associated with the payments
Contract liabilities relating to developer contributions - Unearned Income	Payments received for developer contributed assets, new customer contributions and application fees in the reporting period, where the performance obligations are outstanding at balance date.	Recognised as revenue, once it has performed the performance obligations associated with the payments

5.5 ZEW transactions and balances

South Gippsland Region Water Corporation is one of 12 water corporation members of Zero Emissions Water (ZEW) Limited, a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from energy and emissions reduction facilities in Victoria and in turn supply these products to its members. This vehicle provides the opportunity for water South Gippsland Region Water Corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria and to reduce emissions.

On 30 October 2018, a Members' Agreement was entered into between the water corporations and ZEW to regulate their rights and obligations as members of ZEW and as participants in the project. The Members' Agreement establishes the operating activities of ZEW and the decision-making responsibilities of the ZEW Directors. Under the Members' Agreement South Gippsland Region Water Corporation as a member is limited to \$10 in the event of a winding up.

As required by Australian accounting standards, South Gippsland Region Water Corporation has assessed the nature of its relationship with ZEW, and has concluded that it does not have control, joint control, or significant influence over ZEW. South Gippsland Region Water Corporation will account for its investment in ZEW as a financial instrument within the scope of AASB 9 Financial Instruments. ZEW is a related party of South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

The Members' Agreement specifies that ZEW may call on the Corporation to make a loan available to ZEW amounting to \$5,000. The loan, if requested by ZEW, would meet the definition of a financial asset as it gives rise to a contractual right for us to receive cash from ZEW at the end of the loan term. At 30 June 2024, ZEW had requested and received nil loan payments. As this loan is concessional, it has been treated as an investment in ZEW and measured at amortised cost.

On 30 October 2018, ZEW entered into an 11 - year Power Purchasing Agreement (PPA) with a solar farm energy generator. In relation to the PPA, ZEW will act as a central intermediary between the energy generator and the water South Gippsland Region Water Corporation The PPA contains a contract for difference (CFD) payment mechanism in respect of electricity generated by the facility and the sale and supply of large - scale generation certificates (LGCs) from the facility. The Corporation now has an obligation to purchase its percentage of energy allocation under the Members' Agreement, via the CFD derivative.

On 22 January 2021, the conditions precedent in the PPA was completed and the CFD derivative was recognised as a financial liability measured at its fair value. Subsequent changes in the derivative's fair value have been recognised as other economic flow included in the net result.

The financial impact of the Members' Agreement with ZEW has resulted in increased revenue and expenses, and the recognition of a derivative financial instruments and LGCs as intangible assets.

Refer to Note 7.3 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

5.6 Other financial liabilities

	2024 \$'000	2023 \$'000
Non-current		
Derivative financial instrument	109	120
Total	109	120

Refer to Note 5.5 for further information on the CFD derivative.

5.7 Other provisions

	2024 \$'000	2023 \$'000
Current		
Legal Cost	-	390
Asset decommissioning costs	996	963
Total other provisions	996	1,353

Other provisions are recognised when South Gippsland Region Water Corporation has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Current other provisions

For the reporting period ending 30 June 2023, South Gippsland Water provided \$390,000 for an open legal matter that was awaiting the governing body's review and decision in regard to the appropriate course of action. The final outcome gave rise to a direct cost of \$110k to the Corporation in fiscal year 2023-24 and the original provision has been reversed.

Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

Non-current other provisions

The Lance Creek Pipeline project was fully commissioned during 2020 financial year. The project supplies water from the Lance Creek Reservoir to Korumburra and the northern towns of Poowong, Loch and Nyora. The pipeline bypasses existing infrastructure of four dams and two water treatment plants. These assets are now out of service. One of the dams (Ness Gully) and two water treatment plants have been identified for decommissioning. The remaining three decommissioned dams are currently held for recreational/social use.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received, and the amount of the receivable can be measured reliably.

5.7.1 Reconciliation of movements in other provisions

	2024 \$'000	2023 \$'000
Opening balance	1,353	966
Additional provisions recognised	35	390
Provision utilised/Reversal of provision	(392)	(3)
Closing balance	996	1,353
Current Non-current	996 -	1,353

Notes to the financial statements

NOTE 6: HOW WE FINANCED OUR OPERATIONS

Introduction

This section provides information on the sources of finance utilised by South Gippsland Region Water Corporation during its operations, along with interest expenses (the cost of borrowing) and other information related to financing activities of South Gippsland Region Water Corporation.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.1 provides additional specific financial instrument disclosures.

6.1 Interest bearing liabilities

	2024 \$'000	2023 \$'000
Current loans from Treasury Corporation Victoria	7,106	2,225
Non - current loans from Treasury Corporation Victoria	117,500	105,300
Total interest-bearing liabilities	124,606	107,525

The borrowings are secured by a guarantee signed by the Treasurer of Victoria in favour of Treasury Corporation Victoria (TCV) as lender in respect to financial accommodation obtained by the Corporation under Section 8 of the Borrowings and Investment Powers Act 1987. There were no defaults of principal or interest payments on any outstanding loans during the period.

Interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the interest-bearing liabilities, using the effective interest method.

South Gippsland Region Water Corporation has classified borrowings which mature within 12 months as non-current liabilities on the basis that the entity will and has discretion to refinance or rollover these loans with the Treasury Corporation of Victoria. This is pursuant to section 8 of the Borrowings and Investment Powers Act 1987 and also aligned with AASB 101 *Presentation of Financial Statements*. Borrowings known as 11am debt are classified as current borrowings.

6.1.1 Maturity analysis of interest-bearing liabilities

	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	3 months or less \$'000	3 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	>5 years \$'000
30 June 2024 Financial liabilities				-	·	-	·	
Loans from TCV	124,606	124,606	7,106	4,000	7,500	12,500	25,000	68,500
Total	124,606	124,606	7,106	4,000	7,500	12,500	25,000	68,500
30 June 2023	107 525	107 525	2 225	2 000	5 200	11 500	22 500	52.000
Loans from TCV	107,525	107,525	2,225	3,000	5,300	11,500	33,500	52,000
Total	107,525	107,525	2,225	3,000	5,300	11,500	33,500	52,000

South Gippsland Region Water Corporation has classified borrowings in 3 - 12 month maturity as long-term in accordance with the note above under 6.1.

Notes to the financial statements

NOTE 6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.1.2 Interest expense

	2024 \$'000	2023 \$'000
Interest on government loans	3,532	2,553
Financial accommodation levy	1,248	1,074
Total interest expense	4,780	3,627

Interest expense includes costs incurred in connection with the borrowing of funds. Interest costs include interest on bank overdrafts, short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings and finance lease charges.

Interest expense is recognised in the period in which it is incurred and measured at fair value.

Financial accommodation levy is a levy applied to the Corporation to remove the market advantage that government entities may experience in borrowings as a result of being guaranteed by the State of Victoria. The financial accommodation levy is a commercial rate charged for new borrowings based on the Corporation's underlying credit rating and is paid into the State's Consolidated Fund in accordance with section 40N of the Financial Management Act 1994 in respect of financial accommodation provided to the Corporation by the State Government of Victoria.

