

 South
Gippsland Water

2018 / 2019 ANNUAL REPORT

South Gippsland Water Highlights 2018/2019

Climate Change

South Gippsland Water is committed to greenhouse gas emissions reduction and has pledged a decrease of 15% by 1 July 2025 whilst working towards achieving net zero emissions by 2050, as per the Victorian Government's water plan, Water for Victoria.

Solar power, purchasing green power and accredited carbon offsets, collaborative renewable energy projects and investing in energy efficiencies are all on the list of priorities for South Gippsland Water to investigate and implement.

Take2 Climate Change

In its commitment to tackling climate change, South Gippsland Water joined thousands of Victorians who have made the TAKE2 pledge. TAKE2 is the state's collective climate change program supporting individuals, government, business and other organisations to help keep temperature rise under two degrees and achieve net zero emissions by 2050.



Water Sector Signs Innovative Energy Deal

Thirteen leading Victorian water corporations, including South Gippsland Water, have formed a new energy partnership that will help to minimise greenhouse gas emissions and reduce energy costs. Through this new umbrella organisation, Zero Emissions Water (ZEW), South Gippsland Water will purchase approximately 20% of its annual energy needs (922MWh) from Kiamal Solar Farm in north-west Victoria.

Water Security

Supplying over 60% of South Gippsland Water's customer base, the Lance Creek Water Connection is a key component in South Gippsland Water's long-term strategy to secure water supplies for the region for the next 50 years.

New Water Flows – Lance Creek Water Connection

At the end of 2018, the \$43million Lance Creek Water Connection was commissioned ahead of schedule, with the townships of Korumburra, Poowong, Loch and Nyora receiving water from the Lance Creek Supply System. The 30km pipeline and new pump



stations at Lance Creek and Korumburra now deliver on average 14,830KL of water per day; water is chloraminated and fluoridated to meet Department of Health requirements and world class drinking water standards.

Connecting to Victoria's Water Grid

The project connects the Lance Creek Water Supply System to Victoria's water grid, providing access to water from the Melbourne supply system. The combination of these systems will secure water supply for the region and provide a dependable environment for community development, economic growth and future investment. Significantly, the switch over to this secure water supply meant that Korumburra, Poowong, Loch and Nyora entered their first summer for some years without the looming prospect of water restrictions.

Future Use of Water - Rethinking Reservoirs

South Gippsland Water is working with community and stakeholders to explore a range of possibilities for the future use of the four reservoirs no longer needed for the supply of water to Korumburra, Poowong, Loch and Nyora – Ness Gully, Bellview Creek, Coalition Creek and Little Bass. The Corporation continues dam safety monitoring and maintenance at all four reservoirs as it explores options for returning the dams to the natural environment or their use, as a community and/or regional assets.

Safety First

"Start Safe, Work Safe, Home Safe", this is our Corporate safety mantra and 2018/19 has seen South Gippsland Water undertake a full review of its health and safety culture. Wilson Consulting Group assisted in a review of all areas of the organisation.

Safety Summit

In May 2019, 22 representatives from across our organisation, came together to hold a Safety Summit, this was a first step in delivering some of the reviews recommendations on how we can improve the Workplace Health and Safety Culture at South Gippsland Water.

Confined Space Training

Operations and maintenance staff were involved in a range of practical height-safety and confined space training activities and re-assessment programs as part of the Corporation's commitment to risk minimisation and workplace safety. Between two to six confined space entries can occur per month and ensuring staff training is up-to-date and that procedures and protocols reflect best practice means that the job gets done well and it gets done safely.



South Gippsland Water Partnerships

South Gippsland Water recognises that engaging, informing and consulting with its customers and stakeholders is pivotal to the effectiveness of its services and ensures that water management and planning delivers outcomes for resilient and liveable communities.

AWA – Water Utility Improvement Program

South Gippsland Water is partnering with Indonesian water authority PD PAL Jaya (Jakarta) under the Australian Water Association (AWA) funded Water Utilities Improvement Programme. This programme is expected to run for two years and provides both water authorities

with the opportunity to share knowledge and experiences for mutual improvement.



Aboriginal Cultural Values

South Gippsland Water has been working with other Gippsland Environmental Agencies in progressing a Partnership Agreement and Partner Action Plan with the Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC). Mentoring programs, shared traineeships and strengthened social procurement practices are priorities, along with cultural awareness and heritage training for employees.

Maintaining Assets

A program of upgrades and renewal works each financial year supports South Gippsland Water's commitment to supplying high quality drinking water and providing a reliable, safe and efficient wastewater service.

11km Hi-tech Sewer Relining

After closed circuit tv (CCTV) inspections of approximately 45 kilometres of sewer mains, some 11km of sewer mains have been relined in Inverloch, Korumburra and Leongatha this financial year. Relining the pipes is a cost efficient way of repairing sewer mains without the disruption and expense needed to excavate and replace the pipe. The PVC liners not only repair the pipe but they add an extra 50 year life span to the asset.

New Sewer Inlet Works – Wonthaggi Wastewater Treatment Plant

Construction of a new inlet pump station including two new manholes, a new muncher pit for future use, a new pump station

which will be able to pump raw sewage at rates of up to 200 litres per second and a new mechanical screen and screen pit so as to remove any rags. Finally the emergency lagoon capacity will be more than doubled so as to help cope with large scale rain events.



Purpose and Vision



Purpose

We provide sustainable water services that are essential to the prosperity and wellbeing of our communities and natural environments.

Vision

Our customers value the services and outstanding experiences proudly delivered by our capable and committed teams.

To fulfil our 2023 Vision

Delivering on Government priorities, our Achievement Culture and Productive Practices deliver Outstanding Customer experiences and Valued Services that contribute to Thriving Communities and a Healthy Environment.



Outstanding customer experience

- Our customers say we are fair and reasonable, professional and friendly, and easy to deal with.
- Our customers say we provide consistent, reliable, high quality services.



Healthy environment

- We progressively reduce our environmental impact.
- We effectively plan and adapt for climate variability.
- We contribute towards improving the region's waterways, coastal habitat, and the land we manage.



Delivering valued services

- We make sound decisions that benefit the region.
- Our business and infrastructure planning ensures service reliability and sustainability.
- We work collaboratively with partners and stakeholders.



Achievement culture

- We invest in developing people to achieve their potential.
- We foster inclusion, trust and constructive behaviours.
- Our workplace practices empower achievement.
- Our safety culture ensures we do not compromise on safety and wellbeing.



Thriving communities

- We contribute to prosperous and healthy communities.
- We provide effective support programs for our customers.
- We listen to and respond effectively to community concerns about our services and activities.



Productive practices

- We increase effectiveness by leveraging technology and streamlining processes.
- We enable innovation and strive to find new ways to improve our business.
- We invest in business infrastructure and support services that enable performance.



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Our Region

South Gippsland – The Region

South Gippsland is located less than two hours' drive from the south eastern suburbs of Melbourne. The region has a key focus on the natural environment with two internationally recognised National Parks, Wilsons Promontory and Tarra Bulga, north east of Yarram. South Gippsland is a popular tourist destination, well known for its coastal resorts such as Inverloch, Cape Paterson, Waratah Bay, Sandy Point and Port Albert.

Dairy farming is the major industry in the region. It sits alongside a range of other important agricultural and horticultural enterprises including beef, lamb, wine, cheese and vegetable production, and a commercial fishing industry.

Based on our purpose, vision and outcomes, South Gippsland Water recognises that water is fundamental to our communities, industries and natural environment.

As a regional service provider South Gippsland Water's aim is to support economic development and strong communities. The Corporation is proactive in providing environmentally sustainable water and wastewater services in a way that benefits our customers and the wider community.

Nature and Range of Services Provided

South Gippsland Water's service area covers 4,000 square kilometres and its total operation in 2018/19 comprised:

Headworks

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

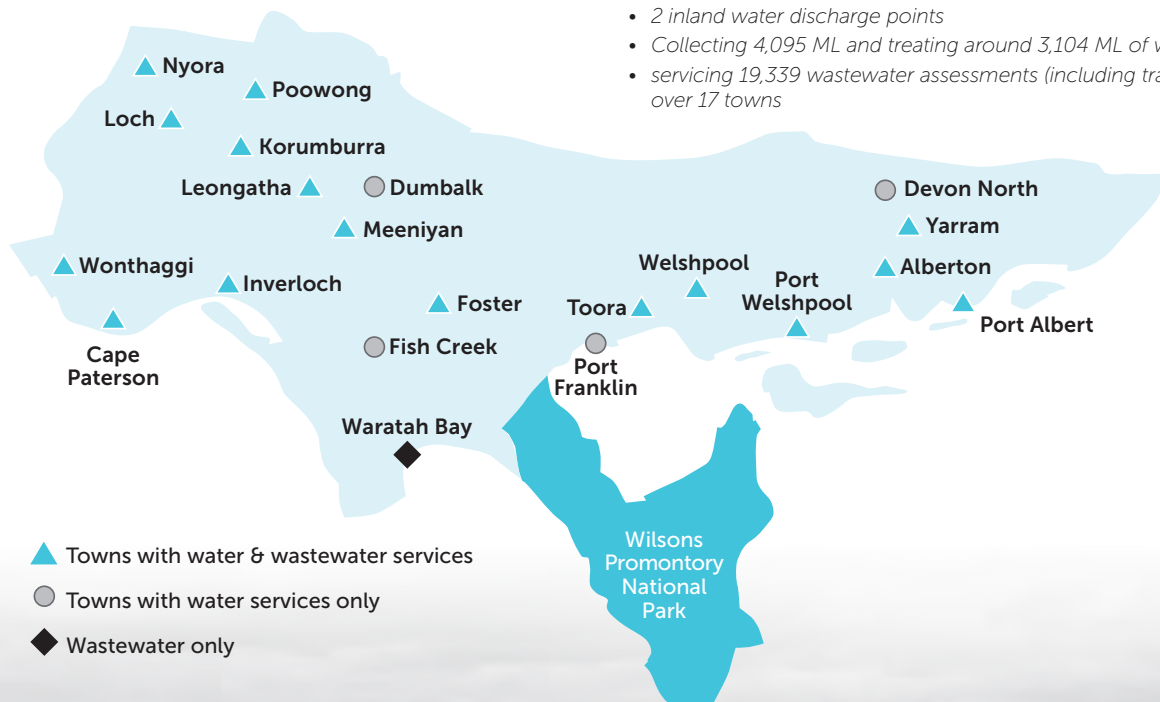
Water Services

- Moving from 10 separate water supply systems to 8*
- Moving from 10 water treatment plants to 8*
- 772km of water mains
- 18 water pump stations
- 13 reservoirs and 18 service storages
- 4,590 million Litres (ML) annual volume of metered water supplied to customers
- servicing 21,570 water assessments over 21 towns.

*Due to the commissioning of the Lance Creek connection.

Sewerage (Wastewater) Services

- 10 conventional wastewater collection systems
- 1 vacuum wastewater system
- 2 pressure sewer systems
- 11 sewage treatment plants
- 1 dedicated saline trade waste system
- 505km of wastewater mains
- 67 wastewater pump stations
- 540 residential pressure pump stations
- 4 marine environment outfalls
- 2 inland water discharge points
- Collecting 4,095 ML and treating around 3,104 ML of wastewater.
- servicing 19,339 wastewater assessments (including trade waste) in over 17 towns



Our Region

South Gippsland Water and Sewerage Service Localities

Centres	Population Served (Permanent)	Water		Sewerage Customers Billed
		Customers Billed	Supplied From	
Port Franklin	134	108	Agnes River	Not serviced
Port Welshpool	209	289	Agnes River	271
Toora, Agnes, Bennison	781	521	Agnes River	289
Welshpool, Hedley	331	207	Agnes River	123
Fish Creek	827	209	Battery Creek	Not serviced
Korumburra	4,469	2329	Coalition Creek	2,011
Foster	1,842	891	Deep Creek / Foster Dam	805
Inverloch, Wattle Bank	5,437	4,771	Lance Creek	4,738
Cape Paterson	891	1,202	Lance Creek	1,185
Wonthaggi, South Dudley, Glen Alvie, Kongwak, Lance Creek	8,730	4,762	Lance Creek	4,541
Loch	638	156	Little Bass	119
Nyora	1,527	361	Little Bass	197
Poowong	643	207	Little Bass	138
Koonwarra	404	82	Ruby Creek	Not serviced
Leongatha, Kardella, Leongatha South, Ruby	5,654	3,227	Ruby Creek	3,045
Alberton	262	146	Tarra River	101
Devon North, Tarra Valley	344	125	Tarra River	Not serviced
Port Albert	293	399	Tarra River	336
Yarram	2,135	1,196	Tarra River	1,081
Dumbalk	413	107	Tarwin River	Not serviced
Meeniyan	771	275	Tarwin River	244
Waratah Bay	216	Not serviced	N/A	115
Total	36,819	21,570		19,339

Notes:

Population Served based on ABS 2017 Census data. The ABS method of calculation of population is based on State Suburbs (SSC) and may not always reflect the exact sewer/water district.

Water and Sewerage Assessments = Number of Rated Properties at June 2019.



Statement by the Chair and Managing Director

We are pleased to present the Report of Operations for South Gippsland Water for the year ending 30 June 2019.

The Corporation has seen some substantial achievements throughout the year with a major accomplishment being the completion of the Lance Creek Water Connection in December 2018, a \$43M project that has secured the long term water supply for the townships of Korumburra, Poowong, Loch and Nyora. Lance Creek Water Connection was completed within budget and six months ahead of schedule to ensure the connected townships were not subject to staged water restrictions over the recent summer months.

The State Government backed Lance Creek Water Connection project involves the interconnection of smaller surface water supplies to the corporation's largest reservoir, Lance Creek. The project utilises an existing connection to the Melbourne Supply System, including Cardinia Reservoir and the Wonthaggi Desalination Plant. The water treatment team have utilised the connection to optimise drinking water taste from the system that historically experienced variances due to the presence of blue green algae during periods of warmer weather.

Safety and the environment remain key focuses for the Corporation. An extensive safety analysis was undertaken across the organisation during 2019. The project resulted in a Health and Safety Roadmap for South Gippsland Water which sets a framework for changed work practices and increased awareness of individual safety responsibilities.

We continue to work towards meeting a greenhouse gas emissions reduction pledge of 15% by 1 July 2025. The installation of a 75.6 kW system comprising of some 278 solar panels and three inverters at the Corporation's Lohr Avenue pump station was completed and investigative work is underway for further projects to offset organisational energy needs from renewable sources. These energy saving projects will contribute to the key goal of achieving net zero carbon emissions by 2050.

With a driver for delivering efficient programs and developing leadership qualities across the range of teams, the Operations and People and Culture teams facilitated delivery of the Lean and Leadership programs. The organisation celebrated internal achievements across the teams at an inaugural all staff event in October 2018. The event highlighted the significant diversity of skill and expertise across the South Gippsland Water employee base.

South Gippsland Water also continues to be an active member of a number of strategic partnerships including the Gippsland Regional Water Alliance with neighbouring water corporations, Westernport Water, Gippsland Water, East Gippsland Water and Southern Rural Water. The partnership provides the opportunity to work together in areas such as procurement, safety, information technology, customer and community and capability sharing this has resulted in significant collaboration, information sharing and savings through efficiency.

The Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) partnership has been active throughout the year and works towards strengthening community ties and shared regional objectives of local indigenous communities.

During the year the corporation launched the Family Violence Customer and Employee Support Program. This program assists customers experiencing the impacts of family violence receive additional support in navigating communication, accounts and access to other services as well as increased protection of private information. The program also provides a range of supports to impacted employees, all staff received training to raise awareness of the issue in the region, supported by Salvo Care and Uniting Kildonan.

The year saw progression on the development of the Price Submission to commence in 2020 (PS2020). The process has incorporated a whole of organisation approach and utilised the guidance of six key community outcomes developed in 2018. The Corporation has taken this opportunity to undertake an in-depth review of services, efficiencies, business sustainability, future directions and pricing and in partnership with community are testing the balance between price, service and sustainability to inform the future direction of the organisation.

South Gippsland Water employs 125 staff, serving a permanent population of over 35,000 customers. During peak periods this increases by tens of thousands. The 2018/19 year has seen water security delivered to over 70% of our customer base as we continue to manage quality water and wastewater systems that provide reliable services to our region.

We are proud of this year's achievements and would like to thank all South Gippsland Water staff for their continued dedication and professionalism.

David Schultz
Chair

Philippe du Plessis
Managing Director



The Board

From the 1st July 2018 to 30th June 2019 the Board consisted of:



David Schultz – MIEAust, CPEng, GAICD

Appointed 1st October 2011

Chair

David Schultz is a Civil Engineer and is a graduate of the Australian Institute of Company Directors course. He is a non-Executive Director of Life Saving Victoria. David, along with his wife Jan and family, has owned a holiday house in Inverloch for over 30 years. He has been actively involved with the Inverloch Surf Life Saving Club since it started in 1998, being a member of the first patrol, President of the club from 1999 until 2006 and now a life member. Previously, David held various executive roles with GHD Global including Practice Leader of the management consulting practice and Senior Project Director Middle East.



Anna Kilborn – BSc, GAICD

Appointed 1st October 2011

Deputy Chair

Anna Kilborn is an environmental scientist with over 25 years' experience in integrated planning and stakeholder engagement. She holds a Bachelor of Science and is a graduate of the Australian Institute of Company Directors course. Anna is currently a member of the Victorian Environmental Assessment Council and has previously served as a member of the Regional Development Australia Gippsland Committee. She is committed to encouraging innovative solutions for complex problems, and promoting integrated planning and sustainability across Gippsland. Anna has lived locally for over 12 years, and is actively engaged in local and regional communities.



Kate Young

Appointed 1st October 2015

Kate Young is a town planner at Crowther & Sadler. Kate is currently on the Board at Gippsland Grammar, chairing the Governance Committee, and is a former Director of the East Gippsland Catchment Management Authority. Kate also served on the Gippsland Lakes Ministerial Advisory Committee and East Gippsland Shire Inundation and Adaption Management Project Steering Group Committee. Kate has a Bachelor of Arts (Psychology), post graduate qualifications in Planning and Environment, Arts (Criminology) and is a graduate of the Australian Institute of Company Directors course.



Chris Rose

Appointed 1st October 2017

Christopher Rose is a Director and Founder of ThreePipe Consulting Pty Ltd. He has more than 30 years' experience in public land management working closely with community to deliver outcomes, 11 years' executive management experience and acted as Chief Executive Officer of Parks Victoria for one year. He is currently a Director of the Victorian Fisheries Authority and also sits on the National Parks and Wildlife Advisory Council, and has previously held directorships of 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. Chris lives in Gippsland and has strong community connections across the region.



Dr Irene Irvine

Appointed 1st October 2012

Irene Irvine operates her own consultancy providing strategic support to the education and not-for-profit sectors since retiring as Pro Vice Chancellor Deakin University. An experienced company director, Irene currently chairs South Gippsland Shire's Audit Committee and is Deputy Chair of Karingal Disability Services. Her past roles have included Chair of Phillip Island Nature Parks, Deputy Chair of Zoos Victoria and Director of State Trustees, Open Gardens Australia and Craft Victoria. Irene has lived part time in South Gippsland for over 20 years. She holds a Bachelor of Science (Honours), a Graduate Diploma Administration, a Doctor of Philosophy, a Diploma of Education, is a graduate of Leadership Victoria (Williamson Community Leadership Program) and is a graduate of the Australian Institute of Company Directors course.



Geoff Lake

Appointed 1st October 2015

Geoff Lake is a barrister at the Victorian Bar. He is the Chair of Vision Super and a councillor and former Mayor of Monash City Council. Geoff is also a director of the Australian Institute of Superannuation Trustees (AIST). He has previously served as president of the Australian Local Government Association and the Municipal Association of Victoria and as a past board member of the Metropolitan Fire Brigade.



Jim Fawcett CPA

Appointed 1st October 2007

Jim Fawcett is a Certified Practicing Accountant and principal in a local accounting firm for over 30 years. During that time he has also had extensive involvement with local community and sporting groups. He is a former Board Member and President of Wooyay District Memorial Hospital and its successor Gippsland Southern Health Service. He is a past Councillor and Mayor of South Gippsland Shire Council.



Susan Friend

Appointed 1st October 2017

Sue Friend is a Chartered Accountant and Consulting Director at Sapere Research Group. She has held senior roles in global accounting firms and smaller consultancies. Sue is currently a board member of Melbourne Market Authority and Chair of the Financial Audit and Risk Management committee. Sue was previously on the board of Yarra Valley Water from 2010 to 2017 and was a member of the Risk Management & Audit Committee (including Chair from 2012 to 2016) and its Sustainability, Planning, Infrastructure & Regulation Committee. Sue also holds independent audit committee roles with the Municipal Association of Victoria and County Court Victoria. Ms Friend holds a Bachelor of Commerce, a Bachelor of Laws, and is a graduate of the Australian Institute of Company Directors course.

The Board

Director Attendance at Board and Committee Meetings

1st July 2018 to 30th June 2019

Director	Board	Audit and Risk Management Committee	Engagement and Planning	Innovation, Disruption, Efficiency and Sustainability Committee	People Safety and Culture Committee
David Schultz <i>Chair of Board</i>	8 of 10	4 of 5	3 of 4	2 of 3	3 of 4
Anna Kilborn <i>Chair of Innovation, Disruption, Efficiency and sustainability from October 2017</i>	9 of 10	5 of 5	1 of 1	3 of 3	1 of 1
Chris Rose	10 of 10	-	-	3 of 3	3 of 4
James Fawcett	10 of 10	2 of 5	4 of 4	-	-
Irene Irvine	9 of 10	-	-	2 of 3	4 of 4
Geoff Lake <i>Chair of Engagement and Planning Committee from October 2017</i>	9 of 10	4 of 5	4 of 4	-	-
Kate Young <i>Chair of People, Safety and Culture Committee from October 2017</i>	10 of 10	-	4 of 4	-	4 of 4
Susan Friend <i>Chair of Audit and Risk Management Committee from October 2018</i>	10 of 10	5 of 5	-	-	3 of 4



Organisational Structure

Board of Directors			
Board Committees including the Audit and Risk Management Committee			
Managing Director			
Executive Management Industry Awareness Strategic Relationships		Corporate Compliance Strategic Marketing OH&S	
General Manager Corporate Services	General Manager Operations	General Manager Infrastructure and Planning	General Manager People Culture and Customer
Company Secretary	Operations and Maintenance	Capital Works	Customer Service
Finance and Accounting	Renewal and Replacement	Planning and Development	People and Culture
Risk Management	Water Quality	Works Design and Documentation	Internal Communications
Occupational Health & Safety	Water Sampling	Works Construction Services	Payroll
Information Technology	Environment	Dam Safety (Strategic)	
	Dam Safety	Asset Management	

The Executive Management Team

Managing Director

Philippe du Plessis

Philippe is responsible for direction of the Executive Management Team and the corporate and strategic functions of South Gippsland Water. These include strategic relationships, strategic marketing, the Corporation's performance and brand, Health and Safety, awareness of future trends in the water industry and contact with the Corporation's key stakeholders.

