

South Gippsland Water



2020 / 2021 ANNUAL REPORT

*South Gippsland Water proudly acknowledges Aboriginal people as
Australia's first peoples and the local Traditional Owners,
Gunaikurnai and Bunurong, as the original custodians
of the land and water on which we rely.*

*We pay our deepest respects to their Elders, past, present and
emerging. We acknowledge the continued cultural, social and spiritual
connections that Aboriginal people have with the lands and waters and
recognise and value that the Traditional Owner groups have cared for
and protected them for thousands of generations.*

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

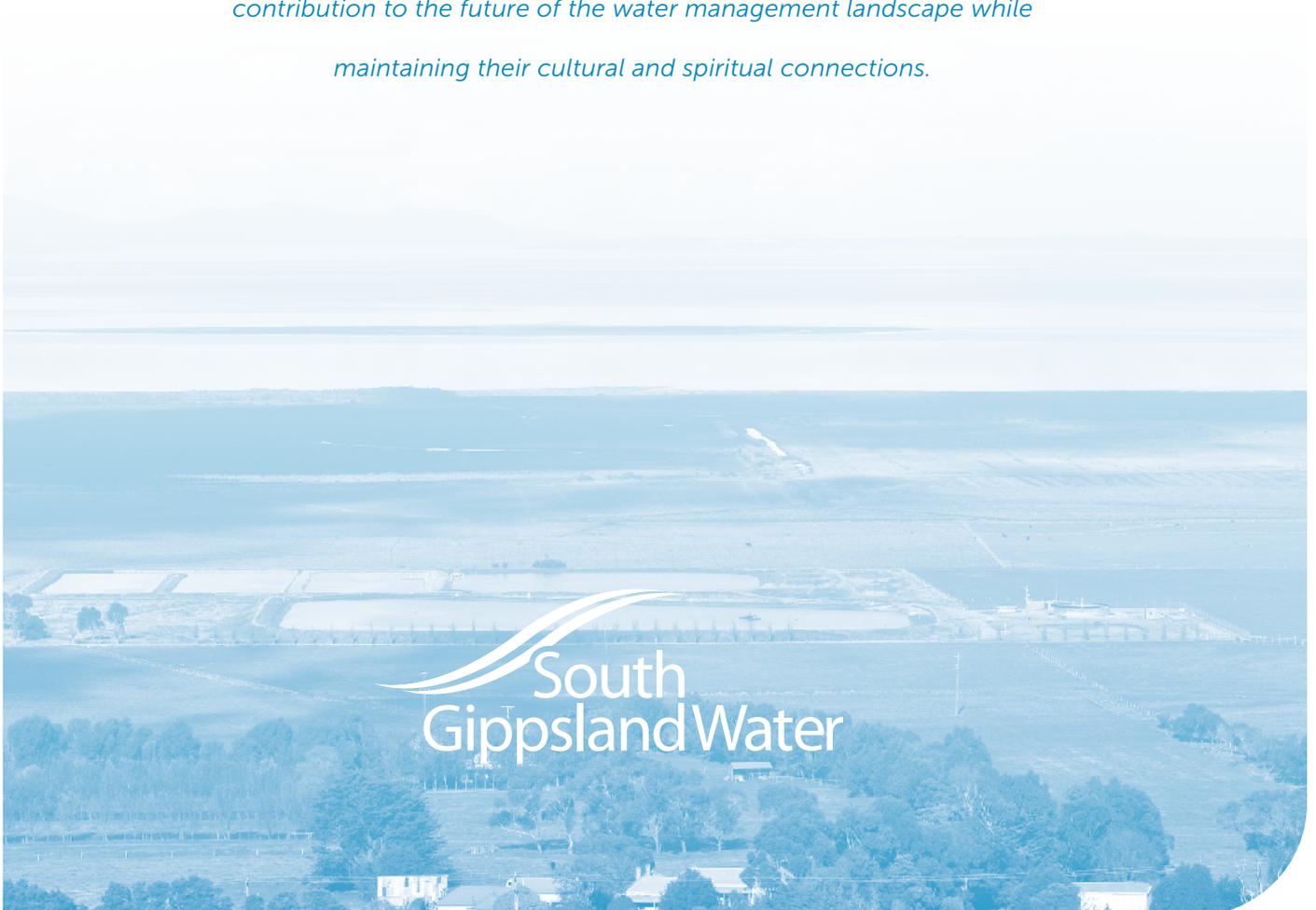


TABLE OF CONTENTS

Statement by the Chair and Managing Director	4	Our People	21
About Us	5	Our People	21
Organisational Structure	5	Health, Safety & Wellbeing	23
The Board	6	Corporate Information	24
The Executive Team.....	7	Role of the Board and Membership.....	24
South Gippsland – The Region	8	Remuneration of Directors and Executive Officers.....	24
Nature and Range of Services Provided	8	Meetings, Committees and Composition of Committees	24
Our Purpose	9	Director Attendance at Board and Committee Meetings	24
Our Purpose and Vision to 2023.....	9	Freedom of Information (Fol)	25
Our Customer Outcomes	9	Local Jobs First: Victorian Industry Participation Policy – Implementation	26
Water Services	10	Details of Consultancies	26
Water quality.....	10	Integrated Water Management (urban)	27
Water Consumption 2020/21.....	10	Asset Management	28
Bulk Entitlement Compliance.....	12	Details of Information and Communication Technology Expenditure	28
Wastewater Services	14	Letter of Expectations Reporting	29
Wastewater Management.....	14	Report of Operations	32
Treated Effluent & Sustainable Water Re-Use.....	14	South Gippsland Region Water Corporation Financial Management Compliance Attestation Statement	32
Environmental Sustainability	15	Responsible Body Declaration	32
Corporate Sustainability Strategy	15	Summary of Financial Results	32
Environment and Sustainability	15	Performance Report	34
Environmental Management System	15	Statutory Certification	36
Water Supply Adaptation to Climate Change Variability	15	Independent Audit Report	37
Biodiversity	16	Financial Report	39
Biosolids	16	Statutory Certificate	88
Carbon Emissions Reduction Pledge.....	16	Auditor General's Report	89
Greenhouse Gas Emissions	17	Disclosure Index Checklist	91
Net Energy	17		
Social Sustainability	18		
Social Sustainability	18		
Aboriginal Cultural Values.....	18		
Water Utility Improvement Program.....	18		
Customer Surveys.....	18		
Community Partnerships	18		
Choose Tap Coalition.....	19		
Customer Consultation.....	19		
Schools Education & Water Efficiency Programs.....	19		
Customer Support Program - Coronavirus (COVID-19)	20		
Management of Social and Economic Impacts	20		
Community Service Obligations - Financial Assistance.....	20		
Social Procurement Framework	20		

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 2021.

During this year, the Corporation continued to deliver safe and sustainable water and wastewater services across the region during a time of global pandemic – coronavirus (COVID-19).

We have been deeply concerned for our customers and communities during this time, putting in place additional programs to assist with the financial hardship they may have experienced.

Last year we advised customers that Essential Services Commission had approved our plan to put in place a modest 5 per cent price increase for our services from 1 July 2020.

Mindful of the impacts of coronavirus (COVID-19) on our customers we delayed this increase until 1 November 2020 and implemented it in our January 2021 accounts.

An internal COVID-19 steering committee helped guide the Corporation to adapt to this new reality – ensuring our staff and customers were safe via our operations, and abiding by all Victorian Government guidelines, including physical distancing, improved hygiene practices, and safe ways of working and methods to record and understand staff movements.

We contributed to Victoria's fight against this pandemic by assisting the Victorian Department of Health and Human Services to test the region's wastewater where required.

While we are an essential service, our staff who could work from home did so during restricted periods. Our information and communications technology team played a pivotal role supporting our staff in using new technologies and work methods so we could continue to provide the level of customer service we know our community values.

Today we are continuing to proactively support our customers, commercial and residential, as we look to the future of our business in a growing region.

We want to continue to deliver quality, sustainable water and wastewater services that are essential to the prosperity and wellbeing of our communities and natural environments, at a fair and reasonable cost to our customers.

That's why this year we started talking with our customers and communities about the Urban Water Strategy – our 50-year plan that guides our long-term decision-making. Revisited every five years, this is a critical planning tool looking at the constantly changing outlook in supply and demand for water supplies. This year we're also undertaking analysis and planning for wastewater systems as part of the strategy's development.

We have established a new Community Advisory Committee to help us better understand the needs and wishes of our communities.

Despite challenges coronavirus (COVID-19) has presented us with, we met all of our operational service standards and have completed several major projects that will have long-term benefits for our communities.

These included:

- A \$2.5 million upgrade of Yarram's sewer pump station
- \$1 million on upgrades to the treated water storages for Toora and Fish Creek
- A \$2.5 million investment in solar technology at four of our facilities: Inverloch, Korumburra, Lance Creek and Leongatha, our commitment to reduce our greenhouse gas emissions, energy consumption and provide a more energy efficient system
- A \$1.9 million investment in Wonthaggi's sewer system, relining and replacing old pipes
- Installation of more than 7,000 meters of liners to pipes in Leongatha, Foster and Korumburra
- A \$1.5 million major upgrade to the pump station responsible for distributing water to Wonthaggi and Cape Paterson
- Commissioning the Meeniyah Bird Hide community project at our Meeniyah wastewater treatment facility.

A major upgrade of Leongatha's Water Treatment Plant at Harvey's Road, Ruby, is underway and expected to be complete in 2022.

This year also brought some unexpected challenges.

An unknown, illegal industrial discharge at Korumburra caused our wastewater treatment plant to fail in February, leading to a discharge above normal environmental limits to Foster Creek.

Our Incident Management Team, supported by the entire business, rapidly developed complex logistical solutions to manage wastewater and get the plant back to operation as soon as feasible.

Similarly, the region-wide, extended power outage in June had all hands-on deck to ensure a continued supply of safe water to our customers.

In the context of major infrastructure disruptions, no positive outcome is done in isolation. We would like to thank the community and our partners for their assistance during these major events.

Our partners are a valued part of our business. We continue to be a member of a number of strategic partnerships including the Gunaikurnai Land and Waters Aboriginal Corporation (GLAWAC), the regional Integrated Water Management (IWM) Forum and the South Coast Primary Care Partnership.

We continue to work with our colleagues in the Gippsland Regional Water Alliance, joining with our neighbouring water corporations to look at how we can all find efficiencies by and shared capability improvements.

Additionally, this year, we achieved several corporate milestones as we mature as a business. These included finalising our Equity, Inclusion and Diversity Plan to help make our workplace one in which everyone can bring their best self to their work, and that as an organisation we reflect the diversity of the communities we serve.

We are very proud of the achievements of South Gippsland Water in 2020/21. We wish to thank all the staff at South Gippsland Water for their continued dedication and professionalism.



David Schultz
Chair



Philippe du Plessis
Managing Director

Organisational Structure

Board of Directors			
Board Committees including the Audit and Risk Management Committee			
Managing Director			
Executive Management Industry Awareness Strategic Relationships		Health, Safety and Wellbeing Corporate Compliance	
General Manager Corporate Services	General Manager Operations	General Manager Infrastructure and Planning	General Manager People Culture and Customer
Financial Services	Operations and Maintenance	Capital Works	Customer Service
Risk, Governance and Compliance	Minor Renewal and Replacement	Planning and Development	People and Culture
Information Technology	Water Quality	Works Design and Documentation	Communication and Community Engagement
Company Secretary	Water Sampling	Works Construction Services	
	Environment	Asset Planning	

The Board

The Directors bring to the Board an appropriate mix of skills and experience.



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 Director of VicWater and has been 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 40 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.



Susan Friend (Deputy Chair)

Appointed 1st October 2017

Sue Friend is a Chartered Accountant and Director at Sapere Research Group, an economics and consulting firm providing services to government and legal clients. She has held senior roles in global accounting firms and smaller consulting firms. 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 is also an independent member of Courts Council and is an independent chair of a number of audit and risk committees in the government sector.



Christopher Rose

Appointed 1st October 2017

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



Kate Young

Appointed 1st October 2015

Kate Young is a town planner at Crowther & Sadler. Kate is currently on the Board at Gippsland Grammar, is a former Chair of 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.



Geoff Lake

Appointed 1st October 2015

Geoff is a practising barrister at the Victorian Bar. He is a Director and past 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 and has previously served as president of the Australian Local Government Association and the Municipal Association of Victoria and as a board member of the Metropolitan Fire Brigade.



Nick Fleming – BE(Hons) PhD FIEAust GAICD

Appointed 1st October 2019

Nick is a chartered engineer, management consultant and executive educator. He brings to the board 30 years professional experience working with the private and public sectors across Australia, New Zealand, south-east Asia, the UK and Americas. During this time Nick has held local, international and industry leadership roles and received many related awards. Nick brings a proven capability for strategy, innovation, complex problem solving and leadership of change. He has a strong social ethos and commitment to excellence and positive impact. Prior to establishing his own advisory firm, Nick was the Director of Business Innovation at Jacobs Group (Australia) and before that the global Chief Sustainability Officer for Sinclair Knight Merz. Nick previously sat on the board of the Infrastructure Sustainability Council of Australia (ISCA) and is currently the National President and Chair of the Board of Engineers Australia. Nick also delivers executive education on complex public problem solving, systems thinking and effective policy implementation as a member of faculty at the ANZ School of Government.



Nicola Hepenstall

Appointed 1st October 2019

Nicola Hepenstall is a highly skilled strategist with extensive experience in C-suite leadership roles, holding Executive Director and Non-executive Director positions spanning marketing services, research, education and member organisations. With over 25 years experience in evidence-based consulting, she has worked with State and Federal Government departments and many of Australia's largest companies helping them navigate the complexity of the communications environment and develop strategies to enhance business and social outcomes. Nicola is currently a Director of The Front Project and has previously held directorships of Haileybury College, Clemenger Group Limited and Chair of the Association of Market & Social Research Organisations. Nicola holds a Bachelor of Arts (Honours in Psychology) and is a Graduate of the Australian Institute of Company Directors. She was the Australian Marketing Institute's Certified Practising Marketer of the Year 2018.



Jennifer Ryan – BEng(Civil), MBA, GAICD

Appointed 1st October 2019

Jennifer Ryan is a Civil Engineer, and has more than 25 years' experience in the water and civil infrastructure industries. She has held senior leadership positions in both government utility and private construction sectors, delivering multi-million dollar capital works programs throughout Victoria and ACT. Jennifer has achieved project and industry awards during her career, including the Civil Contractors Federation Training Awards 2017 Women in Civil, Excellence Award, and the NAWIC Awards 2012 (Vic & Tas) for Outstanding Achievement in Construction. She holds a Master of Business Administration (Technology Management), a Bachelor of Civil Engineering and Computing, and is a Graduate of the Australian Institute of Company Directors.

The Executive 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, Safety and Wellbeing, awareness of future trends in the water industry and contact with the Corporation's key stakeholders.



General Manager Operations

Ravi Raveendran

Ravi manages service delivery to our customers. He manages the operational and maintenance functions of water treatment plants, wastewater treatment plants and water and wastewater networks. His responsibilities include compliance with water and wastewater quality guidelines, site safety, environment and catchment management, and specialist services to major customers.



General Manager Corporate Services

Tristan Pham

Tristan manages the finance, strategy, risk, governance, and ICT functions. The key responsibility of the General Manager Corporate Services is that of custodian of the Corporation's assets and financial resources on behalf of all stakeholders.



General Manager People, Culture and Customer

Annette Katiforis

Annette's role provides strategy advice about operational management of programs, developing workforce skills, diversity and inclusion programs, workforce planning and design, and contemporary human resources operations. Annette is also responsible for managing the Customer Service function including enabling responsive local customer call centre and reception services, customer connections, the issuing and managing customer accounts and revenue and the Customer Support Program for customers experiencing changes and challenges. During the year the Communications and Engagement function was moved into the People, Culture and Customer department, bringing in responsibility for customer and community engagement and education programs, marketing and public relations, publications and the SGW website.



General Manager Infrastructure and Planning

Mark Lynch

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

South Gippsland – The Region

South Gippsland is located around two hours' drive from 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, vegetable production, and a commercial fishing industry.

As a regional service provider South Gippsland Water supports economic development with the aim of enabling strong communities. The Corporation has, and continues to be, proactive in responding to the impacts of Coronavirus (COVID-19) while providing environmentally sustainable water and wastewater services.

The COVID-19 pandemic has had a significant impact on the Bass Coast and South Gippsland economies, particularly in the tourism and events sectors. The scale of the impact from the pandemic has varied depending upon industry, location, customer base, business-preparedness and ability to respond.

Nature and Range of Services Provided

Our service area covers 4,000 square kilometres and its total operation in 2020/21 comprised:

Headworks

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

Water Services

- 8 separate water supply systems
- 8 water treatment plants
- 750 km of water mains
- 13 reservoirs and 18 service storages
- 4,631 million litres (ML) annual volume of drinking water supplied to customers
- servicing 22,405 water assessments (accounts) over 22 rural centres.

Wastewater Services

- 10 conventional wastewater collection systems
- 1 vacuum wastewater system
- 2 pressure sewer systems
- 11 sewerage treatment plants
- 1 dedicated saline trade waste system
- 520km of wastewater mains
- 5 marine environment outfalls
- 3 inland water discharge points
- Collecting 4,364 ML and treating around 3,437 ML of wastewater
- Servicing 20,171 wastewater assessments (including trade waste) in 16 townships and surrounding districts

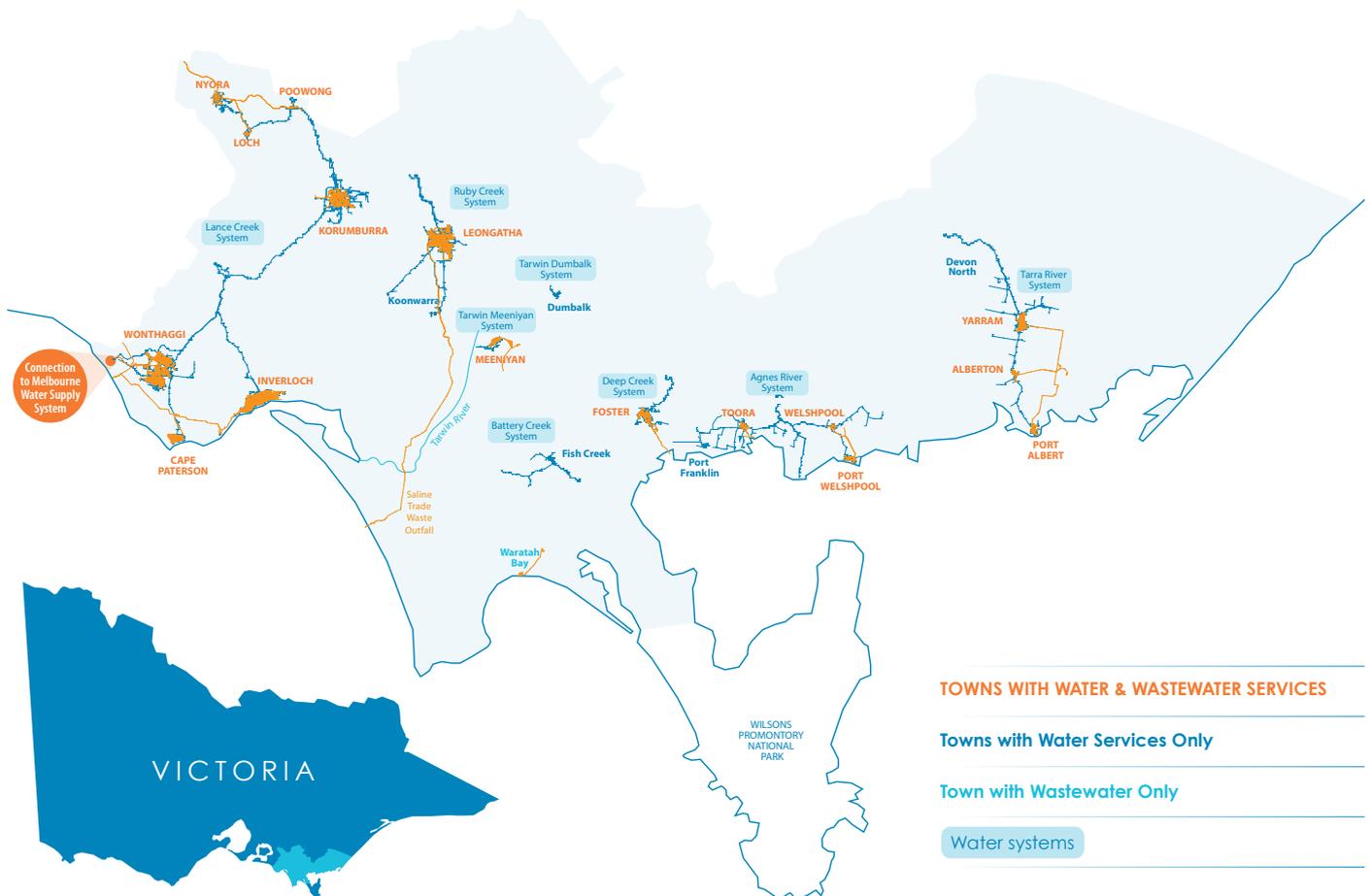


Table 1. SGW localities and Services

Centres	Population Served (Permanent)	Water		Sewerage Customers Billed
		Customers Billed	Supplied From	
Port Franklin	134	109	Agnes River	Not serviced
Port Welshpool	209	296	Agnes River	278
Toora, Agnes, Bennison	781	522	Agnes River	289
Welshpool, Hedley	331	206	Agnes River	124
Fish Creek	827	209	Battery Creek	Not serviced
Korumburra	4,469	2,374	Coalition Creek	2,049
Foster	1,842	953	Deep Creek / Foster Dam	866
Inverloch, Wattle Bank	5,437	4,901	Lance Creek	4,875
Cape Paterson	891	1,278	Lance Creek	1,262
Wonthaggi, South Dudley, Glen Alvie, Kongwak, Lance Creek	8,730	5,115	Lance Creek	4,893
Loch	638	159	Little Bass	120
Nyora	1,527	363	Little Bass	203
Poowong	643	214	Little Bass	148
Koonwarra	404	83	Ruby Creek	Not serviced
Leongatha, Kardella, Leongatha South, Ruby	5,654	3,353	Ruby Creek	3,169
Alberton	262	151	Tarra River	103
Devon North, Tarra Valley	344	125	Tarra River	Not serviced
Port Albert, Langsborough	293	405	Tarra River	343
Yarram	2,135	1,202	Tarra River	1,088
Dumbalk	413	109	Tarwin River	Not serviced
Meeniyan	771	278	Tarwin River	246
Waratah Bay	216	Not serviced	N/A	115
Total	36,819	22,405		20,171

Notes:

1. 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.
2. Growth calculation based on Bass Coast Shire's Estimated Residential Population forecast of 2.85 per cent growth per annum, South Gippsland Shire Council Shire's forecast growth of 1.36 per cent per annum and Wellington Shire Council's forecast growth of 0.88 per cent per annum.