6.2 Cash flow information and balances

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

	2024 \$'000	\$'000
Cash at bank and on hand	645	3,188
Balance as per cash flow statement	645	3,188

6.2.1 Reconciliation of the net result to cash flow from operating activities

	2024 \$'000	2023 \$'000
Net result for the period	(6,584)	(3,148)
Non-cash movements		
Depreciation and amortisation of non-current assets	14,912	14,139
(Gain)/loss on sale or disposal of non-current assets	820	525
Resources provided free of charge or for nominal consideration	(1,769)	(5,268)
Increase/(decrease) in loss allowance	(39)	16
Initial recognition - expense from derivative financial instruments	(11)	46
Movements in assets and liabilities		
(Increase)/decrease in receivables & contract assets	1,391	1,872
(Increase)/decrease in inventory	45	(119)
(Increase)/decrease in prepayments	29	(91)
(Increase)/decrease in deferred tax assets	(945)	(84)
Increase/(decrease) in payables and contract liabilities	1,833	299
Increase/(decrease) in other provisions	(357)	387
Increase/(decrease) in employee benefits	79	(335)
Increase/(decrease) in deferred tax liabilities	(1,220)	(1,231)
Net cash flows from operating activities	8,184	7,008

Notes to the financial statements

NOTE 6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts.

These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

6.3.1 Total commitments payable

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
2024	5 200			5 200
Capital expenditure commitments payable	5,299	-	-	5,299
Environmental contribution levy commitments	1,577	6,308		7,885
Operating lease commitments payable	79	-	-	79
Total commitments (inclusive of GST)	6,955	6,308	-	13,263
Less GST receivable	489	-	-	489
Total commitments exclusive of GST	6,466	6,308	-	12,774
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
2023	\$'000	\$'000	\$'000	\$'000
Capital expenditure commitments payable	7,512	_	_	7,512
Environmental contribution levy commitments	1,368		_	1,368
	,			,
Operating lease commitments payable	79	-	-	79
Total commitments (inclusive of GST)	8,959	-	-	8,959
Less GST recoverable	690	-	-	690
Total commitments exclusive of GST	8,269	-	-	8,269

Notes to the financial statements

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

7.1 Interest bearing financial instruments

Introduction

South Gippsland Region Water Corporation is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for South Gippsland Region Water Corporation related mainly to fair value determination.

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Payables:
Receivables:	For supplies and services
Trade receivables	Other payables
 Sale of goods and services 	Interest bearing liabilities:
Other receivables	Loans from TCV
Investment in Zero Emission Water (ZEW)	Derivative financial liability
Derivative financial asset	

Due to the short-term nature of the financial assets and liabilities held by South Gippsland Region Water Corporation, their carrying value is assumed to approximate their fair value.

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

Categories of financial instruments

Financial instrument	Initial measurement	Subsequent measurement
Financial assets at amortised cost		
Financial assets include: Loans and receivables cash and deposits; receivables;;and certain debt securities.	Fair value plus or minus any directly attributable transaction costs	 Amortised cost only using the effective interest rate method less impairment if both of the following criteria are met: the asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest
Financial assets at fair value through net i	results	
Investments in ZEW	Fair value through net result.	Fair value through net result.
Financial liabilities at amortised cost		
 Financial liabilities include: payables (excluding statutory payables); borrowings (including lease liabilities) 	Fair value, plus or minus any directly attributable transaction costs subsequent to initial recognition.	Amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss, over the period of the interest-bearing liability using the effective interest rate method.
Derivative financial instruments		
Derivative financial instruments	Fair value on the date on which a derivative contract is entered into.	Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an 'other economic flow' included in the net result.

Offsetting financial instruments

Financial instrument assets and liabilities are offset, and the net amount presented in the consolidated balance sheet when, and only when, the Corporation concerned has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where the Corporation does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- South Gippsland Region Water Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
 - South Gippsland Region Water Corporation has transferred its rights to receive cash flows from the asset and either: • has transferred substantially all the risks and rewards of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where South Gippsland Region Water Corporation has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of South Gippsland Region Water Corporation's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

Impairment of financial assets

At the end of each reporting period, South Gippsland Region Water Corporation assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Climate-related matters may be relevant in the calculation of expected credit losses if, for example, they impact the range of potential future economic scenarios or assessment of significant increases in credit risk. All financial instrument assets are subject to annual review for impairment.

South Gippsland Region Water Corporation records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9's impairment assessment includes South Gippsland Region Water Corporation's contractual receivables, statutory receivables, and its investment in debt instruments. Although not a financial asset, contract assets recognised applying AASB 15 (refer to Note 5.2) are also subject to impairment, however it is immaterial. Equity instruments are not subject to impairment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages, and other computational methods in accordance with AASB 136 Impairment of Assets. Impairment losses are recognised in the Comprehensive Operating Statement. Impairment losses recognised in the comprehensive operating statement on equity instruments classified as available for sale are not reversed through comprehensive operating statement.

Derivative financial instruments

Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which all contractual obligations under Conditions Precedent are met and on subsequent measurement.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an 'other economic flow' included in the net result.

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1.1 Financial instruments: Categorisation

2024	Notes	Cash and deposits	Financial assets / liabilities designated at fair value through profit / loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Contractual financial assets						
Cash and deposits Receivables	6.2	645	-	-	-	645
Service and usage charges	5.1	-	-	3,381	-	3,381
Contract assets	5.2	-		2,566	-	2,566
Other receivables	5.1	-	-	203	-	203
Derivative financial assets						
Investment in Zero Emissions Water		_	5	_	_	5
(ZEW) Ltd			5			
Total contractual financial assets		645	5	6,150	-	6,800
Contractual financial liabilities Payables						
Trade creditors	5.3	-	-	-	3,313	3,313
Accrued expenses	5.3	-	-	-	2,220	2,220
Other- security deposits & retention	5.3	-	-	-	277	277
Other-taxes payable		-	-	-	26	26
Borrowings						
Loans from Treasury Corporation of Victoria (TCV)	6.1	-	-	-	124,606	124,606
Derivative financial liabilities Financial liabilities designated at fair value through profit or loss	5.6	-	109	-	-	109
Total contractual financial liabilities		-	109	-	130,442	130,551
rotal contractual infancial habilities			105		130,442	130,331

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

2023	Notes	Cash and deposits	Financial assets / liabilities designated at fair value through profit / loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Contractual financial assets						
Cash and deposits Receivables	6.2	3,188	-	-	-	3,188
Service and usage charges	5.1	-	-	2,656	-	2,656
Contract Assets	5.2	-	-	2,149	-	2,149
Other receivables	5.1	-	-	199	-	199
Derivative financial assets						
Investment in Zero		-	5	-	-	5
Emissions Water (ZEW) Ltd						
Total contractual financial assets		3,188	5	5,004	-	8,197
Contractual financial liabilities Payables						
Trade creditors	5.3	-	-	-	1,828	1,828
Accrued expenses	5.3	-	-	-	2,173	2,173
Other- security deposits & retention	5.3	-	-	-	679	679
Other taxes payable		-	-	-	26	26
Borrowings						
Loans from Treasury						
Corporation of Victoria (TCV)	6.1	-	-	-	107,525	107,525
Derivative financial liabilities						
Financial liabilities designated at fair value through profit or loss	5.6	-	120	-	-	120
Total contractual financial liabilities		-	120	-	112,231	112,351