General Manager Corporate Services

Jessica Armstrong

Jessica manages finance and accounting, information technology and risk management including health and safety. The key responsibility of the General Manager Corporate Services is to monitor the sustainability of the Corporation ensuring that resources are available to minimise business risk and take advantage of opportunities.

General Manager Infrastructure and Planning

Mark Lynch

Mark is responsible for the planning, direction and management of the Corporation's capital works program incorporating a broad range of projects. Other functions under this role include asset management, managing the Corporation's Urban Water Strategy including the Drought Response Program, and engineering and technical services.

General Manager Operations

Ravi Raveendran

Ravi manages the Corporation's operational functions including Water Treatment Plants, Waste Water Treatment Plants, and water and wastewater services delivery infrastructure. His responsibilities include compliance with water and wastewater quality guidelines, ongoing quality monitoring, operations improvement, site safety, environment and catchment management, and specialist services to major customers.

General Manager People, Culture and Customer

Annette Katiforis

Annette's role provides strategy advice and operational management of programs relating to: leadership and management capability, diversity and inclusion and other cultural focuses; workforce planning and design; and contemporary human resources operations. Annette is also responsible for managing the Customer Service function including enabling a responsive local customer call centre and reception services, local trades enquiries about the Corporation's assets including Dial Before You Dig, facilitating new customer connections, the Customer Support Program for customers experiencing challenges in regards to Corporate services and accounts, and issuing and managing customer accounts and revenue.

Corporate Information

Role of the Board and Membership

The Board of Directors, appointed by the Minister for Water, operate under the provisions of the Water Act 1989 and has responsibility for the governance of the Corporation, 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 Management Team. The Board comprises of a non-Executive Chair, the Managing Director and seven non-Executive Directors.

Board Performance

The Board completed a Board performance review annually. The process is aimed at continuous improvement of the Board and Directors in order to facilitate good governance and achievement of organisational goals.

Remuneration of 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 responsibility, the Board has established the following committees:

1st July 2018 – 30th June 2019

Audit and Risk Management Committee

The Audit and Risk Management Committee is an advisory committee of the Board. The primary objectives of the Committee is 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.

For the period 1st July 2018 to 30th June 2019 the Committee comprised of five non-executive independent Directors - Jim Fawcett (Chair to 30 September 2018), Sue Friend (Chair from 1 October 2018), Anna Kilborn, Geoff Lake, and David Schultz.

Vito Giudice has held the position of independent external member from the 22nd June 2017. The Committee meets with the internal and external auditors.

Engagement and Planning Committee

The primary objective of the Engagement and Planning Committee is to assist the Board to fulfil its duties and oversee the strategic context, planning, development and delivery of the Corporation's community and stakeholder management. The Committee provides oversight to the Capital Works Plan including asset management and delivery of services to South Gippsland Water customers.

For the period 1st October 2018 to 30 June 2019 the committee comprised of four non-executive independent Directors – Geoff Lake (Chair), Jim Fawcett, Kate Young and David Schultz.

People Safety and Culture Committee

The primary objective of the People, Safety and Culture Committee is to assist the Board to fulfil its governance responsibilities in relation to organisational development, corporate culture and to provide a safe and healthy workplace at South Gippsland Water. It also manages executive remuneration and performance management review processes.

For the period 1st October 2018 to 30th June 2019 the Committee comprised of five non-executive independent Directors - Kate Young (Chair), Sue Friend, Irene Irvine, Chris Rose and David Schultz.

Innovation, Disruption, Efficiency and Sustainability Committee

The primary objective of the Innovation, Disruption and Environmental Sustainability Committee is to assist the Board to focus on the major changes and disruptors that may and perhaps should impact South Gippsland Water in the short, medium and long term future. The Committee also assists the Board to fulfil its duties and discharge its Corporate Governance responsibilities.

For the period 1st October 2018 to 30th June 2019 the committee comprised of four non-executive independent Directors - Anna Kilborn (Chair), Irene Irvine, Chris Rose and David Schultz.



Corporate Information

Statement of Availability of Other Information

In compliance with the requirements of the Ministerial Directions of the Minister for Finance, Financial Reporting Direction (FRD) 22C, 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
- i. details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the Report of Operations
- j. 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
- k. a list of major committees sponsored by the Corporation, the purposes of each committee and the extent to which the purposes have been achieved.

The 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

Disclosure Index

An index identifying the Corporation's compliance with statutory disclosure requirements is contained in Appendix A, page 91.

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 Senior Managers are required to disclose any pecuniary interests under the provisions of the Water Act 1989.

External Auditors

Crowe Horwath Australasia Ltd, as an agent for the Auditor-General Victoria, undertook the external audit for 2018/19.



Manner of Establishment and the Relevant Minister

South Gippsland Region Water Corporation (trading as South Gippsland Water) was constituted on 22nd 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 1st January 1995.

During the 2018/19 reporting period the responsible Minister for the reporting period was The Hon Lisa Neville MP, Minister for Water for the period from 1st July 2018 to 30th June 2019.

Objectives, Functions, Powers and Duties

Under the Water Act 1989, South Gippsland Water is responsible for a range of functions in its 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 sewerage and, if the Corporation so decides, trade waste.
- To identify community needs relating to sewerage services and to plan for the future needs of the community relating to sewerage services.
- To develop and implement programs for the recycling and reuse 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.

Corporate Information



Freedom of Information Act 1982

The *Freedom of Information Act 1982* (the Act) allows the public a right of access to documents held by South Gippsland Water. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by South Gippsland Water. This comprises documents both created by and supplied to the Corporation.

The Act allows South Gippsland Water to refuse access, either fully or partially, to certain documents or information. All applicants are advised of the internal review and appeal provisions available.

From 1 September 2017, the Act has been amended to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. In some cases, this time may be extended.

If an applicant is not satisfied by a decision made by South Gippsland Water, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

Applications

There were no applications received by South Gippsland Water under the *Freedom of Information Act 1982* during 2018/19.

Contact for Request

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 \$29.62 from 1st July 2018 is payable. Depending on the circumstances, further charges may also be payable. FoI fees and charges are not subject to GST.

Requests should be addressed to:

The FoI 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

South Gippsland Water complies with the building and maintenance provisions of the Building Act 1993.

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.

Protected Disclosures Act 2012

Compliance with the Protected Disclosure Act 2012 (formerly the Whistleblowers Protection Act 2001)

The Protected Disclosure Act 2012 encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make

disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action taken.

South Gippsland Water does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. The Corporation is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety, or the environment.

The Corporation will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

Reporting procedures

Disclosures of improper conduct or detrimental action by South Gippsland Water or any of its employees and/or officers may be made to the General Manager People, Culture and Customer Service as the Protected Disclosures Officer.

Alternatively, disclosures of improper conduct or detrimental action by South Gippsland Water or any of its employees and/or officers may also be made directly to the Independent Broad-based Anti-corruption Commission (IBAC):

Level 1, North Tower, 459 Collins Street Melbourne, VIC 3000

Phone: 1300 735 135

www.ibac.vic.gov.au

Further information

The Protected Disclosure Policy and Procedures, which outline the system for reporting disclosures of improper conduct or detrimental action by South Gippsland Water or any of its employees and/or officers, are available on South Gippsland Water's website.

Disclosures under the Protected Disclosure Act 2012

	2018/19	2017/18
The number of disclosures made by an individual to the Department and notified to the Independent Broad-based Anti-corruption Commission	0	0
Assessable disclosures	0	0

Local Jobs First – Implementation

In October 2003, the Victorian Parliament passed the Victorian Industry Participation Policy Act 2003, (VIIP), which requires public bodies and departments to report on the implementation of the policy. Departments and public bodies are required to apply the VIIP in all tenders over \$3M in metropolitan Melbourne and \$1M in regional Victoria. The VIIP was updated to the Local Jobs First Act in August 2018.

One contract was awarded that exceeded the threshold for the VIIP and updated Local Jobs First Act. This contract, for renewal of two sewer pump stations has a total tender amount of approximately \$5M in 2018/19. The contract was tendered under the transitional arrangements before the updated Local Jobs First Act became mandatory. The objectives and fundamentals of VIIP (2003) were applied to the tender and contract for this project. Construction has commenced of this project and it is approximately 33% complete.

The sewer relining and rehabilitation contract which was awarded in 2017/18 is a three year contract with an option for a further three years available. This contract is two years through the initial three year period and construction is approximately 70% complete. The tender and contract for sewer relining was also managed in accordance with VIIP (2003) requirements.

All VIIP objectives and Contractor commitments are being met for these projects including preferential use of locally sourced equipment and materials to create and retain local jobs.



Lance Creek Water Connection

Water Security, Regional Growth, Strong Communities

Tuesday 25 September 2018 saw Minister for Water Lisa Neville and Member for Eastern Victoria Harriet Shing visit the \$43 million Lance Creek Water Connection Project. Minister Neville turned on the pumps as water flowed for the first time along 21.7km of new pipeline from the Lance Creek Water Treatment Plant to Korumburra.

With a further 8.8km of pipe connecting Korumburra and Poowong, the pipeline was fully commissioned at the end of November 2018. The Lance Creek Water Connection, South Gippsland Water's largest infrastructure project, has boosted water security for 60% of the Corporation's customer base. The pipeline enables Korumburra, Nyora, Loch and Poowong to join Wonthaggi, Cape Paterson and Inverloch in being supplied with water from the Lance Creek Supply System.

Significantly, the project has also connected the Lance Creek Water Treatment Plant to Victoria's water grid, providing access to water from the Melbourne supply system. The combination of these systems has secured water supply for the region which in-turn provides a dependable environment for community development, economic growth and future investment.

The switch-over to this secure water supply has meant that Korumburra, Poowong, Loch and Nyora entered their first summer for some years without the looming prospect of water restrictions.

Project Highlights

- Consultation and collaboration with 46 landholders to facilitate easement acquisition, temporary occupation and reinstatement works
- Fencing, preparation and reinstatement of 30.5km of work site on private and public landholdings between the Lance Creek Water Treatment Plant and Poowong
- 21.7km pipe installed between the Lance Creek Water Treatment Plant and Korumburra, and 8.8km of pipe between Korumburra and Poowong
- Discovery and protection of Giant Gippsland Earthworms in an area near Korumburra not previously identified as a likely habitat
- Power upgrades at the Lance Creek Water Treatment Plant to run three 220kW pumps (2 x Duty & 1 x standby) to transfer water at a rate of 138L/sec across a gradient of 209m
- Installation of infrastructure to connect the Lance Creek Water Treatment Plant to the Victorian water grid
- Construction of new pump stations at Lance Creek and Korumburra with the capacity to pump an average of 11,930KL and 2,900KL of water per day respectively
- Water treatment upgrades at the Lance Creek and Korumburra water treatment plants to enable the chloramination and fluoridation of greater volumes of water
- Project completed ahead of schedule and below budget.

Integrated Water Management (urban)

South Gippsland Water has taken a leading role in development of the Gippsland Integrated Water Management (IWM) forum. The business has also contributed to the development of the Westernport IWM forum because part of the region is in the Westernport catchment.

a. Contribution to development and implementation of Strategic Direction Statement(s) in the region.

South Gippsland Water has supported development of IWM forum SDS documents for Gippsland and Westernport. The business has helped develop potential IWM projects and evaluate project priorities and is taking a lead role in two Gippsland regional IWM plans, repurposing dams around Korumburra and Poowong and integrated service enhancement for Korumburra and Leongatha.

b. Implementation of priority IWM projects and plans as applicable.

Repurposing dams around Korumburra and Poowong is a flagship project for the Gippsland region IWM forum and South Gippsland Water is leading the project with input from stakeholders including State Government, local businesses, community members and local landholders. The project provides a unique opportunity to repurpose water resources and assets for community benefits. Work is underway on feasibility and risk assessments, option design and costing and a range of other studies required before a preferred solution can be developed.

c. Delivering IWM outcomes for the region.

By contributing to the Westernport and Gippsland IWM forums at both a forum and working group level, South Gippsland Water has contributed to early phase outcomes established for the state-wide IWM process. During 2018/19 the business has progressed planning work for two Gippsland region IWM projects and this work will continue into 2019/20. Early work on the repurposing dams project has already seen a reduction in dam safety risk for the business' dams portfolio and repurposing some of the water resource from Little Bass dam near Poowong. Until late 2018 the Little Bass dam was needed for urban water supply but, since completion of the Lance Creek Connection Project, it has been possible to repurpose part of this resource to support local dairy farming.

Lance Creek
Water Connection





Details of consultancies (valued at \$10,000 or greater)

In 2018/19, there were 13 consultancies where the total fees payable to each consultant was \$10,000 or greater. The total expenditure incurred during 2018/19 in relation to these consultancies was \$816,656 (excl. GST).

Details of individual consultancies are outlined on South Gippsland Water's website, at www.sgwater.com.au.

Details of consultancies (valued at less than \$10,000)

In 2018/19, there were 27 consultancies engaged during the year, where the total fees payable to each consultant was less than \$10,000. The total expenditure incurred during 2018/19 in relation to these consultancies was \$126,354 (excl. GST).

A consultant is a particular type of contractor that is engaged primarily to perform a discrete task for an entity that facilitates decision making through:

- Provision of expert analysis and advice; and/or
- Development of a written report of another intellectual output.

Details of individual consultancies are published to www.sgwater.com.au/about-us/publications/

Disclosure of Major Contracts

South Gippsland Water did not award any major contracts (valued at \$10 million or more) during 2018/19. A major contract is a contract entered into during the reporting period valued at \$10 million or more.

The design and construction contract for the Sewer Pump Station Renewals at Lawler St, Yarram and the inlet pump station at the Wonthaggi Wastewater Treatment Plant was awarded during 2018/19 for an approximate value of \$5M.

Three major pipeline construction contracts and one major design and construction contract for the pump stations successfully reached practical completion during this reporting period on the Lance Creek Water Connection project.

The following summarises the major projects undertaken by South Gippsland Water during 2018/19, and the progress at the end of the financial year.



**Provide safe, clean drinking water
for the benefit of our customers and
community**

Disinfection upgrades at Water Treatment Plants

- To improve drinking water quality and safety, a range of disinfection upgrades has been planned for six water treatment plants;
- Designs and tender documents have been prepared ahead of tendering and construction during 2019/20;
- The project is expected to cost approximately \$2M.

Powdered Activated Carbon upgrade at Lance Creek Water Treatment Plant

- The project will help improve taste and odour caused by algae in the Lance Creek Reservoir;
- Work will increase the capacity and efficiency of the existing system while reducing safety risks for plant operators;
- Design work has been completed and tender documents developed. Construction work will happen in 2019/20;
- The upgrade is expected to cost about \$1.5M.



**Provide a safe wastewater system that
contributes to the health and liveability
of our communities and environment**

Sewer pump station renewal and upgrade in Yarram and at the inlet to Wonthaggi Wastewater Treatment Plant

- Objectives of the project are threefold, to support growth of the towns by expanding the wastewater systems, to renew aging assets that are increasingly in need of repair and to better protect the environment from sewage spills;
- Work at two sites includes installation of new pump stations and expansion of the sewage storage capacity for high flow (wet weather) events or for breakdowns;
- Construction work started and was partially completed during the year. Completion of the work is expected late in 2019;
- The investment is about \$5M.

Inverloch sewer pump station upgrades

- The project aims to renew pump stations that are aged and increasingly need repair;
- The work will also add capacity to support growth in the town and add emergency storage capacity to reduce the risk of sewage spills;
- Design, survey, tender documents and geotechnical investigations have been progressed;
- Tendering and the start of construction will happen during 2019/20.



Corporate Information



Customer outcome: We will partner with community, local government and business to plan for future years

Lance Creek Water Connection Project

- The project aimed to reduce the frequency of water restrictions in Korumburra, Poowong, Loch and Nyora and support growth in the towns;
- The project involved construction of about 30 km of water main, construction of two new pumps stations and modifications at Lance Creek Water Treatment Plant;
- Works were successfully completed during the year to supply water to the connected towns (refer to earlier sections of the report);
- A number of minor water network upgrades are under construction to help the expanded water network operate as an integrated system;
- The total project cost is about \$43M.

Rethinking Reservoirs

- Completion of the Lance Creek Water Connection Project means that four reservoirs are no longer needed as part of the water supply system;
- The project involves customer, community and stakeholder consultation about future use of the reservoirs and land. Engineering and environmental studies are part of the project to help with decisions about the future of the assets;
- Stakeholder consultation has commenced, preliminary engineering studies completed, and more detailed engineering and environmental studies and risk assessments have started.

Asset Management Improvement Projects

In partnership with the Department of Environment, Land, Water and Planning, the business has been investing in improved asset management practices;

Four projects have been completed or progressed to better plan future renewal investment so that customer service standards can be maintained at the lowest whole of life cost.



We will be reliable, minimise unplanned interruptions to services and commit to communicating well with our customers

Sewer rehabilitation and relining

- Sewer blockages and spills are often caused by aged sewers blocked when tree roots can 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 is part of the program of works;
- This year 44 km of sewer has been inspected and 7 km has been relined.

Wonthaggi Low Level Basin

- Water supply to Wonthaggi is pumped from a low level basin to a high level tower before flowing to customers by gravity;
- The pump station has numerous aged components that need repair more and more often;
- The project aims to renew key mechanical, electrical and control components and build more resilience into the system in the event of breakdowns or power supply interruptions;
- Design and tender documents have been prepared ahead of construction work in 2019/20.



Be environmentally responsible, sustainable and adapt to a future impacted by climate variability

Carbon emission reduction projects

- To meet a pledge to reduce emissions by 15% by 2025, the business is investing in a range of projects;
- During the year a 75kW solar power system was commissioned at Lohr Avenue in Inverloch, supplying power to a sewer pump station;
- Planning work has been completed on four other behind the meter solar power installations that will be built in 2019/20;
- Collaboration within the water sector has helped the business invest in a Power Purchasing Agreement (see earlier section).

Foster Wastewater Treatment Plant Reuse

- South Gippsland Shire Council funded a community project to supply reuse water from Foster to the local recreation reserve and golf course;
- Construction of the pipelines, pump and storage tanks was completed during the year;
- Further work on the control system and treatment improvements are planned for 2019/20.



Corporate Information

Details of Information and Communication Technology (ICT) Expenditure

For the 2018/19 reporting period, South Gippsland Water spent \$2,795,598 on Information Communication and Technology, with the details shown below.

Business As Usual (BAU) ICT Expenditure	Non Business As Usual (non BAU) ICT Expenditure	Operational Expenditure	Capital Expenditure
(Total)	(Total = Operational Expenditure and Capital Expenditure)		
\$2,170,555	\$625,043	\$0	\$625,043

Information Communication and Technology (ICT) expenditure relates to South Gippsland Water's costs in providing business-enabling ICT services. It comprises Business As Usual ICT expenditure and Non-Business As Usual ICT expenditure. Non-Business as Usual ICT expenditure relates to extending or enhancing South Gippsland Water's current ICT capabilities. Business as Usual ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

Corporate Water Consumption 2018/19

The calculation below is based on the Foster head office and annex, accommodating 50 full-time equivalent staff (including contractors) and includes Foster head office and annex consumption only.

All other depots, workshops, treatment plants (water and wastewater), pumping stations and infrastructure facilities are specifically not included.

Indicator	Target	Actual 2018/19	Variation %	Actual 2017/18	Actual 2016/17
Consumed [Kilolitre (kL) = 1,000 litres]	260kL	286kL	19%	232kL	213kL
Kilolitres consumed per full-time equivalent staff member	4.8kL	4.77kL	10%	4.3kL	3.9kL



The GEA-GLaWAC working group at GLaWAC's Forestec site.

Aboriginal Cultural Values

South Gippsland Water has been working with other Gippsland Environmental Agencies (GEA) in progressing a Partnership Agreement and Partner Action Plan with the Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC). GLaWAC represents the Traditional Owners from the Brataualung, Brayakaulung, Brabralung, Krauatungalung and Tatungalung family clans, who were recognised in the Native Title Consent Determination, made under the new Traditional Owner Settlement Act 2010, the first such agreement under that Act.

Through the GEA Partnership Agreement, the agencies are working to set up a board and management mentoring program to build capacity within GLaWAC. Other capacity building programs are also being investigated in terms of shared traineeships which would operate on a rotating basis through a number of agencies and include strong links back to country and GLaWAC. Social procurement practices are being strengthened and opportunity being given for GLaWAC to be included in contractor panels.

The Corporation have also been working with the Traditional Owner organisation that represent the Bunurong people of the South-Eastern Kulin Nation. In particular via a site familiarisation exercise to further understand significance of local assets in and around Korumburra and Poowong. During 2018/19 South Gippsland Water invited the Bunurong Land Council to participate in and provide a submission to the community engagement program for the Rethinking Reservoirs project, which seeks to understand the broader communities future preferences for four reservoirs which are no longer required as water supply storages. The submission from the Bunurong has been taken into consideration as part of this on-going project.

Identified in the organisation's Diversity and Inclusion Plan, and overseen by the Board, an organisation wide program of Cultural Awareness and Heritage training has commenced with 21 employees completing the program to date. A program to directly sponsor Aboriginal people in training, scholarships and pilot programs for shared benefits, has not commenced. The Corporation celebrated National Reconciliation and NAIDOC Week, which is a reflection of the cultural change occurring within the organisation.

Water Consumed Per Unit of Office Space

Water consumed per unit of office space for 2018/19 was 256.96 litres.

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.

Details of Government Advertising Expenditure

South Gippsland Water's advertising expenditure in 2018-19 did not exceed \$100,000.

Our People

South Gippsland Water recognises its staff play a vital role in delivering outcomes for customers. Structural changes implemented in the prior year and corresponding hiring decisions saw improvement in management of corporate facilities amenity, health and safety upgrades across physical work environments, and investment in employee Learning and Development, including the inaugural South Gippsland Water Leadership Program. Investment continued in development of science, engineering, and plant and network operations and maintenance skills through support for Certificate II and III TAFE courses, study assistance for University study, and a wide range of attendance at specialist training programs and sector networks and conferences. Financial Reporting, Inventory Management, and Procurement were strengthened. An increase in skills and the size of the ICT team enabled progress in modernising legacy systems, introduction of data analytics and digital reporting, and a continued strengthening of performance of the Corporation's network and business applications. At the same time, the team leading the Lance Creek Water Connection project completed its work and members moved into new, or returned to prior roles delivering capital projects.