Our Purpose

Our Purpose and Vision to 2023

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.



Our Customer Outcomes

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

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. 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 2020 to 30th June 2021. 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.

Compliance with Safe Drinking Water Regulations 2015

Table 2. 2020/21 compliance with Save Drinking Water regulations

Parameter	Water Quality Standard	Percentage of localities receiving compliant water in 2020/21
Escherichia coli (E. coli)	All samples of drinking water collected to contain no E. coli per 100 millilitres of drinking water with the exception of any false positive sample	100%
Turbidity	The 95th percentile of results for samples in any 12 month period must be <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 Consumption 2020/21

Corporate water consumption

Corporate water consumption for 2020/21 is based on the Foster head office and annex. The buildings have the capacity to accommodate 60 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.

2020/21 Corporate water consumption is reduced due to:

- COVID-19 working from home requirements
- Extensive maintenance undertaken at the Foster office.

Table 3. 2020/21 Foster office water consumption (kL)

Indicator	Target	Actual 2020/21	Variation %	Actual 2019/20	Actual 2018/19
Consumed [Kilolitre (kL) = 1,000 litres]	260kL	53kL	-80%	149kL	286kL
Kilolitres consumed per full-time equivalent staff member	4.8kL	88kL	-82%	2.48kL	4.4kL

Water Consumed Per Unit of Office Space

Water consumed per unit of office space (est 1,113sqm) for 2020/21 was 47.62 litres.

Regional water consumption

Table 4. 2020/21 Total Potable Water Consumption by Location

	2020/21	2019/20	2018/19	2017/18	2016/17
Alberton/Port Albert Yarram/Devon North	356	362	393	350	347
Dumbalk	12	13	15	16	15
Fish Creek	57	59	64	58	70
Foster	133	128	136	129	125
Korumburra	715	698	641	662	628
Wonthaggi/Cape Paterson/Inverloch	1,364	1,307	1,372	1,384	1,354
Leongatha/Koonwarra	1,507	1,593	1,433	1,350	1,556
Meenyan	44	44	46	54	49
Poowong/Loch/Nyora	151	168	174	97	159
Waratah Bay	0	0	0	0	0
Toora/Welshpool/Port Welshpool/Port Franklin	292	317	316	283	280
Total	4,631	4,689	4,590	4,483	4,583

Water Services

Water Consumption Summary

Table 5. 2020/21 Water consumption by locality

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	1,307	152	N/A	N/A	497	204	178	N/A	1,804	356	178	434	370	3	52	N/A	15	67	501
Dumbalk	80	8	N/A	N/A	20	4	N/A	N/A	100	12	N/A	12	13	0	0	N/A	1	1	13
Fish Creek	103	11	N/A	N/A	99	46	N/A	N/A	202	57	N/A	57	60	0	42	N/A	3	45	102
Foster	671	78	N/A	N/A	177	55	N/A	N/A	848	133	N/A	133	132	1	83	N/A	3	86	219
Korumburra	1,931	257	N/A	N/A	344	458	0	N/A	2,275	715	0	715	685	5	77	N/A	25	102	817
Wonthaggi Inverloch Cape Paterson	9,893	1,058	N/A	N/A	837	306	0	N/A	10,730	1,364	0	1,364	1,348	20	265	N/A	54	319	1,683
Leongatha Koonwarra	2,687	395	N/A	N/A	604	1,112	0	N/A	3,291	1,507	0	1,507	1,511	8	150	N/A	37	187	1,694
Meeniyan	216	30	N/A	N/A	55	14	3.4	N/A	271	44	3.4	44	45	1	2	N/A	1	3	47
Loch Poowong Nyora	573	79	N/A	N/A	144	72	N/A	N/A	717	151	N/A	151	164	2	139	N/A	4	143	294
Waratah Bay	0	0	N/A	N/A	0	0	10	N/A	0	0	10	10	0	0	N/A	N/A	N/A	N/A	10
Toora Port Franklin Welshpool Port Welshpool	669	73	N/A	N/A	404	219	2	N/A	1,073	292	2	294	308	1	113	N/A	12	125	419
Total	18,130	2,141	-	-	3,181	2,490	194	-	21,311	4,631	194	4,721	4,636	41	923	-	155	1078	5,799

Note: Average annual demand is calculated as a rolling 3-year average. Connected properties only.

Major Non-Residential Water Users

Two organisations have been identified with water consumption in excess of 200ML as Major customers. Both organisations are actively participating in water conservation programs. These are:

Saputo Dairy Australia Ltd (Leongatha)

Burra Foods Pty Ltd (Korumburra)

Major Customers by Volume/Range

Table 6. 2020/21 Major Customers by volume/range

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–400ML	1
Equal to or greater than 400ML and less than 500ML	0
Equal to or greater than 500ML and less than 750ML–1,000ML	1
Greater than 1,000ML	0
Total number of customers	2

Water Services

Bulk Entitlement Compliance

South Gippsland Water (SGW) holds 11 Bulk Entitlement Conversion Orders which define its legal rights to extract water to supply its water systems. These orders are summarised below.

SGW maintains a Bulk Entitlement Metering Plan to ensure repairs, replacements, operational processes and data control is conducted in accordance with Bulk Entitlement requirements.

Table 7. Bulk Water Entitlement Compliance 2020/21

Bulk Entitlement Order	Water supply	Towns serviced	Bulk Entitlement ML/year	Raw water volume taken ML ¹	Storages ²	Volume in storages at 30/06/21 ML	Entitlement transfer from ML/y	Entitlement transfer to ML/y
Devon North Alberton, Yarram, Port Albert	Tarra River	Devon Nth, Alberton, Yarram, Port Albert.	853	422	N/A	N/A	Nil	Nil
Dumbalk	Tarwin River East	Dumbalk	100	16	N/A	N/A	Nil	Nil
Fish Creek	Battery Creek	Fish Creek	251	102	Battery Creek Reservoir	123	Nil	Nil
Foster	Deep Creek	Foster	326	219	Deep Creek Reservoir	238	Nil	Nil
Korumburra	Coalition Creek	Korumburra	1,000	0 ³	No. 1	74 ³	Nil	Nil
	Ness Creek				No. 2	9 ³		
	Bellview Creek				No. 3	338 ³		
Leongatha	Ruby Creek	Leongatha, Koonwarra	2,476	1,735	Reservoir 1	15	Nil	Nil
					Reservoir 2	79		
					Hyland Reservoir	566		
					Western Reservoir	973.2		
	Coalition Creek	1,800	N/A	N/A				
Loch, Poowong, Nyora	Little Bass River	Loch, Poowong, Nyora	420	0 ³	Little Bass Reservoir	see note 3	Nil	Nil
Meeniyon	Tarwin River	Meeniyon	200	47	N/A	N/A	Nil	Nil
Toora, Port Franklin, Welshpool, Port Welshpool	Agnes River	Toora, Port Franklin, Welshpool, Port Welshpool	1,617	450	Cooks Dam	58	Nil	Nil
Wonthaggi-Inverloch	Lance Creek	Wonthaggi, Inverloch, Cape Paterson	5,600 ⁶	2,079	Lance Creek Reservoir	4,098	Nil	714 ⁴
Greater Yarra System-Thomson River Pool- South Gippsland Water	Greater Yarra System-Thomson River Pool	Wonthaggi, Inverloch, Cape Patterson	1,000 ⁷	714 ⁵	NA	NA	714 ⁴	Nil

Notes:

1. Annual amount of water taken in ML for 2020/21 reporting period.

2. Storages included under each Bulk Entitlement.

3. These water storages are no longer in use for supplying raw water. Water is supplied from the Lance Creek water supply system. Little Bass Reservoir volume is not measured.

4. See Reciprocal Water Trading between South Gippsland Water and South East Water on page 13.

5. Total includes 662ML desalinated water and 52ML reverse flow water

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

7. BE carry over volume as at June 30th 2021 is 1,873 ML

General Reporting Requirements

Table 8. Bulk Entitlement reporting requirements 2020/21

Amendments to bulk entitlements	No amendments to bulk entitlements in 2020/21
New bulk entitlements	No new bulk entitlements in 2020/21
Failure to comply with provisions of bulk entitlements	All systems complied with the provisions of bulk entitlements
Difficulties experienced in complying with entitlement and remedial actions	All Bulk Entitlement conditions were met, and no difficulties were experienced in meeting these conditions
Compliance with making allowances	No proposals were submitted associated with making allowances
Compliance with environmental obligations	Environmental obligations were in place for all bulk entitlements and no changes were made to the programs
Compliance with metering obligations	Metering programs were in place for all bulk entitlements and no changes were made to the programs

Water Services

Reciprocal Water Trading between South Gippsland Water and South East Water

In 2020-21, South East Water and South Gippsland Water undertook reciprocal trades of 714 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 zero ML trade.

This is required because South Gippsland Water does not hold an entitlement to desalinated water. This ongoing administrative process was agreed between South East Water, South Gippsland Water, Melbourne Water, Westernport Water and DELWP.

Use of Alternative Water Sources

There was no use of alternative water source for the 2020/21 reporting period

Regional Catchment Management Strategy

The West Gippsland Regional Catchment Strategy 2021-2027 is an important overarching strategic document for managing land, water and biodiversity in our region. South Gippsland Water has supported the West Gippsland Catchment Management Authority in the development of the revised and updated Regional Catchment Strategy. South Gippsland Water continues to support the principles and the implementation of the strategic objectives of the document.

South Gippsland Water recognises the close link between catchment management and our goals to manage and provide environmentally sound, safe, high quality drinking water to customers. As a key stakeholder in environment and catchment management initiatives we continue to work with the West Gippsland Catchment Management Authority, South Gippsland LandCare and local councils in implementing programs to manage and protect catchment areas.

South Gippsland Water H2O Grants are in place to support riparian fencing and revegetation remediation of gullies and slips. There has been ongoing support of programs including the Corner Inlet Connections project and the recognition of significant cultural values of Traditional Land Owners, the Gunaikurnai, Bunurong and Boon Wurrung people.

Catchment Risk Management

South Gippsland Water continued to assess risks to water quality in declared water supply catchments by undertaking annual reviews of the implementation of the South Gippsland Water Integrated Catchment Management Plan. This plan, alongside the Health Based Targets approach to assessing catchment risks to water quality, provides comprehensive information in which to assess risk to water quality for all water supplies in the South Gippsland region.

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

Victorian Waterway Management Strategy

South Gippsland Water continues to proactively ensure that compliance with its Bulk Entitlements and Environmental Watering Program is consistent with the Victorian Waterway Management Strategy and the West Gippsland Waterway Strategy 2014-2022.

Ecological outcomes are supported through programs such as the availability of passing flows from reservoirs, as well as supporting the economic values of waterways, community use, participation, advocacy, and stewardship in the region's waterways.

Case Study: Demonstrating our resilience

Over about 24 hours between the 9th and 10th June 2021 storms created high rainfalls and localised flooding and caused widespread power outages and communications failures across the region.

All South Gippsland Water treatment plants were impacted, as were all sewer pump stations, offices and depots. Power outages were prolonged causing loss of communications between personnel and loss of operational site remote visibility, control and dial out alarms.

Despite the many challenges, the South Gippsland Water team were able to maintain a continuous supply of safe water to our communities throughout the interruption.

The many responding team members involved in this incident clearly demonstrated South Gippsland Water's Behaviours for Growth, even while under significant pressure. Team members willingly went 'above and beyond' to maintain services and support their colleagues.

The incident proved how upgrades South Gippsland Water have made in recent years have added to infrastructure and service resilience. Emergency storages and generators added in the past five years avoided major sewer spills in Yarram, Inverloch and Wonthaggi. The water supply in Wonthaggi was maintained because a new emergency generator, commissioned less than three months ago, operated throughout the power outage.

The team at South Gippsland Water kept all staff, contractors and our customers safe during this emergency, while minimising any environmental impact, particularly minimising spills from sewer systems due to stormwater or flooding.

Wastewater Services

Wastewater Management

During 2020/21, South Gippsland Water was compliant with Environment Protection Authority (EPA) Licence requirements at five of its ten wastewater systems. The details of the non-compliances to the waste discharge licence are shown in the table below.

Table 9. 2020/21 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.	No ^{1,2,3,4}
	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.	No ⁵
Water Discharges	DW1	Stormwater discharged from the premises must not be contaminated with waste.	No ³
	DW2	Discharge of waste to surface waters must be in accordance with the 'Discharge to Water' table.	No ^{1,6}
	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'.	No ⁷
	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: Korumburra WWTP – non-compliant discharge emergency incident during February 2021; power outage event June 2021

Note 2: Leongatha WWTP - power outage event June 2021

Note 3: Foster WWTP - outfall pipeline failure in July 2020; minor pipeline leak onsite April 2021

Note 4: Toora WWTP - power outage event June 2021

Note 5: Korumburra WWTP - odour complaint received during non-compliant discharge emergency incident in February 2021

Note 6: Leongatha WWTP - exceeded its maximum ammonia limit for 2020/21

Note 7: Waratah Bay WWTP - Emergency discharge considered non-compliant by EPA due to record keeping issue

In delivering a program to achieve future compliance conditions, 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 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 SCADA control system at the Leongatha Wastewater Treatment Plant to improve control of the aeration system
- Replacement of a surface aerator at Inverloch and Toora Wastewater Treatment Plants has increased reliability of aeration and treatment. This asset renewal has also improved safety at the sites by significantly reducing the frequency that the aerator requires preventive maintenance, which is undertaken via boat access
- A review of the treatment process at Leongatha and Korumburra Wastewater Treatment Plants has been undertaken to address recent licence non-compliances
- Region wide assessment of risks associated with all sites to inform future planning

Treated Effluent & Sustainable Water Re-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. Eight of the Corporations Wastewater treatment systems re-use treated water. Two systems achieve 100% reuse.

Treated effluent re-use systems are in place at Tarraville, Welshpool, Toora, Inverloch, Waratah Bay, Meeniyah, Leongatha and Korumburra. A total of 194 ML (4.5%) of treated effluent was re-used during 2020/21.

South Gippsland Water continually look for further opportunities to establish wastewater re-use schemes where beneficial and cost-effective outcomes can be secured. A program to utilise treated effluent for irrigation purposes at the Foster Recreation Reserve and Foster Golf Club is underway.

The majority of re-use is on agricultural land, and a small amount for recreation/sporting grounds. Re-use programs include:

- Tarraville Wastewater Treatment Plant: treated wastewater is piped to an adjacent property for crop irrigation by a neighbouring landholder.
- Toora Wastewater Treatment Plant: the Toora Football Club uses treated wastewater to irrigate the playing surface of the recreation oval. This re-use arrangement has effectively drought-proofed this important community facility.
- Waratah Bay Wastewater Treatment Plant: all treated wastewater is used onsite for pasture irrigation.
- Leongatha Wastewater Treatment Plant: on-site standpipe enabling Class B reuse for applications such as road works and weed control.
- Korumburra Wastewater Treatment Plant: on-site standpipe enabling Class B reuse for applications such as road works and weed control.
- Meeniyah Wastewater Treatment Plant: the sewerage scheme constructed at Meeniyah 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 Meeniyah Football Oval and the Meeniyah Golf Course, and provides for irrigation on South Gippsland Water's land surrounding the treatment plant.
- Poowong, Loch, Nyora sewerage system: a collaborative approach with South East Water sees 100% of effluent from the Poowong, Loch and Nyora Sewerage Scheme treated at the Lang Lang Wastewater Treatment Plant. Treated to Class A standard and utilised by industry and agriculture in the Lang Lang, Koo Wee Rup South and Nyora areas.

Our water re-use practices are in compliance with the Use of Reclaimed Water Guidelines for Environmental Management.

Environmental Sustainability

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", we are 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 Emissions

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.

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. Key areas of the strategy that have continued over 2020/21 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 environmental management improvement

Water Supply Adaptation to Climate Change Variability

South Gippsland Water integrates climate change adaptation into its organisational decision making.

Source waters and demand

A number of initiatives have been progressed during 2020/21 adapting to forecast changes:

Development of a strategy to secure the water supplies for Leongatha as key component of the Urban Water Strategy

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

Carbon neutrality

The Corporation is developing a strategy to achieve carbon neutrality by 2050. This strategy will address emissions created by importing electricity and emissions directly from wastewater treatment systems.

Urban Water Strategy

The 2017 Urban Water Strategy provided a 50-year forecast of water supply in the context of forecast future climate and balanced supply with forecast demand.

In 2020/21 the business started work on an updated Urban Water Strategy that will be based on updated water demand growth forecasts and updated State Government guidance on the likely impact of climate change on water supply availability. The strategy will describe how the business proposes to balance supply and demand in a drying climate and how Integrated Water Management and alternative water supplies will be used to meet customers level of service expectations.

The Urban Water Strategy will be submitted in March 2022.

The 2022 Urban Water Strategy will assess system resilience through events such as bushfires, power outages and Blue-Green algal blooms. The strategy will also consider planning for the further use (reuse) of treated wastewater as a resource.

Part of the updated Urban Water Strategy will be an updated Drought Preparedness Plan that will describe how the business will respond to drought.

Drought Preparedness Plan

The Drought Preparedness Plan is a dynamic document which is reviewed and refined periodically based on actual drought experience and as more supply-system information becomes available.

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 process to develop a Drought Preparedness Plan is complex due to the nature of South Gippsland Water's localised systems and includes:

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

Valuating the effectiveness of the Drought Preparedness Plan post-drought.

There were no staged water restrictions across the South Gippsland Region for the 2020/21 period.

South Gippsland Water's current water supply/demand strategies and plans are prepared in accordance with the Victorian State Government 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).

Environmental Sustainability

Built assets

The business has completed or progressed a number of projects and programs over the year that have accommodated 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, variability of yield and a potential increase in the frequency of the algal blooms that cause taste and odour events*
- *Assessed the risk and consequence of power supply interruptions at key sites and has continued to install and renew emergency generators to mitigate the risk of power supply interruptions. An emergency generator was installed at the Wonthaggi Low Level Basin Pump Station in 2020/21*
- *Hydraulic models have been developed for all sewerage systems over the past three years and masterplans have been completed for key towns to accommodate current and future flows including inflow and infiltration. Implementation of upgrade projects is underway with work completed in Wonthaggi in the past year and design work completed for upgrades in Inverloch*
- *Sewerage system condition assessment work has been accelerated to determine where sewer condition is contributing to infiltration and condition assessment work is being used to determine where rehabilitation is needed*
- *All water and wastewater treatment plants have had assets 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.