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1.2 Financial instruments: Net holding gain/(loss) on financial instruments by category

	Net holding gain / (loss) \$'000	Total interest income / (expense) \$'000	Total \$'000
2024 Contractual financial liabilities			
Financial liabilities at amortised cost Financial liabilities designated at fair value		4,780	4,780
through profit/loss	-	-	-
Total contractual financial liabilities	-	4,780	4,780
2023			
Contractual financial liabilities			
Financial liabilities at amortised cost	-	3,627	3,627
Financial liabilities designated at fair value through profit/loss	-	-	-
Total contractual financial liabilities	-	3,627	3,627

7.1.3 Financial risk management objectives and policies

South Gippsland Region Water Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. As a whole, South Gippsland Region Water Corporation's financial risk management program seeks to manage these risks and the associated volatility of its financial performance. The main purpose in holding financial instruments is to prudentially manage South Gippsland Region Water Corporation's financial risks within the government policy parameters.

South Gippsland Region Water Corporation's main financial risks include credit risk, liquidity risk, interest rate risk, with less exposure to foreign currency risk and other price risk.

Risk management is carried out by the Corporate Services department under policies approved by the Board of Directors. Corporate Services identifies, evaluates and may hedge financial risks in close co-operation with South Gippsland Region Water Corporation's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and nonderivative financial instruments, and investment of excess liquidity.

Credit risk

Credit risk is the risk of financial loss to South Gippsland Region Water Corporation because of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from South Gippsland Region Water Corporation's receivables.

South Gippsland Region Water Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant. South Gippsland Region Water Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables (refer to section 5.1).

Financial assets (e.g. receivables) are written off against the carrying amount when there is no reasonable expectation of recovery. Impairment loss is written off by mutual consent is classified as a transaction expense. Credit losses following a unilateral decision is recognised as other economic flows in the net result.

The carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents South Gippsland Region Water Corporation's maximum exposure to credit risk without taking account of the value of any collateral obtained.

South Gippsland Region Water Corporation is continuously monitoring and assessing its credit risk profile due to the current economic impacts affecting customers. As a result, the Corporation has adjusted the credit risk profile in assessing the expected loss allowance in 2023-24.

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

The Corporation's other credit risk arises from in-the-money receipts due from the Contracts for Difference derivative under the ZEW PPA. The Corporation determines its maximum exposure to credit risk relating to the derivative financial instrument at reporting date as the sum of the nominal values of all forecasted net cash receipts where the floating price due by the proponent exceeds the fixed price payable by the Corporation over the remaining PPA term.

At 30 June 2024, South Gippsland Region Water Corporation has no other significant credit risk. There has been no material change to the South Gippsland Region Water Corporation's credit risk profile in 2023-24.

7.1.4 Credit quality of financial assets

	Financial institution (triple-A credit rating)	Other (min triple-B credit rating)	Non-rated	Total
	\$'000	\$'000	\$'000	\$'000
2024				
Financial assets				
Cash and deposits (not assessed for impairment due to materiality)	645	-	-	645
Statutory receivables (with no impairment loss recognised)	-	-	463	463
Contractual receivables applying the simplified approach for impairment	-	-	3,121	3,121
Total financial assets	645	-	3,584	4,229
2023 Financial assets Cash and deposits (not assessed for	3,188			3,188
impairment due to materiality) Statutory receivables (with no	5,100	-	426	426
impairment loss recognised)			120	120
Contractual receivable applying the simplified approach for impairment	-	-	2,429	2,429
Total financial assets	3,188	-	2,855	6,043

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

Climate related risk

Climate change is a risk to South Gippsland Region Water Corporation. Climate change risk includes the physical risk which can cause direct damage to assets or property as a result of rising global temperatures as well as transition risks which arise from the transition to low-carbon economy.

South Gippsland Region Water Corporation is primarily exposed to climate change risk through the need to have the suitable investment in infrastructure and technology to address climate change effects. South Gippsland Region Water Corporation addresses this risk through planning through the Urban Water Strategy, review of assets to meet changes in climate, targeted emission reductions and a planned drought response. As at 30 June 2024, the Corporation considered climate-related risk in the preparation of the financial statements.

Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. South Gippsland Region Water Corporation's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution.

The Corporation is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees. South Gippsland Region Water Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The Corporation obtains annual approval from the Treasurer of Victoria for new borrowings, borrowings to refinance maturing and non-maturing loans and temporary purpose borrowing facilities.

South Gippsland Region Water Corporation manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
- careful maturity planning of its financial obligations based on forecasts of future cash flows; and
- a high credit rating for the State of Victoria (Moody's Investor Services and Standard & Poor's triple-A, which assists in
 accessing debt market at a lower interest rate).

South Gippsland Region Water Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. The carrying amount in table of contractual financial liabilities are recorded in the financial statements.

The table below illustrates the maturity analysis of the derivative financial liabilities:

				N	laturity date	s	
	Carrying amount	Nominal amount	Less than 1 month	1 - 3 months	3 months - 1 year	Over 1 year	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2024							
Derivative liability	109	109	-	-	-	109	109
Total	109	109	-	-	-	109	109
2023							
Derivative liability	120	120	-	-	-	120	120
Total	120	120	-	-	-	120	120

Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of South Gippsland Region Water Corporation's financial instruments. Market risk comprises of interest rate risk, foreign exchange risk and other price risk. South Gippsland Region Water Corporation's exposure to market risk is primarily though interest rate risk, there is insignificant exposure to foreign exchange risk and insignificant exposure to other price risks.

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

Objectives, policies and processes used to manage these risks are disclosed in the paragraphs below:

a) Interest rate risk

South Gippsland Region Water Corporation minimises its exposure to interest rate changes on its long-term borrowings by holding a mix of fixed and floating rate debt. Debt is sourced from Treasury Corporation Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly. South Gippsland Region Water Corporation manages its debt and interest rate risk within the ranges set using the Treasury Management Guidelines set by the Audit and Risk Management Committee and approved by the Board.