All Corporation staff received training in a newly delivered Family Violence Support Program aimed at supporting customers and staff experiencing the impacts of Family Violence. A large group of staff participated in training and a subsequent project pilot of the Lean Methodology aimed at delivering improved value and reduced waste in business processes. Staff participating in the provision of service after hours supported strong customer service levels despite a very busy summer period due to water quality management demands associated with commissioning of the Lance Creek Water Connection, blue green algae incidents, and network faults.

The Corporation introduced a new internal communication



platform, and in addition held the inaugural All-Staff Event at which all staff participated in presenting or listening to a range of initiatives presented by staff groups across all areas of the business.

Employment and Conduct Principles

South Gippsland Water is committed to applying merit and equity principles to its recruitment processes and in staff management practices. Selection processes ensure applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities, without discrimination. South

Workforce Inclusion Policy Initiative	Target (% FTE)	2018/19	2017/18	Baseline 2015/16 ¹
Gender diversity	General Managers and Executive Officers ² 60% male 40% female by June 2020	65% 35%	80% male 20% female	80% male 20% female
	All staff 67% male 33% female by Dec 2018	68% 32%	68% male 32% female	73% male 27% female
Cultural and linguistic diversity	One Aboriginal trainee by Dec 2018	Nil	Nil	Nil
	2.5% of workforce will identify as Aboriginal or Torres Strait Islander by 2020	0% of staff responding to People Matter Survey May 2019	0% of staff responding to People Matter Survey May 2017	1% of workforce, based on staff responding to People Matter Survey May 2016
	20% of workforce will speak a language other than English by 2020	11% of staff responding to People Matter Survey May 2019 with 8% preferring not to say	15% of staff responding to People Matter Survey May 2017	13% of staff responding to People Matter Survey May 2016
Age diversity	7% of staff under age 25 by Dec 2018	5.7%	4.9%	3.8%
Flexible work arrangements	25% of workforce will work flexibly by 2020 ³	97%	96%	Data not available
Caring responsibilities	35% of the workforce will have caring responsibilities outside of workplace by 2020	Data not available	Data not available	Data not available
LGBTQI+ diversity	7% of the workforce will identify as belonging to LGBTI communities by 2020 ³	2% of staff responding to People Matter Survey May 2019 with 10% of respondents preferring not to say	5% of staff responding to People Matter Survey May 2017	6% of staff responding to People Matters Survey 2016
All abilities	10% of the workforce will have an identified disability by 2020	1% of staff responding to People Matter Survey May 2019	8% of staff responding to People Matter Survey May 2017	2% of staff responding to People Matter Survey May 2016

¹ Targets were not in place in 2015/16. Comparative data is shown for illustrative purposes where applicable and where data is available.

² Relates to all senior officers contracted as SEO including senior technical positions not holding management responsibilities (senior engineers).

³ The definition of 'flexible work arrangements' includes access to an RDO, working from home, flexible start or finish times, part time arrangements, or purchase of additional leave.

Our People

Workforce Data

	All Employees				Fixed Term & Casual Employees	
	Employees (Headcount)	Full Time (Headcount)	Part Time (Headcount)	FTE	Headcount	FTE
June 2019	125	101	24	116.1	26	22.4
June 2018	115	84	17	107.4	14	11.3

	June 2018/19				June 2017/18		
	Ongoing	Fixed Term and Casual Employees			Ongoing		Fixed Term and Casual Employees
	Employee (Headcount)	FTE	Employee (Headcount)	FTE	Employee (Headcount)	FTE	FTE
Gender							
Male	69	67	12	11.7	71	69.5	3.6
Female	30	26.7	14	10.7	30	26.6	7.6
Self-described	0	0	0	0	0	0	0
Age							
Under 25	3	2.6	4	4	4	3.3	2
25-34	22	21	5	4.6	18	17.4	3.4
35-44	22	20.6	3	2.6	21	19.7	2.7
45-54	33	31.8	10	7.9	38	37	2.7
55-64	16	15.2	4	3.3	18	16.7	0.5
Over 64	3	2.5	0	0	2	2	0
Classification							
Trainee	0	0	4	4	0	0	2
Band 3	2	2	2	2	3	3	0
Band 4	15	14	6	4.1	16	15	1.8
Band 5	23	21.6	5	4.4	22	20.2	2.6
Band 6	20	18.5	1	0.2	22	20.8	1
Band 7	15	14.5	0	0	16	15.5	1
Band 8	14	13.5	0	0	9	8.6	0.9
SEO	10	9.6	3	2.7	9	9	2
Executives	0	0	4	4	3	3	0
Managing Dir	0	0	1	1	1	1	0
	99	93.7	26	22.4	101	96.1	11.3
			125	116.1			



Gippsland Water communicates its adherence to employment and conduct principles by issuing all new employees with a copy of the Code of Conduct for Victorian Public Sector Employees, induction processes that reinforce many elements of the Code of Conduct, and by having an aligned set of policies.

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.

Employees have been correctly classified in workforce data collections.

Diversity and Inclusion

South Gippsland Water recognises that a diverse and inclusive workforce brings skills, experiences, backgrounds and attitudes that together create and encourage innovation, agility and better decision making. South Gippsland Water is committed to achievement of a workforce that reflects the diversity of communities served. This commitment is demonstrated in targets being set mid-2016, with progress against them as set out in the table over page. Data enabling reporting is drawn from the bi-annual People Matter Survey.

South Gippsland Water's Diversity and Inclusion Plan is available via www.sgwater.com.au/about-us/corporate-policy-legislation.

Occupational Health and Safety Management (OH&S)

South Gippsland Water's Occupational Health and Safety unit continued its strong focus on improving Occupational Health and Safety (OH&S) risk control across the corporation by implementing new procedures and systems. This involved continual recertification of South Gippsland Water's Occupational Health and Safety Management System with AS 4801:2001 the Australian Standard for OH&S management systems.

Accreditation and compliance to this standard helps ensure South Gippsland Water is addressing the critical and key criteria of both State and National OH&S legislation. In maintaining accreditation of its OH&S Management System to the national standard, numerous systems have been created for capturing risks, assessments and actions. These systems assist employees to safely carry out their duties without impediment.

In addition, the Corporation has partnered with Wilson Consulting Group to assist with building a high performance safety culture across the organisation, through the development of a four year Health and Safety strategic roadmap. The strategic roadmap will be the pathway to further improve South Gippsland Water's safety performance over the coming years.

There were 34 hazards reported per 100 full time equivalent staff during 2018/19 compared with 30 hazards per 100 full time equivalent during 2017/18.

In addition, there were 27 Incidents per 100 full time equivalent staff during 2018/19 compared with 38 incidents per 100 full time equivalent during 2017/18.

Employee Assistance Program (EAP)

The Corporation 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. The Corporation receives non-identifiable reports to assist it in recognising and proactively addressing any potential themes that might present for the workforce.

Enterprise Agreement

The current enterprise agreement came into effect December 2016. The corporation has operated consistent with its conditions throughout the year, including implementing policy and procedures to bring into effect a new set of clauses aimed at supporting employees experiencing family violence.

Lost Time Injury & Medical Injury Frequency Rate

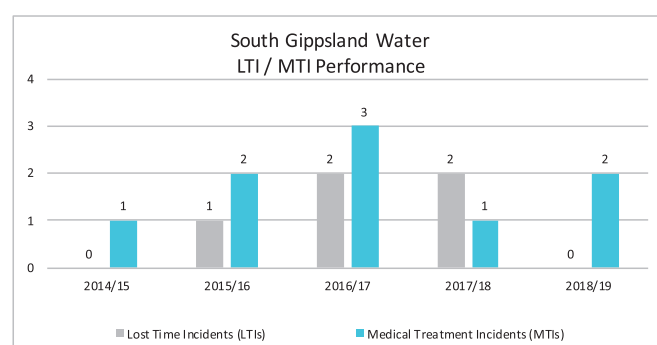
The Corporation recorded zero Lost Time Incident (LTI) during 2018/19 and two Medical Treatment Injuries (MTI).

		Lost Time Injury Frequency Rate		Medical Injury Frequency Rate	
Year	Total Hours Worked	Number of LTIs	LTIFR / Million Hour	Number of MTIs	MTIFR / Million Hour
2014/15	205,694	0	0	1	4.8
2015/16	209,460	1	4.8	2	9.5
2016/17	223,871	2	8.9	3	13.4
2017/18	301,021	2	6.6	1	3.3
2018/19	249,853	0	0	2	8.0
Average over five years			4.0		7.8



There were three WorkCover claims in 2017/18 with the average cost of claims being \$15,329.00 and a total of 145.5 lost time days relating to these claims. There was one new WorkCover claim in 2018/19 and one ongoing claim remains open, the average cost of claims being \$14,546.99 and a total of 123 lost time days.

Note: The value and LTI is high due to one long standing and ongoing claim and one new complex claim.



Social Sustainability

South Gippsland Water operates within the framework set out by the Essential Services Commission, which has responsibility for economic regulation, determining pricing and assessing the service delivery performance of water, gas and electricity providers in Victoria.

The State Government sets out its requirements for water service providers in the Statement of Obligations which forms a direct relationship between the Corporation and government. The Essential Services Commission monitors South Gippsland Water's performance against many of these obligations.

Collaboration Within the Water Sector

South Gippsland Water, in partnership with East Gippsland Water, Gippsland Water, Westernport Water, and Southern Rural Water, continues to proactively engage in delivering efficiencies and service improvements for water customers across the region as part of the partnership's industry-leading Gippsland Regional Water Alliance. Since its formation in 2013 the five Gippsland water corporations have identified efficiencies and improvements across areas such as procurement, fleet management, customer services, research services and meter reading.

Water Utility Improvement Program

In 2018 South Gippsland Water joined the Australian Water Association (AWA) Water Utility Improvement Program. The program partners Australian and Indonesian water utilities together, with the objective of advancing key water reforms for the Indonesian government as well as working towards the sustainable development goal of universal access to safe, clean water by offering Australian expertise to Indonesian water professionals.

South Gippsland Water's partner Corporation is PD PAL Jaya (Jakarta). This program is expected to run for two years to share knowledge and experience for mutual improvement.

The AWA and the Managing Directors of the six participating Water Corporations.



South Gippsland Water staff touring PD Pal Jaya sites



Choose Tap Coalition

South Gippsland Water is one of 20 utilities nationwide to sign on as partners to the Choose Tap Coalition. To help spread the Choose Tap message around the country, Yarra Valley Water created the Choose Tap Coalition. This opened the door for councils and water corporations from around Australia to unite together under the Choose Tap brand. It allows for sharing of learning and experiences, resources and the ability to benefit from a consistent and recognised brand and message. Current coalition members span across Victoria, New South Wales and Queensland.



The Choose Tap National Coalition provides a united platform to build a common brand that advocates the very product that we, as water utilities provide – tap water. Research has proven time and time again that messages are more effective when repeated. A consistent message increases trust and familiarity, clarity on what we stand for and offer, and increased recall and recognition.

Community Service Obligations - Financial Assistance to Eligible Customers and Pensioners

The Corporation's Customer Service Team includes a dedicated Credit Manager to identify and assist customers who may be experiencing hardship. Financial assistance is provided to individuals and organisations as part of the Government's Community Service Obligations. South Gippsland Water has 514 customers with payment instalment plans in place.

Value of Community Service Obligation Provided	2018/19	2017/18
Provision of concessions to pensioners	\$1,652,103	\$1,576,754
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	\$148,188	\$147,916
Utility Relief Grants Scheme payments (12 cancelled customers did not send their information)	\$14,238	\$17,035
Hardship Grants applied	\$ 1,000	\$0.00
Water concessions on Life Support Machines - Haemodialysis	\$710	\$734
Community Rebate Program	\$14,833	\$14,161
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	Unknown*	Unknown*

*The Corporation does not have access to this figure.

Customer Consultation

South Gippsland Water recognises that engaging, informing and consulting with its customers and stakeholders is pivotal to the effectiveness of its services and ensures that water management and planning delivers outcomes for resilient and liveable communities.

As such, the Corporation has in place an engagement strategy that sets out that all major projects are required to have a communications and engagement plan prepared in accordance to the International Association for Public Participation's Framework (IAP2) for Effective Public Participation. Available publicly via www.sgwater.com.au/about-us/publications.

South Gippsland Water consults with customers, community groups, major regional industries, small businesses and their associations, schools and sporting clubs in order to ascertain their views and preferences regarding services and projects directly affecting them.

During 2018/19 consultative processes were aligned with a number of programs. Two key initiatives were the Lance Creek Water Connection and Rethinking Reservoirs process where community and stakeholders are assisting in the decision process for future capital work on four reservoirs that are no longer required for drinking water purposes. Engagement on the 2020 Price Submission commenced and is comprised of a range of activities to allow customers who may be impacted by our decisions to take part. Activities include a qualitative study to understand the needs and expectations of customers who may have difficulty interacting with the organisation, customer surveys and a deliberative program to assist South Gippsland Water find the balance between price, service and being sustainable into the future.

Schools Education & Water Efficiency Programs Education

South Gippsland Water has continued to facilitate school education programs throughout 2018/19, including:

- Visits to/from secondary, primary and early learning centers in support of their water related aspects of their curriculum and hosting excursions at a variety of locations.
- Celebrating National Water Week through a school poster competition and related activities with local primary schools.
- Sponsorship and funding of 23 customer schools to participate in the state government's Schools Water Efficiency Program which involves students monitoring and online reporting of water use.
- Providing a STEM Sisters Mentor to the local STEM Sisters group in partnership with the Gippsland and Bass Coast Learning Area Network.
- The South Gippsland Water website includes a dedicated education section featuring teaching resources and activities.

Water Efficiency

South Gippsland Water supported the establishment of the Victorian Water Efficiency Strategy, a joint initiative of Water Corporations from across the Victorian Water Industry. The Corporation signed onto the strategy in August 2017 and in line with the strategy, the Corporation has undertaken a range of activities including:

- Completed a social media campaign "Summer Savers" which featured water efficiency messages and links to the Smart Approved Water Mark website.
- Promoted Permanent Water Saving Rules and Target your Water Use via traditional and social media
- Ongoing water efficient showerhead program. Free water efficient showerheads available to customers.

Meetings with Local Community and Special Interest Groups

The Corporation values meetings of this type and is keen to provide speakers to address special interest groups on common interest topics, e.g. Shire Councils, Lions, Rotary, various business and community development groups, local residents and Landcare groups, etc.

Electronic Media and the South Gippsland Water Website

South Gippsland Water maintains Social Media profiles on Facebook, Twitter, YouTube and Linked In. The platforms provide an avenue of consistent activity and communication, keeping customers and stakeholders informed with respect to services and projects. They also provide an avenue for community comment and reporting of system faults and issues.

The Corporation in 2019, commenced a program of ongoing engagement via the Our Say platform. The Lets Talk Water site provides opportunity for further understanding and comment on key projects the organisation are considering and undertaking.

South Gippsland Water's website www.sgwater.com.au provides public access to copies of published materials, system alerts and updates, avenues for bill payment and reporting faults, and invitations to comment, and at certain times, submit online surveys.

Management of Social and Economic Impacts

South Gippsland Water offers a wide range of assistance programs to customers facing financial difficulties including Family Violence. These include a tariff assistance and relief program, free referral to an independent financial counsellor, and the provision of payment options and instalment amounts to ease the payment path for customers. Features of the program include, for the Corporation to:

- Engage in discussions with the customers to determine suitable payment options available.
- Treat all customers sensitively and on a case-by-case basis.
- Ensure customers circumstances are kept confidential.
- Provide customers with information about assistance programs and government concessions, including the Utility Relief Grant Scheme and Community Rebate program.



- Provide assistance in negotiating instalment amounts if the customers' circumstances change.
- Offer a range of payment options recognising that the financial hardship may be short or long term.
- Refer the customer to an available free, independent and accredited financial counselling service.
- Provide interpreter services on request.
- Suspend debt processes while negotiating a suitable arrangement with a customer.
- Not engage in legal action, restriction of water supply, and additional debt recovery actions against customers who meet the necessary criteria and continue to make payments according to an agreed schedule.
- Provide information about how to reduce water consumption, and invite customers to seek further assistance from the Corporation in reducing water usage.
- Advise customers about their right to lodge a complaint with the Energy and Water Ombudsman if their affordability issue is not resolved with the Corporation.

Previously the Corporation undertook an extensive consultation program with the view of further extending the Corporation's Customer Assistance program. The result of the consultation program was that customers were in favour of delivering further social obligations and contributing towards customer hardship programs. This focus will include an interest free loan scheme for business customers, water efficiency audits, and debt reduction/elimination programs. The program is continuing to be developed.

The Corporation also follows the guidelines as set down by the Victorian Water Industry, under its "Industry Guide on Residential Hardship". Good relationships are maintained with government departments, voluntary support agencies and counselling services in the region in order to assist with referrals and support services for customers.

The Corporation has participated in the Community Water Rebate program. A water efficiency program designed to target hardship customers and provide no or low cost water efficiency improvements such as fixing leaks, replacing inefficient or faulty toilet cisterns and hot water systems. South Gippsland Water has received \$50,000 which was partially rebated over 2016/17, 2017/18 and 2018/19.

To date the Corporation has processed 19 rebates for customers regarding water efficiency improvements and continues to identify possible eligible customers to contact to assist with this program.

Family Violence Customer & Employee Support Program

In 2018 the corporation launched the Family Violence Customer and Employee Support Program. This program ensures customers experiencing the impacts of family violence receive additional support in navigating communication, accounts and access to other services during this difficult time as well as increased protection of private information such as any new home address or phone number. The program also provides a range of supports to impacted employees including specialist counselling, leave for attendance at critical appointments for themselves and their family, and additional protection of private information. All staff received training to raise awareness of the issue in the region, supported by Salvo Care and Uniting Kildonan.

Bulk Entitlement Compliance

South Gippsland Water holds Bulk Water Entitlements for surface water in the South Gippsland region that define the Corporation’s legal right to extract water to supply its water supply systems. These systems are reported on as follows for 2018/19 reporting period:

Bulk Entitlement	Water supply	Towns serviced	Bulk Entitlement ML/year	Annual amount of water taken 2018/2019 ML	Storages ¹	Volume in storages at 30/06/19 ML	Entitlement transfer from ML/y	Entitlement transfer to ML/y
WSE000058 Devon North, Alberton, Yarram, Port Albert	Tarra River	Devon Nth, Alberton, Yarram, Port Albert.	853	463	N/A	N/A	Nil	Nil
WSE000059 Dumbalk	Tarwin River East	Dumbalk	100	17	N/A	N/A	Nil	Nil
WSE000060 Fish Creek	Battery Creek	Fish Creek	251	109	Battery Creek Reservoir	113	Nil	Nil
WSE000061 Foster	Deep Creek	Foster	326	157	Deep Creek Reservoir	14	Nil	Nil
WSE000062 Korumburra	Coalition Creek	Korumburra	1,000	315	No. 1	72.6	Nil	Nil
	Ness Creek				No. 2	0		
	Bellview Creek				No. 3	361.1		
	Tarwin River		1,800	0	N/A	N/A	Nil	Nil
WSE000063 Leongatha	Ruby Creek	Leongatha, Koonwarra	2,476	1,696	Res. 1	13.2	Nil	Nil
					Res. 2	62.3		
					Hyland Reservoir	297.4		
					Western Reservoir	731.6		
	Coalition Creek		1,800	0	N/A	N/A		
WSE000064 Loch, Poowong, Nyora	Little Bass River	Loch, Poowong, Nyora.	420	126	Little Bass Reservoir	160	Nil	Nil
WSE000065 Meeniyen	Tarwin River	Meeniyen	200	50	N/A	N/A	Nil	Nil
WSE000070 Toora, Port Franklin, Welshpool, Port Welshpool	Agnes River	Toora, Port Franklin, Welshpool, Port Welshpool	1,617	585	Cooks Dam	58.7	Nil	Nil
WSE000069 Wonthaggi, Inverloch	Lance Creek	Wonthaggi, Inverloch, Cape Paterson	5,600 ²	1,471	Lance Creek Reservoir	3,749 ³	Nil	Nil
WSE000078 Greater Yarra System- Thomson River Pool- South Gippsland Water	Greater Yarra System- Thomson River Pool	Wonthaggi, Inverloch, Cape Patterson	1,000	955 ⁴	NA	NA	84 ⁵	84 ⁵

- Notes:
1. Storages included under each Bulk Entitlement.
 2. This includes 1,800/year for the Powlett River Offtake.
 3. 31 ML of water stored in the Lance Creek Reservoir was transferred from Delivery Point DP5
 4. Water was transferred from Delivery Point DP5 to the Lance Creek Water Treatment Plant.
 5. 84 ML of desalinated water was traded with South East Water (see section below Reciprocal Water Trading between SGW & SEW)

Reciprocal Water Trading between South Gippsland Water and South East Water

This includes 871 ML of water directly from the Greater Yarra Thompson River pool and 84 ML from South East Water’s Desalination entitlement. In 2018-19, South East Water and South Gippsland Water undertook reciprocal trades of 84 ML of water allocation. This is part of an ongoing administrative process to enable South Gippsland Water to continue to access, by substitution, its water from the Melbourne surface water system via its 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 0 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 DELWP.

Bulk Entitlement Compliance Reporting

General Reporting Requirements

Amendments to bulk entitlements	No amendments to bulk entitlements in 2018/19.
New bulk entitlements	No new bulk entitlements in 2018/19.
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	<p>Bulk Entitlement conditions were met without difficulty with the exception of passing flow requirements for the Devon North, Alberton, Yarram, and Port Albert Bulk Entitlement.</p> <p>The difficulties were due to changing operational functions required to meet the drought conditions experienced in the area. River flows in the Tarra River have been significantly low during the summer/Autumn 2019 period and continue to remain lower than average across the winter period of 2019.</p> <p>Remedial actions included;</p> <ol style="list-style-type: none"> reassessment and readjustment of operational management of diverting water from the offtake on the Tarra River at the diversion point Additional water taken from groundwater licence BEE051808 and stored in the Devon North Raw Water Basin.
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

Water Services

Water Quality

South Gippsland Water maintained its water quality monitoring program consistent with the requirements of the Safe Drinking Water Act 2003 and the Safe Drinking Water Regulations 2015. Percentage compliance detailed in the table below is based on the number of water sampling localities complying with requirements

of the Safe Drinking Water Regulations 2015 in the period 1st July 2018 to 30th June 2019. Further details of drinking water compliance for each distribution system are reported annually to the Department of Health and Human Services and are available on South Gippsland Water's website, or on request.