Initial planning has commenced for a Lance Creek Reservoir Health Study. A program with a view to improve raw water quality in Lance Creek Reservoir. A key objective of the project is to mitigate the potential for increased algal blooms as a result of Climate Change and avoid adding extra treatment processes by managing raw water quality instead.

Over the past year the business has been working with State Government and other agencies to study the impacts of coastal erosion that is impacting some areas in South Gippsland, primarily around Inverloch. The potential impact of coastal erosion on the business existing assets will be considered in a regional plan.

People and workplace

The business is continually responding to climate change risks to our staff and workplaces. A range of control system and communication improvements have been introduced or are in progress that will reduce the need for staff to visit sites during extreme events.

Interdependencies

South Gippsland water has completed a range of projects designed to improve service resilience during external events such as power interruptions, damage to infrastructure or bushfire. These include:

- *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 approximately 1 MW of capacity installed in 2020/21*

Customer and product delivery

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

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:

- *Integrates 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*
- *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 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.*
- *Environmental monitoring of the Lance Creek Water Connection project, along with implementation of the Gippsland Giant Earthworm management plan*

Biosolids

The total of biosolids transferred for re-use in 2020/21 represents 121% of biosolids production for the year.

The Corporation produced 308 dry tonnes of biosolids for 2020/21 which were stockpiled at the Biosolids Management Facility at the Leongatha Wastewater Treatment Plant. From this, 328 dry tonnes were transferred to the Pinegro Composting Facility at Bacchus Marsh to be processed for re-use. A further 46 dry tonnes was transferred from a stockpile of stored biosolids at the Leongatha Waste Water Treatment Plant to Gippsland Water's Soil Organic and Recycling Facility at Dutson Downs to be processed for re-use.

Carbon Emissions Reduction Pledge

South Gippsland Water is committed to greenhouse gas emissions reduction. In 2017 South Gippsland Water 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 for Victoria.

Energy efficiency and solar programs continue to be delivered during 2020/21, the longer-term strategy will evaluate additional options to 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*

Environmental Sustainability

Greenhouse Gas Emissions

The following table sets out Greenhouse Gas Emissions results.

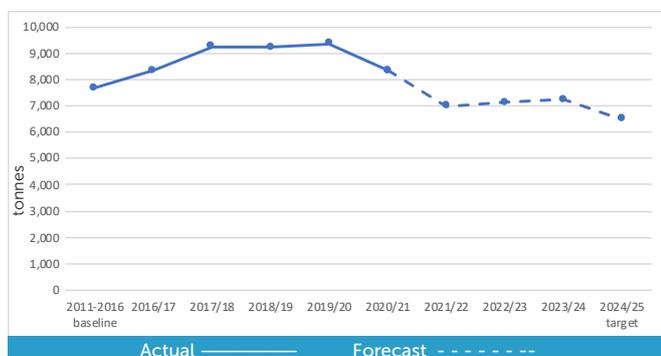
Table 10. 2020/21 Greenhouse gas emissions projections and results

Performance Indicator	Greenhouse gas emissions in tonnes of CO ₂ -e				
	2020-21 Projected	2020-21 Result			Variance
		Scope 1 Emissions	Scope 2 Emissions	Total Emissions	
Water Treatment & Supply	1,874	35	2,269	2,304	+23%
Sewerage Collection, Treatment & Recycling	5,373	2,857	2,536	5,393	+0.4%
Transport	600	510		510	-15%
Other	160		133	133	-16%
Total Emissions	8,007	3,403	4,938	8,340	+4.2%
Offsets Retired	-				
Net Emissions	8,007	3,403	4,938	8,340	+4.2%

The variances to the 2020/21 projected greenhouse gas emissions are due to:

- Solar systems for water and wastewater systems were installed (as per our Carbon Emissions Reduction Pledge), however, not commissioned within the programmed timeframe. Commissioning is scheduled to occur early 2021/22
- An increase in Scope 1 (fugitive) emissions (methane and nitrous oxide) released from wastewater treatment due to increased tonnes of Chemical Oxygen Demand treated at Leongatha, Meeniyah and Tarraville Wastewater Treatment Plants
- South Gippsland Water transport and electricity use at office and depot impacted by remote working restrictions has resulted in less emissions. In addition to COVID-19 restrictions, our Foster Office was closed for an extended period due to maintenance.

Table 11. 2020/21 SGW Greenhouse gas emissions overview



Net Energy

Net Energy Consumption

Net energy consumption was 1,436 MJ/ML for potable water and 2,135 MJ/ML wastewater.

To continue to be an adaptable business, reduce greenhouse gas emissions and minimise our impact on climate change opportunities for energy savings and efficiency improvement include:

- Reduction of treatment volumes in wastewater and water treatment
- Efficiency improvement of pumping systems
- Investigating use of potential water, sun and wind renewable energy
- Participation in the Zero Emissions Water (ZEW) initiative which sees 13 water corporations' collaborate to purchase green energy.
- Motivation of employees to be efficient with their energy use.

Table 12. 2020/21 Energy consumption and generation reporting

Total electricity use	20/21 (MWh)	19/20 (MWh)	Commentary
Water treatment and supply	2,318	2,276	Increased electricity usage at Lance Creek Water Treatment Plant pump station.
Sewerage collection, treatment and recycling	2,588	2,605	Less electricity used at Korumburra Wastewater Treatment Plant and Yarragon Road pump station.
Other (office, workshops, depots etc.)	136	161	Less electricity used due to coronavirus (COVID-19) remote working.
TOTAL	5,038	5,041	

Table 13. 2020/21 Renewable electricity reporting

Performance Indicator	2020/21 Renewable Electricity Used (MWh)	2019/20 Renewable Electricity Used (MWh)	Commentary
1. Solar	75	82	Greater generation overall. However, behind the meter usage was lower due to the impact of working from home (less energy consumed on site). There was greater export to the grid as a result.
2. Hydroelectric	N/A	N/A	
3. Wind	N/A	N/A	
4. Biogas	N/A	N/A	
5. Greenpower	N/A	N/A	
6. Other	N/A	N/A	
TOTAL	75	82	
Percentage Renewable Electricity (%)	1.7%	1.6%	Total MWh imported was down in 2020/21 compared to previous year which improves the renewable energy percentage.

Social Sustainability

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.

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). 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 Gippsland Environmental Agencies (GEA) Partnership Agreement, agencies have commenced a Cultural Awareness and Training Program in conjunction with GLaWAC.

Due to coronavirus (COVID-19), GLAWAC suspended its cultural training programs in 2020/21. GLAWAC have since resumed this training, with expectations more employees will complete in the programs in 2021/22.

A South Gippsland Water representative attended six GEA-GLaWAC meetings during 2020/21 as well as attending an on-country workshop on priorities for GLAWAC's plan for self-determination.

The Bunurong Land Council Aboriginal Corporation (BLCAC) are the Traditional Owner organisation that represent the Bunurong people of the South-Eastern Kulin Nation. The BLCAC is recognised as the Registered Aboriginal Party for the Mornington Peninsula, Westernport and part of South-West Gippsland.

South Gippsland Water is continuing to work with the Bass Coast Reconciliation Network for which the BLCAC is a founding member since its inception during 2019.

Both GLAWAC and BLCAC are participating in the development of South Gippsland Water's Urban Water Strategy, which will guide our planning for our water and wastewater systems for the next 50 years.

This year South Gippsland Water participated in the Barring Djinang Intern Program, hosting Tamira Varagnolo, a proud Dhungutti woman. Supported by Career Trackers and the Victorian Public Sector Commission, Tamira completed 12 weeks employment from November 2020 to February 2021.

Social procurement practices are being strengthened and opportunity being given for indigenous groups and organisations to be included in contractor panels.

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 (GRWA). 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.

The GRWA finalised its Information, Communications and Technologies (ICT) shared benefits review during 2020/21, developing a framework for achieving shared ICT benefits for participating organisations and an implementation plan for the project.

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.

Under the program in collaboration with South Gippsland Water, PD Pal Jaya have completed pump station upgrades and introduced SCADA, to automatically run the station. PD Pal Jaya have also implemented an asset management register in asset management software.

Customer Surveys

South Gippsland Water has consistently achieved excellent results in the Essential Service Commission's quarterly Customers Rate their Water Business surveys. The surveys rated South Gippsland Water in the top five in the categories of value for money, reputation in the community, level of trust and overall satisfaction

Community Partnerships

South Gippsland Water supports local organisations and groups involved in community, education and encouraging the consumption of tap water.

Table 14. 2020/21 Community partnership summary

Name	Activities	Type of Support	
		Financial	In-kind
National Water Week (NWW)	Local primary schools participated in the NWW Poster Competition	-	✓
H4O – Help For Water Efficient Organisations Grants	Community grants for water efficiency, community strengthening or encouraging water consumption projects	\$602	-
H2O – Hills To Oceans Grants	Landholder and community grants to improve catchment health and environment	\$500 ¹	-
Public Water Bottle and Drinking Water Fountains or Water Trailer	Loan of portable water bottle refill stations, drinking fountains, or water trailer to community events as part of the Choose Tap Coalition. No bookings were taken during the 2020/21 financial year due to the coronavirus (COVID-19) pandemic. In kind or grants were offered instead of water trailer loans.	-	✓
Public Water Bottle Refill and Drinking Fountain	Donation of permanent refill stations to community groups and public facilities.	\$10,000 ²	✓
South Coast Water Partnership	A partnership of 9 health and community based organisations that aim to improve health outcomes for local communities by promoting the health benefits of drinking water over sugar sweetened beverages.	-	✓

1. \$500 budgeted but unspent in 2020/21 due to no applications for H2O funding.

2. \$10,000 budgeted but unspent in 2020/21 due to coronavirus (COVID-19) delaying projects.

Social Sustainability

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. The coalition includes councils and water corporations from around Australia united 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 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.

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 for resilient and liveable communities delivers outcomes that our customer value.

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.

During 2020/21 we commenced our consultation over the 50-year Urban Water Strategy. This included:

- A public survey with targeted questions on what our customers would like us to plan for over the next 50 years
- Creating of a Community Advisory Committee to better engage with our communities on potential options for water and wastewater improvements in the Urban Water Strategy.

This work will continue into the next financial year, as we establish a community engagement program for our next Pricing Submission to the Essential Services Commission.

Schools Education & Water Efficiency Programs

Education

Coronavirus (COVID-19) has limited South Gippsland Water's ability to deliver onsite learning experiences for primary and secondary school students. However South Gippsland Water has continued to facilitate school education programs throughout 2020/21, including:

- Celebrating National Water Week through a school poster competition and related activities with local primary schools
- 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:

- Promoted Permanent Water Saving Rules and Target your Water Use via traditional and social media.
- Participation with the Schools Water Efficiency Program (SWEPE). Since 2012, 23 registered SWEPE schools in South Gippsland Water's region have saved a total of 91.5 million Li of water, saving \$287,000 in water costs,

Social Media and the South Gippsland Water Website

South Gippsland Water maintains profiles on Facebook, Twitter, YouTube, Instagram and LinkedIn. The platforms provide an avenue of consistent activity and communication, keeping customers and stakeholders informed with respect to services and projects.

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.

Case Study: Rethinking Reservoirs Project

Rethinking Reservoirs is a partnership project with community and stakeholders to explore opportunities and determine the future use of four reservoirs no longer required for the supply of drinking water for Korumburra, Poowong, Loch and Nyora.

In 2018 South Gippsland Water (SGW) completed a major project to connect the four townships to the State Grid via the Lance Creek Water Supply System. The connection resulted in four reservoirs and two treatment plants no longer required for their original purpose.

Working with Community in planning for the future

Rethinking Reservoirs identified options, priorities and preferences for the future use of the four reservoirs, and to raise awareness of the balance between the use of the sites as community assets and complexity in managing reservoirs and public sites.

A Steering group consisting of community representatives, guided the development of agreed statements for the long-term aspirations of the sites. The group consisted of approximately 30 participants made up of neighbouring property owners, interest groups, community members Traditional Owner groups, West Gippsland Catchment Management Authority, Prom Tourism, Southern Rural Water, Fisheries Authority, South Gippsland Shire Council, and the Department of Land Water and Planning.

Three Steering Committee sessions were held where the voice of community and stakeholders joined in assessing options and constraints. The sessions resulted in agreed statements for the long-term aspirations for the sites and shared understanding of the complexity of the task ahead.

- **Coalition Creek:** A level of water retained to be developed and used for golf club irrigation and a range of recreational purposes.
- **Ness Gully:** Lower the spillway to natural streamflow conditions.
- **Little Bass:** A level of water retained and eventually utilised as a recreational facility to benefit the local community (recognising the challenges).
- **Bellview:** Reservoir: Multi use site – industrial/commercial and recreational (with considerations to access).

Interim Progress

SGW are now operating the reservoirs at lower levels to achieve the most efficient dam safety requirements. In parallel, a number of community partnerships have been completed to progress the Steering Committee aspirations.

Coalition Creek: Funding provided to install an irrigation system for the Korumburra Golf Club. In return the golf club are completing maintenance at the site for a period of five years.

Ness Gully: The reservoir has been emptied. Land surrounding the reservoir is leased to a neighbouring property owner. The property owner is completing maintenance of the site as payment for the use of the land.

Little Bass: The reservoir is utilised by the Poowong Angling club. A partnership to install walking tracks, floating islands for birdlife, fish breeding habitat and revegetate the site is underway with Poowong Landcare.

Bellview Reservoir: The reservoir is utilised by the Korumburra Angling club.

Social Sustainability

Customer Support Program - Coronavirus (COVID-19)

The South Gippsland Water Customer Support Program was reviewed and re-launched in May 2020 in anticipation of potentially significant economic impacts across the customer base as a result of COVID-19. The response is in line with the wider water sector response and is in alignment with National Cabinet Principles and Essential Services Commission (ESC) requirements

Increased support was provided for customers who may have been experiencing hardship as a result of COVID-19

Key elements of the response include:

- Extended period of operation for instalment plans from 1 to 2 years for all customers
- Payment extension period increased from 4 weeks to 12 weeks for all customers
- All supply restrictions, debt collection, debt recovery halted and charging of interest on new arrears (previous charges remained) for all customers ceased until April 1st 2021. This initiative has been maintained for all customers identified as needing further support
- One on one facilitated support for assessing eligibility and where confirmed, submitting Utility Relief Grants
- A dedicated customer support officer in place

Pro-active customer outreach elements utilised in the response included:

- Key messages promoting the Customer Support Program developed and published in external media channels
- Re-wording of Service Accounts to be more customer friendly
- Engagement of local support agencies and counselling services in the region to assist with referrals and support services for customers
- Outbound calls to a cohort of non-residential customers most likely to have been impacted by COVID-19 ahead of Service Accounts being issued
- The outbound call program provided opportunity for a deep dive insight analysis to help inform future Customer Support Program requirements

Management of Social and Economic Impacts

Through the Customer Support Program South Gippsland Water offers a wide range of assistance to customers facing financial difficulties and other circumstances that impact on their ability to maintain payment of accounts and access to services, such as those experiencing vulnerability and those affected by COVID-19. Ongoing features of the customer support program include:

- Engaging in discussions with customers to determine suitable payment options available
- Treating all customers with sensitivity and without making value judgments
- Always respecting customer privacy in personal communications and in Corporation databases
- Using communication methods that are appropriate to the needs of the customer including all resources being fully accessible to those with a disability, limitations in using or accessing digital technology, or social factors that impact how a customer interacts
- Providing interpreter services upon request
- Making all effort to identify any need for additional support early and prior to accounts moving into arrears
- Reaching agreement with eligible customers on the most appropriate support for their circumstances, recognising financial pressures may be short or long term and including information about, or referral to relevant regional support agencies
- Not engaging in legal action, restriction of water supply, and additional debt recovery actions against customers who meet hardship criteria and continue to make payments according to an agreed schedule.

- Monitoring the operation of customer support agreements to proactively identify any issues as early as possible, and communicate with customers to establish alternative arrangements if necessary
- Detailing the circumstances in which access to supports will cease
- Ensuring employees receive regular and broad training in working effectively with the range of customer circumstances and communication needs
- Providing customers with information about assistance programs and government concessions, including the Utility Relief Grant Scheme and Community Rebate program
- Providing information and assistance to reduce water consumption
- Advising customers about their right to lodge a complaint with the Energy and Water Ombudsman if their affordability issue is not resolved with the Corporation.

The Corporation received further funds for the continued establishment of the Community Water Rebate program. The funding is in place to support a water efficiency program designed for lower income customers through the provision of no or low-cost water efficiency improvements including fixing leaks, replacing inefficient or faulty toilet cisterns and hot water systems. The program provided assistance to 11 customers.

South Gippsland Water continue to maintain a strong working relationship with the ESC to ensure ongoing alignment to the National Cabinet Principles

Community Service Obligations - Financial Assistance

Financial assistance is provided to individuals, businesses and organisations as part of the Government's Community Service Obligations. South Gippsland Water has 648 customers with instalment plans currently in place.

Table 15. Community assistance provided 2020/21

Value of Community Service Obligation Provided	2020/21	2019/20
Provision of concessions to pensioners	\$1,819,496	\$1,729,782
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	\$149,812	\$148,345
Utility Relief Grants Scheme payments	\$35,037	\$18,830
Hardship Grants applied	\$1,000	\$0
Water concessions on Life Support Machines – Haemodialysis	\$319	\$410
Community Rebate Program	\$ 5,701	\$ 6,662
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	Unknown*	Unknown*

*Information not accessible

Social Procurement Framework

South Gippsland Water is fully committed to supporting the Government's directions under the Social Procurement Framework (SPF) and we recognise that we play a key role in advancing social and sustainable outcomes for Victorians.

The Corporation are in the process of reviewing its Social Procurement Strategy which was developed in 2019. The Strategy seeks to develop a holistic, organisation-wide approach to how it will deliver social and sustainable outcomes through our procurement in accordance with the Social Procurement Framework and beyond.

South Gippsland Water's Social Procurement practices are maturing and being developed in alignment with the Victorian Government Procurement Board initiative to reach compliance. As a focus for the coming year, a review of Social Procurement activities will be completed. The holistic approach includes further development of Key Performance Indicators for reporting purposes.

The table below provides a summary of key focus areas in implementing our social procurement improvements.

Objective prioritised	Outcome sought	Progress
Opportunities for Victorian Aboriginal people	Purchasing from Victorian Aboriginal businesses	South Gippsland Water will provide specific notification for GLAWAC to encourage the organisation to pursue opportunities that are aligned with the services they provide. We have been supporting GLAWAC as they develop their business in the region and will continue to explore options for continuing notification of our goods and services supplier opportunities.
Supporting safe and fair workplaces objective	Purchasing from suppliers that comply with industrial relations laws and promote secure employment	South Gippsland Water seeks to raise awareness of Social procurement objectives and obligations of suppliers through tenders. We assess for businesses that provide secure employment for their employees and actively promotes the importance of safe workplace practices as it relates to the physical safety of contractors in their work with SGW.
Sustainable Victorian regions	Job readiness and employment for people in regions with entrenched disadvantage	SGW is an important buyer in our region. The region has pockets of significant disadvantage. The organisation supports and encourages local businesses. Through the ongoing support for small to medium enterprises, the organisation enables SME's to continue to employ staff.

An increase in skills and capacity of the Information Communication and Technology (ICT) team continued enabling further progress in:

- *Data analytics*
- *Performance of the Corporation's SCADA and telecommunication networks*
- *Investment in business applications including the major project to implement a Payroll and Human Resource Information system being largely completed*
- *A Learning Management System becoming fully operational*
- *Improvements to the Geographical Information System*
- *An upgrade to the Asset Management System.*

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 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.

Equity, Inclusion and Diversity

South Gippsland Water recognises a diverse and inclusive workforce brings skills, experiences and attitudes that encourage innovation and better decision making. South Gippsland Water is committed to an equitable, inclusive workplace that reflects the diversity of communities served. This commitment is demonstrated in targets renewed during this past year, reflecting greater ambition for the next three years in continuing to prioritise gender equity and the workplace being one where everyone can bring their best self.

With the Equity, Inclusion and Diversity Strategic Plan 2021-2024 commencing 1 July 2021 and progress against its targets to be reported end 2021/22, it builds on the 2020/21 performance achieved against the 2017-2020 Plan targets.