South Gippsland Region Water Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets. South Gippsland Region Water Corporation may hold cash investment accounts with TCV, usually for a short term ahead of a planned repayment of a maturing term loan. These investments are normally made on a variable rate basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and South Gippsland Region Water Corporation's sensitivity to interest rate risk are set out in the table that follows:

	Weighted average	Total carrying amount	Variable interest rate	Fixed interest rate	Non-interest bearing
2024	interest rate %	\$'000	\$'000	\$'000	\$'000
Contractual financial assets	70				
Cash at bank	4.35%	645	645	-	-
Receivables	4.5576	3,584	-	189	3,395
Contract Assets	_	2,566	-	-	2,566
Total	-	6,795	645	189	5,961
Contractual financial					
liabilities					
Borrowings - TCV	3.23%	124,606	-	124,606	-
Payables	-	5,836	-	-	5,836
Contract Payables	-	1,722	-	-	1,722
Total	-	132,164	-	124,606	7,558
Total financial (liabilities) assets	-	(125,369)	645	(124,417)	(1,597)
	Weighted average	Total carrying amount	Variable interest rate	Fixed interest rate	Non-interest
	•	amount	interestrate	rate	bearing
	interest rate		\$'000	\$'000	\$'000
2023	•	\$'000			0
Contractual financial assets	interest rate %	\$'000	\$'000		0
Contractual financial assets Cash at bank	interest rate	\$'000 3,188		\$'000	\$'000 -
Contractual financial assets Cash at bank Receivables	interest rate %	\$'000 3,188 2,855	\$'000		\$'000 2,670
Contractual financial assets Cash at bank Receivables Contract Assets	interest rate %	\$'000 3,188 2,855 2,149	\$'000 3,188	\$'000 - 185	\$'000 2,670 2,149
Contractual financial assets Cash at bank Receivables	interest rate %	\$'000 3,188 2,855	\$'000	\$'000	\$'000 2,670
Contractual financial assets Cash at bank Receivables Contract Assets Total Contractual financial	interest rate %	\$'000 3,188 2,855 2,149	\$'000 3,188	\$'000 - 185	\$'000 2,670 2,149
Contractual financial assets Cash at bank Receivables Contract Assets Total Contractual financial liabilities	interest rate % 4.10% 	\$'000 3,188 2,855 2,149 8,192	\$'000 3,188	\$'000 - 185 - 185	\$'000 2,670 2,149
Contractual financial assets Cash at bank Receivables Contract Assets Total Contractual financial liabilities Borrowings -TCV	interest rate %	\$'000 3,188 2,855 2,149 8,192 107,525	\$'000 3,188	\$'000 - 185	\$'000 2,670 2,149 4,819
Contractual financial assets Cash at bank Receivables Contract Assets Total Contractual financial liabilities Borrowings -TCV Payables	interest rate % 4.10% 	\$'000 3,188 2,855 2,149 8,192 107,525 4,706	\$'000 3,188	\$'000 - 185 - 185	\$'000 2,670 2,149 4,819
Contractual financial assets Cash at bank Receivables Contract Assets Total Contractual financial liabilities Borrowings -TCV Payables Contract Payables	interest rate % 4.10% 	\$'000 3,188 2,855 2,149 8,192 107,525 4,706 1,758	\$'000 3,188	\$'000 	\$'000 2,670 2,149 4,819 4,706 1,758
Contractual financial assets Cash at bank Receivables Contract Assets Total Contractual financial liabilities Borrowings -TCV Payables	interest rate % 4.10% 	\$'000 3,188 2,855 2,149 8,192 107,525 4,706	\$'000 3,188	\$'000 - 185 - 185	\$'000 2,670 2,149 4,819

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

Interest rate risk sensitivity

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. South Gippsland Region Water Corporation does not hold any interest-bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. South Gippsland Region Water Corporation has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

South Gippsland Region Water Corporation's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. South Gippsland Region Water Corporation cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. A movement of 100 basis points up and down in market interest rates (AUD) is 'reasonably possible'.

The tables that follow show the impact on South Gippsland Region Water Corporation's net result and equity for each category of financial instrument held by South Gippsland Region Water Corporation at the end of the reporting period, if the above movements were to occur.

2024	Carrying amount \$'000	Net Result (+100) basis points \$'000	Equity (+100) basis points \$'000	Net Result (- 100) basis points \$'000	Equity (-100) basis points \$'000
Cash and Cash Equivalents	645	6	6	(6)	(6)
Interest bearing liabilities - variable	7,106	(71)	(71)	71	71
Total	-	(65)	(65)	65	65
		Not Pocult		Not Bocult (

2023	Carrying amount \$'000	Net Result (+100) basis points \$'000	Equity (+100) basis points \$'000	Net Result (- 100) basis points \$'000	Equity (-100) basis points \$'000
Cash and Cash Equivalents	3,188	32	32	(32)	(32)
Interest bearing liabilities - variable	2,225	(22)	(22)	22	22
Total	-	10	10	(10)	(10)

b) Price risk

The Corporation uses the Contract for Difference derivative financial instrument to manage energy related commodities purchased in the normal course of business, and therefore entered this PPA to minimise a portion of the price risk to the Corporation. South Gippsland Region Water Corporation has no significant exposure to other price risks.

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet but are disclosed and, if quantifiable are measured at nominal value.

South Gippsland Region Water Corporation was not aware of any contingent assets or contingent liabilities at the time of finalising the financial report (2023 \$Nil).

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.3 Fair value determination

This section sets out information on how South Gippsland Region Water Corporation determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating result or OCI; and
- land, buildings, infrastructure, plant and equipment.

The Corporation determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is the Corporation's independent valuation agency (or) the Corporation, in conjunction with, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes.

South Gippsland Region Water Corporation determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, South Gippsland Region Water Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The Valuer-General Victoria (VGV) is the Corporation's independent valuation agency. The Corporation, in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

How this section is structured

•

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value);
- which level of the fair value hierarchy was used to determine the fair value; and
- in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
 - a reconciliation of the movements in fair values from the beginning of the year to the end; and
 details of significant unobservable inputs used in the fair value determination.
- This section is divided between disclosures in connection with fair value determination for financial instruments (refer to Note

7.3.1), non-financial physical assets (refer to Note 7.3.2) and derivatives (refer to Note 7.3.3).

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.3.1 Fair value of financial instruments measured at amortised cost

	Carrying amount	Fair value	Carrying amount	Fair value
	2024 \$'000	2024 \$'000	2023 \$'000	2023 \$'000
Financial liabilities Loans from TCV	124,606	118,759	107,525	100,851

7.3.2 Fair value determination – Non-financial physical assets

	Carrying amount as at		urement at end o period using:	freporting
	30 June 2024 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value				
Non-specialised land	1,399	-	1,399	-
Specialised land	13,125	-	-	13,125
Total of land at fair value	14,524	-	1,399	13,125
Buildings at fair value				
Specialised buildings	2,455	-	-	2,455
Total of buildings at fair value	2,455	-	-	2,455
Infrastructure at fair value				
Infrastructure - water distribution	212,982	-	-	212,982
Infrastructure - water harvesting and major transfers	64,653	-	-	64,653
Infrastructure - water quality	44,604	-	-	44,604
Infrastructure - sewer collection	168,030	-	-	168,030
Infrastructure - sewer treatment and major disposal	90,429	-	-	90,429
Total infrastructure at fair value	580,698	-	-	580,698
Plant and equipment at fair value				
Motor vehicles	3,175	-	-	3,175
Plant and equipment	3,638	-	-	3,638
Total of plant and equipment at fair value	6,813	-	-	6,813
Total of infrastructure at fair value	604,490	-	1,399	603,091

There have been no transfers between the levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2024.

The Valuer General Victoria (VGV) is South Gippsland Region Water Corporation's independent valuation agency in relation to valuation of property, plant and equipment and infrastructure.