Average Annual Drinking Water Consumption ML

Year	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Alberton/Port Albert Yarram/Devon North	393	351	347	356	346
Dumbalk	15	16	15	15	14
Fish Creek	64	57	70	75	78
Foster	136	130	125	137	130
Korumburra	641	661	628	577	598
Wonthaggi/Cape Paterson/Inverloch	1,372	1,384	1,354	1,487	1,490
Leongatha/Koonwarra	1,433	1,350	1,556	1,478	1,453
Meeniyan	46	54	49	47	44
Poowong/Loch/Nyora	174	197	159	173	181
Waratah Bay	0	0	0	0	0
Toora/Welshpool/PortWelshpool/Port Franklin	316	283	280	323	325
Total	4,590	4,483	4,583	4,668	4,659

Compliance with Safe Drinking Water Regulations 2015

Parameter	Water Quality Standard	Percentage of localities receiving compliant water in 2018/19
<i>Escherichia coli</i> (<i>E. coli</i>)	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%
Turbidity	The 95th percentile of results for samples in any 12-month period must be less than or equal to 5.0 Nephelometric Turbidity Units	100%
Trihalomethanes (Total)	Less than or equal to 0.25mg/L of drinking water	100%
All other parameters as detailed in South Gippsland Water's drinking water 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%

Water Services

Water Consumption

District Name	Residential Customers				Non-residential Customers				Total number of customers	Total potable water volume (ML)	Total recycled water volume (ML)	Total Consumption (ML)	Average Annual Consumption (ML)	Weekly residential potable water consumption (ML)	Non-revenue Water			Total non-revenue water (ML)	Total all water sources (ML)
	Number	Potable water volume (ML)	Recycled wastewater volume (ML)	Recycled stormwater volume (ML)	Number	Potable water volume (ML)	Recycled wastewater volume (ML)	Recycled stormwater volume (ML)							Leakage (ML)	Firefighting (ML)	Other (ML)		
Devon North Alberton Yarram Port Albert	1,294	162	N/A	N/A	479	231	104	N/A	1,773	393	104	497	434	3	22	N/A	38	60	557
Dumbalk	79	9	N/A	N/A	19	6	N/A	N/A	98	15	N/A	15	15	0	1	N/A	1	2	17
Fish Creek	103	12	N/A	N/A	98	52	N/A	N/A	201	64	N/A	64	67	0	42	N/A	3	45	109
Foster	637	78	N/A	N/A	176	58	N/A	N/A	813	136	N/A	136	133	2	8	N/A	5	13	149
Korumburra	1,886	245	N/A	N/A	288	396	0	N/A	2,174	641	0	641	630	5	145	N/A	20	165	806
Wonthaggi Inverloch Cape Paterson	9,478	1,020	N/A	N/A	835	352	0	N/A	10,313	1,372	0	1,372	1,401	20	286	N/A	21	307	1,679
Leongatha Koonwarra	2,599	384	N/A	N/A	562	1,049	0	N/A	3,161	1,433	0	1,433	1,431	7	166	N/A	87	253	1,686
Meeniyian	211	30	N/A	N/A	49	16	7	N/A	260	46	7	53	52	1	1	N/A	2	3	56
Loch Poowong Nyora	556	75	N/A	N/A	143	99	N/A	N/A	699	174	N/A	174	177	1	79	N/A	11	90	264
Waratah Bay	0	0	N/A	N/A	0	0	11	N/A	0	0	11	11	4	0	na	N/A	na	na	11
Toora Port Franklin Welshpool Port Welshpool	650	75	N/A	N/A	408	241	2	N/A	1,058	316	2	318	317	1	177	N/A	85	262	580
Total	17,493	2,090	-	-	3,057	2,500	124	-	20,550	4,590	124	4,714	4,661	40	927	-	273	1,200	5,914

Note: Average annual demand is calculated as a rolling 3-year average. Revenue water excludes standpipe sales (40 ML), desalination plant site consumption of (2 ML) and estimated sales consumption (9 ML).

Use of Alternate Water Sources

Use of alternate water sources for the 2018/19 period are as follows:

Tarwin River:	0 ML
Devon Nth Groundwater:	157 ML
Total Alternative Water Sources:	157 ML



Total Residential Bill 2018/19

Water Service Fee	Wastewater Service Fee	Consumption	Total
\$306.00	\$474.9	Average Usage \$1.82 @ 120 kl = \$218.40	\$998
\$306.00	\$474.9	\$1.82 @ 200 kl = \$364.00	\$1,144

Adaptation to Climate Change Variability

Urban Water Strategy and Drought Preparedness Plan

South Gippsland Water's current water supply / demand strategies and plans and Drought Preparedness Plan were prepared in accordance with the Victorian State Governments guidelines including Guidelines for Assessing the Impact of Climate Change on Water Supplies in Victoria (DELWP, 2016) and Guidelines for the Development of Urban Water Strategies and the Melbourne System Strategy (DELWP, 2017).

- Integrate climate change adaptation into decision-making across the business (all sources of water, wastewater)

The business has yet to document all the risks, consequences and controls for potential climate change impacts listed in the WSAA Climate Change Adaptation Guidelines (2016). However, a wide range of existing business process and initiatives are being used to identify and manage risks.

Source waters and demand

The Urban Water Strategy, Drought Preparedness Plans and Annual Water Security Outlooks document changes to water supply possible from different climate change scenarios. The business has been adapting to forecast changes through a number of initiatives:

- Completion of the Lance Creek Water Connection project to better secure supplies for seven of the region's towns (about 60% of the customers);
- Provision of a connection to the State Water Grid to provide supply resilience for towns connected to the Lance Creek network;
- Seeking the best community outcome for water resources and dams around Korumburra and Poowong that are no longer used for urban supplies;
- Development a strategy to secure the water supply for Leongatha;
- Development of emergency supplementary supply options for Leongatha.

Built assets

The business has a number of projects and programs complete or in progress to accommodate potential climate change impacts on built assets such as sewers, sewer pumps stations, dams, etc.. These include:

- Upgrade of the taste and odour control process at Lance Creek Water treatment plant to accommodate a forecast increase in demand from the storage and a potential increase in the frequency of the algal blooms that cause taste and odour events;
- The business has assessed the risk and consequence of power supply interruptions at key sites and has installed or renewed emergency generators to mitigate the risk of power supply interruptions. Sites include Lance Creek water treatment plant and pump station, a range of sewer pump stations, the Foster corporate office and Wonthaggi depot (which have critical IT and control systems infrastructure) and the Wonthaggi Low Level Basin site;
- Modelling and augmentation plans have been developed for a number of sewerage systems over the past year to accommodate current and future flows including inflow and infiltration. Upgrade projects will be implemented progressively in future years;
- Sewerage system condition assessment work has been accelerated to determine where sewer condition is contributing to infiltration. Condition assessment work is being used to determine where rehabilitation is needed;
- All water and wastewater treatment plants have had asset condition and risk assessed to guide renewal works and improvements to critical spares planning to improve resilience and reduce the risk of future service interruptions.

Natural environment

South Gippsland water has focused on forecast changes to catchment yield and water resources to plan for climate change impacts using a range of projects described previously.

People and workplace

The business has yet to formally assess climate change risks to our staff and workplaces. A number of relevant initiatives have been completed or are in progress



- An after-hours review has been completed that will determine how the resilience of rosters can be increased to accommodate either workload peaks or staff absences / turnover;
- A range of control system and communication improvements have been completed or are in progress that will reduce the need for staff to visit sites during extreme events;
- The business has an on-going program of facilities improvements to ensure that staff are working in suitable temperatures and has recently changed business premises in Leongatha and upgraded the Dumbalk water treatment plant facilities.

Interdependencies

South Gippsland Water has completed a range of projects designs to improve service resilience during external events such as power interruptions, damage to infrastructure or bushfire.

- Vulnerability to power supply interruptions has been addressed by purchasing or renewing a number of emergency generators and installation of automatic change-over switches;
- Load on the grid has been reduced by installation of behind the meter solar installations at several sites with further projects planned for the 2019/20 financial year;
- Bushfire risk has been addressed at the Devon North water treatment plant by installation of an external sprinkler system with remote start.

Customer and product delivery

Vulnerability of customer service provision, particularly water supply reliability is being addressed through a range of projects and initiatives described previously.

Major Non-Residential Water Users

Name of Customer	Information as to customer participation in water conservation programs
Saputo Dairy Australia Ltd - Formerly Murray Goulburn Cooperative Ltd (Leongatha)	Highly active in water conservation
Burra Foods Pty Ltd (Korumburra)	Processing facilities upgraded; including water conservation measures and community re-use

Customers by Volume/Range for 2018/19

Volumetric Range ML per year	Number of Customers
Equal to or greater than 100ML and less than 200ML	0
Equal to or greater than 200ML and less than 300ML	0
Equal to or greater than 300ML and less than 400ML	1
Equal to or greater than 400ML and less than 500ML	0
Equal to or greater than 500ML and less than 750ML	0
Equal to or greater than 750ML and less than 1,000ML	1
Greater than 1,000ML	0
Total Number of Customers	2

Wastewater Services

Wastewater Management

During 2018/19, South Gippsland Water was compliant with sewerage treatment quality standards at nine of its ten wastewater systems, with one premise exceeding the maximum ammonia limit on two occasions. One premise also exceeded its mean daily flow discharge limit. The details of the non-compliance to the Environment Protection Authority waste discharge licence is shown in the table below.

Analysis of performance against EPA Licence 74240 environmental performance conditions

Condition area	Condition reference	Condition description	Condition complied with?
General	G1	Waste from the premises must not be discharged to the environment except in accordance with this licence.	Yes
	G2	You must immediately notify EPA of non-compliance with any condition of this licence.	Yes
	G3	By 30 September each year you must submit an annual performance statement to EPA for the previous financial year in accordance with the Annual Performance Statement guidelines (EPA Publication 1320).	Yes
	G4	Documents and monitoring records used for preparation of the annual performance statement must be retained at the premises for seven years from the date of each statement.	Yes
	G5	You must implement a monitoring program that enables you and EPA to determine compliance with this licence.	Yes
Amenity	A1	Offensive odours must not be discharged beyond the boundaries for the premises.	Yes
Water Discharges	DW1	Stormwater discharged from the premises must not be contaminated with waste.	Yes
	DW2	Discharge of waste to surface waters must be in accordance with the 'Discharge to Water' table.	No ^{1,2}
	DW2.8	Discharge of treated wastewater during wet weather conditions must be in accordance with specifications in "Discharge to Water" section of EPA Publication 1322 'Licence Management Guidelines'.	Yes
	DW3	The mixing zone extends as defined in the 'Mixing Zone' table.	Yes
	DW4	You must install and maintain signage at the discharge point showing, (a) the extent of the mixing zone, (b) your name, (c) the EPA licence number, and (d) the discharge point number.	Yes
Land discharges	DL1	You must not contaminate land or groundwater	Yes
	DL2	Discharge of wastewater to land must not adversely affect the land.	Yes
	DL4	Deposit of biosolids to land must not adversely affect the land.	Yes

Note 1: The Leongatha WWTP breached its maximum ammonia limit for 2018/19.

Note 2: The Baxter's Beach wastewater system was non-compliant with licence condition DW2 as the annual mean daily flow limit was exceeded for the year 2018/19. Marine ecosystem monitoring and Ecological Risk Assessment indicates that beneficial uses of the Baxter's Beach environment are protected.

Improvements in wastewater management implemented during the year included:

- A number of sewerage pumping stations have been upgraded to improve efficiency and reduce the risk of spills from occurring.
- Targeted cleaning of sewer pipelines has been undertaken to reduce blockages and spills in higher risk areas including Leongatha, Inverloch and Wonthaggi.
- Continued improvements to wastewater management systems have been implemented, particularly for monitoring, calibration, documentation and reporting.

- Improvements have been made to the aeration SCADA control system at the Leongatha Wastewater Treatment Plant to improve treatment capability and increase aeration efficiency.
- Replacement of a surface aerator at Inverloch Wastewater Treatment Plant has increased reliability of aeration and treatment.
- Optimisation of treatment processes and chemical use at the Leongatha and Korumburra Wastewater Treatment Plants.
- The Corporation practices are in compliance with the State Environment Protection Policy.

Treated Effluent

Treated effluent re-use systems are in place at Tarraville, Welshpool, Toora, Inverloch, Waratah Bay, Meeniyah, Leongatha and Korumburra. A total of 124 ML (3.2%) of treated effluent was re-used during 2018/19.

South Gippsland Water also transports wastewater from Poowong, Loch and Nyora to South East Water's Lang Lang Recycling Plant for treatment and reuse. Effluent is treated to Class A standard, and the recycled water scheme services industry and agriculture in the Lang Lang, Koo Wee Rup and Nyora areas.

South Gippsland Water continues to seek innovative methods for disposal of effluent for all of its sewerage treatment plants.

Biosolids

A total of 1,171 tonnes from a stockpile of stored biosolids was transferred from the Biosolids Management Facility at the Leongatha Waste Water Treatment Plant to the Soil and Organic Recycling Facility at Dutson Downs to be processed for re-use. This comprises 69% of the Corporation's biosolids production for 2018/19.



Corporate Sustainability Strategy

To deliver our purpose, "We provide sustainable water services that are essential to the prosperity and wellbeing of our communities and natural environments", South Gippsland Water is focused on four key sustainability priorities.

Water and wastewater services

We will provide water resources to a diverse region for a range of uses and accommodate the impacts of population growth and climate change, this will include identifying alternative water supplies such as recycled water.

Water and wastewater quality

We will provide a quality product to the region and contribute to public health through the delivery of safe drinking water and the collection and treatment of wastewater.

Natural environment

We will protect, conserve and enhance our community's natural assets to ensure that our water resources are managed appropriately, to minimise the impact of our operations on the surrounding environment, and protect our natural assets for future generations.

Greenhouse Gases

We will reduce our greenhouse gas emissions to minimise our contribution to climate change and will be an adaptable business to enable our services to be delivered in a changing climate.

Environment and Sustainability

South Gippsland Water's Environment and Sustainability Policy defines its commitment to undertaking activities in an environmentally responsible manner, taking into account resource availability, environmental values, legislative obligations, community expectations and "Better Practice" protocols. The Environment and Sustainability Policy forms the basis upon which the Corporation sets its objectives and targets and reflects its commitment to comply with the relevant legal requirements.

Policy Environmental Management System

South Gippsland Water's commitment to responsible environmental management is also reflected in the Environmental Management System (EMS) which has been certified to the Australian Standard AS/NZS ISO 14001. The role of the EMS is to identify, manage and reduce impacts to the environment from the Corporation's activities.

Some of the key areas of the EMS include:

- Identifying impacts that the Corporation may be having on the environment
- Operational and incident management procedures
- Objectives and targets to improve environmental performance
- Specification of environmental responsibilities
- Continual improvement.

Sustainable Water Use

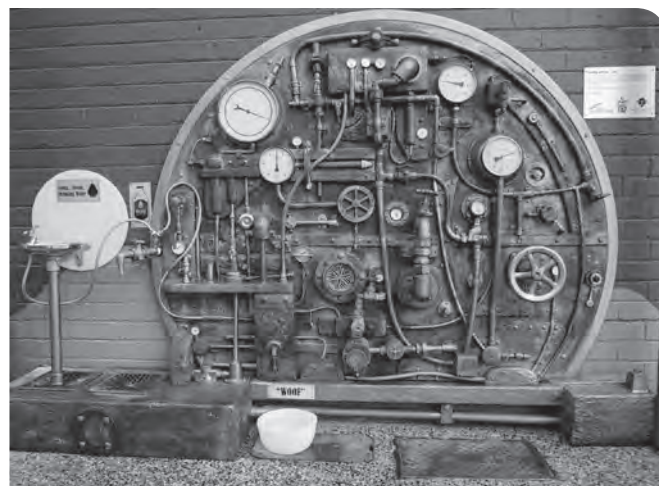
South Gippsland Water recognises that with appropriate management, by-products of wastewater treatment (e.g. treated effluent) can be a resource rather than a waste product.

A total of 124 ML (3.3%) of recycled water was used for irrigation during 2018/19, with the majority being used on agricultural land, and a small amount for recreation/sporting grounds.

Treated wastewater from South Gippsland Water's Tarraville Wastewater Treatment Plant is piped to an adjacent property for crop irrigation by a neighbouring landholder, and a grazier in Cape Paterson uses a portion of the treated wastewater from the Inverloch wastewater system for irrigation.

The Toora Football Club uses treated wastewater from the Toora wastewater system to irrigate the playing surface of the recreation oval. This re-use arrangement has effectively drought-proofed this important community facility.

All treated wastewater from the Waratah Bay Wastewater Treatment Plant is used onsite for pasture irrigation.



Sculpture drinking fountain installed at Foster: Steampunk Water Maze

The Leongatha and Korumburra Wastewater Treatment facilities have standpipes on-site enabling Class B reuse for applications such as road works and weed control.

The sewerage scheme constructed at Meenyan has incorporated wetlands as the final treatment process. This provides treated effluent to multiple reuse sites within the area including the Stony Creek Football Oval, the Meenyan Football Oval and the Meenyan Golf Course, and provides for irrigation on South Gippsland Water's land surrounding the treatment plant.

A collaborative approach with South East Water sees 100% of effluent from the Poowong, Loch and Nyora Sewerage Scheme treated at the Lang Lang Waste Water Treatment Plant and utilised by industry and agriculture in the Lang Lang, Koo Wee Rup South and Nyora areas.

South Gippsland Water continues to look for further opportunities to establish wastewater re-use schemes where beneficial and cost-effective outcomes can be secured.

The Corporation practices are in compliance with the *Use of Reclaimed Water Guidelines for Environmental Management*.

Catchment Risk Management

South Gippsland Water continues to assess risks and hazards to source water in Declared Water Supply Catchments with annual reviews and implementation of the South Gippsland Water Integrated Catchment Management Plan. This plan, alongside the Health Based Targets approach assesses catchment risks to source water quality and provides comprehensive information about all South Gippsland Water water supply catchments.

Municipal planning permits continue to be assessed against the Ministerial Guidelines for planning permits in open potable water supply catchments. South Gippsland Water continues to participate with municipal councils of South Gippsland, Baw Baw and Wellington in the management of municipal domestic wastewater management plans.

Regional Catchment Strategy

The West Gippsland Regional Catchment Strategy 2013-2019 is the statutory document under the Catchment and Land Protection Act 1994 (CaLP Act) that provide the overarching framework for land, water and biodiversity management and conservation in the West Gippsland Region. South Gippsland Water supports the implementation of the objectives of the strategy and operates in accordance with this strategy and principles thereof.

South Gippsland Water recognises the close link between catchment management and the Corporation's goals to manage and provide environmentally sound, safe, high quality drinking water to its customers. The Corporation regards itself as a key stakeholder in environment and catchment management initiatives and continues to work with the West Gippsland Catchment Management Authority, South Gippsland Landcare and local councils in implementing programs to manage and protect catchment areas.

Environmental Sustainability

Support has been provided for water quality projects including the regulation of point source discharges in Foster and Little Ruby Creeks and, in conjunction with GippsDairy, programs to reduce sediment and nutrient losses from agricultural land through the Core 4 project. South Gippsland Water has supported riparian fencing and revegetation remediation of gullies and slips through its H2O Grants. There is ongoing support of programs including the Corner Inlet Connections project and the recognition of significant cultural values of Traditional Land Owners, the Gunaikurnai, Bunurong and Boon Wurrung people.

Victorian Biodiversity Strategy

South Gippsland Water supports the Victorian biodiversity strategy, Protecting Victoria's Environment – Biodiversity 2037, and biodiversity priorities in the Catchment Management Authority Regional Catchment Strategies. South Gippsland Water is committed to the continued protection, enhancement and restoration of natural assets through a range of activities within our region including control of woody and herbaceous weeds to protect and enhance areas of native vegetation.

Victorian Waterway Management Strategy and West Gippsland Waterway Strategy

The Victorian Waterway Management Strategy provides a framework for the management of rivers, estuaries and wetlands across Victoria. The strategy aims to maintain or improve the environmental condition of Victoria's waterways. The West Gippsland Waterway Strategy implements the policy framework from the Victorian Waterway Management Strategy 2013 and provides for the appropriate environmental conditions to support the range of identified values such as environmental, social, cultural and economic values.

As a storage manager, South Gippsland Water complies with its environmental obligations legislated under its Bulk Entitlements issued under the Waterway Management frameworks providing passing flows and agreed regional watering regimes. South Gippsland Water support the economic values of waterways, their community use, participation, advocacy and stewardship in the region's waterways.

Uniform Drought Response Plan

South Gippsland Water's supply storages and river systems are relatively small, relying on the region's generally high annual rainfall to replenish storages prior to the summer draw down.

The South Gippsland Water Drought Response Plan (DRP) was prepared in accordance with State Government guidelines. The DRP is a dynamic document which is periodically refined based on actual drought experience and as more supply system information becomes available.

The requirements specified in the DRP guidelines include:

- *defining the legal and institutional context*
- *describing the supply system and changes since the last drought*
- *setting objectives for drought management*
- *identifying and evaluating drought response options*
- *developing a sequential plan of action*
- *identifying pre-drought activities*
- *evaluating the effectiveness of the DRP post-drought.*

One water system, the Coalition Creek System (Korumburra), commenced the year on stage three water restrictions which were lifted on 7 July 2018.

South Gippsland Water was successful in securing State Government funding of \$30 million in the 2016 State Government Budget to be allocated towards a \$43 million project to secure the water supply to Korumburra, Poowong, Loch and Nyora.

The Lance Creek Water Connection was completed in December 2018 and includes connecting pipelines from the Little Bass and Coalition Creek water supply systems to the Lance Creek Reservoir and Melbourne Supply System. The townships were not subject to staged water restrictions during the summer of 2018/19 following completion of the project.

Community Partners in Environment and Sustainability

South Gippsland Water supports local organisations and groups involved in catchment improvement and environmental education.

These organisations provide benefits to South Gippsland Water by raising awareness and understanding of water issues and by providing on-ground improvements in our water supply catchments. By supporting the organisations, South Gippsland Water is strengthening partnerships and providing wider benefits to the South Gippsland community.

South Gippsland Water provides financial contributions to groups on a case-by-case basis.

Biodiversity

South Gippsland Water recognises its responsibility in protecting the biodiversity assets in its areas of operation for the benefit of the region. The Corporation is committed to integrating biodiversity conservation and management into operating and management systems.