South Gippsland Water continues to seek collaboration opportunities with Gunaikurnai Land and Waters Aboriginal Council (GLAWAC) and Bunurong Land Council Aboriginal Corporation (BLCAC) with respect to employment opportunities, care of country, and cultural awareness and safety. South Gippsland Water's Equity, Inclusion and Diversity Strategic Plan 2024-2024 is available via www.sgwwater.com.au/about-us/corporate-policy-legislation.

Employee Assistance Program (EAP)

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

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 and has nominally expired 19 June 2020. The Corporation has operated consistent with its conditions throughout the year. The Corporation will negotiate a new Enterprise Agreement 2021/22.

Our People

Our People

South Gippsland Water recognises its people play a vital role in delivering outcomes for customers. A significant challenge for the business has been to continue to respond and support the health, safety and wellbeing implications associated with COVID-19.

Investment in health and safety upgrades across physical work environments and a significantly increased focus on mental health and wellbeing was delivered including the organisation's inaugural Mental Health Strategy.

Investment in employee Learning and Development continued, including the second iteration of the South Gippsland Water Leadership Program being concluded with an adaption in design required to facilitate a move to remote delivery. The third iteration commenced May 2021 augmented by a specialist "Leader as Coach" program building the ability of line managers to enable their teams to perform at their best.

Investment also 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.

Our People

Table 16. 2020/21 Workforce Inclusion initiatives

Workforce Inclusion Policy Initiative	Target (% FTE)	2020/21	Baseline 2015-16 ¹
Gender diversity	General Managers and Executive Officers ² 60% male 40% female by June 2020	67% male 33% female	80% male 20% female
	All staff 67% male 33% female by Dec 2018	68% male 32% female	73% male 27% female
Cultural and linguistic diversity	One Aboriginal trainee by Dec 2018	One Barring Djinang Intern	Nil
	2.5% of workforce will identify as Aboriginal or Torres Strait Islander by 2020	Nil based on staff responses to People Matter Survey 2020	1% of staff responding to People Matter Survey May 2016
	20% of workforce will speak a language other than English by 2020	6% of staff responding to People Matter Survey May 2019	13% of staff responding to People Matter Survey May 2016
Age diversity	7% of staff under age 25 by Dec 2018	6%	3.8%
Flexible work arrangements	25% of workforce will work flexibly by 2020 ³	100%	Data not available
Caring responsibilities	35% of the workforce will have caring responsibilities outside of workplace by 2020	51% based on staff responses to People Matter Survey 2020. 10% prefer not to say.	Data not available
LGBTI diversity	7% of the work-force will identify as belonging to LGBTI communities by 2020	2% of staff responding to People Matter Survey 2020. 4% preferred not to say	6% of staff responding to People Matter Survey 2016
All abilities	10% of the workforce will have an identified disability by 2020	4% of staff responding to People Matter Survey 2020. 5% prefer not to say.	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 executive officers contracted as SEO including senior technical positions not holding management responsibilities (senior engineer).

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

Workforce Data

Table 17. 2020/21 Workforce data

	All Employees				Fixed Term & Casual Employees	
	Employees (Headcount)	Full Time (Headcount)	Part Time (Headcount)	FTE	Headcount	FTE
June 2021	134	108	26	125.21	23	19.05
June 2020	128	102	26	118.61	31	26.57

	June 2020/21				June 2019/20			
	Ongoing		Fixed Term and Casual Employees		Ongoing		Fixed Term and Casual Employees	
	Employee (Headcount)	FTE	Employee (Headcount)	FTE	Employee (Headcount)	FTE	Employee (Headcount)	FTE
Gender								
Male	73	71.58	14	12.63	66	64.58	17	15.42
Female	38	34.84	9	6.42	31	27.46	14	11.15
Self-described					0	0	0	0
Age								
Under 25	3	2.74	4	4	3	2.63	3	3
25-34	23	21.47	3	2.42	20	19.05	6	4.84
35-44	26	24.47	1	1	21	19.63	3	2.84
45-54	32	31.69	5	3.84	31	30.47	11	8.89
55-64	27	25.79	10	7.79	21	19.26	8	7
Over 64	0	0	0	0	1	1	0	0
Classification								
Trainee	0	0	0	0	0	0	3	3
Band 3	6	5.42	3	3	4	3.42	1	1
Band 4	17	16	3	1.16	16	14.47	4	2.52
Band 5	20	19.21	2	1.26	22	20.94	4	2.68
Band 6	23	21.89	4	4	16	15.63	8	7.58
Band 7	15	14.48	1	.63	15	14.42	0	0
Band 8	16	15.63	2	2	15	14.63	2	1.42
SEO	14	13.53	3	2	9	8.53	4	3.37
Executives	0		4	4	0	0	4	4
Managing Dir	0		1	1	0	0	1	1
	111	106.16	23	19.05	97	92.04	31	26.57
			134	125.21			128	118.61

Our People

Health, Safety & Wellbeing

South Gippsland Water's Health, Safety and Wellbeing unit continued its focus on improving Occupational Health and Safety (OH&S) through the ongoing implementation of the strategic plan, striving towards the goal of the safety mantra – Start Safe, Work Safe, Home Safe.

A review of safety culture was undertaken as an important step in understanding the changes in culture since the previous culture survey in late 2018. The Global Safety Index culture survey was used to provide a standardised and benchmarked measure of culture across a number of dimensions and drivers. The outcome of the survey showed significant positive growth in all areas, demographics and business unit with the overall culture level moving from "Maturing" to "Sustainable".

While responding to the changing COVID-19 pandemic restrictions and ensuring ongoing compliance with hygiene, capacity, work practice and record keeping requirements, integral safety process were continued under modified conditions, including:

Compliance with hygiene, capacity, work practice, record keeping requirements, integral safety process were continued under modified conditions during Covid-19

- Training and competency maintenance
- Supervision, monitoring and inspection to ensure safe practices continued
- Consultation on changes to processes and workplaces.

Resumption of working from offices was progressed in a staged approach, modifying workspaces where needed, continuing to fully support work from home. South Gippsland Water took part in the Victorian Public Sector Commission People Matter Survey in October 2020. With a focus on employee wellbeing, the survey captured the views and experiences of 65% of our workforce. Survey results were provided in comparison with 191 public sector organisation across the state. The results provide valuable insights for us and have been utilised to devise actions that improve inclusion, wellbeing and programs to eliminate negative workplace behaviours.

Over the course of the year a number of apps were introduced to health, safety and wellbeing processes, modernising and streamlining activities for users, enabling more efficient and accurate reporting, ultimately reinforcing accountability and responsibility. A central component of this is the Start Safe Work Safe app, which fulfils the needs of a Safe Work Method Statement, provides access to standard Job Safety Environment Assessments and is becoming an entry point for other relevant OHS apps or forms such as pre-start checks and WorkSafe trench notification.

Occupational Violence and Aggression (OVA) has been given additional attention over the past 12 months, driven by the formation of an OVA Work Group. The creation and adoption of a procedure was followed by the delivery of introductory training to all customer facing roles and advanced training for employees involved in compliance activities. As a result of this a shift in employee culture around OVA has been seen, reporting of incidents has increased, awareness of the risk has grown, and it is not being accepted as "just part of the job".

The Corporations' first Mental Health and Wellbeing Strategy was launched towards the end of the year, setting a structured approach to increasing mental health awareness, reinforcing protective factors and improving preventative controls. The strategy's development was led by the Health and Wellbeing Workgroup, in consultation with all staff and strong support from OHS Consultative Committee and Executive Leadership Team. Initiatives within the strategy include specific training for all levels of the organisation, access to discounted wellbeing focused services, guest speakers and presentations, and coordination of participatory activities, such as Active April.

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

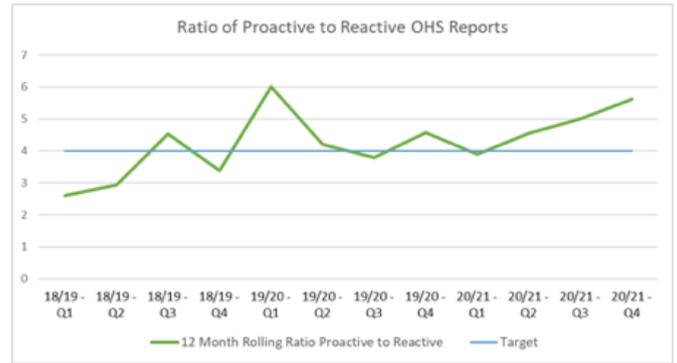


Figure 1. Ratio of proactive to reactive OHS reports

The ratio of proactive OHS reports (hazards and near misses) versus reactive OHS reports (incidents and injuries) continued to grow as total hazard reporting increased. This is a positive indicator of the safety culture, showing an emphasis on identifying and controlling risks before they cause harm.

Lost Time Injury and Medical Injury

There was one more recordable injury in 2020-21 compared to the previous two years, however the rate of recordable injuries per million hours worked remained in line with the improved results of those years.

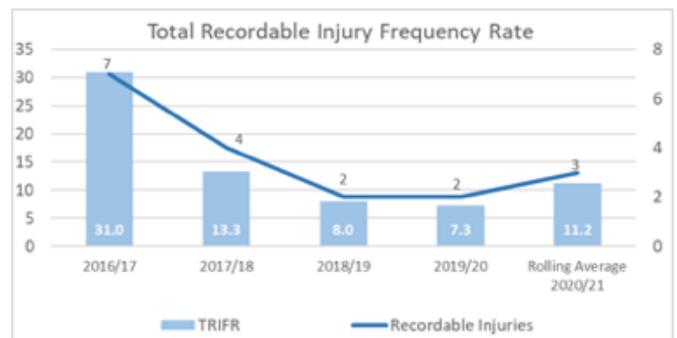


Figure 2: Total recordable Injury Frequency rate



Tamira Varagnolo, a proud Dhungutti woman, whom South Gippsland Water hosted as part of the Barring Djinang Intern Program. See page 18.

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 Leadership Team. The Board comprises of a non-Executive Chair, the Managing Director and seven non-Executive Directors.

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 2020 - 30th June 2021
Audit and Risk Management Committee
The Audit and Risk Management Committee is an advisory committee of the Board. The primary objectives of the Committee are to assist the Board in discharging its responsibilities for financial and non-financial reporting, maintaining a reliable system of internal controls, risk management systems, and fostering the organisation's ethical environment. The Committee exercises independent judgement and is objective in its deliberations, decisions and advice.
For the period 1st July 2020 to 30th June 2021 the Committee comprised of five non-executive independent Directors - Sue Friend (Chair), Geoff Lake, Nick Fleming, Nicola Hepenstall and David Schultz. Vito Giudice has held the position of independent external member from the 22nd June 2017. The Committee meets periodically 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 July 2020 to 30th June 2021 the Committee comprised of four non-executive independent Directors – Geoff Lake (Chair), Kate Young, Jennifer Ryan 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 July 2020 to 30th June 2021 the Committee comprised of five non-executive independent Directors - Kate Young (Chair), Chris Rose, Nicola Hepenstall, Jennifer Ryan and David Schultz.
Corporate Governance Committee
The primary objective of the Corporate Governance Committee is to assist the Board to fulfil its duties and discharge its Corporate Governance responsibilities through advice, recommendations, reviews and identifying opportunities to continually improve the overall governance of the corporation.
For the period 1st July 2020 to 30th June 2021 the Committee comprised of four non-executive independent Directors - Chris Rose (Chair), Nick Fleming, Sue Friend and David Schultz.

Director Attendance at Board and Committee Meetings

Table 18. 2020/21 Director Board and Committee meeting attendance

Director	Board	Audit and Risk Management Committee	Engagement and Planning	People Safety and Culture Committee	Corporate Governance Committee
David Schultz Chair of Board	9 of 9	4 of 4	4 of 4	3 of 3	3 of 3
Chris Rose Chair of Corporate Governance Committee from October 2019	8 of 9	N/A	N/A	3 of 3	2 of 3
Geoff Lake Chair of Engagement and Planning Committee from October 2017	9 of 9 ¹	4 of 4	4 of 4 ²	N/A	N/A
Kate Young Chair of People, Safety and Culture Committee from October 2017	8 of 9	N/A	4 of 4	3 of 3	N/A
Susan Friend Chair of Audit and Risk Management Committee from October 2018	9 of 9	4 of 4	N/A	N/A	3 of 3
Nicola Hepenstall	9 of 9	4 of 4	N/A	3 of 3	N/A
Nicholas Fleming	9 of 9	4 of 4	N/A	N/A	3 of 3
Jennifer Ryan	9 of 9	N/A	4 of 4	3 of 3	N/A

¹ Partial attendance at two of the nine meetings

² Partial attendance at one of the four meetings

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 statement that declarations of pecuniary interests have been duly completed by all relevant officers of the Corporation
- details of shares held by senior officers as nominee or held beneficially in a statutory Corporation or subsidiary
- details of publications produced by the Corporation about the activities of the Corporation and where they can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the Corporation for its services, including services that are administered
- details of any major external reviews carried out in respect of the operation of the Corporation
- 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
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the Corporation to develop community awareness of the services provided by the Corporation

Corporate Information

- 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

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 Australasia, an affiliate of Findex (Aust) Pty Ltd, as an agent for the Auditor-General Victoria, undertook the external audit for 2020/21.

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. The responsible Minister for the period from 1 July 2020 to 30 June 2021 was the Hon Lisa Neville MP, Minister for Water. The Hon Richard Wynne acted as the Minister for Water from 15 February 2021 to 30 June 2021.

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

Freedom of Information (Fol)

Operation

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

All applicants are advised of the internal review and appeal provisions available.

Applications

There were two applications received by South Gippsland Water under the Freedom of Information Act 1982 during 2020/21. The Corporation provided partial release for both requests. Exemptions were applied to a number of documents under Section 30(1) Internal Working Documents, and Section 33, Personal Affairs Information.

Contact for Requests

Requests under the Freedom of Information Act 1982, describing the documents requested, must be made in writing. A Freedom of Information (Fol) application fee of \$30.10 from 1st July 2021 is payable. Depending on the circumstances, further charges may also be payable. Fol fees and charges are not subject to GST.

Requests should be addressed to:

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

Compliance with the Building Act 1993

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

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

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.

Goods and Service Tax (GST)

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

Details of Government Advertising Expenditure

South Gippsland Water's advertising expenditure does not exceed \$100,000.

Corporate Information

Events Subsequent to Balance Date

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

Public Interest Disclosure Act 2012

Compliance with the Public Interest Disclosures Act 2012

The Public Interest Disclosure Act 2012 (PID Act) enables people to make a disclosure about corrupt or improper conduct by a public officer or a public body.

South Gippsland Water is a public body for the purposes of the PID Act.

What is a public interest disclosure?

A public interest disclosure is a complaint of corrupt or improper conduct or detrimental action by a public officer or a public body.

'Improper or corrupt conduct' involves substantial mismanagement of public resources, risk to public health or safety or the environment, or corruption.

"Detrimental action" is action taken against a person in reprisal for making a public interest disclosure.

How do I make a public interest disclosure?

You can make a public interest disclosure about South Gippsland Water or its board members, officers or employees by contacting IBAC (details below).

South Gippsland Water is not able to receive public interest disclosures.

South Gippsland Water has established procedures for the protection of persons from detrimental action in reprisal for making a public interest disclosure about South Gippsland Water, its board members, officers or employees. You can access South Gippsland Water's procedures on its website at: www.sgwwater.com.au/about-us/corporate-policy-legislation/.

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

Address: Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3000.

Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001

Internet: www.ibac.vic.gov.au

Phone: 1300 735 135

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

Local Jobs First: Victorian Industry Participation Policy – Implementation

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

Contracts

One contract was tendered during 2020/21 that exceeded the threshold for the Local Jobs First legislation, the contract was for design, fabrication and installation of vehicle service bodies for the maintenance fleet. Tender evaluation occurred early in the 2021/22 financial year and the objectives and fundamentals of Local Jobs First Act (2018) were applied to the tender and contract for these projects.

Five active contracts, tendered before the 2020/21 year, were delivered during the past year. The objectives and fundamentals of the Local Jobs First Act (2018) were applied to the tender and contracts for these projects. The projects included Disinfection upgrades at water and wastewater plants, the Powdered Activated Carbon upgrade at Lance Creek Water Treatment Plant, Wonthaggi Low Level Basin pump station renewal and the carbon emission reduction project.

The sewer relining and rehabilitation contract, which was awarded in 2017/18, was a three-year contract with an option for a further three year extension. An extension of this contract was awarded in 2020/21. The tender and contract for sewer relining was managed in accordance with VIPPA (2003) requirements.

All Local Jobs First 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.

Details of Consultancies

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

In 2020/21, there were 44 consultancies where the total fees payable to each consultant was \$10,000 or greater. The total expenditure incurred during 2020/21 in relation to these consultancies was \$2,443,403 (excl. GST).

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

In 2020/21, there were 45 consultancies engaged during the year, where the total fees payable to each consultant was less than \$10,000. The total expenditure incurred during 2020/21 in relation to these consultancies was \$183,025 (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 or another intellectual output.

Disclosure of Major Contracts

South Gippsland Water did not award any major contracts during 2020/21. A 'major contract' is a contract entered into during the reporting period valued at \$10 million or more.

Major Projects 2020/21

The following summarises the major projects undertaken by South Gippsland Water during 2020/21, and the progress at the end of the financial year. The capital program is developed to deliver on and align to customer outcome statements, which are the aspects of our business customers value most.

Minor delays have been experienced in the delivery of consultancy services for the 2020/21 period due to the impacts of COVID-19. Site meetings, and travel programs have been adapted to comply with the restrictions of the day.

Corporate Information

Provide safe, clean drinking water

Disinfection upgrades at Water and Wastewater Treatment Plants

- To improve drinking water quality and safety, a range of disinfection upgrades are in progress at three water treatment plants.
- Disinfection upgrades are also in progress at two wastewater treatment plants to improve effluent discharge quality
- A design and construct contract was awarded and construction is nearly complete.
- Procurement is in progress. Works on site are to finish early in the 2020/21 year
- The project is expected to cost approximately \$3.9M

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
- Construction was completed early in calendar year 2021 and the project has been commissioned
- The upgrade cost about \$1.8M

Clear Water Storage Covers and Liners Renewal

- The project will benefit customers in six towns by ensuring the continued supply of reliable, clean and safe drinking water
- A supplementary benefit will be improvement of staff and contractor safety when working on and around the basins
- Renewal of the Toora and Fish Creek basins covers and liners was completed in 2020/21 at a cost of \$0.79M
- Renewal of the Wonthaggi basin cover and liner started is underway and completion is anticipated early in 2022 and the three remaining basins will be renewed over the next three years

Provide a safe wastewater service that contributes to liveability of our communities

Wonthaggi Sewer Augmentation Works

- The project will increase capacity of the network, supporting growth in the town and will reduce the likelihood of sewer spills
- Two contracts for augmentation works were completed in 2020/21, one of which was completed in the busy commercial centre
- The combined value of projects completed in 2020/21 was \$2.1M

Sewer Pump Station Renewals

- The projects will maintain reliability of sewer networks and reduce the risk of sewer spills
- The renewal works will also reduce safety risks associated with obsolete electrical switchboards that do not meet current standards
- One contract was completed during 2020/21 valued at \$0.6M. A second contract, with a similar value, was awarded at the end of the year and works will be constructed during 2021/22

We will plan for the future, be reliable and minimise unplanned interruptions to services

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 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
- Construction was completed in April 2021 and an emergency generator installed as part of the project allowed continuous supply of clean, safe drinking water to Wonthaggi after major storms in June 2021
- The project value was \$1.5M

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 5 km of sewer has been inspected, 5.8km has been relined and 244 manholes have been rehabilitated
- The program value was \$1.4M for 2020/21

Water Treatment Plant Renewals

- This program of works is to upgrade a range of aging assets to maintain water treatment plant reliability, water quality and improve safety
- Work has continued on this program since 2019 and will continue until 2022/23
- Significant number of projects completed have ranged from more significant replacements like the Foster and Toora Water Treatment Plant Sludge Cone and Launder replacements within the Clarifier to more minor valve replacements or electrical renewals works
- This program is budgeted to cost approximately \$2.8M

Be environmentally 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

Construction of four behind the meter solar power installations was completed in 2020/21 with a total generation capacity just over 1MW

A further two smaller behind the meter solar installations will be completed in 2021/22 as part of the Sewer Pump Station Renewal program

Collaboration within the water sector has helped the business invest in a Power Purchasing Agreement through Zero Emissions Water (ZEW), a partnership of 13 Victorian water corporations, that is purchasing solar energy from Kiamal Solar Farm in north-east Victoria

Integrated Water Management (urban)

South Gippsland Water has continued to play a key role in the work of the Gippsland Integrated Water Management (IWM) Forum over the past year. The business has developed potential IWM projects in the region working with a variety of partners including local governments, private business, community members and local landholders.