The South Gippsland Region Water Corporation, in conjunction with VGV monitors changes in the fair value of land and buildings through relevant data sources to determine whether revaluation is required. The fair value of infrastructure is monitored by the South Gippsland Region Water Corporation with reference to relevant data to identify whether an interim revaluation is required.

Although it is intended that asset valuations will be based on a five-year cycle, FRD 103I Non-financial physical assets requires entities to perform annual fair value assessments for each class of non-financial physical assets to determine whether additional revaluations need to be undertaken between revaluation cycles. Management performs interim valuations when the triggers of FRD103I are met.

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

Non-specialised land and non-specialised buildings

Non-specialised land and non-specialised buildings are valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value. An independent valuation was performed by the Valuer General of Victoria to determine fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From this analysis, an appropriate rate per square meter has been applied to the subject asset. The effective date of the valuation is 30 June 2021.

To the extent that non-specialised land and non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

Specialised land and specialised buildings

The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment reflects the Valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach considers the highest and best use required for fair value measurement and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For the majority of South Gippsland Region Water Corporation's specialised buildings, the current replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

An independent valuation of the South Gippsland Region Water Corporation's specialised land and specialised buildings was performed by the Valuer General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2021.

From the Corporation's 2022-23 annual fair value assessment it was found that the relevant building index had increased by 10.4% since 30 June 2021. As such, a management revaluation of the buildings asset class was performed and reflected in the accounts to the value of \$493k (including accumulated depreciation). In 2023-24, the index increased by 4.5%. This was not considered material and therefore not reflected in the accounts for 2023-24.

Plant and equipment

Plant and equipment are held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the current replacement cost method.

For all assets measured at fair value, the current use is considered the highest and best use.

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

Infrastructure assets

Infrastructure assets are valued using the depreciated replacement cost method less all forms of obsolescence and depreciation. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation. Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction includes structure services and finishes as applicable.

An independent valuation of South Gippsland Region Water Corporation's water and sewer infrastructure was carried out by the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation was 30 June 2021. These assets are classified as Level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable.

From the Corporation's 2023-24 annual fair value assessment it was found that the relevant infrastructure index had increased by 21.3% since 30 June 2021. As such, a management revaluation of the infrastructure asset classes was performed and reflected in the accounts to the value of \$131.5m (including accumulated depreciation).

Climate related factors and fair value measurement

Market participants' views of potential climate-related matters, including legislation, may affect the fair value measurement of assets and liabilities in the financial statements. Where relevant, climate-related matters may also affect the disclosure of fair value measurements, particularly those categorised within Level 3 of the fair value hierarchy. AASB 13 requires disclosure of unobservable inputs used in fair value measurements. Those inputs should reflect the assumptions that market participants would use, including assumptions about climate related risk.

The Corporation's infrastructure, property, plant and equipment assets are exposed to the risk of damage from extreme weather events such as storms, high winds, floods and drought. Changes in global climate conditions could intensify one or more of these events. In addition, extreme weather events may also increase the cost of operations. The Corporation has extensive processes in place aimed at monitoring and mitigating these risks through proactive management and early detection. The Corporation has also incorporated considerations for climate change into its risk management practices, such as the establishment and maintenance of flood management systems and increased monitoring during fire danger periods. Physical risks arising from fires, floods and drought are to a great extent subject to risk transfer and thereby within the cover of the Corporation's property and business interruption insurance programmes. However, should the frequency and severity of these events increase as a result of climate change, the cost of such coverage may increase.

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

Reconciliation of Level 3 fair value movements

2024	Specialised land \$'000	Specialised buildings \$'000	Water distribution \$'000	Water harvesting and major transfer \$'000	Water quality \$'000	Sewer collection \$'000	Sewer treatment and disposal \$'000	Motor vehicles \$'000	Plant equipment \$'000	Total \$'000
	• • • •			• • • •				• • • •		
Opening balance	13,125	2,592	166,986	51,206	32,503	123,421	70,567	4,020	4,221	468,641
Additions	-	6	1,952	239	2,763	11,788	681	395	275	18,099
Disposals	-	-	(65)	(11)	(90)	(515)	(107)	(14)	(82)	(884)
Revaluation	-	-	48,167	14,160	10,794	37,215	21,197	-	-	131,533
Depreciation	-	(143)	(4,058)	(941)	(1,366)	(3,879)	(1,909)	(1,226)	(776)	(14,298)
Closing balance	13,125	2,455	212,982	64,653	44,604	168,030	90,429	3,175	3,638	603,091
2023	Specialised land	Specialised buildings	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Sewer treatment and disposal	Motor vehicles	Plant equipment	Total
2023	•			harvesting and	Water quality \$'000	Sewer collection \$'000		Motor vehicles \$'000		Total \$'000
2023 Opening balance	land	buildings	distribution	harvesting and major transfer			treatment and disposal		equipment	
Opening	land \$'000	buildings \$'000	distribution \$'000	harvesting and major transfer \$'000	\$'000	\$'000	treatment and disposal \$'000	\$'000	equipment \$'000	\$'000
Opening balance	land \$'000	buildings \$'000 2,110	distribution \$'000 165,250	harvesting and major transfer \$'000 52,485	\$ '000 32,879	\$'000 120,083	treatment and disposal \$'000 71,622	\$'000 1,804 3,066	equipment \$'000 4,222	\$′000 463,580
Opening balance Additions	land \$'000	buildings \$'000 2,110	distribution \$'000 165,250 5,949	harvesting and major transfer \$'000 52,485 113	\$ '000 32,879 979	\$'000 120,083 7,079	treatment and disposal \$'000 71,622 936	\$'000 1,804	equipment \$'000 4,222 867	\$'000 463,580 19,105
Opening balance Additions Disposals	land \$'000	buildings \$'000 2,110 116	distribution \$'000 165,250 5,949	harvesting and major transfer \$'000 52,485 113	\$ '000 32,879 979	\$'000 120,083 7,079	treatment and disposal \$'000 71,622 936	\$'000 1,804 3,066	equipment \$'000 4,222 867	\$'000 463,580 19,105 (922)

A reconciliation from the opening balances to the closing balances for fair value measurements categorised within Level 3 of the fair value hierarchy, disclosing separately changes during the period.