Accordingly, South Gippsland Water will:

- *integrate social, environmental and economic factors into decision-making and seek to maximise net beneficial outcomes*
- *apply the precautionary principle in evaluating the decisions and policies we make*

Name	Activities	Type of Support	
		Financial	In-kind
National Water Week (NWW)	Local primary schools participated in the NWW Poster Competition with all families of participating schools receiving a calendar of posters promoting water conservation and raising awareness about the many and varied water sources	-	✓
Schools Water Efficiency Program (SWEP)	South Gippsland Water funds Year 2 and Year 3 program payments for local schools to participate. With 23 schools from the region now involved in the program	-	✓
H4O - Help For Water Efficient Organisations Grants	Community grants for water efficiency, community strengthening or encouraging water consumption projects	\$2,500	-
H2O - Hills To Oceans Grants	Landholder and community grants to improve catchment health and environment	\$955	-
Public Water Bottle and Drinking Water Fountains or Water Trailer	Donation of water or loan of portable water bottle refill stations, drinking fountains, or water trailer to community events as part of the Choose Tap Coalition. 19 Community events supported with an estimated 9.5KL of water supplied and reaching an estimated 55,000 people.	-	✓
Public Water Bottle Refill and Drinking Fountain	Donation of permanent refill stations to community groups and public facilities. 2018/19 - two fountains were donated to Wellington Shire Council for Port Albert foreshore park and South Gippsland Shire Council for Foster's main street as part of the Choose Tap Coalition.	\$10,000	
South Coast Water Partnership	A partnership of nine health and community based organisations that aims to improve health outcomes for local communities by promoting the health benefits of drinking water over sugar sweetened beverages	-	✓

- act to conserve or reinstate the biodiversity and ecological integrity of land, aquatic and other natural assets that we manage
- maintain biodiversity registers for land and aquatic systems in the vicinity of our operating areas and take these into account during planning and approval processes
- ensure staff appreciate and respect biodiversity values and recognise their role in protecting biodiversity from detrimental impacts as a result of their work activities
- co-operate with other agencies in the development and implementation of biodiversity conservation initiatives.

South Gippsland Water has developed profiles for all systems that contain a wealth of biodiversity information, including:

- Bioregion designation
- Flora, fauna and threatened species
- Planning scheme zones and overlays.

South Gippsland Water is supporting the implementation of the Victorian Government's biodiversity plan, *Protecting Victoria's Environment – Biodiversity 2037* by:

- Undertaking environmental risk assessment for all capital works projects to ensure the protection of biodiversity.
- Detailed assessments and management plans developed to avoid impact to the endangered species' Gippsland Giant Earthworm and *Eucalyptus strzeleckii* during the Lance Creek Water Connection project.
- Comprehensive environmental monitoring of the Lance Creek Water Connection project, along with implementation of the Gippsland Giant Earthworm management plan.

Carbon Emissions Reduction Pledge

South Gippsland Water is committed to greenhouse gas emissions reduction and in 2017 pledged a reduction of 15% by 1 July 2025. The pledge is the first step on the road to achieving net zero emissions by 2050, as per the Victorian Government's water plan, *Water for Victoria*.

South Gippsland Water is also committed to achieving zero net emissions by 2050. The longer-term strategy may include a combination of the following:

- Behind-the-meter solar installations
- Increased energy efficiency and reduce or avoid energy use for new projects
- Intelligent Water Networks (IWN) – participation in industry-scale renewable projects
- Community energy projects
- Purchasing accredited offsets and GreenPower
- Other options that become available as the Australian energy market evolves.

Net Energy Consumption

1,345 MJ/ML potable water and 2,239 MJ/ML wastewater

South Gippsland Water aims to reduce greenhouse gas emissions to minimise its contribution to climate change, and to be an adaptable business in order to enable services to be delivered in a changing climate.

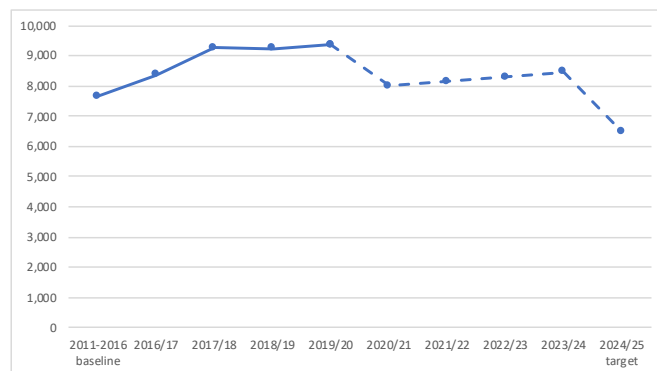
The Corporation has identified around 50 options for energy savings. The key energy efficiency improvement opportunities are:

- Reduction of treatment volumes in wastewater and water treatment
- Efficiency improvement of pumping systems
- Investigating use of the potential renewable energy in water, sun and wind
- Motivation of employees to be efficient with their energy use.

Greenhouse Gas Emissions

Performance Indicator	Greenhouse gas emissions in tonnes of CO ₂ -e		Variance	Commentary
	2018-19 Projected	2018-19 Result		
Water Treatment & Supply	2,262	2,373	4.9%	2018-19 projected transport emissions were over estimated. Actual diesel usage was less than expected.
Sewerage Collection, Treatment & Recycling	6,099	6,005	-1.5%	
Transport	823	654	-20.6%	
Other	192	192	0.1%	
Total Emissions	9,376	9,224	-1.6%	
Offsets Retired		-		
Net Emissions	9,376	9,224	-1.6%	

Net greenhouse gas emissions (tonnes of CO₂ equivalent)



Performance Indicator	2014/15	2015/16	2016/17	2017/18	2018/19	% Variance	Commentary
Energy Generation (MWh)							
Water treatment and supply	-	-	-	-	-	-	
Sewerage treatment and management	-	-	20	45.1	83	+84%	New solar system at Lohr Ave Sewer Pump Station. Solar system was not eligible for LGCs (system <100 kW). STCs were sold.
Other	46.4	46.4	46.4	43.3	35	-19%	Solar systems at Toora depot, Korumburra depot, Leongatha depot and Wonthaggi depot. Estimated due to inverter replacements. Solar systems were not eligible for LGCs (all systems <100 kW). STCs were sold.
Energy Consumption (kWh/ML)							
Water treatment and supply	298.7	345.5	346.8	360.3	373.7	+3.71	Increase in pumped water due to the Lance Creek Water Connection.
Sewerage treatment and management	669.9	655.7	618.6	646.6	622.05	- 3.8%	Less domestic wastewater collected and treated

Minister's Letter of Expectations

Letter of Expectations

In 2017 the Victorian Government released its water plan, "Water for Victoria" that sets the strategic direction for water management in Victoria for decades to come. Water for Victoria will create a water system that is modern and efficient, innovative, future focused and affordable. In addition, the Minister for Water has set out performance expectations for 2018/19 and beyond via a Letter of Expectations (LOE) for water corporations. The Corporation is committed to delivering upon the seven policy areas set out in the Minister's Letter of Expectations:

- *Climate Change*
- *Customer and community outcomes*
- *Water for Aboriginal cultural, spiritual and economic values*
- *Resilient and liveable cities and towns*
- *Recognising recreational values*
- *Leadership and culture*
- *Financial sustainability*

The below tables Summary Appendix 3A – Letter of Expectations Reporting provides a summary of key performance indicators and commentary against the performance indicator or where applicable a reference to the relevant section of this Annual Report for further information.

Summary Appendix 3A – Minister's Letter of Expectation Reporting

Climate Change

KPI	Measure	Further Information, refer to section(s)	Page
E2 Emissions Reduction	E2 Total net CO2	Environmental Sustainability Carbon Emissions Reduction Pledge Greenhouse Gas Emissions	29-31
E3 Adaption to climate change variability	E3 WSAA Climate Change Guidelines: a. Qualitative description how guidelines will be used b. Qualitative description how adaptation will be undertaken c. Qualitative description of contribution/ participation	Water Services Adaptation to Climate Change Variability	26-27

Customer & Community Outcomes

KPI	Measure	Further Information, refer to section(s)	Page
C2 Customer and community engagement	C2 Develop & Deliver engagement strategy/ plan/policy via corporations website	Social Sustainability Customer Consultation South Gippsland Water's Engagement Strategy is available via www.sgwater.com.au/about-us/publications	22

Water for Aboriginal Cultural, Spiritual and Economic Values

KPI	Measure	Further Information, refer to section(s)	Page
AC1 Engagement of Aboriginal Communities	AC1 AC1.1 A strategy demonstrating how corporation will build procurement capacity/ address inclusion barriers AC1.2 # of sponsorships of Aboriginal people in study or traineeships AC1.3 # of staff who have undertaken cross cultural training in last 5 years.	Corporate Information Aboriginal Cultural Values AC1.1 – Social procurement policies adopted AC 1.2 – No sponsorships in place. GEA-GLaWAC partnership is working to establish cross agency (rotating) GLaWAC traineeships. AC1.3 – 21 employees undertaken cross cultural training in the last 5 years.	3,18,19
AC2 Engagement of traditional owners	AC2.1 # of engagements with Traditional Owners and report on outcomes	Corporate Information Aboriginal Cultural Values Number of engagements with traditional owners: Gunaikurnai Land and Waters Aboriginal Corporation – 3 Gippsland Environment Agencies (GEA) GLaWAC Working Group Meetings Bunurong Land Council – 3 engagements as part of Rethinking Reservoirs project. See also Social Sustainability - Customer Consultation	3,18,19
AC3 Aboriginal Inclusion Plan/ Reconciliation Action	AC3 Development of either Aboriginal Inclusion Plan or RAP reflecting AC1 – AC2.	South Gippsland Water's Diversity Inclusion Plan is available via www.sgwater.com.au/about-us/corporate-policy-legislation .	20

Minister's Letter of Expectations

Resilient and Liveable Cities and Towns

KPI	Measure	Further Information, refer to section(s)	Page
L1 Integrated Water Management	L1 Progress towards: Participation in/est' of IWM forums in region. Contribution to develop/Implementation of Strategic Direction Statements Implementation of priority IWM projects/plans Delivering IWM outcomes for region.	Corporate Information Integrated Water Management	15
L2 Water Efficiency (Urban)	L2 Collaborate on Vic Water Efficiency Strategy Corporation working together to deliver statewide initiatives Reporting number of customers assisted by Community Rebate Program	Social Sustainability Schools Education & Water Efficiency Programs Community Service Obligations – Financial Assistance to Eligible Customers	23 22
L3 Water Bills (Urban)	L3 Total residential bill based on: Avg consumption 200KL consumption	MRD01	36-37
L4 Payment management and hardship	L4 # Installment plans # Hardship grants awarded	Social Sustainability Community Service Obligations – Financial Assistance to Eligible Customers	22

Recognising Recreational Values

KPI	Measure	Further Information, refer to section(s)	Page
Rec1 Recreational Values	Rec1 Consideration of recreational values # projects delivered to improve recreational enjoyment of water storages. A) # of engagements that considered recreational objectives. B) # of online updates to information sources to help visitors plan activities. C) Collaboration with other orgs/ agencies to explore opportunities to support recreational objectives. # of accessible major water storages with land and recreation plans in place.	Rec1 – Recreational projects available at sgwater.com.au 1) Project to construct a bird hide on Great Southern Rail Trail (crown land) adjacent to Meeniyen Wastewater Treatment Plant & Wetlands continues to progress with designs and location confirmed. Planning permits being sought as at Jul 2019. 2) South Gippsland Water is currently undertaking extensive engagement as part of the Rethinking Reservoirs project and will look for ways to explore recreational values through this project. 2)c Collaboration projects include: Meeniyen Bird Hide, Foster Wastewater Re-use Partnership for Foster Recreation Reserve and Foster Golf Club, Korumburra Golf Club access to water from Coalition Creek Reservoir. Organisations include Community groups, Shire Council, CMA and Delpp. 3) 3 Reservoirs with access and agreements in place for local angling clubs to access and fish from the bank. No infrastructure available for public use. No boating access See also Social Sustainability Customer Consultation – Rethinking Reservoirs	22

Leadership & Culture

KPI	Measure	Further Information, refer to section(s)	Page
G1 Diversity & Inclusion	G1.1 development of inclusion plan, G1.2 Number of females in Snr exec positions, G1.3 1% target for aboriginal people in the business	Our People Diversity and Inclusion South Gippsland Water's Diversity Inclusion Plan is available via www.sgwater.com.au/about-us/corporate-policy-legislation .	20
	G1.4 Actions taken to improve participation by Traditional owners Board committees and other org committees	Corporate Information Aboriginal Cultural Values	8
G2 Board Performance Review	G2 Board performance report submitted and monitoring actions for continuous improvement.		12
G3 Health & Safety	G3 –OHS performance indicators in line with FRD 22H section 5.10	Our People Occupational Health and Safety Management	21

Financial Sustainability

KPI	Measure	Further Information, refer to section(s)	Page
F1-F8 Financial Indicators	F1 Interest cover F2 Gearing ratio F3 Internal financing ratio F4 Current ratio F5 Return on Assets F6 Return on equity F7 EBITDA Margin As per MRD 01	Performance Report	36-37

Report of Operations

Attestation for Financial Management Compliance with Standing Direction 5.1.4

I, David Schultz, on behalf of the Board certify that South Gippsland Region Water Corporation has complied with the applicable Standing Directions of the Assistant Treasurer under the Financial Management Act 1994 and Instructions.

I am pleased to present South Gippsland Water's Annual Report for the year ending 30 June 2019.



David Schultz

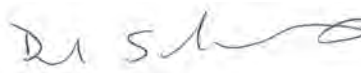
Chair

South Gippsland Water

Dated: 6th September 2019

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 2019.



David Schultz

Chair

South Gippsland Water

Dated: 6th September 2019

Summary of Financial Results

The full year operating result for 2018/19 was a loss before tax of \$8.5M compared to a budgeted loss of \$4.4M. This loss is higher than anticipated due to the recording of transactions associated with replaced water assets in the Northern region. Water is now sourced via a recently constructed pipeline that delivers water from Lance Creek reservoir to the Korumburra, Poowong, Loch and Nyora townships. Expenditure has increased by \$6.0M in total reflecting impairment of two water treatment plants and three reservoirs and a provision for decommissioning costs. Decommissioning costs were budgeted as capital expenditure in future periods, however, are required to be recognised as an expense in the period when the associated assets are impaired or derecognised.

Total revenue was \$32.3M, an increase on the prior year of \$3.1M largely driven by new customer contributions and gifted assets associated with land development activities. Core revenue increased reflecting residential customer growth for the period of 1.5% and CPI of 1.9%. This growth partially offset the decline in major and non-residential customer water consumption for the period which was \$0.3M below the annual budget. Two major customers have reduced water consumption significantly over the last 2 years. Other revenue comprises miscellaneous and unregulated income. Unregulated income fluctuates across periods (\$0.6M lower than the prior year) mostly due to external cost recoveries associated with capital works activities.

Total expenditure for the year increased by \$8.1M to \$40.7M. The Corporation's depreciation expense increased by \$3.3M to \$14.4M due to impairment of reservoirs and water treatment plants in the

northern region. The Corporation's general operating expenditure increased by \$4.9M on the prior year. This was due to:

- the recording of accounting provisions for decommissioning works associated with the construction of a pipeline that now delivers water from the Lance Creek system to the Korumburra, Poowong, Loch and Nyora townships, displacing two water treatment plants and four reservoirs (\$3.0M);
- bulk water entitlement and water usage costs to secure the Lance Creek water supply which now provides water to approximately 60% of the Corporation's customers (\$0.8M);
- an increase in the Corporation's employee benefits (\$0.6M), environmental levy (\$0.1M) and safety and training (\$0.2M). Employee benefits have increased reflecting an annual Enterprise Bargaining Agreement increment of 3%, an increase in the treasury discount rate (2%) and temporary staffing costs to support delivery of a pricing submission (1%).

Total assets at 30 June 2019 were \$436.5M, a reduction of \$2.8M from the prior year balance. This reduction is caused by the impairment of assets during the period that are no longer required to provide water to the Korumburra, Poowong, Loch and Nyora townships. Despite additions of \$16.7M for the period, the combined impact of annual depreciation and impairment expense has resulted in a lower non-current asset balance.

The Corporation received an equity contribution of \$7.1M from the State Government in 2018/19 for the Lance Creek Water Connection project, taking the total funding received for this project to \$30M. This assisted in funding the overall capital program with \$17.7M expended on infrastructure, property, plant and equipment in the period. The internal financing ratio has increased from the prior period to 53% due to lower capital expenditure.

Total liabilities are \$148.8M, an increase of \$1.5M from the prior year. This increase is due to a \$3.0M provision associated with future expenditure for decommissioning assets, as described above. This expenditure is anticipated to occur over the next three years, however, is required to be recorded as a current liability. This accounting treatment has caused an aberration to the ratio of current assets to current liabilities, resulting in a current ratio of less than 1.0 (0.8).

Debt at year end, was \$2.4M higher than the prior period. Borrowings are required to finance, in part, the annual capital program. The refinancing of long-term debt has reduced the weighted average interest rate from 4.78% to 4.54%. The impact of the reduced interest rate has resulted in stable financing costs for the period despite an increase in debt.

Cash flow from operations has increased from the prior year by \$0.7M due to an overall increase in revenue.



2018/19 Summary of Financial Results

Financial Result	2018/19 (\$'000)	2017/18 (\$'000)	2016/17 (\$'000)	2015/16 (\$'000)	2014/15 (\$'000)
Profit & Loss - Summary					
Core revenue	27,836	26,615	25,491	26,156	24,578
Developer contributions and gifted assets	3,487	997	1,414	605	2,310
Other revenue	933	1,550	1,043	2,288	2,400
Total revenue	32,256	29,162	27,948	29,049	29,288
Operating expenditure	23,052	18,176	17,946	18,035	16,848
Depreciation and amortisation	14,379	11,112	11,684	9,311	9,279
Finance costs	2,608	2,586	2,861	2,873	2,561
Other	714	732	685	603	-
Total expenditure	40,753	32,606	33,176	30,822	28,688
Net profit before tax	(8,497)	(3,444)	(5,228)	(1,773)	600
Balance Sheet - Summary					
Current assets	6,713	6,020	9,755	10,187	9,253
Non-current assets	429,775	433,297	410,800	413,943	334,536
Total assets	436,488	439,317	420,555	424,130	343,789
Current liabilities	10,722	18,021	9,837	8,945	9,348
Non-current liabilities	138,115	129,290	134,826	141,484	114,175
Total liabilities	148,837	147,311	144,663	150,429	123,523
Net Assets	287,652	292,006	275,892	273,701	220,266
Net cash flows from operations	9,765	9,039	7,996	5,045	6,298
Payments for infrastructure, property, plant and equipment	17,734	33,468	10,124	8,180	18,292

Summary of Financial Performance

Performance Indicator	2018/19	2017/18	2016/17	2015/16	2014/15
Internal Financing Ratio	53.10%	26.90%	81.50%	48.70%	38.40%
Gearing Ratio	13.10%	12.50%	12.70%	13.30%	15.80%
Interest Cover (Cash)	4.9 times	4.6 times	3.9 times	2.8 times	3.9 times
Return on Assets	-1.30%	-0.20%	-0.60%	0.30%	0.90%
Return on Equity	-2.10%	-0.50%	-1.40%	-0.40%	0.20%
Current ratio ⁱ⁾	0.8 times	0.4 times	1.2 times	1.3 times	11 times

i) The current ratio is less than the benchmark of 1 due to a provision made for future decommissioning costs. This ratio would otherwise be greater than 1.



Performance Report

For the year ended 30 June 2019

TABLE 1 - FINANCIAL PERFORMANCE INDICATORS								
KPI No.	Key Performance Indicator	2017/18 Result	2018/19 Result	2018/19 Target	Variance to prior year %	Notes	Variance to Target %	Notes
F1	Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	4.6	4.9	3.8	6.5%	-	28.9%	1
F2	Gearing Ratio (%) Total debt (including finance leases) / Total assets x 100	12.5%	13.1%	15.4%	4.8%	-	-14.9%	2
F3	Internal Financing Ratio (%) (Net operating cash flow less dividends) / Net capital expenditure x 100	26.9%	53.1%	32.3%	97.4%	3 (a)	64.4%	3 (b)
F4	Current Ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	0.4 times	0.8 times	0.9 times	100.0%	4 (a)	-11.1%	4 (b)
F5	Return on Assets (%) Earnings before net interest and tax / average assets x 100	-0.2%	-1.3%	-0.3%	-550.0%	5 (a)	-333.3%	5 (b)
F6	Return on Equity (%) Net profit after tax / average total equity x 100	-0.5%	-2.1%	-1.0%	-320.0%	6 (a)	-110.0%	6 (b)
F7	EBITDA Margin (%) Earnings before interest, tax, depreciation and amortisation / Total revenue x 100	34.9%	26.4%	33.3%	-24.4%	7 (a)	-20.7%	7 (b)

Notes:

- 1 The favourable variance compared to target is due to both improved net cash flows from operations and lower interest expense. Net cash flows from operations has improved largely due to an increase in developer income. Interest payments are lower than target due to a reduction in loans required to support investment activities.
- 2 The favourable variance compared to target is due to lower loans required to support investment activities. A reduction in capital expenditure compared to target resulted in lower borrowings for the period than anticipated.
- 3 (a) The favourable variance compared to the prior period is due to a lower capital program with net cash flows from operations remaining relatively consistent with the prior period.
- 3 (b) The favourable variance compared to target is due to lower expenditure resulting from timing of delivery for the capital program.
- 4 (a) The favourable variance compared to the prior period is due to lower current liabilities resulting from a reduction in short term loans.
- 4 (b) The unfavourable variance compared to target is due to higher current liabilities resulting from a provision made for future decommissioning costs (budgeted for as a capital expense in future periods). The decommissioning cost is associated with a one-off event (this is non-recurring).
- 5 (a) The unfavourable variance compared to the prior period is due to a deterioration of the net operating deficit before tax. This result is driven by the impairment and make good provision associated with the decommissioning of two water treatment plants and three reservoirs. The impairment and decommissioning cost is associated with a one-off event (this is non-recurring).
- 5 (b) The unfavourable variance compared to the target is due to a deterioration of the net operating deficit before tax. This result is driven by the impairment and make good provision associated with the decommissioning of two water treatment plants and three reservoirs (budgeted for as a capital expense in future periods). The impairment and decommissioning cost is associated with a one-off event (this is non-recurring).
- 6 (a) The unfavourable variance compared to the prior period is due to a deterioration of the net operating deficit after tax. This result is driven by the impairment and make good provision associated with the decommissioning of two water treatment plants and three reservoirs. The impairment and decommissioning costs are associated with a one-off event (this is non-recurring).
- 6 (b) The unfavourable variance compared to target is due to a higher net profit after tax position. This result is driven by the impairment and make good provision associated with the decommissioning of two water treatment plants and three reservoirs (budgeted for as a capital expense in future periods). The impairment and decommissioning costs are associated with a one-off event (this is non-recurring).
- 7 (a) The unfavourable variance compared to the prior period is due to a reduction in EBITDA. This result is driven by the make good provision associated with the decommissioning of two water treatment plants and three reservoirs. The decommissioning costs are associated with a one-off event (this is non-recurring).
- 7 (b) The unfavourable variance compared to target is due to a reduction in EBITDA. This result is driven by the make good provision associated with the decommissioning of two water treatment plants and three reservoirs (budgeted for as a capital expense in future periods). The decommissioning costs are associated with a one-off event (this is non-recurring).