The Gippsland IWM Forum has a Strategic Directions Statement that was published in 2018/19 that describes the forums objectives, regional opportunities and flagship projects. Two of the flagship projects are in the South Gippsland Water region, Rethinking Reservoirs and Integrated Service Enhancement for Korumburra and Leongatha and the business has progressed both projects during 2020/21.

Interim changes have been made to four dams around Korumburra and Poowong that are no longer part of urban water supply systems. The interim works have achieved dual objectives of reducing dam safety risks and providing benefit to local communities and landowners. Interim works on the disused dams have included lowering the level in the Little Bass dam near Poowong which has provided better access to the local angling club. A similar reduction in water level has occurred in the Coalition Creek dam to reduce safety risks and the business entering into an agreement with the adjacent Korumburra golf club to help fund new irrigation pumps that would allow the club to continue using water from the dam. Emptying the small Ness Gully dam near Korumburra has allowed the Corporation to lease the land to a neighbouring farmer.

Corporate Information

Asset Management

Asset Management at South Gippsland Water is managed under our Strategic Asset Management Plan (SAMP). The SAMP applies to assets throughout each phase of the lifecycle, including Leadership and Accountability, Planning, Acquisition, Operation and Disposal, as they relate to the management of non-current and non-financial assets.

The Corporation are required complete a self-assessment annually as part of the Asset Management Accountability Framework (AMAF) which is based on the ISO 55000 Asset Management Series.

South Gippsland Water's target maturity rating is 'Competence', meaning systems and processes fully in place, consistently applied and systematically meeting the AMAF requirement, including a continuous improvement process to expand system performance above AMAF minimum requirements

Target	Performance	Comment
Leadership and accountability	(requirements 1 – 19) The Water Authority has met its target maturity level for 12 requirements and partially complied to 7 requirements in this category. The Authority is planning to establish dedicated Asset Management Team by internal restructuring and external resources, implement asset management training to help promote organization-wide asset management responsibilities, undertake a review of the contract requirements for outsourced services, develop performance KPI targets for various assets and service standards.	There is no Material non-compliance.
Planning	(requirements 20-23) The Water Authority has met its target maturity level for 3 requirements and partially complied to 1 requirements in this category. The Authority is establishing risk management process to identify, monitor and control major asset system risk and implementing appropriate risk management tool to capture asset level risk in AIMS.	There is no Material non-compliance.
Acquisition	(requirements 24-25) The Water Authority has met its target maturity level in this category.	There is no Material non-compliance.
Operation	(requirements 26-40) The Water Authority has met its target maturity level for 5 requirements and partially complied to 10 requirements in this category. The Authority is planning to review and update Maintenance Management strategy, Asset condition assessment procedure, Inspection and maintenance schedule, Critical spares, AIMS improvement, Digital tool for performance monitoring and evaluation, ICT roadmap, Software integration and Record management strategy.	There is no Material non-compliance.
Disposal	(requirement 41) The Water Authority has not met its target maturity but partially complied in this category. The Authority is planning to review and develop an Asset Disposal Policy.	There is no Material non-compliance.

Details of Information and Communication Technology Expenditure

For the 2020/21 reporting period, South Gippsland Water spent \$3,184,746 on Information Communication and Technology (ICT), with the details shown below.

2020/21			
Business As Usual (BAU) ICT Expenditure	NonBusiness As Usual (nonBAU) ICT Expenditure	Operational Expenditure	Capital Expenditure
(Total)	(Total = Operational Expenditure and Capital Expenditure)		
\$2,679,711	\$505,035	\$0	\$505,035

Information Communication and Technology (ICT) expenditure relates to South Gippsland Water's costs in providing business enabling ICT services. Expenditure 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

A focus on the resilience of our communications network has also seen investment in establishing more resilient and secure communications options for our operational plant as well as investing in the design of our next generation Wide Area Network. 2020/21 also saw the introduction of a structured cybersecurity program with investment in regular testing and improvements to our cyber defences. Victorian Protective data Security Standards (VPDSS) implementation continue and further investment in our information management systems and processes has been initiated.

There have also been improvements made in data management and delivery of digital transformation projects that focus on customer centricity as well as productivity and efficiency of our operations.

Continuing to work remotely for the financial year 2020/21 has seen an increase in costs associated with mobile communications as well as the deployment and renewal of mobility devices in the field.

Letter of Expectations Reporting

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 2020/21 and beyond via a Letter of Expectations (LOE) for water corporations. South Gippsland Water 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 tables below Appendix 3A – Letter of Expectations Reporting provide a summary of key performance indicators and where applicable, a reference to the relevant section of this Annual Report for further information.

Climate Change

Undertake activities and provide services that minimise environmental impacts, mitigate climate change and demonstrate reasonable progress in integrating climate change adaptation into planning and decision making across the business.

Key Performance Indicator	Measure	Reference	Page
E2 Emission reductions Demonstration of reasonable progress toward achievement of the entity's emission reduction target specified in the Statement of Obligations	E2 Total net greenhouse gas emissions in tonnes of CO2 equivalent.	Environmental sustainability Carbon Emissions Reduction Pledge Greenhouse Gas Emissions	15 – 17
E3 Adaptable to Climate change	Qualitative Description of how guidelines will be used Qualitative Description of how adaption will be undertaken in source waters and demand <ul style="list-style-type: none"> • built assets • natural environment • people and workplace • interdependencies • customer and product delivery • planning and decision-making 	Water Services Adaption to Climate Change Variability	15

Customer and community outcomes

All aspects of service delivery will be customer and community centered and will continue to build extensive and effective community engagement and partnerships in planning and implementation of service delivery.

Key Performance Indicator	Measure	Reference	Page
C1 Customer satisfaction	C1 Customer satisfaction survey's The ESC will collect customer satisfaction survey data on a quarterly basis.	Social Sustainability	18
	CR1 Water quality complaints	Non-Financial Performance report	35
	CR4 Number of billing payment issues	Non-Financial Performance report	35
C2 Customer and community engagement	C2 Development and delivery of an engagement strategy	Customer Consultation South Gippsland Water's Engagement Strategy is available via www.sgwater.com.au/about-us/publications	19

Letter of Expectations Reporting

Water for Aboriginal cultural, spiritual and economic values

Recognise and support self- determination of Aboriginal cultural values and economic inclusion in the water sector.

Key Performance Indicator	Measure	Reference	Page
AC1 Engagement of Aboriginal communities Effective and genuine engagement of Aboriginal communities for involvement in business opportunities and access to water for economic development	AC1.1 A strategy that demonstrates how the water corporation will build capability and understanding of procurement processes to address barriers for Aboriginal enterprises to supply goods/services to water corporations	Corporate Information Aboriginal Cultural Values	18, 20-21
	AC 1.2 Number/explanation of sponsorships of Aboriginal people in relevant study and training courses	Aboriginal Cultural Values	18, 22
	AC1.3 Number of staff within the water corporation who have undertaken a cross-cultural training course (by relevant Traditional Owner) in the last 5 years.	Two, due to COVID-19 limitations	18
AC2 Engagement of Traditional Owners Effective and genuine engagement of Traditional Owners for inclusion of Aboriginal values in water planning. Measures related to this indicator will not be considered in isolation. Rather, reported information will be used to help build a broad picture of engagement, taking into account the relevant local context.	AC2.1 Number of engagements with Traditional Owners in water planning and management and report on outcomes.	Aboriginal Cultural Values	18
AC3 Aboriginal Inclusion Plan/Reconciliation Action Plan To be considered in conjunction with AC1 and AC2, taking into account the relevant local context.	AC3 Development of either an Aboriginal Inclusion Plan or a Reconciliation Action Plan, reflecting measures AC1.1 to AC1.3 and AC2.1 as appropriate.	South Gippsland Water Diversity and Inclusion Plan is available via www.sgwater.com.au/about-us/corporate-policy-legislations	18

Resilient and liveable cities and towns

Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments.

Key Performance Indicator	Measure	Reference	Page
L1 Integrated Water Management In relevant IWM forum(s), actively facilitate and champion water's contribution to deliver liveability for cities and towns of the region consistent with the forum's objectives.	L1 Progress towards: <ul style="list-style-type: none"> Participation in, or establishment of, IWM forums in your region Contribution to development and implementation of Strategic Direction Statement(s) in your region Implementation of priority IWM projects and plans as applicable Delivering IWM outcomes for the region 	Corporate Information Integrated Water Management	27
L2 Water efficiency: Implement water efficiency initiatives, actions or programs aligned with Target Your Water Use	L2 Continue to collaborate on the Victorian Water Efficiency Strategy by: <ul style="list-style-type: none"> water corporations working together through a coordination group to develop Statewide initiatives reporting the number of customers in need assisted by Community Rebate Program. 	Social Sustainability Community Partnerships Community Service Obligations - Financial Assistance to Eligible Customers	18 - 20 20 - 21
	L3 Water bills Total residential bill based on: <ul style="list-style-type: none"> average consumption 200kl consumption 		34 - 35
	Payment Management and hardship <ol style="list-style-type: none"> Number of instalment plans at the end of the reporting period Number of customers awarded hardship grants 	Social Sustainability Community Service Obligations - Financial Assistance to Eligible Customers	20

Letter of Expectations Reporting

Recognising recreational values

Support the wellbeing of rural and regional communities by considering recreational values in water management.

Key Performance Indicator	Measure	Reference	Page
Rec1 Recreational values Consideration of recreational values in carrying out functions and providing services	1) Number of site-based projects delivered to improve recreational enjoyment of water storages 2) Efforts taken around the following three themes of Water for Victoria: <ul style="list-style-type: none"> # of engagement processes that identified and considered recreational objectives # of improvements to information sources Collaboration with other organisations to explore opportunities to support recreational objectives 3) Number of accessible major water storages with land and recreation management plans in place, as per Water for Victoria action 7.3.	Rethinking Reservoirs case study	19

Leadership and Culture

Water corporations reflect the needs of our diverse communities and develop strategies and goals that will increase cultural diversity in the workforce and gender equity in executive leadership.

Key Performance Indicator	Measure	Reference	Page
G1 Diversity and inclusion Improve gender and cultural diversity in workforce Diversity Inclusion plans to be based on best practice and include reference to identifying barriers to succession and meeting targets.	G1.1 Development, delivery and publication of Diversity Inclusion Plans	Our People South Gippsland Water's equity, inclusion and diversity plan is available via www.sgwater.com.au/about-us/corporate-policy-legislations	21 – 22
	G1.2 No. of females occupying senior executive positions.	Our People	22
	G1.3 Adopt strategies and actions to achieve a 1% target for Aboriginal people in the business, and work to a stretch target of 3%	Our People	21
	G1.4 Actions taken to improve participation by Traditional Owners and Aboriginal Victorians	Aboriginal Cultural Values	18
	G1.5 Number of respondents to the Victorian Public Sector Commission (VPSC) People Matter Survey from each water corporation.	People Matter Survey	25
G3 Health and Safety Sustained annual improvement against H&S performance benchmarks	G3 Performance indicators adopted to monitor occupational health and safety in line with FRD 221, section 6.10.	Our People Health Safety and Well being	23

Financial Sustainability

Delivering safe and cost-effective water and wastewater services in a financially sustainable way.

Key Performance Indicator	Measure	Reference	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	Performance report	34

Report of Operations

South Gippsland Region Water Corporation Financial Management Compliance Attestation Statement

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

I am pleased to present South Gippsland Water's Annual Report for the year ending 30 June 2021.



David Schultz

Chair

South Gippsland Water

Dated: 29th October 2021

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 2021



David Schultz

Chair

South Gippsland Water

Dated: 29th October 2021

Summary of Financial Results

The full year operating result for 2020/21 was a loss before tax of \$0.2M. This result is an improvement on the prior period due to gifted assets consisting of pump stations from Northern Views Estate and Parklands Wonthaggi which contributed \$2.6m to revenue. The gifted assets have also contributed to a better result than the budgeted \$2.1M loss. However, the 2020/21 year was challenging with COVID-19 and related financial impacts. The Corporation was financially impacted by lower revenue in response to tariffs being delayed to November to support customers, as well as COVID-19 related expenditure to support staff in a working from home environment.

Total revenue received for the period was \$39.1M, an increase on the prior year by \$6M, largely driven by gifted assets associated with land development activities and an average household bill increase of 5.6%, with the tariff increase taking effect from November 2020. Major customer water consumption was negatively impacted with the economic effect of COVID-19 on demand levels. Other revenue comprises of unregulated income which includes rental income, profit from sale of assets and credits from renewable energy schemes.

Total expenditure for the year increased by \$2.8M to \$39.4M. The current year expenditure is impacted by a decommissioning provision of \$0.5M associated with the Coalition Creek and Bellevue Creek dams. Secondly, the Corporation incurred \$0.4M in costs in managing an incident arising from an unknown industrial pollutant coming to the Korumburra Waste Water Treatment Plant.

Despite the COVID-19 Stage 3 restrictions in South Gippsland and Stage 4 restrictions in Melbourne earlier this financial year, the Corporation has achieved 94% of the planned capital expenditure. Expenditure on capex in 2020/21 was \$20.5M in total relative to \$21.8 in the Corporate Plan developed before the start of the year.

Cashflow from operations for the period financed 39.9% of the net capital expenditure (\$22.8M in cash outflows for the period) with the remainder of the program funded by increased debt. Financial performance and cashflow from operations will improve over the next 2 years as tariffs increase, a result of the 2020 Essential Services Commission Price Determination. This will result in a reduced reliance on debt to fund future investment activity.

Total assets have increased by \$73.4M in the period, primarily due to an increase in the fair value of assets (+\$57M) arising from the revaluation of assets, which is conducted every 5 years. The remainder is from expenditure infrastructure assets. This trend is anticipated to continue with water and waste water asset renewals, including clear water storage renewals to provide long term, reliable services to our customers. Total liabilities have increased by \$28.3M from the prior year, primarily from increased long term debt (\$18.3M), with \$3.8M of the additional debt serving as working capital for the capital program. Secondly, the deferred tax liability has increased by \$10.3M, mainly due to an increase of \$14.9M from the tax effect arising from the asset revaluation. This is offset by a \$2.8M decrease in the deferred tax liability from the reduction in the corporate tax rate. Other items contributing to the total liabilities increase are \$0.45M of security deposits and \$0.6m in employee annual leave and long service leave benefits.

The current ratio has increased from 0.5 in 2019/20 to 0.7 in 2020/21, as current loans have been refinanced into longer term debt, and higher cash equivalents of \$3.8M serving as working capital.

In accordance with the requirement to disclose events occurring after the balance sheet date, a financial assessment of the impact of COVID-19 on the operations of the Corporation has been undertaken and deemed not to be material. The two key impacts on revenue this year have been the delay in increasing tariffs to November 2020, negatively impacting budgeted revenue by \$0.5M, and a \$0.3M (11%) decline in revenue from major customers. The combined effect represents 2.7% of total service and usage charges. Whilst we continue to monitor the economic impact of COVID-19 and provide a personalised approach in working with customers in financial difficulty, we do not expect this will have a material impact to the Corporation or the current provisions.

Report of Operations

Financial Result	2020-21 \$'000	2019-20 \$'000	2018-19 \$'000	2017-18 \$'000	2016-17 \$'000
Profit and loss - summary					
Core revenue	30,737	28,561	27,836	26,615	25,491
Developer contributions and gifted assets	8,011	4,353	3,487	997	1,414
Other revenue	398	172	933	1,550	1,043
Total revenue	39,146	33,086	32,256	29,162	27,948
Operating expenditure	24,038	21,711	23,052	18,176	17,946
Depreciation	11,913	11,528	14,379	11,112	11,684
Finance costs	2,789	2,744	2,608	2,586	2,861
Other	640	538	714	732	685
Total expenditure	39,380	36,521	40,753	32,606	33,176
Net profit (loss) before tax	(234)	(3,435)	(8,497)	(3,444)	(5,228)
Balance Sheet - Summary					
Current assets	9,931	6,930	6,713	6,020	9,755
Non-current assets	508,984	438,572	429,775	433,297	410,800
Total assets	518,915	445,502	436,488	439,317	420,555
Current liabilities	17,505	17,522	10,722	18,021	9,837
Non-current liabilities	165,484	137,158	138,115	129,290	134,826
Total liabilities	182,989	154,680	148,837	147,311	144,663
Net Assets	335,926	290,823	287,652	292,006	275,892
Net cash flows from operations	9,092	7,786	9,765	9,039	7,996
Payments for infrastructure, property, plant and equipment	22,423	18,924	17,734	33,468	10,124
Summary of Financial Performance					
Performance indicator	2020-21	2019-20	2018-19	2017-18	2016-17
Internal financing ratio	39.9%	38.0%	53.1%	26.9%	81.5%
Gearing ratio	16.5%	15.4%	13.1%	12.5%	12.7%
Interest cover (cash) - Times	4.4	4.0	4.9	4.6	3.9
Return on assets	0.5%	-0.2%	-1.3%	-0.2%	-0.6%
Return on equity	-0.1%	-0.9%	-2.1%	-0.5%	-1.4%
Current ratio - Times	0.7	0.5	0.8	0.4	1.2
* New reportable ratio from 1 July 2013					

Performance Report

For the year ended 30 June 2021

TABLE 1 - FINANCIAL PERFORMANCE INDICATORS								
KPI No.	Key Performance Indicator	2019/20	2020/21	2020/21	Variance to prior year %	Notes	Variance to Target %	Notes
		Result	Result	Target				
F1	Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	4.0	4.4	5.2	10.0%	1 (a)	-15.4%	1 (b)
F2	Gearing Ratio (%) Total debt (including finance leases) / Total assets x 100	15.4%	16.5%	18.1%	7.1%		-8.8%	
F3	Internal Financing Ratio (%) (Net operating cash flow less dividends) / Net capital expenditure x 100	38.0%	39.9%	53.8%	5.0%		-25.8%	2 (b)
F4	Current Ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	0.5 times	0.7 times	0.7 times	40.0%	3 (a)	0.0%	
F5	Return on Assets (%) Earnings before net interest and tax / average assets x 100	-0.2%	0.5%	0.2%	350.0%	4 (a)	150.0%	4 (a)
F6	Return on Equity (%) Net profit after tax / average total equity x 100	-0.9%	-0.1%	-0.5%	88.9%	5 (a)	80.0%	5 (a)
F7	EBITDA Margin (%) Earnings before interest, tax, depreciation and amortisation / Total revenue x 100	32.7%	36.9%	37.0%	12.8%	6 (a)	-0.3%	

Notes:

- 1 (a) The favourable variance compared to the prior period is due to higher net cash flows from operations and a similar level of interest expense paid. Cash inflows have increased with growth in revenue from service and usage charges.
- 1 (b) The unfavourable variance compared to target is a result of lower net operating cash inflows resulting from higher cash receipts for debtors in June (the prior financial year) than budgeted and higher payables in July associated with opening balances for Creditors. Cash receipts have been impacted by the tariff postponement and reduced volumes particularly for major customers. Steps taken to reduce the variation include the full application of ESC tariffs in July, and the Corporation will continue to seek to minimise one-off costs arising from incidents.
- 2 (b) The unfavourable variance compared to target is due to lower net operating cash inflows resulting from higher cash receipts for debtors in June (the prior financial year) than budgeted and higher payables in July associated with opening balances for Creditors. Cash receipts have been impacted by the tariff postponement and reduced volumes particularly for major customers. The net capital investment is similar across both years, resulting in unfavourable variance from the unfavourable net operating cash flow. Steps taken to reduce the variation include the full application of ESC tariffs in July, and the Corporation will continue to seek to minimise one-off costs arising from incidents.
- 3 (a) The favourable variance compared to the prior period and target is due to a higher cash balance from establishing a cash reserve to have more resilience in working capital, and the refinancing of short-term debt to long term debt has improved the current ratio
- 4 (a) The favourable variance compared to the prior period is due to an improvement in the net operating deficit before tax, mainly due to the receipt of gifted assets consisting of pump stations from Northern Views Estate and Parklands Wonthaggi which contributed \$2.6m to revenue. This is slightly offset by the revaluation of infrastructure, land and buildings during 2020/21 resulting in a significant increase in the denominator of this ratio being average assets.
- 5 (a) The favourable variance compared to the prior period and to target is due to an improvement in the net operating deficit after tax. This result is an improvement on the prior period due to gifted assets consisting of pump stations from Northern Views Estate and Parklands Wonthaggi which contributed \$2.6m to revenue.
- 6 (a) The favourable variance compared to the prior period is due to an improvement in EBITDA due to the higher revenue contribution from the gifted assets (\$6.2M vs \$2.7M LY) which offsets a challenging year as service & usage charges were impacted by the postponement of tariff increases, and lower demand levels from major customers. Drivers to the operating expenditure growth were an increase in the decommissioning provision by \$0.5M, costs in managing a Korumburra wastewater incident of \$0.4M and costs associated with managing through the transition to working from home during COVID-19. These unbudgeted expenditure items are offset by the unbudgeted gifted assets, resulting in reaching the corporate plan EBITDA of 37%.