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

Significant unobservable inputs in Level 3 valuations

Asset Class	Valuation technique	Significant unobservable inputs
Land and Buildings		
Specialised land	Market approach	Community Service Obligations (CSO)
Specialised buildings	Depreciated current replacement cost	Average cost per Asset Useful life
Plant, Equipment and Vehicles		
Plant and equipment	Depreciated current replacement cost	Average cost per unit Useful life
Vehicles	Depreciated current replacement cost	Average cost per unit Useful life
Water Harvesting, Treatment and		
Quality		
Storage	Depreciated current replacement cost	Average cost per unit Useful life
Treatment plants	Depreciated current replacement cost	Average cost per facility Useful life
Water Distribution		
Mains and reticulation	Depreciated current replacement cost	Average cost per meter Useful life
Pump stations	Depreciated current replacement cost	Average cost per facility Useful life
Sewer Treatment		
Treatment plants	Depreciated current replacement cost	Average cost per facility Useful life
Sewer Collection		
Mains and reticulation	Depreciated current replacement cost	Average cost per meter Useful life
Pump stations	Depreciated current replacement cost	Average cost per facility Useful life

7.3.3 Fair value determination – Financial instruments

	Carrying amount as at 30 June 2024 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Derivative instruments at fair value				
Derivative instrument - Zero Emissions Water	109	-	-	109
Total of derivative instruments at fair value	109	-	-	109

	Carrying amount as at 30 June 2023 \$'000	Fair value meası F	f reporting	
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Derivative instruments at fair value				
Derivative instrument - Zero Emissions Water	120	-	-	120
Total of derivative instruments at fair value	120	-	-	120

Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

Derivative financial liabilities

The fair value of derivative instruments is based on the discounted cash flow technique. The selection of variables requires significant judgement and assumptions in estimating the fair value of derivatives. In the absence of an active market, the fair value of the Corporation's CFD derivative is valued using unobservable inputs such as future wholesale electricity prices provided by DEECA's independent advisor and comparable risk-free rates of zero-coupon government bonds obtained from the Reserve Bank of Australia. The assumptions underpinning the estimate of future wholesale electricity prices included factors influencing supply and demand fluctuations, and the current economic climate. In addition, assumptions are applied to forecast the renewable energy generation volumes over the life of the derivative instrument.

To the extent that the significant inputs are unobservable, the Corporation categories these derivatives as Level 3 within the fair value hierarchy. Last revaluation applied was as at 30th June 2023 (\$120k).

A reconciliation from the opening balances to the closing balances for fair value measurements is set out within the following table categorised within Level 3 of the fair value hierarchy for financial instruments, disclosing separately changes during the period.

	Derivative financial instrument \$'000
2024	ý từ t
Opening balance	120
Gains/(losses) recognised in profit or loss	-
Net cash settlements paid/(received)	(11)
Closing balance	109
2023	
Opening balance	74
Gains/(losses) recognised in profit or loss	33
Net cash settlements paid/(received)	13
Closing balance	120

Notes to the financial statements

NOTE 8: STATUTORY OBLIGATIONS

Introduction

This section included disclosures in relation to South Gippsland Region Water Corporation's statutory obligations.

8.1 Tax

8.1.1 Income tax

South Gippsland Region Water Corporation is subject to the National Tax Equivalent Regime (NTER), pursuant to section 88(1) of the *State-Owned Enterprises Act 1992*, which is administered by the Australian Taxation Office. The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 25% (2023: 25%), adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Change in accounting estimate tax rate:

For the 2024 income year, entities that are classified as base rate entities are eligible for the reduced tax rate of 25% (2023:25%). This applies to corporate entities that:

• Have an aggregated turnover less than the \$50 million for the 2024 income year.

• 80% or less of their assessable income is base rate entity passive income, which includes passive incomes such as rent, interest capital gains and corporate distributions.

As South Gippsland Region Water Corporation turnover is less than \$50 million for the year ended 30 June 2024 it will be eligible for the reduced tax rate of 25% based on the competitive neutrality principle. The reduced rate has been applied when preparing the tax calculations.

The differences are reconciled as follows:

Notes	2024 \$'000	2023 \$'000
Income Statement		
Current income tax expense (paid or payable)	_	_
Adjustments to prior years	-	-
Deferred income tax expense	-	-
Temporary differences	(2,165)	(1,315)
Adjustments to previous years	-	-
Income tax reported in the comprehensive operating	(2,165)	(1,315)
statement	(_,,	(_)===)
Statement of changes in equity		
Net deferred tax - credited directly to equity	(32,883)	(124)
Income tax reported in equity	(32,883)	(124)
Tax reconciliation		
Net result before income tax	(8,749)	(4,463)
Tax at the Australian tax rate of 25% (2023: 25%)	(2,187)	(1,116)
Non-deductible expenses	12	3
Other deductible expenses	(14)	-
Adjustment for prior years - tax rate change	16	-
Temporary difference on property, plant & equipment not affecting Profit (Loss)	8	(202)
Income tax on profit/(loss) before tax	(2,165)	(1,315)

Notes to the financial statements

NOTE 8. STATUTORY OBLIGATIONS (CONTINUED)

8.1.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

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

Deferred tax assets

Deferred tax assets		
	2024	2023
	\$'000	\$'000
Amounts recognised in Comprehensive Operating Statement		
Doubtful debts	29	38
Employee benefits	953	934
Tax losses	19,638	18,705
Other	676	674
Total deferred tax assets	21,296	20,351
Movements:		
Opening balance at 1 July	20,351	20,267
Credited/(debited) to the Comprehensive Operating Statement	945	84
Closing balance at 30 June	21,296	20,351
•		· · · · · · · · · · · · · · · · · · ·
Deferred tax asset expected to be recovered after more than 12 months	54	74
Deferred tax asset expected to be recovered within 12 months	1,604	1,572
Tax losses	19,638	18,705
Ending balance at 30 June	21,296	20,351
Deferred tax liabilities		
	2024	2023
	\$'000	\$'000
	,	
Amounts recognised in Comprehensive Operating Statement		
Depreciation	(11,823)	(13,043)
Amounts recognised directly in equity		
Revaluation of infrastructure, property, plant and equipment	(98,716)	(65,833)
Total deferred tax liabilities	(110,539)	(78,876)
Movements		
Opening balance at 1 July	(78,876)	(79 <i>,</i> 984)
	(10,010)	
Credited/(debited) to the Comprehensive Operating Statement	(31,663)	1,108
		1,108 (78,876)
Credited/(debited) to the Comprehensive Operating Statement	(31,663)	
Credited/(debited) to the Comprehensive Operating Statement	(31,663)	
Credited/(debited) to the Comprehensive Operating Statement Closing balance at 30 June	(31,663) (110,539)	(78,876)
Credited/(debited) to the Comprehensive Operating Statement Closing balance at 30 June Deferred tax liabilities expected to be settled after more than 12 months	(31,663) (110,539)	(78,876)

Notes to the financial statements

NOTE 8. STATUTORY OBLIGATIONS (CONTINUED)

8.2 Environmental contribution

The Water Industry (Environmental Contributions) Act 2004 (the Act) amended the Water Industry Act 1994 to make provision for environmental contributions to be paid by water authorities. The Act establishes an obligation for authorities to pay into a consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the preestablished schedule of payments, which sets out the amounts payable by each South Gippsland Region Water Corporation. The contribution period has been extended until 30 June 2024.

The purpose of the environmental contribution is set out in the Act, and the funding may be used for financing initiatives that seek to promote the sustainable management of water or address water-related initiatives.

The Corporation has a statutory obligation to pay an environmental contribution to the Department of Energy, Environment and Climate Action (DEECA).

This contribution is recognised as an expense during the reporting period as incurred.