TABLE 2 - WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS								
KPI No.	Key Performance Indicators	2017/18 Result restated (i)	2018/19 Result	2018/19 Target	Variance to prior year %	Notes	Variance to Target %	Notes
WS1	Unplanned Water Supply Interruptions No. of customers receiving 5 or more unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100.	0.0%	0.0%	0.0%	0.0%	-	0.0%	-
WS2	Interruption Time Average duration of unplanned water supply interruptions (minutes).	96 minutes	120 minutes	100 minutes	25.0%	8(a)	20.0%	8(b)
WS3	Restoration of Unplanned Water Supply Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions * 100.	98.0%	96.0%	99.0%	-2.0%	-	-3.0%	-
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers.	100.0%	100.0%	100.0%	0.0%	-	0.0%	-
SS2	Sewer Spills Interruptions No. of residential sewerage customers affected by sewerage interruptions restored within five hours. (i)	99.5%	98.0%	100.0%	-1.5%	-	-2.0%	-

i) Restatement of prior period results for sewer spills interruptions has occurred as this was previously reported as an inverse of the metric as written.

Notes:

- 8 (a) The average interruption time varies according to the specific circumstances of each water interruption event. The unfavourable variance compared to the prior period is driven by water interruption events that required a relatively high level of flushing time. This outcome will be improved in future with targeted preventative flushing programs.
- 8 (b) The average interruption time varies according to the specific circumstances of each water interruption event. The unfavourable variance compared to target is driven by water interruption events that required a relatively high level of flushing time. This outcome will be improved in future with targeted preventative flushing programs.

TABLE 3 - CUSTOMER RESPONSIVENESS INDICATORS								
KPI No.	Key Performance Indicators	2017/18 Result	2018/19 Result	2018/19 Target	Variance to prior year %	Notes	Variance to Target %	Notes
CR1	Water quality complaints No. of complaints per 1,000 customers.	8.8	4.1	6.0	-53.4%	9 (a)	-31.7%	9 (b)
CR4	Billing complaints No. of complaints per 1,000 customers.	0.5	0.0	2.0	-100.0%	10 (a)	-100.0%	10 (b)

Notes:

- 9 (a) A decrease in the number of water quality complaints is due to fewer large scale water issues within the reticulation systems compared the prior year which saw manganese outbreaks at the Foster and Korumburra water treatment plants.
- 9 (b) A favourable result in the number of water quality complaints compared to target is due to fewer large scale water issues within the reticulation systems.
- 10 (a) A favourable result in the number of billing complaints compared to the prior period is due to lower complaints overall, i.e. only 1 for the period. There is no notable driver for this outcome.
- 10 (b) A favourable result in the number of billing complaints compared to target is due to lower complaints overall, i.e. only 1 for the period. There is no notable driver for this outcome.

TABLE 4 - ENVIRONMENTAL PERFORMANCE INDICATORS								
KPI No.	Key Performance Indicators	2017/18 Result	2018/19 Result	2018/19 Target	Variance to prior year %	Notes	Variance to Target %	Notes
E1	Effluent reuse volume Percentage recycled for each category:	3.4%	3.2%	4.0%	-5.9%	11 (a)	-20.0%	11 (b)
E2	Total net CO₂ emissions Net tonnes CO ₂ equivalent	9,249	9,224	7,551	-0.3%	-	22.2%	12

Notes:

- 11 (a) The reduction in effluent reuse volume in the current year, compared to prior period, is due to lower demand, reducing the re-use water purchased by the customer. Effluent reuse volume will increase in future as new reuse schemes are implemented in the community.
- 11 (b) The reduction in effluent reuse volume in the current year, compared to target, is due to lower demand, reducing the re-use water purchased by the customer. Effluent reuse volume will increase in future as new reuse schemes are implemented in the community.
- 12 Total net CO₂ emissions is higher than the target due to an increase in electricity usage from pumping water to Korumburra from Lance Creek. Fugitive emissions from wastewater treatment has reduced. Emissions due to diesel usage has dropped significantly due to not using the supplementary supply pumps for Korumburra. Plans to achieve the Emissions Reduction Pledge are underway with installation of behind the meter solar initiatives to be delivered in 2019/20.



Statutory Certification

SOUTH GIPPSLAND REGION WATER CORPORATION

Certification of Performance Report for 2018/19

We certify that the accompanying Performance Report of South Gippsland Water Region Water Corporation in respect of the 2018/19 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 Minister for Water and as set out in the 2018/19 Corporate Plan, the actual 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.

A handwritten signature in dark ink, appearing to read "D Schultz".

David Schultz
Chairman

A handwritten signature in dark ink, appearing to read "P du Plessis".

Philippe du Plessis
Managing Director

A handwritten signature in dark ink, appearing to read "J Armstrong".

Jessica Armstrong
Chief Financial Officer

Dated this day the 11 of September 2019



Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of the South Gippsland Region Water Corporation

Opinion	<p>I have audited the financial report of the South Gippsland Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2019 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • notes to the financial statements, including significant accounting policies • accountable officer's and chief finance and accounting officer's declaration. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2019 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report	<p>As required by the <i>Audit Act 1994</i>, 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.</p> <p>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:</p> <ul style="list-style-type: none">• 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. <p>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.</p>
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MELBOURNE
24 September 2019


Paul Martin
as delegate for the Auditor-General of Victoria

Financial Report

For The Year Ended 30 June 2019

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Comprehensive Operating Statement

For the Financial Year Ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Revenue			
Service charges	2.1	15,585	15,065
Usage charges	2.1	12,251	11,550
Government grants and contributions		163	200
Developer contributions	2.2	3,487	997
Interest income		30	116
Net gain on disposal of non-financial assets		(4)	21
Other income		744	1,213
Total revenue		32,256	29,162
Expenses			
Interest	6.1.2	2,608	2,586
Depreciation and impairment	4.1.3	14,191	10,882
Amortisation	4.2	188	230
Environmental contribution	8.2	1,230	1,101
Employee benefits	3.1.1	9,938	9,332
Direct operating expenses	3.2	8,439	4,795
Other operating expenses	3.3	4,159	3,680
Total expenses		40,753	32,606
Net result before tax		(8,497)	(3,444)
Income tax benefit	8.1.1	2,550	2,158
Net result for the period		(5,947)	(1,286)
Other comprehensive income			
Impairment adjustment on previously revalued non-current assets	9.1.2	(7,868)	-
Income tax relating to other comprehensive income	8.1.2	2,361	-
Total other comprehensive income for the period		(5,507)	-
Comprehensive result		(11,454)	(1,286)

The above Comprehensive Operating Statement should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2019

	Notes	2019 \$'000	2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6.2	682	302
Receivables	5.1	4,876	4,666
Inventories		739	638
Assets held for sale	4.3	46	-
Prepayments		371	414
Total current assets		6,714	6,020
Non-current Assets			
Receivables	5.1	402	419
Infrastructure, property, plant and equipment	4.1	401,233	406,619
Intangible assets	4.2	3,473	3,636
Deferred tax assets	8.1.2	24,667	22,623
Total non-current Assets		429,775	433,297
TOTAL ASSETS		436,489	439,317
LIABILITIES			
Current liabilities			
Payables	5.2	4,015	5,323
Interest bearing liabilities	6.1	762	9,802
Employee benefits	3.1.2	2,934	2,811
Other provisions	5.4	2,951	-
Prepaid income		60	85
Total current liabilities		10,722	18,021
Non-current liabilities			
Interest bearing liabilities	6.1	56,420	44,920
Employee benefits	3.1.2	481	289
Deferred tax liabilities	8.1.2	81,214	84,081
Total non-current liabilities		138,115	129,290
TOTAL LIABILITIES		148,837	147,311
NET ASSETS		287,652	292,006
EQUITY			
Contributed capital	9.1.1	95,333	88,233
Asset revaluation reserve	9.1.2	136,667	142,174
Accumulated surplus	9.1.3	55,652	61,599
TOTAL EQUITY		287,652	292,006

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

Statement of Cash Flows

For the Financial Year Ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts			
Receipts from customers		27,123	26,420
Receipts from other sources		3,086	1,873
Goods and services tax received from the ATO ⁽ⁱ⁾		2,535	3,305
Payments			
Payments to suppliers and employees		(19,143)	(18,858)
Interest paid		(2,535)	(2,567)
Goods and services tax paid to the ATO ⁽ⁱ⁾		(71)	(33)
Environmental contribution levy paid		(1,230)	(1,101)
Net cash inflow from operating activities	6.2.1	9,765	9,039
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(17,734)	(33,468)
Payments for intangible assets		(680)	(126)
Proceeds from sale of infrastructure, property, plant and equipment		35	93
Net cash (outflow) from investing activities		(18,379)	(33,501)
Cash flows from financing activities			
Proceeds from borrowings		17,500	9,802
Repayment of borrowings		(15,039)	(8,380)
Proceeds from contributions by State in its capacity as owner		7,100	17,400
Net movements in contractor deposits		(567)	817
Net cash inflow from financing activities		8,994	19,639
Net (decrease) increase in cash and cash equivalents		380	(4,823)
Cash and cash equivalents at the beginning of the year		302	5,125
Cash and cash equivalents at the end of the year	6.2	682	302

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 2019

		Contributed Capital	Asset Revaluation Reserve	Accumulated Surplus	Total Equity
	Notes	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2017		70,833	142,174	62,885	275,892
Total comprehensive income for the year					
- Net result for the period	9.1.3	-	-	(1,286)	(1,286)
Transactions with the State in its capacity as owner:					
- Contributed capital	9.1.1	17,400	-	-	17,400
Balance as at 30 June 2018		88,233	142,174	61,599	292,006
Total comprehensive income for the year					
- Net result for the period	9.1.3	-	-	(5,947)	(5,947)
- Impairment adjustment on previously revalued non-current assets	9.1.2	-	(7,868)	-	(7,868)
- Income tax relating to other comprehensive income	8.1.2	-	2,361	-	2,361
Transactions with the State in its capacity as owner:					
- Contributed capital	9.1.1	7,100	-	-	7,100
Balance as at 30 June 2019		95,333	136,667	55,652	287,652

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

NOTE 1. ABOUT THIS REPORT

Basis on accounting

The financial report includes separate financial statements for South Gippsland Region Water Corporation (the Corporation) as an individual reporting entity. This financial report is general purpose financial report, that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes Equity, Cash Flow Statement and notes accompanying these statement for the period ending 30 June 2019. The general purpose financial report and notes accompanying these Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. The Corporation is a not for profit entity for the purpose of preparing the financial statements.

Where appropriate, those AASs paragraphs are applicable to not-for-profit entities have been applied. 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. The annual financial statements were authorised for issue by the Board on the 22nd August 2019.

The principal address is:

South Gippsland Region Water Corporation
14 – 18 Pioneer Street
Foster Vic 3960

Accounting policies

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.

The following standard has been adopted by the Corporation:

- AASB 9 Financial Instruments, effective as of 1 July 2018.

AASB 9 impact assessment

AASB 9 Financial Instruments, which replaces AASB 39 Financial Instruments: Recognition and Measurement, introduces new requirements for recognition, classification and measurement, a new impairment model for financial assets based on expected credit losses, and simplified hedge accounting. The Corporation has adopted AASB 9 as at 1 July 2018 and has applied the new rules on a modified retrospective basis. As a result, comparatives for 2017/18 in our 30 June 2019 accounts will not be restated. Further disclosures in relation to AASB 9 and a transition adjustment of \$24,000 are provided in note 9.8 of this report.

Where appropriate, comparative figures have been amended to align with current presentation and disclosure.

Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which the Corporation operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Corporation's 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 the Corporation's operational cycle.

Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollars. Figures in the financial statements may not equate due to rounding.

Historical cost convention

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

Accounting estimates

Judgements, estimates, and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are made in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Accounting Standards that have significant effects on the financial statements and estimates relate to:

- The fair value of land, buildings, infrastructure, plant and equipment (Note 4.1.2);
- Estimation of useful life (Note 4.1.3);
- Impairment of assets (Note 4.1.3);
- Deferred tax assets and liabilities (Note 8.1.2);
- Accruals for revenue (Note 5.1) and expenses (Note 5.2);
- Employee benefit provisions (Note 3.1); and
- 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)).

NOTE 2. FUNDING DELIVERY OF OUR SERVICES

This note provides additional information about how the Corporation is funded and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. To enable the 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.

Income is recognised to the extent it is probable the economic benefits will flow to the Corporation and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties, and taxes.

Structure

2.1	Service and usage charges
2.2	Developer contributions

Income from transactions**2.1. Service and usage charges**

	2019 \$'000	2018 \$'000
Service charges		
Water service charges	6,412	6,216
Wastewater service charges	8,923	8,613
Trade waste service charges	250	236
Total service charges	15,585	15,065
Usage charges		
Water usage charges	9,104	8,536
Wastewater usage charges	405	487
Trade waste usage charges	2,742	2,527
Total usage charges	12,251	11,550

Water and sewage service charges are recognised when services have been provided or service charges have been made. Water and sewage service charges are recognised evenly throughout the financial year to reflect the pattern of revenue being earned. Service charges are based on a fixed fee and represent charges for access to water and sewage.

Service charges are recognised as revenue when levied or determined. Major trade waste charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied as per the trade waste agreements. The meters are read on a cyclical basis with accounts sent on a four monthly basis.

Water, waste water and trade waste usage charges by measure are recognised as revenue when the water is provided. Meter readings are undertaken progressively during the year. An estimation, calculated by multiplying the number of days since the last reading by each customer's average service usage, is made at the end of each accounting period in respect of meters which have not been read at balance date.

The payment in advance by customers of accounts which at reporting date were unbilled is classified as unearned income.

2.2. Developer contributions

	2019 \$'000	2018 \$'000
Fee income	1,639	775
Developer contributed assets	1,848	222
Total developer contributions	3,487	997

Water and wastewater infrastructure assets built by developers in new land subdivisions that on completion are provided to the Corporation or fees paid by developers to connect new developments to the Corporation's existing water supply and wastewater systems are recognised as revenue when the contributions are received and measures them at fair value.

Developer contributed assets arise where developers pay for the cost of construction of new assets and subsequently gift these assets to the Corporation, which maintains them in perpetuity. In accordance with the requirements of AASB Interpretation 18 - Transfers of Assets from Customers, AASB 1004 Contributions and AASB 118 Revenue, recognition of income occurs when the risks and rewards of ownership have been transferred to the Corporation. This non-cash revenue is recorded as developer contributed assets. Contributions of assets received free of charge or for nominal consideration are recognised at their fair value when the Corporation obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

NOTE 3. THE COST OF DELIVERING 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.

Structure

3.1	Our people
3.1.1	Employee benefits – Comprehensive Operating Statement
3.1.2	Employee benefits – Balance Sheet
3.1.3	Superannuation
3.2	Direct operating expenses
3.3	Other operating expenses

3.1. Our People**3.1.1. Employment benefits – Comprehensive Operating Statement**

Employee benefits include all costs related to employment including wages and salaries, bonuses, fringe benefits tax, leave entitlements, termination payments, WorkCover premiums and payroll tax.

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by South Gippsland Water to the relevant superannuation plans in respect to the services of South Gippsland Water's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that the Corporation is required to comply with.

Employment benefits – Comprehensive Operating Statement

	2019 \$'000	2018 \$'000
Salaries and wages	7,667	7,431
Annual leave benefits	727	713
Long service leave benefits	463	186
Employer superannuation contributions	780	706
Other employee benefits	301	296
Total	9,938	9,332

3.1.2. Employee Benefits – 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.

NOTE 3. THE COST OF DELIVERING SERVICES (CONTINUED)**3.1 Our people (continued)****3.1.2 Employee benefits – Balance Sheet (continued)**

	2019 \$'000	2018 \$'000
Current provisions:		
<i>Rostered Days Off</i>	92	85
<i>Annual Leave</i>		
Unconditional and expected to settle within 12 months	680	668
Unconditional and expected to settle after 12 months	242	304
<i>Long Service Leave</i>		
Unconditional and expected to settle within 12 months	162	204
Unconditional and expected to settle after 12 months	1,433	1,249
	<u>2,609</u>	<u>2,510</u>
<i>Provision for On-costs</i>		
Unconditional and expected to be settled within 12 months	107	103
Unconditional and expected to be settled after 12 months	218	198
	<u>325</u>	<u>301</u>
Total current provisions for employee benefits	<u>2,934</u>	<u>2,811</u>
Non-current provisions		
Conditional long service leave, measured at present value	425	259
On-costs	56	30
Total non-current employee benefits	<u>481</u>	<u>289</u>
Total provision for employee benefits	<u>3,415</u>	<u>3,100</u>
Reconciliation of movement in provision for on-costs		
Opening balance	331	315
Additional provisions recognised	106	65
Amount utilised during the period	(122)	(49)
Effect of changes in the discount rate	66	-
Closing balance	<u>381</u>	<u>331</u>
Current	325	301
Non-current	56	30
Closing balance	<u>381</u>	<u>331</u>

NOTE 3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.1 Our people (continued)

3.1.2 Employee benefits – Balance Sheet (continued)

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Liabilities for wages and salaries (including non-monetary benefits, annual leave, accumulating sick 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.

Liabilities for salaries and annual leave are all recognised in the provision for employee benefits as 'current liabilities' as per AASB 119 Employee Benefits, because the Corporation does not have an unconditional right to defer settlements of these liabilities.

On-costs

On costs such as payroll tax 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

A liability for LSL is recognised in the provision for employee benefits. Unconditional LSL is disclosed as a current liability, even where the Corporation does not expect to settle the liability within 12 months. The 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. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction.

Performance payments

Performance payments for the Corporation's Executive Officers are based on a percentage of the annual salary package provided under their contract(s) of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the terms of the contracts to balance date.

NOTE 3. THE COST OF DELIVERING SERVICES (CONTINUED)**3.1 Our people (continued)****3.1.3. Superannuation****Superannuation contributions**

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

South Gippsland Water 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, each of which is 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 Water (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2019 are detailed below:

Scheme	Type of Scheme	Rate 2019	2019 \$'000	Rate 2018	2018 \$'000
Vision Super	Defined Benefits	15.50%	37	15.50%	47
Vision Super	Accumulation	9.50%	470	9.50%	444
Other	Accumulation	9.50%	440	9.50%	365

¹ Restatement of the prior period defined benefits contribution rate has occurred.

South Gippsland Water was not required to pay for any unfunded liability payments to Vision Super in 2018 (2018: Nil).

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2019 (2018: Nil).

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2019 is \$61,000 (2018: \$47,000).

Accumulation

Contributions to the accumulation plans are expensed as the contributions become payable.

Defined benefit

South Gippsland Water 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 Water 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

South Gippsland Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. In addition, South Gippsland Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

As at 30 June 2018, a full investigation was held. The vested benefit index (VBI) of the defined benefit category of which South Gippsland Water is a contributing employer was 106%. Because the VBI was above 100%, the 2018 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

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

=> Net investment returns 7% pa

=> Salary information 4.25% pa

=> Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at 30 June 2019 was 107.1%.

NOTE 3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.1 Our people (continued)

3.1.3 Superannuation (continued)

Funding arrangements (continued)

The Fund's full actuarial investigation as at 30 June 2018 identified the following in the Defined Benefit category of which South Gippsland Water is a contributing employer:

=> VBI surplus of \$40.3 million; and

=> A discounted accrued benefits surplus of \$156 million

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 2018.

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.

The discounted accrued benefit surplus means that the current value of the assets in the Funds Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

The 2018 full triennial actuarial investigation

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2018. It is anticipated that this actuarial investigation will be completed in October 2019.

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 SPS 160 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 97%.

While an actuarial investigation is underway, the shortfall limit is 100%.

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.

NOTE 3. THE COST OF DELIVERING SERVICES (CONTINUED)**3.2. Direct operating expenses**

	2019	2018
	\$'000	\$'000
Decommissioning expenses	2,951	-
Repairs and maintenance	1,599	1,557
Electricity	1,090	814
Melbourne Water bulk entitlement	811	-
Chemicals	841	1,130
Testing and sampling	477	482
Other direct costs	670	812
Total	8,439	4,795

Direct operating expenses represent costs associated with the operation of the Corporation's assets. Direct operating expenses are recognised in the reporting period in which they are incurred. Repairs and maintenance represents routine maintenance, repair costs and minor renewal costs.

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. The carrying amounts of any inventories held for distribution are expensed when the inventories are distributed.

Operating lease payments (including contingent rentals) are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

3.3. Other operating expenses

	2019	2018
	\$'000	\$'000
Administration expenses	2,256	1,994
Customer services expenses	195	214
Training and travel	412	211
Vehicle and fleet costs	582	529
Facility expenses	252	164
Miscellaneous expenses	462	568
Total	4,159	3,680

Other operating expenses generally represent the day-to-day running costs incurred to support operations. Administration, customer services, training and travel, vehicle and fleet, facility and miscellaneous expenses are recognised as an expense in the reporting period in which they are incurred.

NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY**Introduction**

The 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 the Corporation to be utilised for delivery of those outputs.