Performance Report

For the year ended 30 June 2021

TABLE 2 - WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS								
KPI No.	Key Performance Indicator	2019/20	2020/21	2020/21	Variance to	Notes	Variance to	Notes
		Result	Result	Target	prior year %		Target %	
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).	90.0 minutes	80.9 minutes	110.0 minutes	-10.1%	7 (a)	-26.5%	7 (a)
WS3	Restoration of Unplanned Water Supply Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions * 100.	98.9%	100.0%	99.0%	1.1%		1.0%	
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers	94.0%	100.0%	95.0%	6.4%	8 (a)	5.3%	8 (a)
SS2	Sewer Spills Interruptions No. of residential sewerage customers affected by sewerage interruptions restored within five hours. (i)	99.4%	100.0%	100.0%	0.6%		0.0%	

Notes:

- 7(a) Positive variance cannot be attributed to any general trend except that crews are more aware of Flushing times now being counted on Interruptions. SGW are also continuously undertaking valve installations in areas noted as being large or problematic shutdowns
- 8(a) Positive variance compared to previous year and the target can be attributed to non-occurrence of major unexpected events in the current year. A heavy rainfall event in Korumburra August 2019 caused two greater than 5hour containment events that contributed to the 94% result in 2019.

TABLE 3 - CUSTOMER RESPONSIVENESS INDICATORS								
KPI No.	Key Performance Indicator	2019/20	2020/21	2020/21	Variance to	Notes	Variance to	Notes
		Result	Result	Target	prior year %		Target %	
CR1	Water quality complaints No. of complaints per 1,000 customers.	3.3	3.6	6.0	9.1%		-40%	9 (a)
CR4	Billing complaints No. of complaints per 1,000 customers.	0.0	0.3	2.0	0.0%		-85.0%	10 (a)

Notes:

- 9(a) Favourable variance compared to the target can be attributed to improvements in the management of aesthetic issues related to algal blooms (taste and odour), and manganese (colour). The most significant contributors to the decline in complaints since 2018 is the expansion of the Lance Creek system to Korumburra, and connection of that system to the Melbourne water grid. These large-scale improvements have led to reductions in colour complaints for Korumburra, and taste and odour complaints for the entire Lance Creek system. Improved technologies, treatments, and proactive water supply network cleaning programs have also contributed to low water quality complaint numbers.
- 10(a) A favourable result in the number of billing complaints compared to target is primarily due to the focus on live resolving customer billing issues first time.

TABLE 4 - ENVIRONMENTAL PERFORMANCE INDICATORS								
KPI No.	Key Performance Indicator	2019/20	2020/21	2020/21	Variance to	Notes	Variance to	Notes
		Result	Result	Target	prior year %		Target %	
E1	Effluent reuse volume Percentage recycled for each category	2.7%	4.5%	4.0%	66.7%	11 (a)	12.5%	11 (a)
E3	Total net CO2 emissions Net tonnes CO2 equivalent	8875	8340	8007	-6.0%	12 (a)	4.2%	

Notes:

- 11(a) The increase in effluent reuse volume in the current year, compared to the prior period and the target, is due to an increase in the volume of treated wastewater used by a third-party for agricultural reuse. There was 72 ML in total more reuse in 20-21 compared to 19/20. Of this, there was 68 ML more used for agricultural reuse from the Tarrville system. The additional volume reused can be attributed to favourable weather conditions for irrigation.
- 12(a) The positive variance to prior year is due to less electricity use at Korumburra WWTP and Yarragon Road Pump Station, reduction in the CO2 grid emission factor for purchased electricity and less unleaded petrol usage was due to staff working from home. Nitrous oxide emission factor for wastewater treatment was lowered by the Clean Energy Regulator.



Statutory Certification

SOUTH GIPPSLAND REGION WATER CORPORATION

Certification of Performance Report for 2020/21

We certify that the accompanying Performance Report of South Gippsland Water Region Water Corporation in respect of the 2020/21 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 2020/21 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 black ink, appearing to read "David Schultz".

David Schultz
Chair

A handwritten signature in black ink, appearing to read "Philippe du Plessis".

Philippe du Plessis
Managing Director

A handwritten signature in black ink, appearing to read "Tristan Pham".

Tristan Pham
Chief Financial Officer

Dated this day the 6th of October 2021



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 2021• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement 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 2021 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>

Independent Audit Report

Auditor's responsibilities for the audit of the financial report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

MELBOURNE
7 October 2021



Paul Martin
as delegate for the Auditor-General of Victoria

Financial Report

For The Year Ended 30 June 2021

TABLE OF CONTENTS

NOTE	CONTENTS	PAGE
-	Comprehensive Operating Statement	40
-	Balance Sheet	41
-	Statement of Cash Flows	42
-	Statement of Changes in Equity	43
1	Basis of preparation	44
2	Funding delivery of services	46
3	The cost of delivery of services	49
4	Key assets available to support output delivery	55
5	Other assets and liabilities	60
6	How we financed our operations	66
7	Risks, contingencies and valuation judgements	69
8	Statutory obligations	79
9	Other disclosures	81
10	Appendices	
	Accountable officer's and chief finance and accounting officer's declaration	88
	Victorian Auditor General's Report	89
	Disclosure Index	91

Comprehensive operating statement

For the Financial Year Ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Revenue and income from transactions			
Revenue from contracts with customers	2.1	38,748	32,914
Government grants and contributions		7	15
Interest income		6	25
Net gain on disposal of non-current assets		62	(75)
Other income		323	207
Total revenue and income from transactions		39,146	33,086
Expenses from transactions			
Finance cost	6.1.2	2,789	2,744
Depreciation and impairment	4.1.4	11,627	11,293
Amortisation	4.2	288	235
Environmental contribution	8.2	1,368	1,230
Employee benefits	3.1.1	11,570	10,701
Direct operating expenses and repairs & maintenance	3.2	6,882	5,552
Administrative and other operating expenses	3.3	4,857	4,766
Total expenses from transactions		39,380	36,521
Net result before income tax		(234)	(3,435)
Income tax expense/(benefit)	8.1.1	(9)	782
Net result		(243)	(2,653)
Other comprehensive income			
Changes in physical asset revaluation surplus	9.1	57,408	1,300
Tax effect on revaluation		(14,926)	(357)
Deferred income tax relating to components of other comprehensive income	8.1.2	2,866	4,880
Total other comprehensive income for the period		45,348	5,823
Comprehensive result		45,105	3,170

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

Balance sheet

As at 30 June 2021

	Notes	2021 \$'000	2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6.2	3,864	509
Receivables	5.1	2,070	2,830
Contract assets	5.2	2,321	2,100
Inventories		1,230	1,135
Assets held for sale		46	46
Prepayments		400	310
Total current assets		9,931	6,930
Non-current Assets			
Receivables	5.1	245	303
ZEW Investment	9.0	5	-
Infrastructure, property, plant and equipment	4.1	482,966	410,807
Intangible assets	4.2	4,772	4,670
Deferred tax assets	8.1.2	20,996	22,792
Total non-current Assets		508,984	438,572
TOTAL ASSETS		518,915	445,502
LIABILITIES			
Current liabilities			
Payables	5.3	5,206	4,635
Contract liabilities	5.4	1,220	994
Interest bearing liabilities	6.1	4,618	6,298
Employee benefits	3.1.2	3,778	3,211
Other provisions	5.6	2,645	2,306
Prepaid income		38	78
Total current liabilities		17,505	17,522
Non-current liabilities			
Interest bearing liabilities	6.1	80,800	62,520
Employee benefits	3.1.2	375	603
Deferred tax liabilities	8.1.2	84,308	74,035
Total non-current liabilities		165,483	137,158
TOTAL LIABILITIES		182,988	154,680
NET ASSETS		335,927	290,822
EQUITY			
Contributed capital		95,333	95,333
Asset revaluation reserve	9.1.1	187,838	142,490
Accumulated surplus		52,756	52,999
TOTAL EQUITY		335,927	290,822

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

Cash flow statement

For the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges/Revenue from Contracts with Customers		30,304	27,758
Receipts from other sources		3,205	3,386
Goods and services tax received from the ATO ¹		2,706	2,506
Payments			
Payments to suppliers and employees		(23,082)	(22,352)
Interest paid		(2,690)	(2,642)
Goods and services tax paid to the ATO ¹		(28)	(50)
Environmental contribution levy paid		(1,323)	(820)
Net cash inflow from operating activities	6.2.1	9,092	7,786
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(22,423)	(18,924)
Payments for intangible assets		(561)	(1,591)
Proceeds from sale of infrastructure, property, plant and equipment		200	32
Net cash outflow from investing activities		(22,784)	(20,483)
Cash flows from financing activities			
Proceeds from borrowings		24,500	19,535
Repayment of borrowings		(7,900)	(7,900)
Net movements in contractor deposits		447	888
Net cash inflow from financing activities		17,047	12,523
Net (decrease) increase in cash and cash equivalents		3,355	(174)
Cash and cash equivalents at the beginning of the financial year		509	682
Cash and cash equivalents at the end of the financial year	6.2	3,864	509

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 2021

		Asset		
	Contribute	Revaluation	Accumulate	Total
	d Capital	Reserve	d Surplus	Equity
Notes	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2019	95,333	136,667	55,652	287,652
Total comprehensive income for the year				
- Net result for the period	-	-	(2,653)	(2,653)
- Revaluation - Land	-	943	-	943
- Income tax relating to other comprehensive income	-	4,880	-	4,880
Balance as at 30 June 2020	95,333	142,490	52,999	290,821
Total comprehensive income for the year				
- Net result for the period	-	-	(243)	(243)
- Revaluation	-	42,483	-	42,483
- Income tax relating to other comprehensive income	-	2,866	-	2,865
8.1.2				
Balance as at 30 June 2021	95,333	187,838	52,756	335,927

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

NOTE 1. BASIS OF PREPARATION

Introduction

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

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

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

1.1 Basis of preparation

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

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

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

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

Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which 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.

Historical cost convention

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

Comparative information

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

NOTE 1. BASIS OF PREPARATION (CONTINUED)**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:

- Accrued water usage charges (Note 5.2);
- The fair value of land, buildings, infrastructure, plant and equipment (Note 4.1.1);
- Estimation of useful life (Note 4.1.4);
- Impairment of assets (Note 4.1.4);
- Deferred tax assets and liabilities (Note 8.1.2);
- Employee benefit provisions (Note 3.1.2); 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 3.1.3)).
- Determining whether the performance obligations are sufficiently specific so as to determine whether the arrangement is within the scope of AASB 15 or AASB 1058; refer note 2.1.
- The timing of satisfaction of performance obligations; refer note 5.2 & 5.4
- Determining transaction price and amounts allocated to performance obligations; refer note 5.2 & 5.4

COVID-19

The Novel Coronavirus (COVID-19) outbreak first reported in late 2019 is currently having an unprecedented health and economic impact both internationally and domestically. To reduce the spread of the virus, a series of public health measures were imposed across the world and in Australia, including travel restrictions, a nation-wide call to work from home and significantly reduced levels of activity in both the economy and community. In response to the global health pandemic, the Federal and State governments have been providing a number of economic stimulus packages and policies in support of Victorian families and businesses.

The consequential impacts on South Gippsland Region Water Corporation have included, but are not limited to:

- ensuring a strong response and putting provisions in place to continue to provide essential water and sewerage services for South Gippsland Region Water Corporation customers;
- support for employees transitioning to working from home, particularly with emphasis on mental health and covid safe arrangements;
- uplifting our IT network capability to support remote working;
- supporting customers experiencing financial difficulties through arrangements such as our hardship program, more time to pay arrangements and payment plans; and
- providing extended payment options to our trade waste customers and commercial tenants who are experiencing financial hardship.

For the year ended 30 June 2021, the Corporation recognised a net loss of \$234,000 before tax. The Corporation's net current assets as at 30 June 2021 were -\$7,574,000 and net assets were \$335,927,000. The Corporation has \$3,864,000 of resources comprising cash and cash equivalents, other highly liquid assets and unused credit lines available at the date of authorisation of these financial statements.

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

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

Compliance information

These general-purpose financial statements have been prepared in accordance with the Financial Management Act 1994 (FMA) and applicable Australian Accounting Standards (AASs), which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting (AASB 1049). Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied.

NOTE 2. FUNDING DELIVERY OF 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.

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

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

2.1 Revenue from contracts with customers

	Notes	2021 \$'000	2020 \$'000
Revenue from service, usage and trade waste charge	2.1.1	29,631	27,778
Developer contributions	2.1.2	8,011	4,353
Other revenue	2.1.3	1,106	783
Total revenue from contracts with customers		38,748	32,914

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

2.1.1 Service and usage charges

	2021 \$'000	2020 \$'000
Service charges		
Water service charges	7,045	6,506
Wastewater service charges	9,742	9,035
Trade waste service charges	274	264
Total service charges	17,061	15,805
Usage charges		
Water usage charges	9,374	9,000
Wastewater usage charges	389	319
Trade waste usage charges	2,807	2,654
Total usage charges	12,570	11,973

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

NOTE 2. FUNDING DELIVERY OF SERVICES (CONTINUED)

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

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

2.1.2 Developer contributions

	2021	2020
	\$'000	\$'000
Developer contributed assets	6,233	2,678
New customer contributions	1,778	1,675
Total developer contributions	8,011	4,353

NOTE 2. FUNDING OF DELIVERY OF SERVICES (CONTINUED)

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Developer contributed assets	<p>Developer contributed assets arise when developers pay for the cost of construction of new infrastructure assets and subsequently gift these assets to the Corporation to maintain in perpetuity.</p> <p>Depending on the type of developer application, this can result in the performance obligation being satisfied:</p> <ul style="list-style-type: none"> • when the Statement of Compliance is issued to the customer, or • when the customer is connected to the Corporation's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued. <p>Revenue is recognised at the fair value of the gifted assets by assessing the value of the works using schedule of rates.</p>	Revenue is recognised at a point in time.
New customer contributions	<p>New customer contributions represent non-refundable upfront charges applicable when customers request to build or develop a property and connect to the Corporation's water supply and sewerage infrastructure network. The charges contribute towards the cost of augmenting the Corporation's water supply distribution systems and sewerage disposal systems.</p> <p>Depending on the type of new customer contribution application, this can result in the performance obligation being satisfied at a point in time when the Corporation satisfies its performance obligation. This will vary depending on the type of application submitted by the customer. As a result, a performance obligation can be satisfied when:</p> <ul style="list-style-type: none"> • the Statement of Compliance is issued to the customer; or • the customer is connected to the Corporation's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued; or • the customer receives consent from the Corporation to proceed with their application. <p>The rates applied to calculate the new customer contributions are regulated by the Essential Services Commission.</p>	Revenue is recognised at a point in time.

2.1.3 Other Revenue**Other Revenue – Fees and charges**

	2021	2020
	\$'000	\$'000
Fees and charges	<u>1,106</u>	<u>783</u>
	<u>1,106</u>	<u>783</u>

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

NOTE 2. FUNDING OF DELIVERY OF SERVICES (CONTINUED)**2.1.4 Timing of recognition of revenue from customers**

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

	Service charges - water	Usage charges - water	Service charges - sewerage	Disposal charges - sewerage	Developer contributions	New customer contributions	Other revenue*	Total revenue with customers
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020								
At a point in time	-	9,000	-	2,973	2,678	1,675	956	17,282
Over time	6,506	-	9,299	-	-	-	-	15,805
Total	6,506	9,000	9,299	2,973	2,678	1,675	956	33,087
2021								
At a point in time	-	9,374	-	3,196	6,233	1,778	1,504	22,085
Over time	7,045	-	10,016	-	-	-	-	17,061
Total	7,045	9,374	10,016	3,196	6,233	1,778	1,504	39,146

*Includes fees & charges, government grants, interest, rental, ZEW & net gain from disposals

NOTE 3. THE COST OF DELIVERY OF SERVICES

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

3.1 Expenses incurred in delivery of services

	Notes	2021 \$'000	2020 \$'000
Employee benefit expenses	3.1.1	11,570	10,701
Direct operating expenses	3.2	5,217	4,117
Repairs and maintenance	3.3	1,665	1,435
Operating expenses	3.4	4,857	4,766
Total expenses incurred in delivery of services		23,309	21,019

NOTE 3. THE COST OF DELIVERY OF SERVICES (CONTINUED)**3.1.1 Employment benefits in the Comprehensive Operating Statement**

	2021	2020
	\$'000	\$'000
Salaries and wages, annual leave and long service leave	10,350	9,542
Defined contribution superannuation expense	900	846
Other employee	320	313
Total employee benefit costs	11,570	10,701

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.

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

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

The gain following the revaluation of the present value of current and non-current LSL liability is \$133,815.

3.1.2 Employee Benefits provision in the balance sheet

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

	2021	2020
	\$'000	\$'000
Current provisions:		
<i>Rostered Days Off</i>	160	111
<i>Time in lieu</i>	10	-
Annual Leave		
Unconditional and expected to settle within 12 months	811	688
Unconditional and expected to settle after 12 months	398	303
<i>Long Service Leave</i>		
Unconditional and expected to settle within 12 months	133	161
Unconditional and expected to settle after 12 months	1,866	1,590
	<u>3,378</u>	<u>2,853</u>
<i>Provision for On-costs</i>		
Unconditional and expected to be settled within 12 months	117	110
Unconditional and expected to be settled after 12 months	283	248
	<u>400</u>	<u>358</u>
Total current provisions for employee benefits	<u>3,778</u>	<u>3,211</u>
Non-current provisions		
Long service leave (conditional)	333	533
On-costs	42	70
Total non-current employee benefits	<u>375</u>	<u>603</u>
Total provision for employee benefits	<u>4,154</u>	<u>3,814</u>
Reconciliation of movement in provision for on-costs		
Opening balance	428	381
Additional provisions recognised	134	104
Amount utilised during the period	(93)	(123)
Effect of changes in the discount rate	(26)	66
Closing balance	<u>443</u>	<u>428</u>
Current	400	358
Non-current	43	70
Closing balance	<u>443</u>	<u>428</u>

NOTE 3. THE COST OF DELIVERY OF SERVICES (CONTINUED)**3.1.2 Employee benefits provision in the 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.

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.

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

On-costs

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

Long Service Leave

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

Unconditional LSL is disclosed as a current liability, even where 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, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the operating statement.

NOTE 3. THE COST OF DELIVERY OF SERVICES (CONTINUED)**3.1.3 Superannuation****Superannuation contributions**

South Gippsland Water obligations for contributions to the Fund are recognised as an expense in the 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 2021 and 30 June 2020 are detailed below:

Scheme	Type of Scheme	Rate 2021	2021 \$'000	Rate 2020	2020 \$'000
Vision Super	Defined Benefits	15.50%	29	15.50%	36
Vision Super	Accumulation	9.50%	508	9.50%	456
Other	Accumulation	9.50%	544	9.50%	434

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

On the basis of the results of the 2021 interim actuarial investigation conducted by the fund actuary, the Corporation makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. In addition, the Corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

The 2020 triennial actuarial investigation surplus amounts

A triennial actuarial investigation was held on 31 December 2020 as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) was 104.6%. Because the VBI was above 100%, the triennial 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:

	2021	2020
Net investment returns	5.6%	7%
Salary information	2.5%	4.25%
Price inflation (CPI)	2.0%	2.5%

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

The Fund's triennial actuarial investigation as at 30 December 2020 identified the following:

	2021	2020
	\$'000	\$'000
VBI surplus/(deficit)	100.0	151.3
Total service liability surplus/(deficit)	200.0	256.4

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 2020.

Funding calls

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

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

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

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

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

The VBI of 109.7% as at 30 June 2021 satisfies APRA's Superannuation Prudential Standard 160 (SPS 160).