	2024 \$'000	2023 \$'000
Environmental contribution levy	1,369	1,369

Notes to the financial statements

NOTE 9: OTHER DISCLOSURES

Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

9.1 Reserves

9.1.1 Physical asset revaluation surplus

Asset revaluation surplus

	2024 \$'000	2023 \$'000
Physical asset revaluation surplus		
Opening balance	190,510	190,140
Revaluation increment for year	131,533	494
Tax effect on revaluation	(32,883)	(124)
Closing balance	289,160	190,510

9.2 Other economic flows included in net results

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

• the revaluation of the present value of the long service leave liability due to changes in the bond interest rates;

- reclassified amounts relating to available-for-sale financial instruments from the reserves to net result due to a disposal
 or derecognition of the financial instrument. This does not include reclassification between equity accounts due to
 machinery of government changes or 'other transfers' of assets; and
- The revaluation gain or loss on the fair value of derivative financial instrument.

	2024 \$'000	2023 \$'000
Net gain/(loss) on non-financial assets Net gain/(loss) on disposal of infrastructure, property, plant and equipment	(820)	(525)
Total net gain(loss) on non-financial assets	(820)	(525)
Net gain/(loss) on financial instruments Net (gain)/loss) arising from revaluation of financial liabilities at fair value through net result - market risk Total net gain/(loss) on financial instruments	-	(33) (33)
Total other gains/(losses) from other economic flows	(820)	(558)

(Gain)/Loss on the fair value of derivative financial instrument represents the movement in the fair value of the financial instrument compared to initial recognition. This net gain/loss reflects a positive/negative fair value movement in the Corporation's electricity derivative in the PPA as a result of higher/lower floating electricity prices. Any gain/loss is recognised as an other economic flow included in net result.

Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

9.3 Events occurring after the balance date

The following matter has arisen since the end of the financial year which significantly affected, or may significantly affect the operations of the South Gippsland Region Water Corporation the results of those operations, or state of affairs of the South Gippsland Region Water Corporation in future financial years:

• Efficiency payment to Department of Energy, Environment and Climate Action (DEECA) designated as distribution to owners (\$300k) in July 2024.

9.4 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the Financial Management Act 1994, the following disclosures are made regarding responsible persons for the reporting period.

The names of persons who were responsible persons at any time during the financial year were:

Name	Title	Period of appointment
The Hon. Harriet Shing MP	Minister for Water	1 July 2023 - 30 June 2024
Mr Philip Clark	Chair	1 July 2023 - 30 June 2024
Mrs Nicola Hepenstall	Deputy Chair	1 July 2023 - 30 June 2024
Mr Robert Murphy	Managing Director	1 July 2023 - 30 June 2024
Ms Diana Nestorovska	Director	1 July 2023 - 30 June 2024
Mrs Sumi Prabhakaran	Director	1 July 2023 - 30 June 2024
Mr Chris Rose	Director	1 July 2023 - 30 June 2024
Ms Carly Moore	Director	1 July 2023 - 30 June 2024
Ms Jennifer Ryan	Director	1 July 2023 - 30 June 2024
Mr Nicholas Fleming	Director	1 July 2023 - 30 September 2023
Ms Duean White	Director	1 October 2023 - 7 December 2023

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of South Gippsland Region Water Corporation during the reporting period was in the range: 330,000 - 339,999 (2023: 310,000 - 319,999).

	2024	2023
Income band (\$)		
5,000-9,999	2	-
10,000-19,999	-	-
20,000-29,999	5	6
30,000-39,999	1	1
50,000-59,999	1	1
330,000-339,000	1	1
Total responsible persons	10	9
Total remuneration (\$'000)	577	595

9.5 Remuneration of executives

The number of executive officers, other than the Minister and Accountable Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period. The additional responsible person in 2024 was due to a changeover in directors, with the resignation of one director, and the subsequent new appointment of another.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave, or sick leave that are usually paid or payable on a regular basis. Executives are not eligible to receive non-monetary benefits.

Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased. South Gippsland Region Water Corporation does not provide post-employment benefits or share based payments.

Other long-term benefits only refer to long service leave. There are no other long-service benefits or deferred compensation. Termination benefits include termination of employment payments, such as severance packages.

	2024	2023
	\$'000	\$'000
Short-term employee benefits	1,112	1,058
Post-employment benefits	203	170
Other long-term benefits	29	44
Total remuneration	1,344	1,272
Total number of executives	6	5
Total annualised employee equivalents	5.3	3.5

 The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures. KMP's are reported within the related parties note disclosure (Note 9.6).

Annualised employee equivalent is based on the time fraction worked over the reporting period.

9.6 Related parties

South Gippsland Region Water Corporation is a wholly owned and controlled entity of the State of Victoria.

Related parties of South Gippsland Region Water Corporation include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the South Gippsland Region Water Corporation, directly or indirectly, this comprises independent Directors and the Managing Director.

Key management personnel (as defined in AASB 124 Related Party Disclosures) includes the Portfolio Minister and all Directors listed under responsible persons in note **Error! Reference source not found.** and members of the executive leadership team who have the authority and responsibility for planning, directing and controlling the activities of the South Gippsland Region Water Corporation directly or indirectly, during the financial year.

Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

Remuneration of key management personnel

The compensation below excludes the salaries and benefits of the Minister for Water. The Minister's remuneration and allowances are set by the Parliamentary Salaries and Superannuation Act 1968 and is reported within the State's Annual Financial Report.

	2024 \$'000	2023 \$'000
Compensation of key management personnel		
Short-term employee benefits	1,632	1,598
Post-employment benefits	253	218
Other long-term benefits	35	51
Total remuneration	1,920	1,867

Significant transactions with government-related entities

During the year, South Gippsland Region Water Corporation had the following government-related entity transactions:

Government-related entity receipts

Entity name	Brief description of main activity	2024 \$'000	2023 \$'000
Department of Families, Fairness and Housing (DFFH)	Refund of concession rebates	1,905	1,843
State Revenue Office	Refund of charities rebates	150	150
Zero Emissions Water Limited	Rates and charges	-	10
Treasury Corporation of Victoria	Loan proceeds	23,381	18,500
Government-related entity payments		2024	2023
Entity name	Brief description of main activity	\$'000	\$'000
Treasury Corporation of Victoria Department of Energy,	Interest on borrowings	3,532	2,553
Environment and Climate Action (DEECA)	Environmental contribution	1,369	1,369
Department of Treasury and Finance	Financial accommodation levy	1,248	1,074
Environment Protection Authority	Licence fees and levies	97	30
VAGO	External Audit	68	65
Zero Emissions Water Limited	Rates and charges	11	-
Treasury Corporation of Victoria	Loan repayments	6,300	4,668
Melbourne Water	Bulk Entitlement	650	558
State Revenue Office (SRO)	Payroll Tax	218	187

Transactions with key management personnel and other related parties

Given the breadth and depth of South Gippsland Region Water Corporation's activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. water, wastewater and related services. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004 and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with South Gippsland Region Water Corporation there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

All other transactions that have occurred with Key Management Personnel and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making decisions and evaluating the allocation of scarce resources.

ZEW transactions

South Gippsland Region Water Corporation is one of 12 water corporation members of Zero Emissions Water Limited (ZEW), a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from energy and emissions reduction facilities in Victoria and in turn supply these products to its members. This vehicle provides the opportunity for water corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria and to reduce emissions.