Structure

4.1	Infrastructure, property, plant and equipment at carrying amount:
4.1.1	Reconciliation of movements in carrying values of infrastructure, property, plant and equipment
4.1.2	Fair value determination: non-financial physical assets
4.1.3	Depreciation and impairment
4.2	Intangible assets
4.3	Assets classified as held for sale

4.1. Infrastructure, property, plant, and equipment at carrying amount**4.1.1. Reconciliation of movements in carrying value of infrastructure, property, plant, and equipment**

	<i>Land</i>	<i>Buildings</i>	<i>Water distribution</i>	<i>Water harvesting and major transfer</i>	<i>Water quality</i>	<i>Sewer collection</i>	<i>Sewer treatment and disposal</i>	<i>Plant equipment and other</i>	<i>Capital works in progress</i>	<i>Total</i>
At 1 July 2017										
Cost or fair value	11,909	1,422	112,480	70,707	30,917	102,616	55,873	6,133	6,420	398,477
Accumulated depreciation	-	(76)	(3,293)	(1,101)	(1,405)	(2,834)	(1,320)	(3,083)	-	(13,112)
Carrying amount	11,909	1,346	109,187	69,606	29,512	99,782	54,553	3,050	6,420	385,365
Year ended 30 June 2018										
Opening net book amount	11,909	1,346	109,187	69,606	29,512	99,782	54,553	3,050	6,420	385,365
Additions	-	-	45	-	-	163	14	-	32,002	32,224
Disposals (net)	-	-	-	-	-	-	-	(86)	-	(86)
Transfer between asset classes	-	67	1,326	150	536	1,239	202	1,748	(5,268)	-
Impairment of assets	-	-	-	-	-	-	-	-	-	-
Depreciation	-	(82)	(3,297)	(1,094)	(1,423)	(2,750)	(1,284)	(952)	-	(10,882)
Closing carrying amount	11,909	1,331	107,261	68,662	28,624	98,434	53,485	3,760	33,154	406,619
At 30 June 2018										
Cost or fair value	11,909	1,489	113,852	70,860	31,454	104,018	56,086	7,651	33,154	430,473
Accumulated depreciation	-	(158)	(6,591)	(2,198)	(2,831)	(5,584)	(2,601)	(3,891)	-	(23,854)
Carrying amount	11,909	1,331	107,261	68,662	28,623	98,434	53,485	3,760	33,154	406,619
Year ended 30 June 2019										
Opening net book amount	11,909	1,331	107,261	68,662	28,623	98,434	53,485	3,760	33,154	406,619
Additions	-	-	613	-	-	1,229	-	601	14,293	16,736
Disposals (net)	-	-	-	-	-	-	-	(17)	-	(17)
Impairment	(12)	-	(442)	(7,486)	(2,973)	-	-	(17)	-	(10,930)
Transfer between asset classes	-	231	34,605	50	365	2,243	1,020	1,314	(39,828)	-
Depreciation	-	(86)	(3,547)	(1,065)	(1,411)	(2,725)	(1,267)	(1,075)	-	(11,176)
Closing carrying amount	11,897	1,476	138,490	60,161	24,604	99,181	53,238	4,567	7,618	401,233
At 30 June 2019										
Cost or fair value	11,897	1,720	148,568	63,156	28,165	107,490	57,104	9,508	7,618	435,227
Accumulated depreciation	-	(244)	(10,078)	(2,995)	(3,561)	(8,309)	(3,866)	(4,941)	-	(33,994)
Carrying amount	11,897	1,476	138,490	60,161	24,604	99,181	53,238	4,567	7,618	401,233

NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)**4.1 Infrastructure, property, plant and equipment at carrying amount (continued)****4.1.1 Reconciliation of movements in carrying value of infrastructure, property, plant and equipment (continued)****Initial recognition**

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water and wastewater infrastructure, plant, equipment and motor vehicles, used by the Corporation in its operations. Items with a cost or value in excess of the Corporation's asset capitalisation threshold of \$1,000 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

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 zero or nominal cost, the cost is its fair value at the date of acquisition.

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.

Subsequent measurement

Infrastructure, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. 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). Refer to Note 4.1.2 for fair value disclosures.

Revaluation of infrastructure property plant and equipment

Revaluations are conducted in accordance with FRD 103G. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to the carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an Approved Valuer (usually the Valuer General of Victoria) to perform a detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

Revaluation increments are credited directly to equity in the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of the same asset previously recognised as an expense in the net result, the increment is recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as an expense in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same asset, they are debited to the asset revaluation reserve.

Revaluation increased and revaluation decreases relating to individual assets within a class of infrastructure, property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation reserves are not transferred to accumulated surplus/ (deficit) on derecognition of the relevant asset.

NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)**4.1 Infrastructure, property, plant and equipment at carrying amount (continued)****4.1.2 Fair value determination: non-financial physical assets****Significant judgement: Fair value measurements of assets and liabilities**

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and the financial position of the Corporation.

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.

Consistent with AASB 13 *Fair Value Measurement*, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment, biological assets, investment properties and financial instruments and for non-recurring fair value measurements such as assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

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, the 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.

4.1 Infrastructure, property, plant and equipment at carrying amount (continued)**4.1.2 Fair value determination: non-financial physical assets (continued)**

2019	Carrying amount as at 30 June 2019 \$'000	Fair Value Measurement (i)		
		Level 1	Level 2	Level 3
		\$'000	\$'000	\$'000
Land at fair value				
Non Specialised Land	1,323	-	1,323	-
Specialised Land	10,574	-	-	10,574
Total land at fair value	11,897	-	1,323	10,574
Buildings at fair value				
Specialised Buildings	1,476	-	-	1,476
Total buildings at fair value	1,476	-	-	1,476
Infrastructure at fair value				
Infrastructure - water distribution	138,490	-	-	138,490
Infrastructure - water harvesting and major transfers	60,161	-	-	60,161
Infrastructure - water quality	24,604	-	-	24,604
Infrastructure - sewer collection	99,181	-	-	99,181
Infrastructure - sewer treatment and major disposal	53,238	-	-	53,238
Total infrastructure at fair value	375,674	-	-	375,674
Plant and equipment at fair value				
Plant and Equipment at fair value	4,567			4,567
Plant and equipment at fair value	4,567	-	-	4,567
Total of infrastructure at fair value	393,614	-	1,323	392,291

ⁱ Classified in accordance with the fair value hierarchy, see Note 4.1.2

NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)**4.1 Infrastructure, property, plant and equipment at carrying amount (continued)****4.1.2 Fair value determination: non-financial physical assets (continued)**

2018	Carrying amount as at 30 June 2018 \$'000	Fair Value Measurement (i)		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value				
Non Specialised Land	1,323		1,323	-
Specialised Land	10,586	-	-	10,586
Total land at fair value	11,909	-	1,323	10,586
Buildings at fair value				
Specialised Buildings	1,332	-	-	1,332
Total buildings at fair value	1,332	-	-	1,332
Infrastructure at fair value				
Infrastructure - water distribution	107,261	-	-	107,261
Infrastructure - water harvesting and major transfers	68,662	-	-	68,662
Infrastructure - water quality	28,623	-	-	28,623
Infrastructure - sewer collection	98,434	-	-	98,434
Infrastructure - sewer treatment and major disposal	53,485	-	-	53,485
Total infrastructure at fair value	356,465	-	-	356,465
Plant and equipment at fair value				
Plant and Equipment at fair value	3,760			3,760
Plant and equipment at fair value	3,760	-	-	3,760
Total of infrastructure at fair value	373,465	-	1,323	372,143

¹ Classified in accordance with the fair value hierarchy, see Note 4.1.2

There have been no transfers between the levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2019. For all assets measured at fair value, the current use is considered the highest and best use.

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

4.1 Infrastructure, property, plant and equipment at carrying amount (continued)

4.1.2 Fair value determination: non-financial physical assets (continued)

The Valuer General Victoria (VGV) is the Corporation's independent valuation agency in relation to valuation of property, plant and equipment and infrastructure.

The 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 Corporation with reference to relevant data to identify whether an interim revaluation is required.

Non-specialised land

Non-specialised land 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 Eagan National Valuers (Vic) 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 metre has been applied to the subject asset. The effective date of the valuation was 30 June 2017.

To the extent that non-specialised land does not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

South Gippsland Water conducted an assessment at 30 June 2019 with no material movement identified since the 2016 valuation.

Specialised land and 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 is a reflection of 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 is in light of the highest and best use consideration 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 the Corporation's specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciation. 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 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 was 30 June 2017.

Water and sewer infrastructure

Water and sewer infrastructure 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 the 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 2017. 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.

South Gippsland Water conducted an assessment at 30 June 2019 with no material movement identified since the 2017 valuation.

NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)**4.1 Infrastructure, property, plant and equipment at carrying amount (continued)****4.1.2 Fair value determination: non-financial physical assets (continued)****Plant and equipment**

Plant and equipment is 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 depreciated replacement cost method. As depreciation adjustments are considered as significant, unobservable inputs in nature, plant and equipment is classified as Level 3 fair value measurements.

There were no changes in valuation techniques throughout the period to 30 June 2019 (2017: Nil). For all assets measured at fair value, the current use is considered the highest and best use.

Reconciliation of Level 3 fair value movements

A reconciliation from the opening balances to the closing balances for fair value measurements categorised within Level 3 of the fair value hierarchy, disclosing separate changes during the period.

2019 \$'000	Land - Specialised	Buildings - Specialised	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Sewer treatment and disposal	Plant equipment and other
Opening Balance	10,586	1,331	107,261	68,662	28,624	98,434	53,485	3,760
Additions	-	231	35,218	50	365	3,472	1,020	1,915
Disposals	-	-	-	-	-	-	-	(17)
Impairment	(12)	-	(442)	(7,486)	(2,973)	-	-	(17)
Depreciation	-	(86)	(3,547)	(1,065)	(1,411)	(2,725)	(1,267)	(1,075)
Closing Balance	10,574	1,476	138,490	60,161	24,605	99,181	53,238	4,567

2018 \$'000	Land - Specialised	Buildings - Specialised	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Sewer treatment and disposal	Plant equipment and other
Opening Balance	10,586	1,346	109,187	69,606	29,512	99,782	54,553	3,050
Additions	-	67	1,371	150	536	1,402	216	1,748
Disposals	-	-	-	-	-	-	-	(86)
Depreciation	-	(82)	(3,297)	(1,094)	(1,423)	(2,750)	(1,284)	(952)
Closing Balance	10,586	1,331	107,261	68,662	28,624	98,434	53,485	3,760

NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)**4.1 Infrastructure, property, plant and equipment at carrying amount (continued)****4.1.2 Fair value determination: non-financial physical assets (continued)**

Significant unobservable inputs in Level 3 valuations

Asset Class	Valuation technique	Significant unobservable inputs
Land and Buildings		
Specialised land	Market approach	Community Service Obligation (CSO)
Specialised buildings	Depreciated replacement cost	Average cost per unit Useful life
Plant, Equipment and Vehicles		
Plant and Equipment	Depreciated replacement cost	Average cost per unit Useful life
Vehicles	Depreciated replacement cost	Average cost per unit Useful life
Water Infrastructure		
Storage	Depreciated replacement cost	Average cost per unit Useful life
Treatment Plants	Depreciated replacement cost	Average cost per unit Useful life
Mains and reticulation	Depreciated replacement cost	Average cost per metre Useful life
Pump stations	Depreciated replacement cost	Average cost per unit Useful life
Waste Water Infrastructure		
Treatment plants	Depreciated replacement cost	Average cost per unit Useful life
Mains and reticulation	Depreciated replacement cost	Average cost per metre Useful life
Pump stations	Depreciated replacement cost	Average cost per unit Useful life

NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)**4.1 Infrastructure, property, plant and equipment at carrying amount (continued)****4.1.3 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.

Major 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 -10 years
Motor Vehicle	4 Years
Water Infrastructure	
Water harvesting	100 to 350 years
Water quality	10 to 350 years
Mains and reticulation	40 to 110 years
Pump Stations	18 to 75 years
Water Meters	15 years
Wastewater Infrastructure	
Sewer collection	50 to 100 years
Pump stations	10 to 75 years
Sewer treatment plants	5 to 350 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.

Indefinite life assets

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.

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.

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.

NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)**4.1 Infrastructure, property, plant and equipment at carrying amount (continued)****4.1.3 Depreciation and impairment (continued)**

	2019 \$'000	2018 \$'000
Buildings	86	82
Water distribution	3,547	3,297
Water harvesting and major transfer	1,065	1,094
Water quality	1,411	1,423
Sewer collection	2,725	2,750
Sewer treatment and disposal	1,267	1,284
Plant equipment and other	1,075	952
Asset impairment	3,015	-
Total	14,191	10,882

4.2. Intangible assets

\$'000	Software	Access rights	Water entitlements	Work in progress	Total
At 1 July 2017					
Cost	3,564	3,200	563	29	7,356
Accumulated amortisation	(3,462)	(373)	-	-	(3,834)
Carrying amount	102	2,827	563	29	3,522
Year ended 30 June 2018					
Opening net book amount	102	2,827	563	29	3,522
Additions	-	-	-	344	344
Transfer between asset classes	21	-	-	(21)	-
Amortisation	(88)	(142)	-	-	(230)
Closing carrying amount	35	2,685	563	353	3,636
At 30 June 2018					
Cost	3,585	3,200	563	353	7,701
Accumulated amortisation	(3,550)	(515)	-	-	(4,065)
Carrying amount	35	2,685	563	353	3,636
Year ended 30 June 2018					
Opening net book amount	35	2,685	563	351	3,635
Additions	-	-	-	26	26
Transfer between asset classes	338	-	-	(338)	-
Amortisation	(46)	(142)	-	-	(188)
Closing carrying amount	327	2,543	563	40	3,473
At 30 June 2019					
Cost	3,922	3,200	563	42	7,727
Accumulated amortisation	(3,597)	(657)	-	-	(4,254)
Carrying amount	325	2,543	563	42	3,473

NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)**4.2 Intangible assets (continued)****Recognition**

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. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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.

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

Intangible Asset	Water Share Entitlements	Access Rights	Software Costs
Useful lives	Indefinite	Finite	Finite
Amortisation method used	Not amortised or revalued	22 years straight line	3 and 7 years – straight line
Internally generated / 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 / Reviewed annually for indicators of impairment	Amortisation method reviewed at each financial year-end / Reviewed annually for indicators of impairment

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 will not be subject to amortisation, as the permanent water entitlements have an indefinite life. 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.

Access Rights

The Corporation has a contract to access South East Water's Lang Lang water recycling plant, transfer main and reuse facility which is amortised over 22 years.

Amortisation

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. 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.

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 note 4.1.1.

NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)**4.3 Assets classified as held for sale**

	2019	2018
	\$'000	\$'000
Land held for sale	12	-
Plant and equipment held for sale	34	-
Total	46	-

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, as their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. The Corporation considers that the sale is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to be completed within 12 months from the date of classification. Assets are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are classified as current assets.

NOTE 5. OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from the Corporation's controlled operations.

Structure

5.1	Receivables
5.1.1	Impairment of contractual receivables
5.2	Payables
5.2.1	Ageing analysis of contractual payable
5.3	Fair value determination of financial assets and liabilities
5.4	Other Provisions

5.1. Receivables

	2019 \$'000	2018 \$'000
Current		
Contractual		
Trade receivables	2,341	2,200
Provision for doubtful debts	(35)	(62)
Sewer scheme receivables	62	92
Accrued revenue	2,200	2,003
Total contractual current receivables	4,568	4,233
Statutory		
GST recoverable	308	433
Total current receivables	4,876	4,666
Non-current		
Contractual		
Sewer scheme receivables	435	460
Provision for doubtful contractual receivables	(33)	(41)
Total contractual non-current receivables	402	419
Total receivables	5,278	5,085

Receivables consist of:

Contractual receivables, classified as financial instruments and categorised as 'loans and receivables'. This includes trade receivables associated with service and usage charges, accrued income for unbilled usage charges, a provision for doubtful debts and sewer scheme receivables (current and non-current). They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition for water utility debtors, and no more than 30 days for other debtors. Accrued revenue is an estimation of average water usage of the customer since the last reading of the customer's water meter to the 30th of June 2019.

Statutory receivables, do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments.

5.1.1. Impairment of contractual receivables

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

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)**5.1. Receivables (continued)****5.1.1. Impairment of contractual receivables (continued)**

On that basis, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for receivables – service and usage charges and other receivables:

30 June 2019	Carrying amount	Maturity dates				
		Less than 1 month	1-3 months	3 months-1 year	Over 1 year	Total
Expected loss rate		0%	0%	10%	90%	
Gross carrying amount – receivables from service and usage charges	4,803	2,902	1,152	347	402	4,803
Gross carrying amount - other receivables	167	167	-	-	-	167
Total	4,970	3,069	1,152	347	402	4,970
Loss Allowance	-	-	-	35	33	68
1 July 2018	Carrying amount	Maturity dates				
		Less than 1 month	1-3 months	3 months-1 year	Over 1 year	Total
Gross carrying amount – receivables from service and usage charges	4,479	3,017	528	515	419	4,479
Gross carrying amount - other receivables	174	174	-	-	-	174
Total	4,653	3,191	528	515	419	4,653
Loss Allowance	-	-	-	62	41	103

Trade receivables 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 [120] days past due.

Impairment losses on receivables are presented in direct operational expenses within the comprehensive operating statement.

No interest is charged for the first 30 days from the invoice date. Thereafter, interest is charged at 5.5% per cent on the outstanding balance. 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.

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)**5.2. Payables**

	2019 \$'000	2018 \$'000
Current		
Contractual		
Trade creditors	2,357	1,436
Accrued expenses	909	2,573
Accrued borrowing expense	250	177
Security deposits / retentions	362	929
Total	3,878	5,115
Statutory		
Taxes payable	137	208
Total payables	4,015	5,323

Payables consist of:

- Contractual payables, classified as financial instruments and measured at amortised cost. Trade creditors represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid; and
- Statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services have an average credit period of 30 days, (2017: 30 days). No interest is charged on the 'other payables'.

5.2.1. Ageing analysis of contractual payable

\$'000	Carrying amount	Maturity dates				
		Less than 1 month	1-3 months	3 months-1 year	Over 1 year	Total
2019						
Supplies and services	2,357	2,245	112	-	-	2,357
Other payables	1,521	909	-	612	-	1,521
Total	3,878	3,154	112	612	-	3,878
2018						
Supplies and services	1,962	1,882	79	1	-	1,962
Other payables	1,322	1,057	-	-	-	1,057
Total	3,284	2,939	79	1	-	3,019

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)**5.3. Fair value determination of financial assets liabilities**

The fair values and net fair values of financial assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 - the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Corporation currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2019 reporting period.

5.4. Other provisions

	2019 \$'000	2018 \$'000
Asset decommissioning costs	2,951	-
Total other provisions	2,951	-

Other provisions are recognised when the 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.

The Lance Creek Pipeline project was fully commissioned during the financial year. The project supplies water from the Lance Creek Reservoir to Korumburra and the northern towns of Loch Poowong and Nyora. The pipeline bypasses existing infrastructure of four dams and two water treatment plants. These assets are now out of service and partially decommissioned. While the majority of these dams have been derecognised, some have been held for potential alternate 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.

NOTE 6. HOW WE FINANCED OUR OPERATIONS**Introduction**

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

Structure

6.1	Interest bearing liabilities
6.1.1	Maturity analysis of interest bearing liabilities
6.1.2	Interest expense
6.2	Cash flow information
6.2.1	Reconciliation of net result to cash flow from operating activities
6.3	Commitments for expenditure
6.3.1	Total commitments payable
6.3.2	Operating lease commitments
6.3.3	Capital commitments

6.1. Interest bearing liabilities

	2019 \$'000	2018 \$'000
Current loans from Treasury Corporation Victoria	762	9,802
Non-current loans from Treasury Corporation Victoria	56,420	44,920
Total interest bearing liabilities	57,182	54,722

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.

Interest bearing liabilities are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

South Gippsland Water 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, pursuant to section 8 of the Borrowings and Investment Powers Act 1987. Borrowings known as 11am debt are classified as current borrowings.

6.1.1. Maturity analysis of interest bearing liabilities

2019 \$'000	Carrying Amount	Nominal Amount	3 months or less	3 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Loans from TCV	57,182	57,182	762	7,900	6,220	17,800	24,500

2018 \$'000	Carrying Amount	Nominal Amount	3 months or less	3 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Loans from TCV	54,722	54,722	9,802	6,000	7,900	18,220	12,800

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

NOTE 6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)**6.1 Interest bearing liabilities (continued)****6.1.2. Interest expense**

	2019	2018
	\$'000	\$'000
Interest on government loans	1,980	2,004
Financial accommodation levy	628	582
Total interest expense	2,608	2,586

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.

Borrowing costs include interest on short-term and long-term borrowings held with the Treasury Corporation of Victoria (TCV) and costs relating to the Financial Accommodation Levy (FAL) set by the Treasurer of the State of Victoria under section 40N(2) of the Financial Management Act 1994. The FAL is in place to remove the financial benefit obtained by the Corporation in securing lower than market interest rates as a result of being guaranteed by the State of Victoria.

6.2. Cash flow information

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.

	2019	2018
	\$'000	\$'000
Cash at bank and on hand	182	302
Deposits at call - TCV	500	-
Balance as per cash flow statement	682	302

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

	2019	2018
	\$'000	\$'000
Net result for the period	(5,947)	(1,286)
Non-cash movements:		
Income tax expense	(2,550)	(2,158)
Depreciation and amortisation expense	11,364	11,112
Gain on sale of non-current assets	3	(21)
Contributed assets	(1,848)	(222)
Provision for bad debts	(54)	-
Impairment loss	3,015	(94)
Movements in assets and liabilities:		
Increase in receivables	1,546	2,113
Increase in inventory	(100)	(55)
Decrease (increase) in prepayments	46	16
Increase (decrease) in payables	792	(902)
Increase (decrease) Provision for impairment expense	2,951	-
Increase in employee benefits	316	332
Increase (decrease) in accrued expenses	230	204
Net cash inflows from operating activities	9,765	9,039

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. Commitments included in this section are as follows:

- 6.3.1 Total commitments payable
- 6.3.2 Operating lease commitments
- 6.3.3 Capital commitments

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. in this section are as follows.

Please refer to Note 8.2 for details on environmental commitments.

6.3.1. Total commitments payable

2019 \$'000	Less than 1 year	Between 1-5 years	Over 5 years	Total
Operating lease commitments payable	60	42	-	102
Total commitments (inclusive of GST)	60	42	-	102
Less GST recoverable	(5)	(4)	-	(9)
Total commitments exclusive of GST	55	38	-	93

2018 \$'000	Less than 1 year	Between 1-5 years	Over 5 years	Total
Operating lease commitments payable	4	-	-	4
Total commitments (inclusive of GST)	4	-	-	4
Less GST recoverable	-	-	-	-
Total commitment exclusive of GST	4	-	-	4

6.3.2. Operating lease commitments

The other finance leases relate to equipment with lease terms of one year. The Corporation has options to purchase the equipment at the conclusion of the lease agreements. Lease commitments represent payments due on current operating leases for office equipment. The leases are cancellable but incur a penalty of the present value of future lease payments.