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

	2021	2020
	\$'000	\$'000
Decommissioning expenses	529	-
Repairs and maintenance	1,665	1,435
Electricity	1,072	1,082
Melbourne Water bulk entitlement	733	942
Chemicals	1,036	899
Testing and sampling	621	540
Other direct costs	1,226	654
Total	6,882	5,552

NOTE 3. THE COST OF DELIVERING SERVICES (CONTINUED)

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

3.3 Other operating expenses

	2021	2020
	\$'000	\$'000
Administration expenses	2,595	2,718
Customer services expenses	354	248
Training and travel	402	399
Vehicle and fleet costs	522	544
Facility expenses	344	319
Miscellaneous expenses	640	538
Total	4,857	4,766

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 (including short-term office rental) and miscellaneous expenses are recognised as an expense in the reporting period in which they are incurred.

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

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.

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

	<i>Land</i>	<i>Buildings</i>	<i>Motor vehicles</i>	<i>Plant equipment and other</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>Capital works in progress</i>	<i>Total</i>
Year ended 30 June 2021											
Opening net book amount - 1 July 2020											
Additions	13,197	1,715	1,632	4,169	138,144	59,308	23,676	99,418	52,481	17,067	410,807
Disposals (net)	-	-	-	-	873	-	-	5,359	-	20,276	26,508
Revaluation	-	(27)	(59)	-	-	-	(42)	-	-	-	(128)
Transfer between asset classes	1,327	221	-	-	26,108	(4,926)	6,889	10,208	17,581	-	57,408
Depreciation	-	17	566	467	3,925	60	2,100	8,013	3,265	(18,415)	(2)
Closing carrying amount	-	(95)	(574)	(564)	(3,896)	(976)	(1,163)	(3,012)	(1,347)	-	(11,627)
Closing carrying amount	14,524	1,831	1,565	4,072	165,154	53,466	31,460	119,986	71,980	18,928	482,966
Total as at 30 June 2021 represented by:											
Gross book value	14,524	1,834	4,538	7,867	165,237	53,469	31,483	120,176	72,052	18,928	490,108
Accumulated depreciation	-	(3)	(2,973)	(3,795)	(83)	(3)	(23)	(190)	(72)	-	(7,142)
Carrying amount	14,524	1,831	1,565	4,072	165,154	53,466	31,460	119,986	71,980	18,928	482,966

	<i>Land</i>	<i>Buildings</i>	<i>Motor vehicles</i>	<i>Plant equipment and other</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>Capital works in progress</i>	<i>Total</i>
Year ended 30 June 2020											
Opening net book amount - 1 July 2019											
Additions	11,897	1,476	1,058	3,509	138,490	60,161	24,604	99,181	53,238	7,618	401,233
Disposals (net)	-	-	-	-	780	-	-	1,897	-	16,993	19,670
Revaluation	-	(58)	(45)	-	-	-	-	-	-	-	(103)
Transfer between asset classes	1,300	-	-	-	-	-	-	-	-	-	1,300
Depreciation	-	385	1,186	1,195	2,725	136	267	1,136	516	(7,544)	-
Closing carrying amount	-	(88)	(567)	(534)	(3,851)	(989)	(1,195)	(2,796)	(1,273)	-	(11,293)
Closing carrying amount	13,197	1,715	1,632	4,169	138,144	59,308	23,676	99,418	52,481	17,067	410,807
Total as at 30 June 2020 represented by:											
Gross book value	13,197	2,031	4,384	7,373	152,073	63,292	28,432	110,523	57,621	17,067	455,993
Accumulated depreciation	-	(316)	(2,752)	(3,204)	(13,929)	(3,984)	(4,756)	(11,105)	(5,140)	-	(45,186)
Carrying amount	13,197	1,715	1,632	4,169	138,144	59,308	23,676	99,418	52,481	17,067	410,807

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

4.1.2 Initial recognition and subsequent measurement

Infrastructure, property, plant and equipment

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

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

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

Motor Vehicles

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

Revaluation of infrastructure, property, plant and equipment

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

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

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

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

The Corporation assets relating to land, buildings, infrastructure and service concession assets were independently valued by the VGV as at 30 June 2021. The market that the assets are valued in is being impacted by the uncertainty that the coronavirus (COVID-19) outbreak has caused. The valuer has advised that the current market environment, impacted by coronavirus (COVID-19), creates significant valuation uncertainty. The value assessed at the valuation date may therefore change over a relatively short time period.

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

4.1.3 Accounting for revaluation movements

Infrastructure, property, plant and equipment

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

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

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

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

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

NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)**4.1.4 Depreciation and impairment**

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

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

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

Asset	Useful Life
Corporate	
Buildings	50 years
Furniture and equipment	10 years
Plant and machinery	7 -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.

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.

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

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

\$'000	Software	Access rights	Water entitlements	Large-scale generation certificates	Work in progress	Total
Year ended 30 June 2020						
Opening net book amount	325	2,543	563	-	42	3,473
Additions	-	-	-	-	1,430	1,430
Transfer between asset classes	770	-	-	-	(770)	-
Amortisation	(92)	(143)	-	-	-	(235)
Closing carrying amount	1,003	2,400	563	-	702	4,670
At 30 June 2020						
Cost	4,693	3,200	563	-	702	9,158
Accumulated amortisation	(3,688)	(800)	-	-	-	(4,488)
Carrying amount	1,005	2,400	563	-	702	4,670
Year ended 30 June 2021						
Opening net book amount	1,005	2,400	563	-	702	4,670
Additions	-	-	-	5	385	390
Transfer between asset classes	696	-	-	-	(696)	-
Amortisation	(145)	(143)	-	-	-	(288)
Closing carrying amount	1,556	2,257	563	5	391	4,772
At 30 June 2021						
Cost	5,389	3,200	563	5	391	9,548
Accumulated amortisation	(3,833)	(943)	-	-	-	(4,776)
Carrying amount	1,556	2,257	563	5	391	4,772

Recognition and measurement

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

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

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

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

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

A summary of the policies applied to 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

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

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 4.1.4.

NOTE 5. OTHER ASSETS AND LIABILITIES
Introduction

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

5.1 Receivables

	2021 \$'000	2020 \$'000
Current		
Contractual		
Service and usage charges	1,862	2,480
Allowance for expected credit losses	(105)	(38)
Sewer scheme receivables	30	39
Total contractual current receivables	1,787	2,481
Statutory		
GST recoverable	283	349
Total current receivables	2,070	2,830
Non-current		
Contractual		
Sewer scheme receivables	292	345
Allowance for expected credit losses	(47)	(42)
Total contractual non-current receivables	245	303
Total receivables	2,315	3,133

Receivables consist of:

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

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

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)**5.1.1 Impairment of contractual and statutory receivables**

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

On that basis, the loss allowance as at 30 June 2021 was determined as follows for receivables – service and usage charges and other receivables:

30 June 2021	Current	More than	More than	More than	Total
		30 days past due	180 days past due	365 days past due	
Expected loss rate - Owners		0%	0%	10%	
Expected loss rate - Alberton Scheme		0%	0%	100%	
Expected loss rate - Other		0%	0%	90%	
Gross carrying amount – receivables from service and usage charges - Owners	492	88	141	182	903
Gross carrying amount – receivables from service and usage charges - Alberton Scheme	-	-	-	47	47
Gross carrying amount – receivables from service and usage charges - Other	770	39	328	96	1,234
Gross carrying amount - other receivables	1	-	-	-	1
Total	1,263	128	471	325	2,185
Loss Allowance	-	-	-	152	152
30 June 2020	Current	More than	More than	More than	Total
		30 days past due	180 days past due	365 days past due	
Expected loss rate		0%	10%	90%	
Gross carrying amount – receivables from service and usage charges	2,276	159	382	47	2,864
Gross carrying amount - other receivables	1	-	-	-	1
Total	2,277	159	382	47	2,865
Loss Allowance	-	-	38	42	80

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

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

Interest is charged for the fees that are overdue, excluding tenants, as per 3.9% rate set by the ESC. Due to COVID-19, the financial year 20-21 interest application was delayed until the April 2021 billing period.

5.1.2 Reconciliation of the expected credit loss allowance

	2021	2020
Notes	\$'000	\$'000
Opening balance 1 July	80	68
Expected credit losses from transactions	72	13
Expected credit losses written off	-	-
Net provision movements including expected credit losses recovered	-	-
Balance as at 30 June	152	80

NOTE 5: OTHER ASSETS AND LIABILITIES (CONTINUED)

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

Due to the COVID-19 pandemic impacts, it is expected that an increase in unemployment rates and decline in gross domestic product will exceed the relevant thresholds. As a result, we were mandated as part of COVID-19 measures to not collect debt. Legislation allows us to recover debt once owners turn over their property, and thus historically these debtors have had a 10% provision. The rest of the 365 days debtors have been calculated at 90%-100%.

As a result, we have increased the allowance for doubtful debts by \$72,000 to reflect risks and uncertainties brought about by the COVID-19 pandemic. Should the macroeconomic assumptions change in the future, it could have a material impact on our allowance for doubtful debts in the subsequent years.

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

5.2 Contract assets

	2021 \$'000	2020 \$'000
Current		
Service and usage charges	2,321	2,100
Total current contract assets	2,321	2,100
Total contract assets	2,321	2,100
	Service and usage charges	Total
	\$'000	\$'000
Opening balance as at 1 July 2020	2,100	2,100
Less: Amounts billed during the year	(2,100)	(2,100)
Add: Amount accrued at year end (to be billed)	2,321	2,321
Carrying amount as at 30 June 2021	2,321	2,321

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

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)**5.3 Payables**

	2021	2020
	\$'000	\$'000
Current		
Contractual		
Trade creditors	1,778	1,665
Accrued expenses	1,238	1,249
Accrued borrowing expense	451	352
Security deposits / retentions	1,698	1,250
Total	5,165	4,516
Statutory		
Taxes payable	41	119
Total payables	5,206	4,635

Payables for supplies and services have an average credit period of 30 days, (2020: 30 days). No interest is charged on the 'other payables'.

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

5.3.1 Ageing analysis of contractual payables

\$'000	Carrying amount	Nominal amount	Maturity dates				Total
			Less than 1 month	1-3 months	3 months-1 year	Over 1 year	
2021							
Trade creditors	1,778	1,778	1,754	24	-	-	1,778
Accrued expenses, accrued borrowing expense and security deposits/retentions	3,387	3,387	1,689	-	1,698	-	3,387
Total	5,165	5,165	3,443	24	1,698	-	5,165
2020							
Trade creditors	1,665	1,665	1,570	95	-	-	1,665
Accrued expenses, accrued borrowing expense and security deposits/retentions	2,851	2,851	1,601	-	1,250	-	2,851
Total	4,516	4,516	3,171	95	1,250	-	4,516

5.4 Contract Liabilities

	Service usage charges - customer paid in advance \$'000	Developer contributions - unearned income \$'000	Total \$'000
Carrying amount as at 1 July 2019	378	82	460
Add: developers contribution received for performance obligations yet to be completed during the year			-
Add: payments received in advance for provision of goods and services	1,446	504	1,950
Less: revenue recognised in the reporting period for the completion of performance obligations	(1,388)	(28)	(1,416)
Closing balance at 30 June 2020	436	558	994
Add: developers contribution received for performance obligations yet to be completed during the year			
Add: payments received in advance for provision of goods and services	1,577	698	2,275
Less: revenue recognised in the reporting period for the completion of performance obligations	(1,514)	(535)	(2,049)
Total contract liabilities at 30 June 2021	499	721	1,220
Represented by			
Current contract liabilities	499	721	1,220
Non-current contract liabilities	-	-	-

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

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

5.5 Investment in ZEW Ltd

The Corporation 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. The Members' Agreement establishes the operating activities of ZEW and the decision making responsibilities of the ZEW Directors.

Under the Members' Agreement the Corporation as a member is limited to \$10 in the event of a winding up. As required by Australian accounting standards, the Corporation has assessed the nature of its relationship with ZEW, and has concluded that it does not have control, joint control or significant influence over ZEW. The Corporation will account for its investment in ZEW as a financial instrument within the scope of AASB 9 Financial Instruments. ZEW is a related party of the Corporation.

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 which were due to be satisfied during the 2019/20 financial year.

The solar farm energy generator experienced a construction delay due to the redesign of electrical infrastructure and a connection delay relating to generator restrictions and revised connection procedures advised by the Australian Electricity Market Operator (AEMO). Renegotiated terms have resulted in an extension of the target commercial operation date to 1 October 2020 and a compensation settlement to ZEW for the delay. The Corporation's share of the settlement is \$11,798 which has been recognised in the Comprehensive Operating Statement as other income.

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)**5.6 Other provisions**

Other provisions	2021	2020
	\$'000	\$'000
Non-current		
Asset decommissioning costs	2,645	2,306
Total other provisions	2,645	2,306

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 2020 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.

5.6.1 Reconciliation of movements in other provisions

	2021	2020
	\$'000	\$'000
Opening balance	2,306	2,951
Increases arising from payments/other sacrifices of future economic benefits	339	(645)
Closing balance	2,645	2,306
Current	2,306	2,306
Non-current	-	-

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.

6.1 Interest bearing liabilities**Interest bearing liabilities**

	2021	2020
	\$'000	\$'000
Current loans from Treasury Corporation Victoria	4,618	6,298
Non-current loans from Treasury Corporation Victoria	80,800	62,520
Total interest bearing liabilities	85,418	68,818

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

2021 \$'000	Carrying Amount	Nominal Amount	3 months or less	3 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Loans from TCV	85,418	85,418	4,618	1,000	17,000	21,300	41,500

2020 \$'000	Carrying Amount	Nominal Amount	3 months or less	3 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Loans from TCV	68,818	68,818	6,298	7,220	5,500	23,800	26,000

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)**6.1.2 Interest expense**

	2021	2020
	\$'000	\$'000
Interest on government loans	1,897	1,986
Financial accommodation levy	892	758
Total interest expense	2,789	2,744

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 and balances

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

	2021	2020
	\$'000	\$'000
Cash at bank and on hand	3,864	509
Balance as per cash flow statement	3,864	509

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

	2021	2020
	\$'000	\$'000
Net result for the period	(243)	(2,653)
Non-cash movements:		
Income tax expense	9	(782)
Depreciation and amortisation expense	11,913	11,527
Gain on sale of non-current assets	(62)	75
Contributed assets	(6,233)	(2,678)
Provision for bad debts	110	45
Movements in assets and liabilities:		
Increase in receivables & contract assets	2,569	2,568
Increase in inventory	(95)	(396)
Decrease (increase) in prepayments	(96)	61
Decrease in payables & contract liabilities	203	300
Increase (decrease) Provision for impairment expense	529	(645)
Increase in employee benefits	339	400
Increase (decrease) in accrued expenses	149	(36)
Net cash inflows from operating activities	9,092	7,786

NOTE 6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)**6.3 Commitments for expenditure**

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

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

6.3.1 Total commitments payable

2021 \$'000	Less than 1 year	Between 1-5 years	Over 5 years	Total
Capital expenditure commitments payable	4,201	-	-	4,201
Environmental contribution levy commitments	1,369	2,738	-	4,107
Operating lease commitments payable	72	-	-	72
Total commitments (inclusive of GST)	5,642	2,738	-	8,380
Less GST recoverable	388	-	-	388
Total commitments exclusive of GST	5,254	2,738	-	7,992

2020 \$'000	Less than 1 year	Between 1-5 years	Over 5 years	Total
Capital expenditure commitments payable	11,340	-	-	11,340
Environmental contribution levy commitments	1,369	4,107	-	5,476
Lease commitments payable	54	-	-	54
Total commitments (inclusive of GST)	12,763	4,107	-	16,870
Less GST recoverable	(1,036)	-	-	(1,036)
Total commitments exclusive of GST	11,727	4,107	-	15,834

7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

7.1 Interest bearing liabilities

Introduction

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.

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 Investment in Zero Emission Water (ZEW)	Payables: For supplies and services Other payables Interest bearing liabilities: Bank overdraft

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

Categories of financial instruments

Financial instrument	Initial measurement	Subsequent measurement
Financial assets at amortised cost		
Financial assets include: <ul style="list-style-type: none"> Loans and receivables cash and deposits; receivables; term deposits; and certain debt securities. 	Fair value plus or minus any directly attributable transaction costs	Amortised cost only using the effective interest rate method less impairment if both of the following criteria are met: <ul style="list-style-type: none"> the asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest
Financial assets at fair value through net results		
Listed equity securities, managed investment schemes, investments in ZEW, and five-year government bonds	Fair value through net result.	Fair value through net result.
Financial liabilities at amortised cost		
Financial liabilities include: <ul style="list-style-type: none"> payables (excluding statutory payables); borrowings (including lease liabilities) 	Fair value, plus or minus any directly attributable transaction costs subsequent to initial recognition.	Amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss, over the period of the interest-bearing liability using the effective interest rate method.

Offsetting financial instruments

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

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

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

Derecognition of financial assets and liabilities

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

- the rights to receive cash flows from the asset have expired; or
- 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.

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

Impairment of financial assets

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

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

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)**7.1.1 Financial instruments: Categorisation**

	Cash and deposits	Financial assets / liabilities designated at fair value through profit/loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
2021	\$'000	\$'000	\$'000	\$'000	\$'000
Contractual financial assets					
Cash and deposits	3,864	-	-	-	3,864
Receivables					
Service and usage charges	-	-	2,032	-	2,032
Other receivables	-	-	283	-	283
Investments and other contractual financial assets					
Investment in Zero Emissions Water (ZEW) Ltd	-	5	-	-	5
Total contractual financial assets	3,864	5	2,315	-	6,184
Contractual financial liabilities					
Payables					
Trade creditors	-	-	-	1,778	1,778
Accrued expenses	-	-	-	1,689	1,689
Other- security deposits & retention	-	-	-	1,698	1,698
Other-taxes payable	-	-	-	41	41
Borrowings					
Loans from Treasury Corporation of Victoria (TCV)	-	-	-	85,418	85,418
Total contractual financial liabilities	-	-	-	90,624	90,624

	Cash and deposits	Financial assets / liabilities designated at fair value through profit/loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
2020	\$'000	\$'000	\$'000	\$'000	\$'000
Contractual financial assets					
Cash and deposits	509	-	-	-	509
Receivables					
Service and usage charges	-	-	2,784	-	2,784
Other receivables	-	-	349	-	349
Investments and other contractual financial assets					
Investment in Zero Emissions Water (ZEW) Ltd	-	-	-	-	-
Total contractual financial assets	509	-	3,133	-	3,642
Contractual financial liabilities					
Payables					
Trade creditors	-	-	-	1,665	1,665
Accrued expenses	-	-	-	1,601	1,601
Other- security deposits & retention	-	-	-	1,250	1,250
Other-taxes payable	-	-	-	119	119
Borrowings					
Loans from Treasury Corporation of Victoria (TCV)	-	-	-	68,818	68,818
Total contractual financial liabilities	-	-	-	73,453	73,453

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

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 applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables (refer to section 5.1).

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

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

The Corporation is continuously monitoring and assessing its credit risk profile due to the current economic impacts affecting customers. As a result, the Corporation has adjusted the credit risk profile in assessing the expected loss allowance in 2020-21 (refer to Note 5.1.2).

At 30 June 2021, the Corporation has no other significant credit risk. There has been no material change to the Corporation's credit risk profile in 2020-21.

Climate related risk

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

The corporation is primarily exposed to climate change risk through the need to have the suitable investment in infrastructure and technology to address climate change effects. The Corporation addresses this risk through planning through the Urban Water Strategy, review of assets to meet changes in climate, targeted emissions reductions and a planned drought response.

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.

The Corporation manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
- holding investments and other contractual financial assets that are readily tradeable in the financial markets;
- careful maturity planning of its financial obligations based on forecasts of future cash flows; and

The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of available-for-sale financial investments. The carrying amount in table of contractual financial liabilities are recorded in the financial statements.

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)**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 through interest rate risk, there is insignificant exposure to foreign exchange risk and insignificant exposure to other price risks.

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.

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.