ZEW is a related party of the South Gippsland Region Water Corporation . Below is a summary of transactions and holdings with ZEW.

	2024 \$'000	2023 \$'000
Sales to ZEW	(2)	(11)
Purchases from ZEW	13	4
Loans to/from ZEW	5	5

9.7 Remuneration of auditors

		2024 \$'000	2023 \$'000
Audit Services - Victorian Auditor-General's Office (VAGO)	Annual external audit fee	89	65
Non-VAGO audit and assurance services	Internal audit	114	80
Total remuneration of auditors		203	145

9.8 Ex-gratia payments

South Gippsland Region Water Corporation did not make any ex-gratia payments during 2023-2024 \$62k (2023: \$Nil). In accordance with FRD 11A Disclosure of Ex-Gratia Expenses South Gippsland Region Water Corporation must disclose in aggregate the total amount of material items (greater than \$5,000).

9.9 Changes in accounting policies

Corporation applied for the first-time certain standards and/or amendments, which are effective for annual periods beginning on or after 1 July 2023 (unless otherwise stated).

Material accounting policy information

The Corporation also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 July 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

9.10 Australian Accounting Standards issued that are not yet effective

The following AASs become effective for reporting periods commencing after the operative dates stated:

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2024 reporting period. DTF assesses the impact of all these new standards and advises the South Gippsland Region Water Corporation of their applicability and early adoption where applicable.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on the Department's reporting.

- AASB 17 Insurance Contracts.
- AASB 2014-10 Amendments to Australian Accounting Standards Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2021-2 Amendments to Australian Accounting Standards Disclosure of Accounting Policies and Definitions of Accounting Estimates.
- AASB 2021-5 Amendments to Australian Accounting Standards Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- AASB 2021-6 Amendments to Australian Accounting Standards Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards.
- AASB 2022-1: Amendments to Australian Accounting Standards Initial Application of AASB 17 and AASB 9 Comparative Information.
- AASB 2020-1 Amendments to Australian Accounting Standards Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities– AASB 101.
- AASB 2022-10 Amendments to Australian Accounting Standards Classification of Liabilities as Current or Non-Current – AASB 13.

Statutory Certification



Statutory Certification

SOUTH GIPPSLAND REGION WATER CORPORATION

Accountable officers' and chief finance and accounting officer's declaration 2023-24

The attached financial statements for South Gippsland Water Region Water Corporation have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards, Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying Notes, presents fairly the financial transactions during the year ended 30 June 2024 and the financial position of the Corporation as at 30 June 2024.

At the time of signing we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on the 4th October 2024

Miaa Sepon tall

Nicola Hepenstall Acting Chair

sht du

Robert Murphy Managing Director

Tira Jones Chief Financial Officer

Dated this day, the 4th October 2024

Independent Auditor's Report

		VAGO
Indepen	dent Auditor's Report	Victorian Auditor-General's Office
To the Board o	of the South Gippsland Region Water Corpor	ration
Opinion	I have audited the financial report of the South Gipp corporation) which comprises the:	osland Region Water Corporation (the
	 balance sheet as at 30 June 2024 comprehensive operating statement for the yestatement of changes in equity for the year the cash flow statement for the year then ended notes to the financial statements, including maccountable officers' and chief finance and and 	hen ended naterial accounting policies
	In my opinion, the financial report presents fairly, in the corporation as at 30 June 2024 and its financial p ended in accordance with the financial reporting rec <i>Management Act 1994</i> and applicable Australian Acc	performance and cash flows for the year then quirements of Part 7 of the <i>Financial</i>
Basis for Opinion	I have conducted my audit in accordance with the A Auditing Standards. I further describe my responsibi Auditor's Responsibilities for the Audit of the Financia	lities under that Act and those standards in the
	My independence is established by the <i>Constitution</i> corporation in accordance with the ethical requirem Standards Board's APES 110 <i>Code of Ethics for Profe</i> . to my audit of the financial report in Victoria. My star responsibilities in accordance with the Code.	nents of the Accounting Professional and Ethical ssional Accountants (the Code) that are relevan
	I believe that the audit evidence I have obtained is so my opinion.	ufficient and appropriate to provide a basis for
Other Information	The Board is responsible for the "Other Information" the year ended 30 June 2024. The Other Information financial report, the performance report and my auc financial report does not cover the Other Informatio do not express any form of assurance conclusion the	n in the Annual Report does not include the ditor's reports thereon. My opinion on the on included in the Annual Report. Accordingly, I
	In connection with my audit of the financial report, r Information when it becomes available and, in doing materially inconsistent with the financial report, or c otherwise appears to be materially misstated. If, bas that there is a material misstatement of this Other In have nothing to report in this regard.	g so, consider whether the Other Information is our knowledge obtained in the audit or sed on the work I have performed, I conclude
Board's responsibilities for the financial report	The Board of the corporation is responsible for the preport in accordance with Australian Accounting Sta <i>1994</i> , and for such internal control as the Board deternand fair presentation of a financial report that is free fraud or error.	ndards and the <i>Financial Management Act</i> ermines is necessary to enable the preparation e from material misstatement, whether due to
	In preparing the financial report, the Board is respor continue as a going concern, disclosing, as applicable the going concern basis of accounting unless it is ina	e, matters related to going concern and using

T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Independent Auditor's Report

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting
 and, based on the audit evidence obtained, whether a material uncertainty exists related to
 events or conditions that may cast significant doubt on the corporation's ability to continue
 as a going concern. If I conclude that a material uncertainty exists, I am required to draw
 attention in my auditor's report to the related disclosures in the financial report or, if such
 disclosures are inadequate, to modify my opinion. My conclusions are based on the audit
 evidence obtained up to the date of my auditor's report. However, future events or
 conditions may cause the corporation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE 7 October 2024

Paul Martin as delegate for the Auditor-General of Victoria

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Figure 4: Total recordable injury frequency rate 2018–19 to 2023–24	67
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HEAD OFFICE	14–18 Pioneer Street (PO Box 102) FOSTER VIC 3960 Phone (03) 5682 0444 Fax (03) 5682 1199 Email sgwater@sgwater.com.au Web sgwater.com.au
RESPONSIBLE MINISTER	The responsible Minister for the period from 1 July 2023 to 30 June 2024 was the Hon Harriet Shing.
BANKERS	Westpac Bank 28 Bair Street, LEONGATHA VIC 3953
AUDITORS	Auditor General, Victoria By RSM Australia Pty Ltd
INSURANCE BROKER	Marsh Pty Ltd
SOLICITORS	Oakleys White and Russell Kennedy
INDUSTRY ASSOCIATIONS	 Australian Water & Wastewater Association Institute of Water Administration Victorian Water Industry Association
OTHER ASSOCIATIONS	 Business Management Health Services Candowie-Lance Creek Catchment Management Group South Gippsland Landcare Network Victorian Employers Chamber of Commerce & Industry West Gippsland Catchment Management Authority Gunaikurnai Land and Water Aboriginal Corporation (GLaWAC) Gunaikurnai Traditional Owner Land Management Board (GKTOLMB) Bunurong Land Council Aboriginal Corporation
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