Refer to the table in section 6.3.2 for operating lease commitments.

NOTE 6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)**6.3.3. Capital commitments**

Capital commitments arise from contracts mainly attributable to the construction of new infrastructure. Otherwise commitments are reported at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

2019 \$'000	Less than 1 year	Between 1-5 years	Over 5 years	Total
Infrastructure (inclusive of GST)	6,297	-	-	6,297
Less GST recoverable	(572)	-	-	(572)
Total commitment exclusive of GST	5,725	-	-	5,725

2018 \$'000	Less than 1 year	Between 1-5 years	Over 5 years	Total
Infrastructure (inclusive of GST)	4,923	770	-	5,693
Less GST recoverable	(448)	(70)	-	(518)
Total commitment exclusive of GST	4,475	700	-	5,175

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

The 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 the Corporation related mainly to fair value determination.

Structure

- 7.1 Financial instruments specific disclosures
 - 7.1.1 Financial instruments: categorisation
 - 7.1.2 Financial risk management objectives and policies
- 7.2 Contingent assets and contingent liabilities
- 7.3 Power Purchase Agreement specific disclosure

7.1. Financial instruments specific disclosures**Introduction**

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 Receivables: Sale of goods and services Other receivables Term deposits	Payables: For supplies and services Other payables Interest bearing liabilities

Categories of financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). The Corporation recognises the following assets in this category:

- cash and deposits (including term deposits); and
- receivables (excluding statutory receivables).

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. The Corporation recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (interest bearing liabilities).

Derecognition of financial assets

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

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

7.1 Financial instruments specific disclosures (continued)

Impairment of financial assets

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, are subject to annual review for impairment.

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.

7.1.1. Financial instruments: Categorisation

All financial assets and financial liabilities of the Corporation are measure at amortised cost in line with AASB 9 Financial Instruments.

7.1.2. Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. As a whole, the 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 the Corporation's financial risks within the government policy parameters.

The 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 the 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 non-derivative financial instruments, and investment of excess liquidity.

Credit risk

Credit risk is the risk of financial loss to the Corporation as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from the Corporation's receivables.

The 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. The Corporation has in place a policy and procedure for the collection of overdue receivables.

Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The 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 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.

Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of interest rate risk, foreign exchange risk and other price risk. The 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.

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)**7.1.2 Financial risk management objectives and policies (continued)**

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

a) Interest rate risk

The 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. The 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.

The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets. The 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.

b) Foreign exchange risk

The Corporation has no significant exposure to changes in the foreign exchange rate.

c) Other price risk

The Corporation has no significant exposure to other price risks.

Interest rate exposure of financial instruments

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. The 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. The Corporation has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

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

2019	Total carrying amount \$'000	Weighted average interest rate %	Variable interest rate \$'000	Fixed Interest Rate \$'000	Non-interest bearing \$'000
Financial Assets					
Cash at Bank	182	0.15%	182	-	-
Deposits - TCV	500	1.20%	500	-	-
Contractual Receivables	4,970	-	497	-	4,473
Total	5,652	-	1,179	-	4,473
Financial Liabilities					
Borrowings - TCV	57,182	4.54%	762	56,420	-
Contractual Payables	3,878	-	-	-	3,878
Total	61,060	-	762	56,420	3,878
Net Financial (Liabilities) Assets	(55,408)	-	417	(56,420)	595

2018	Total carrying amount \$'000	Weighted average interest rate %	Variable interest rate \$'000	Fixed Interest Rate \$'000	Non-interest bearing \$'000
Financial Assets					
Cash at Bank	302	0.15%	302	-	-
Contractual Receivables	4,653	-	552	-	4,101
Total	4,955	-	854	-	4,101
Financial Liabilities					
Borrowings - TCV	54,722	4.78%	9,802	44,920	-
Contractual Payables	5,115	-	-	-	5,115
Total	59,837	-	9,802	44,920	5,115
Net Financial (Liabilities) Assets	(54,882)	-	(8,948)	(44,920)	(1,014)

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)**7.1.2 Financial risk management objectives and policies (continued)****Interest rate sensitivity**

2019 \$'000	Carrying Amount	Net Result (+100) basis points	Equity (+100) basis points	Net Result (-100) basis points	Equity (-100) basis points
Cash and Cash Equivalents	682	7	7	(7)	(7)
Interest Bearing Liabilities -Variable	762	(8)	(8)	8	8
Total	1,444	(1)	(1)	1	1

2018 \$'000 restated ⁽ⁱ⁾	Carrying Amount	Net Result (-100) basis points	Equity (-100) basis points	Net Result (+100) basis points	Equity (+100) basis points
Cash and Cash Equivalents	302	3	3	(3)	(3)
Interest Bearing Liabilities -Variable	9,802	(98)	(98)	98	98
Total	10,104	(67)	(67)	67	67

i) Restatement of prior period sensitivity due to correction of the basis points.

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.

The Corporation was not aware of any contingent assets or contingent liabilities at the time of finalising the financial report (2018: \$Nil).

7.3. Power Purchase Agreement specific disclosure

South Gippsland Water is one of 13 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 an energy and emissions reduction facility(ies) 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.

On 30 October 2018, a Members' Agreement was entered into between the water corporations and ZEW in order to regulate their rights and obligations as members of ZEW and as participants in the project. South Gippsland Water Corporation's Managing Director is a Director of ZEW. The Members' Agreement establishes the operating activities of ZEW and the decision-making responsibilities of the ZEW Directors.

Under the Members' Agreement South Gippsland Water's liability as a member is limited to \$10 in the event of a winding up. As required by Australian accounting standards, South Gippsland Water 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 Water 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 Water.

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 corporations. 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 PPA contains certain conditions precedent with the target commercial operation date of 1 October 2019. At 30 June 2019, the conditions precedent in the PPA are not completed, and ZEW does not have a contractual obligation for the CFD derivative. Therefore, there are no transactions to recognise as at 30 June 2019.

Upon satisfaction of the conditions precedent, the CFD derivative will be recognised as a financial liability and will be measured at its fair value. Subsequent changes in the fair value of the derivative will be recognised in profit and loss. The Members' Agreement specifies that South Gippsland Water must make a loan available to the Special Purpose Vehicle (SPV) amounting to \$16,428.24. The loan provided to ZEW meets the definition of a financial asset as it gives rise to a contractual right for South Gippsland Water to receive cash from ZEW at the end of the loan term.

Once the facility is operational, the financial impact of the members' agreement with ZEW is expected to be an increase in revenue, expenses, and recognition of LGCs as intangible assets or asset held for sale (asset).

NOTE 8. STATUTORY OBLIGATIONS**Introduction**

This section includes disclosures in relation to the Corporation's statutory obligations

Structure

8.1	Tax
8.1.1	Income tax
8.1.2	Deferred tax assets and liabilities
8.2	Environmental contribution
8.2.1	Environmental contribution commitments
8.3	Dividends

8.1. Tax**8.1.1. Income tax**

The Corporation is subject to the National Tax Equivalent Regime (NTER), 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 30%, 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.

The income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:

	2019 \$'000	2018 \$'000
Deferred income tax benefit	2,550	2,158
	<u>2,550</u>	<u>2,158</u>
Income tax benefit reported in the income statement	<u>2,550</u>	<u>2,158</u>
Statement of changes in equity		
Net deferred tax - debited / (credited) directly to equity	2,361	-
Income tax reported in equity	<u>2,361</u>	<u>-</u>
Tax reconciliation:		
Profit (Loss) before income tax	(8,497)	(3,444)
Tax at the Australian tax rate of 30% (2018: 30%)	(2,549)	(1,033)
Tax effect amount - Non-deductible expenses	4	4
Tax effect amount - Overclaimed expense	-	22
Tax effect amount - Opening balance adjustment, depreciation	-	(1,151)
Temporary difference on Property, Plant & Equipment not affecting Profit (Loss)	(4)	
Income tax on profit before tax	<u>(2,550)</u>	<u>(2,158)</u>

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. 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.

The Corporation's deferred tax liabilities exceed the level of deferred tax assets and therefore a net deferred tax liability has been disclosed in the balance sheet.

Deferred tax assets:	2019	2018
	\$'000	\$'000
Amounts recognised in Comprehensive Operating Statement		
Employee benefits & provisions	995	67
Tax losses	1,049	1,051
Total deferred tax assets	2,044	1,118
Movements		
Opening balance at 1 July	22,623	21,505
Credited/(debited) to the Comprehensive Operating Statement	2,044	1,118
Closing balance at 30 June	24,667	22,623
Deferred tax liabilities:	2019	2018
	\$'000	\$'000
Amounts recognised in Comprehensive Operating Statement		
Infrastructure, property, plant and equipment	506	1,040
Amounts recognised directly in equity		
Impairment of infrastructure, property, plant and equipment	2,361	-
Total deferred tax liabilities	2,867	1,040
Movements		
Opening balance at 1 July	(84,081)	(85,121)
Credited/(debited) to the Comprehensive Operating Statement	2,867	1,040
Closing balance at 30 June	(81,214)	(84,081)

NOTE 8. STATUTORY OBLIGATIONS (CONTINUED)**8.2. Environmental contributions**

	2019	2018
	\$'000	\$'000
Environmental contribution levy	<u>1,230</u>	<u>1,101</u>

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 pre-established schedule of payments, which sets out the amounts payable by each corporation. The contribution period has been extended until 30 June 2020.

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 Environment, Land, Water and Planning. This contribution is recognised as an expense during the reporting period as incurred.

8.2.1. Environmental commitments

At 30 June 2019, the Corporation had outstanding environmental contribution commitments, to be paid is follows:

	2019	2018
	\$'000	\$'000
Payments within 1 year	1,230	1,101
Payments 1 - 5 years	-	2,460
Total	<u>1,230</u>	<u>3,561</u>
 Total commitments (inclusive of GST)	 1,230	 3,561
Less GST recoverable from the Australian Tax Office ⁽ⁱ⁾	-	-
Total commitments (exclusive of GST)	<u>1,230</u>	<u>3,561</u>

(i) GST is not levied against the Environmental Contribution Levy as it arises from an Act and is not a taxable supply.

8.3. Dividends

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. The Corporation's preliminary estimate for the reporting period is no dividend being payable, (2018: Nil).

NOTE 9. OTHER DISCLOSURES

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

Structure

9.1	Equity
9.1.1	Contributed capital
9.1.2	Asset revaluation reserve
9.1.3	Accumulated surplus
9.2	Events occurring after the balance date
9.3	Responsible persons
9.4	Related parties
9.5	Remuneration of executives
9.6	Remuneration of auditors
9.7	Ex-gratia payments
9.8	Changes in accounting policies
9.9	Australian Accounting Standards issued that are not yet effective

9.1. Equity**9.1.1. Contributed capital**

	2019 \$'000	2018 \$'000
Opening balance	88,233	70,833
Capital contributions	7,100	17,400
Closing balance	95,333	88,233

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been recognised in contributed capital.

9.1.2. Asset revaluation surplus

	2019 \$'000	2018 \$'000
Opening balance	142,174	142,174
Impairment adjustment on previously revalued non-current assets	(7,868)	-
Tax effect of impairment adjustment	2,361	-
Closing balance	136,667	142,174

The asset revaluation reserve is used to record revaluation increments and decrements in the value of non-current physical assets.

9.1.3. Accumulated surplus

	2019 \$'000	2018 \$'000
Opening balance	61,599	62,885
Profit after income tax expense	(5,947)	(1,286)
Closing balance	55,652	61,599

NOTE 9. OTHER DISCLOSURES (CONTINUED)**9.2. Events occurring after the balance sheet date**

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

9.3. Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance 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 anytime during the financial year were:

The Hon. Lisa Neville MP	Minister for Water	1 July 2018 - 30 June 2019
Mr David Schultz	Chairman	1 July 2018 - 30 June 2019
Ms Anna Kilborn	Deputy Chair	1 July 2018 - 30 June 2019
Mr Philippe du Plessis	Managing Director	1 July 2018 - 30 June 2019
Mr Jim Fawcett	Director	1 July 2018 - 30 June 2019
Dr Irene Irvine	Director	1 July 2018 - 30 June 2019
Mr Geoff Lake	Director	1 July 2018 - 30 June 2019
Ms Kate Young	Director	1 July 2018 - 30 June 2019
Mr Chris Rose	Director	1 July 2018 - 30 June 2019
Ms Susan Friend	Director	1 July 2018 - 30 June 2019

Remuneration of responsible persons

Income band (\$)	2019	2018
0 - 9,999	-	2
10,000 - 19,999	-	-
20,000 - 29,999	7	7
40,000 - 49,999	1	-
50,000 - 59,999	-	1
320,000 - 329,999	1	1
Total responsible persons	9	11
Total remuneration \$'000	544	537

Accountable Officer remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Corporation during the reporting period was in the range: \$320,000 - \$329,999 (2018: \$320,000 - \$329,999).

9.4. Related parties

The Corporation is a wholly owned and controlled entity of the State of Victoria.

Related parties of the 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 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 9.3 who have the authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, during the financial year.

NOTE 9. OTHER DISCLOSURES (CONTINUED)**9.4 Related parties (continued)**

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 Department of Parliamentary Services' Financial Report.

	2019 \$'000	2018 \$'000
Short term employee benefits	495	488
Post-employment benefits	42	43
Other long term benefits	6	6
Total remuneration	544	537

Notes:

(a) Total remuneration paid to KMPs employed as a contractor during the reporting period through an external service provider has been reported under short-term employee benefits.

Significant transactions with government - related entities

The Corporation received funding of \$7.1 million (2018: \$17.4 million), as contributed from owners. The funding was made in the form of contributed capital, refer Note 9.1.1.

During the year, the Corporation had the following government-related entity transactions:

Government-related entity receipts

Entity name	Brief description of main activity	2019 \$'000	2018 \$'000
Department of Environment, Land, Water and Planning	Capital contribution from owners	7,100	17,400
Department of Human Services	Refund of concession rebates	1,603	1,564
State Revenue Office	Refund of charities rebates	148	147
Vic Roads	Capital cost contribution	13	26

Government-related entity payments

Entity name	Brief description of main activity	2019 \$'000	2018 \$'000
Treasury Corporation Victoria	Interest on borrowings	1,980	2,004
Department of Environment, Land, Water and Planning	Environmental contribution	1,230	1,101
Department of Treasury and Finance	Financial accommodation levy	628	582
Environment Protection Authority	Licence fees and levies	96	47

Transactions with key management personnel and other related parties.

Given the breadth and depth of Corporation 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 the 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.

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.

NOTE 9. OTHER DISCLOSURES (CONTINUED)**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 provides a measure of full time equivalent executive officers over the reporting period.

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.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased. The Corporation does not provide post-employment benefits or share based payments.

Other long-term benefits only refers 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.

Remuneration	2019 \$'000	2018 \$'000
Short term employee benefits	757	726
Post-employment benefit	63	60
Other long term benefits	9	9
Total remuneration (a)	829	795
 Total number of executives	 4	 4
Total annualised employee equivalents (b)	4	4

- a) 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 9.4).
- b) Annualised employee equivalent is based on the time fraction worked over the reporting period.

9.6. Remuneration of auditors

		2019 \$'000	2018 \$'000
Audit Services - Victorian Auditor-General's Office (VAGO)	Annual external audit fee	38	37
Non-VAGO audit and assurance services	Internal audit	40	81
Total Remuneration of Auditors		85	118

9.7. Ex-gratia payments

The Corporation did not make any ex-gratia payments during 2019, 2018: \$Nil. In accordance with FRD 11A Disclosure of Ex-Gratia Expenses the Corporation must disclose in aggregate the total amount of material (greater than \$5,000)

NOTE 9. OTHER DISCLOSURES (CONTINUED)**9.8. Changes in accounting policies****AASB 9 Financial Instruments**

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting, as reflected in note 7.1.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements (refer to Note 5.1 above) In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), the Corporation has applied a modified retrospective approach, therefore, comparative figures from FY2018 have not been restated.

(i) Classification and measurement under AASB 9

On 1 July 2018 (the date of initial application of AASB 9), the Corporation's management has assessed which business models apply to the financial assets held by the Corporation and has classified its financial instruments into the appropriate AASB 9 categories.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2018 or 30 June 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On the date of the initial application, the financial instruments of the Corporation were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (AASB 139)	New (AASB 9)	Original \$'000	New \$'000	Difference * \$'000
Non-current financial assets					
Other receivables	Amortised cost	Amortised cost	475	475	-
Current financial assets	Amortised cost	Amortised cost	1,156	1,156	-
Trade receivables	Amortised cost	Amortised cost / simplified model	4,779	4,803	(24)
Cash and cash equivalents	Amortised cost	Amortised cost	682	682	-
Current financial liabilities	Amortised cost	Amortised cost	4,301	4,301	-

*The difference noted in this column are the result of the new expected credit loss model. Refer to section 5.1 for the application of the Expected Credit Loss model. The reclassifications of the financial instruments on adoption of AASB 9 did not result in any changes to measurements.

NOTE 9. OTHER DISCLOSURES (CONTINUED)**9.9. Australian Accounting Standards issued that are not yet effective**

The following Australian Accounting Standards (AAS) become effective for reporting periods commencing after the operative dates stated:

Certain new AAS have been published that are not mandatory for the 30 June 2019 reporting period. The Department of Treasury and Finance assesses the impact of all these new standards and advises the Corporation of their applicability and early adoption where applicable.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	01-Jan-19	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. Additional disclosures on service revenue, developers cash contributions and contract modifications are made in the annual report. An impact assessment has been performed for 2019 to identify performance obligations to recognise timing and amount of revenue. From 1 July 2019 this change will impact Developer revenue which will now be recognised at the time of issue of Statement of Compliance No material impact has been identified.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: • the Corporation's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount can be measured reliably.	1 January 2019, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply 1 January 2018.	
AASB 2015-8 Amendments to Australian Accounting Standards - Effective Date of AASB 15	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	01-Jan-19	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	01-Jan-19	

NOTE 9. OTHER DISCLOSURES (CONTINUED)**9.10 Australian Accounting Standards issued that are not yet effective (continued)**

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: <ul style="list-style-type: none"> • A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). 	1-Jan-19	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	01-Jan-19	The assessment has indicated that most operating leases, except for short term and low value leases, will transfer to the balance sheet and be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no change for lessors as the classification of operating and finance leases remains unchanged. An impact assessment has been performed for 2019 to identify any leases. No material impact has been identified.
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	The standard amends AASB 136 Impairment of Assets to remove references to using current replacement cost (CRC) as a measure of value in use for not-for-profit entities.	1-Jan-19	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 Fair Value Measurement is the same as the depreciated replacement cost concept under AASB 136.
AASB 1058 Income of Not-for-Profit Entities	This standard establishes principle for transactions that are not within the scope of AASB15, where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1-Jan-19	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change. An impact assessment has been performed for 2019 to identify performance obligations to recognise timing and amount of revenue. No material impact has been identified.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 1059 Service Concession Arrangements Grantors	<i>This standard applies to service concession arrangements which involve (a) an operator providing public services related to a service concession asset on behalf of a grantor; and, (b) managing at least some of those services under its own discretion, rather than at the direction of the grantor.</i>	1-Jan-19	For an arrangement to be in scope of AASB 1059 all of the following requirements are to be satisfied: <ul style="list-style-type: none"> • Operator is providing public services using a service concession asset; • Operator manages at 'least some' of public services under its own discretion; • The State controls / regulates: <ul style="list-style-type: none"> – what services are to be provided; – to whom; and – at what price • State controls any significant residual interest in the asset. If the arrangement does not satisfy all the above requirements the recognition will fall under the requirements of another applicable accounting standard.
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	<i>This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events.</i>	1-Jan-19	This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include: <p>AASB 9</p> <ul style="list-style-type: none"> • Statutory receivables are recognised and measured similarly to financial assets. <p>AASB 15</p> <ul style="list-style-type: none"> • The 'customer' does not need to be the recipient of goods and/or services; • The "contract" could include an arrangement entered into under the direction of another party; • Contracts are enforceable if they are enforceable by legal or 'equivalent means'; • Contracts do not have to have commercial substance, only economic substance; and • Performance obligations need to be 'sufficiently specific' to be able to apply AASB 15 to these transactions.

The following accounting pronouncements are also issued and effective for the 2018-19 reporting period. The preliminary assessment suggests they may have insignificant impacts on public sector reporting.

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions;
- AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 *Financial Instruments* with AASB 4 *Insurance Contracts*;
- AASB 2017-2 Amendments to Australian Accounting Standards.

The following accounting pronouncement has also been issued but not yet effective for the 2018-19 reporting period. The preliminary assessment suggests it may have an insignificant impact on public sector reporting.

- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments.



Statutory Certification

SOUTH GIPPSLAND REGION WATER CORPORATION

Accountable officer's and chief finance and accounting officer's declaration

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 Assistant Treasurer 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 2019 and the financial position of the Corporation as at 30 June 2019.

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 authorize the attached financial statements for issue on the 11 of September 2019.

A handwritten signature in dark ink, appearing to read "D Schultz".

David Schultz
Chair

A handwritten signature in dark ink, appearing to read "P du Plessis".

Philippe du Plessis
Managing Director

A handwritten signature in dark ink, appearing to read "J Armstrong".

Jessica Armstrong
Chief Financial Officer

Dated this day the 11 of September 2019



Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of the South Gippsland Region Water Corporation

Opinion I have audited the accompanying performance report of the South Gippsland Region Water Corporation (the corporation) for the year ended 30 June which comprises the:

- financial performance indicators
- water and sewerage service performance indicators
- customer responsiveness performance indicators
- environmental performance indicators
- certification of performance report.

In my opinion, the performance report of the South Gippsland Region Water Corporation in respect of the year ended 30 June 2019 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.

Basis for Opinion I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the performance report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Board's responsibilities for the performance report The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

Auditor General'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
24 September 2019



Paul Martin
as delegate for the Auditor-General of Victoria

Appendix A – Disclosure index

The 2018/19 Annual Report of the South Gippsland Water is prepared in accordance with all relevant Victorian legislations. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

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The Hon Lisa Neville MP

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LEONGATHA VIC 3953

AUDITORS

Auditor General, Victoria
By Agent Crowe Horwath Australasia Ltd

INSURERS

Jardine Lloyd Thompson (JLT)

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
Waterwatch
West Gippsland Catchment Management Authority
Gunaikurnai Land and Water Aboriginal Corporation (GLaWAC)
Gunaikurnai Traditional Owner Land Management Board (GKTOLMB)
Bunurong Land Council

CHARITY

WaterAid Australia

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