2021	Weighted average interest rate %	Total carrying amount \$'000	Variable interest rate \$'000	Fixed Interest Rate \$'000	Non-interest bearing \$'000
Contractual Financial Assets					
Cash at Bank	0.10%	3,864	3,864	-	-
Deposits - TCV	-	-	-	-	-
Contractual Receivables	-	2,032	322	-	1,710
Total	-	5,896	4,186	-	1,710
Contractual Financial Liabilities					
Borrowings - TCV	3.34%	85,418	4,618	80,800	-
Contractual Payables	-	5,165	-	-	5,165
Total	-	90,583	4,618	80,800	5,165
Net Financial (Liabilities) Assets	-	(84,687)	(432)	(80,800)	(3,455)

2020	Weighted average interest rate %	Total carrying amount \$'000	Variable interest rate \$'000	Fixed Interest Rate \$'000	Non-interest bearing \$'000
Contractual Financial Assets					
Cash at Bank	0.42%	509	509	-	-
Deposits - TCV	-	-	-	-	-
Contractual Receivables	-	2,784	384	-	2,400
Total	-	3,293	893	-	2,400
Contractual Financial Liabilities					
Borrowings - TCV	3.87%	68,818	6,298	62,520	-
Contractual Payables	-	5,510	-	-	5,510
Total	-	74,328	6,298	62,520	5,510
Net Financial (Liabilities) Assets	-	(71,035)	(5,405)	(62,520)	(3,110)

Interest rate risk sensitivity

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. 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 Corporation's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. The Corporation cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. A movement of 50 basis points up and down (50 basis points up and down) in market interest rates (AUD) is 'reasonably possible'.

The tables that follow show the impact on the Corporation's net result and equity for each category of financial instrument held by the Corporation at the end of the reporting period, if the above movements were to occur.

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

2021 \$'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	3,864	39	39	(39)	(39)
Interest Bearing Liabilities -Variable	4,618	(46)	(46)	46	46
Total	8,482	(8)	(8)	8	8

2020 \$'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	509	5	5	(5)	(5)
Interest Bearing Liabilities -Variable	6,298	(63)	(63)	63	63
Total	6,807	(58)	(58)	58	58

a) Foreign exchange risk

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

b) Other price risk

The Corporation has no significant exposure to other price risks.

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet but are disclosed and, if quantifiable are measured at nominal value.

The Corporation was not aware of any contingent assets or contingent liabilities at the time of finalising the financial report (2020: \$Nil).

7.3 Fair value determination

This section sets out information on how the Corporation determined fair value for financial reporting purposes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating result or OCI;
- land, buildings, infrastructure, plant and equipment;
- investment properties; and
- biological assets.

In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes.

The Corporation determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, 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.

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)**How this section is structured**

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value);
- which level of the fair value hierarchy was used to determine the fair value; and
- in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
 - a reconciliation of the movements in fair values from the beginning of the year to the end; and
 - details of significant unobservable inputs used in the fair value determination.

7.3.1 Fair value of financial instruments measured at amortised cost

	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
	2021	2021	2020	2020
	\$'000	\$'000	\$'000	\$'000
<i>Financial liabilities</i>				
Loans from TCV	85,418	85,418	68,818	68,818

7.3.2 Fair value determination – Non-financial physical assets

2021	Carrying amount as at 30 June 2021 \$'000	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
		\$'000	\$'000	\$'000
<i>Land at fair value</i>				
Non Specialised Land	1,399	-	1,399	-
Specialised Land	13,125	-	-	13,125
Total land at fair value	14,524	-	1,399	13,125
<i>Buildings at fair value</i>				
Specialised Buildings	1,831	-	-	1,831
Total buildings at fair value	1,831	-	-	1,831
<i>Infrastructure at fair value</i>				
Infrastructure - water distribution	165,154	-	-	165,154
Infrastructure - water harvesting and major transfers	53,466	-	-	53,466
Infrastructure - water quality	31,460	-	-	31,460
Infrastructure - sewer collection	119,986	-	-	119,986
Infrastructure - sewer treatment and major disposal	71,980	-	-	71,980
Total infrastructure at fair value	442,046	-	-	442,046
<i>Plant and equipment at fair value</i>				
Motor vehicles	1,565	-	-	1,565
Plant and Equipment	4,072	-	-	4,072
Plant and equipment at fair value	5,637	-	-	5,637
Total of infrastructure at fair value	464,038	-	1,399	462,640

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)**Fair value determination: non-financial physical assets (continued)**

2020	Carrying amount as at 30 June 2020 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value				
Non Specialised Land	1,323	-	1,323	-
Specialised Land	11,874	-	-	11,874
Total land at fair value	13,197	-	1,323	11,874
Buildings at fair value				
Specialised Buildings	1,715	-	-	1,715
Total buildings at fair value	1,715	-	-	1,715
Infrastructure at fair value				
Infrastructure - water distribution	138,144	-	-	138,144
Infrastructure - water harvesting and major transfers	59,308	-	-	59,308
Infrastructure - water quality	23,676	-	-	23,676
Infrastructure - sewer collection	99,418	-	-	99,418
Infrastructure - sewer treatment and major disposal	52,481	-	-	52,481
Total infrastructure at fair value	373,027	-	-	373,027
Plant and equipment at fair value				
Motor vehicles	1,632	-	-	1,632
Plant and Equipment	4,169	-	-	4,169
Plant and equipment at fair value	5,801	-	-	5,801
Total of infrastructure at fair value	393,740	-	1,323	392,417

There have been no transfers between the levels during the period.

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.

Although it is intended that asset valuations will be based on a five year cycle, FRD 103 *Non financial physical assets* requires entities to perform annual fair value assessments for each class of non financial physical assets to determine whether additional revaluations need to be undertaken between revaluation cycles. Management perform interim valuations every year.

Specialised land and specialised buildings

The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment 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 current replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

An independent valuation of the Corporation's specialised land and specialised buildings was performed by the Valuer General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2021.

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)**Plant and equipment**

Plant and equipment are held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the current replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2021.

For all assets measured at fair value, the current use is considered the highest and best use.

Infrastructure assets

Infrastructure assets are valued using the depreciated replacement cost method less all forms of obsolescence and depreciation. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation. Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction includes structure services and finishes as applicable.

An independent valuation of 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 2021. These assets are classified as Level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable.

The valuation is based on the assumption that the items therein are, or are capable of being, utilised as assets of a profitable undertaking subject to the adequate potential profitability of the undertaking having regard to the value of the total assets.

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

2021 \$'000	Land - Specialised	Buildings - Specialised	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Sewer treatment and disposal	Motor vehicles	Plant equipment and other	Total
Opening Balance	11,874	1,715	138,144	59,308	23,676	99,418	52,481	1,632	4,169	392,417
Additions	-	16	4,799	60	2,099	13,372	3,266	566	468	24,646
Disposals	-	(27)	-	-	(42)	-	-	(59)	-	(128)
Revaluation	1,251	221	26,108	(4,926)	6,889	10,208	17,581	-	-	57,332
Depreciation	-	(95)	(3,896)	(976)	(1,163)	(3,012)	(1,347)	(574)	(564)	(11,627)
Closing Balance	13,125	1,830	165,155	53,466	31,459	119,986	71,980	1,565	4,072	462,640

2020 \$'000	Land - Specialised	Buildings - Specialised	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Sewer treatment and disposal	Motor vehicles	Plant equipment and other	Total
Opening Balance	10,574	1,476	138,490	60,161	24,604	99,181	53,238	1,058	3,509	392,291
Additions	-	385	3,505	136	267	3,033	516	1,186	1,195	10,223
Disposals	-	(58)	-	-	-	-	-	(45)	-	(103)
Revaluation	1,300	-	-	-	-	-	-	-	-	1,300
Depreciation	-	(88)	(3,851)	(989)	(1,195)	(2,796)	(1,273)	(567)	(534)	(11,293)
Closing Balance	11,874	1,715	138,144	59,308	23,676	99,418	52,481	1,632	4,169	392,417

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)**Significant unobservable inputs in Level 3 valuations**

Asset Class	Valuation technique	Significant unobservable inputs
Land and Buildings		
Specialised land	Market approach	Community Service Obligation (CSO)
Specialised buildings	Current replacement cost	Average cost per asset Useful life
Plant, Equipment and Vehicles		
Plant and Equipment	Current replacement cost	Average cost per unit Useful life
Vehicles	Current replacement cost	Average cost per unit Useful life
Water Harvesting, Treatment and Quality		
Storage	Current replacement cost	Average cost per unit Useful life
Treatment Plants	Current replacement cost	Average cost per facility Useful life
Water Distribution		
Mains and reticulation	Current replacement cost	Average cost per metre Useful life
Pump stations	Current replacement cost	Average cost per facility Useful life
Sewer Treatment		
Treatment plants	Current replacement cost	Average cost per facility Useful life
Sewer Collection		
Mains and reticulation	Current replacement cost	Average cost per metre Useful life
Pump stations	Current replacement cost	Average cost per facility Useful life

8 STATUTORY OBLIGATIONS

Introduction

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

8.1 Tax

8.1.1 Income tax

The Corporation is subject to the National Tax Equivalent Regime (NTER), pursuant to section 88(1) of the *State Owned Enterprises Act 1992*, which is administered by the Australian Taxation Office. The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 26% (2020: 27.5%), adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Change in accounting estimate tax rate:

For the 2021 income year, entities that are classified as base rate entities are eligible for the reduced tax rate of 26%. This applies to corporate entities that:

- Have an aggregated turnover less than the \$50 million for the 2021 income year.
- 80% or less of their assessable income is base rate entity passive income, which includes passive incomes such as rent, interest capital gains and corporate distributions.

As South Gippsland Water's turnover is less than \$50million for the year ended 30 June 2021, it will be eligible for the reduced tax rate of 26% based on the competitive neutrality principle. The reduced rate has been applied when preparing the tax calculations.

The differences are reconciled as follows:

	2021 \$'000	2020 \$'000
Income Statement		
Current income tax expense (paid or payable)	-	-
Adjustments to prior years		
Deferred income tax expense	(62)	(792)
Temporary differences		
Adjustments to prior years	71	10
Income tax benefit reported in the income statement	9	(782)
Statement of changes in equity		
Net deferred tax - credited directly to equity	2,865	4,522
Net deferred tax - credited directly to equity - Current year	-	357
Income tax reported in equity	2,865	4,880
Tax reconciliation:		
Net result before income tax	(234)	(3,435)
Tax at the Australian tax rate of 26% (2020: 27.5%)	(61)	(945)
Tax effect amount - Non-deductible expenses	2	3
Tax effect amount - Current year capital losses recognised	71	(6)
Tax effect amount - Deferred only movement in building	(7)	-
Tax effect amount - Under-Over Change in Tax Rate	0	169
Temporary difference on Property, Plant & Equipment not affecting Profit (Loss)	4	(3)
Income tax on profit before tax	9	(782)

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.

Deferred tax assets

	2021	2020
	\$'000	\$'000
Amounts recognised in Comprehensive Operating Statement		
Doubtful debts	17	2
Employee benefits	31	25
Tax losses	(1,910)	(1,776)
Other	66	(126)
Total deferred tax assets	(1,796)	(1,875)
Movements		
Opening balance at 1 July	22,792	24,667
Credited/(debited) to other comprehensive income	(1,796)	(1,875)
Closing balance at 30 June	20,996	22,792
Deferred tax asset to be recovered after more than 12 months	19,086	21,018
Deferred tax asset to be recovered within than 12 months	-	-
Tax losses	1,910	1,776
Ending balance at 30 June	20,996	22,792
	2021	2020
	\$'000	\$'000
Amounts recognised in Comprehensive Operating Statement		
Prepayments	-	5
Depreciation	1,787	2,651
Other deferred tax liabilities	2,866	4,880
Amounts recognised directly in equity	(14,926)	(357)
Total deferred tax liabilities	(10,273)	7,179
Movements		
Opening balance at 1 July	(74,035)	(81,214)
Credited/(debited) to the net result	(13,139)	2,295
Credited/(debited) to other comprehensive income	2,866	4,880
Closing balance at 30 June	(84,308)	(74,035)
Deferred tax liabilities to be recovered after more than 12 months	(84,308)	(74,035)
Deferred tax liabilities to be recovered within 12 months	-	-
Ending balance at 30 June	(84,308)	(74,035)

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

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 2024.

The purpose of the environmental contribution is set out in the Act, and the funding may be used for financing initiatives that seek to promote the sustainable management of water or address water-related initiatives.

The Corporation has a statutory obligation to pay an environmental contribution to the Department of Environment, Land, Water and Planning. This contribution is recognised as an expense during the reporting period as incurred

	2021	2020
	\$'000	\$'000
Environmental contribution levy	1,368	1,230

NOTE 9. OTHER DISCLOSURES**Introduction**

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

8.3 Reserves**8.3.1 Physical asset revaluation surplus****Asset revaluation surplus**

	2021	2020
	\$'000	\$'000
Opening balance	142,490	136,667
Revaluation increment for year	57,408	1,300
Tax effect on revaluation	(14,926)	(357)
Impairment adjustment on previously revalued non-current assets	-	-
Effect on tax rate change	2,866	4,880
Closing balance	187,838	142,490

8.4 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.

There is no known impact due to continuation of Covid-19 restrictions.

NOTE 9. OTHER DISCLOSURES (CONTINUED)

8.5 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the Financial Management Act 1994, the following disclosures are made regarding responsible persons for the reporting period.

The names of persons who were responsible persons at any time during the financial year were:

The Hon. Lisa Neville MP	Minister for Water	1 July 2020 - 19 February 2021
The Hon. Richard Wynne MP	Acting Minister for Water	20 February 2021 - 30 June 2021
Mr David Schultz	Chair	1 July 2020 - 30 June 2021
Ms Susan Friend	Deputy Chair	1 July 2020 - 30 June 2021
Mr Philippe du Plessis	Managing Director	1 July 2020 - 30 June 2021
Mrs Kate Young	Director	1 July 2020 - 30 June 2021
Mr Chris Rose	Director	1 July 2020 - 30 June 2021
Mr Geoff Lake	Director	1 July 2020 - 30 June 2021
Mrs Nicola Hepenstall	Director	1 July 2020 - 30 June 2021
Mr Nicholas Fleming	Director	1 July 2020 - 30 June 2021
Ms Jennifer Ryan	Director	1 July 2020 - 30 June 2021

Remuneration

Remuneration received or receivable by the Responsible Persons in connection with the management of the Corporation during the reporting period was in the range: \$310,000 – 319,999 (310,000 – 319,999 in 2019-2020 restated).

Income band (\$)	2021	2020
5,000-9,999	0	3
10,000-19,999	0	4
20,000-29,999	7	3
50,000-59,999	1	1
300,000-309,999	0	0
310,000-319,999	1	1
Total responsible persons	9	12
Total remuneration \$'000	581	562

NOTE 9. OTHER DISCLOSURES (CONTINUED)**8.6 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 refer to long service leave. There are no other long-service benefits or deferred compensation. Termination benefits include termination of employment payments, such as severance packages.

	2021	2020
	\$'000	\$'000
Short term employee benefits	845	872
Post-employment benefit	70	67
Other long term benefits	15	14
Total remuneration	<u>930</u>	<u>953</u>
Total number of executives	5	4
Total annualised employee equivalents	3.8	4

Note that the 2020 amounts have been re-stated due to the method that it was reported in the table.

i) 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). Annualised employee equivalent is based on the time fraction worked over the reporting period.

NOTE 9. OTHER DISCLOSURES (CONTINUED)**8.7 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.

Remuneration of key management personnel

The compensation below excludes the salaries and benefits of the Minister for Water. The Minister's remuneration and allowances are set by the Parliamentary Salaries and Superannuation Act 1968 and is reported within the Department of Parliamentary Services' Financial Report.

	2021	2020
	\$'000	\$'000
Short term employee benefits	531	512
Post-employment benefit	43	43
Other long term benefits	7	6
Total remuneration	<u>581</u>	<u>562</u>

Note that the 2020 amounts have been re-stated due to the method that it was reported in the table.

NOTE 9. OTHER DISCLOSURES (CONTINUED)**Significant transactions with government - related entities**

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

Government-related entity receipts

Entity name	Brief description of main activity	2021 \$'000	2020 \$'000
Department of Families, Fairness and Housing	Refund of concession rebates	3,025	3,432
State Revenue Office	Refund of charities rebates	100	148
Zero Emissions Water Limited	Rates and charges	9	29

Government-related entity payments

Entity name	Brief description of main activity	2021 \$'000	2020 \$'000
Treasury Corporation Victoria	Interest on borrowings	1,897	1,986
Department of Environment, Land, Water and Planning	Environmental contribution	1,369	1,230
Department of Treasury and Finance	Financial accommodation levy	892	758
Environment Protection Authority	Licence fees and levies	50	45

Transactions with key management personnel and other related parties.

Given the breadth and depth of the Corporation's activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. water, wastewater and related services. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004 and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with 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)**ZEW transactions**

South Gippsland Water is one of 13 water Corporation members of Zero Emissions Water Limited (ZEW), a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from 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.

ZEW is a related party of the Corporation. Below is a summary of transactions and holdings with ZEW.

	2021	2020
	\$'000	\$'000
Sales to ZEW	19	29
Purchases from ZEW	10	-
Loans to/from ZEW	5	-
Amounts outstanding to ZEW	-	-
Amounts outstanding from ZEW	-	-
Amounts written off in the year from loans/receivables from ZEW	-	-
Investment in ZEW		

NOTE 9. OTHER DISCLOSURES (CONTINUED)**8.8 Remuneration of auditors**

		2021	2020
		\$'000	\$'000
Audit Services - Victorian Auditor-General's Office (VAGO)	Annual external audit fee	38	39
Non-VAGO audit and assurance services	Internal audit	36	36
Total Remuneration of Auditors		74	75

8.9 Ex-gratia payments

The Corporation did not make any ex-gratia payments during 2021 (2020: \$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).

8.10 Australian Accounting Standards issued that are not yet effective

The following AASs become effective for reporting periods commencing after the operative dates stated:

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2021 reporting period. DTF assesses the impact of all these new standards and advises the Corporation of their applicability and early adoption where applicable.

Topic	Key requirements	Effective date	Estimated impact
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	Amends AASB 101 to require a liability to be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period.	1 January 2023	The corporation is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	Amendments to existing accounting standards, particularly in relation to: AASB 9 - to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. AASB 116 - to require an entity to recognise the sales proceeds from selling items produced while preparing infrastructure, property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset. AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> - to specify the costs that an entity includes when assessing whether a contract will be loss-making. AASB 141 <i>Investment Property</i> - to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.	1 January 2022	The corporation is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.



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 Minister for Finance under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards, Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying Notes, presents fairly the financial transactions during the year ended 30 June 2021 and the financial position of the Corporation as at 30 June 2021.

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 6th October 2021.

A handwritten signature in black ink, appearing to read "David Schultz".

David Schultz
Chair

A handwritten signature in black ink, appearing to read "Philippe du Plessis".

Philippe du Plessis
Managing Director

A handwritten signature in black ink, appearing to read "Tristan Pham".

Tristan Pham
Chief Financial Officer

Dated this day, the 6th October 2021



Independent Auditor's Report

To the Board of the South Gippsland Region Water Corporation

Opinion I have audited the performance report of the South Gippsland Region Water Corporation (the corporation) for the year ended 30 June 2021, 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 for the year ended 30 June 2021, 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
7 October 2021



Paul Martin
as delegate for the Auditor-General of Victoria

Disclosure Index Checklist

The 2020/21 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.

REPORT OF OPERATIONS		
Legislation	Requirement	Page
Charter and purpose		
FRD 22I	Manner of establishment and the relevant Ministers	25
FRD 22I	Purpose, functions, powers and duties	25
FRD 22I	Key initiatives and projects	26-27
FRD 22I	Nature and range of services provided	8
Management and structure		
FRD 22I	Organisational structure	5
Financial and other information		
FRD 10A	Disclosure index	36
FRD 12B	Disclosure of major contracts	26
FRD 22I	Employment and conduct principles	21
FRD 22I	Workforce data	22
FRD 22I	Workforce inclusion policy	22
FRD 22I	Occupational health and safety policy	23
FRD 22I	Summary of the financial results for the year	32
FRD22I	5 year financial summary	33
FRD 22I	Significant changes in financial position during the year	32
FRD 22I	Major changes or factors affecting performance	32
FRD 22I	Subsequent events (nil response required)	26
FRD 22I	Application and operation of <i>Freedom of Information Act 1982</i>	26
FRD 22I	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	25
FRD 22I	Statement on National Competition Policy (Competitive Neutrality Policy)	25
FRD 22I	Application and operation of the <i>Public Interest Disclosures Act 2012</i>	25
FRD 22I	Details of consultancies over \$10 000 (consultancy expenditure)	26
FRD 22I	Details of consultancies under \$10 000 (consultancy expenditure)	26
FRD 22I	Disclosure of government advertising expenditure	25
FRD 22I	Disclosure of ICT expenditure	28
FRD 22I	Disclosure of asset maturity assessment	28
FRD 22I	Statement of availability of other information	24
FRD 24D	Reporting of officebased environmental impacts	16
FRD 25D	Local Jobs First	26
FRD 27C	Performance Reporting	34/35
Social Procurement Framework	Social Procurement	20/21
FRD 29C	Workforce Data disclosures	22
Ministerial Reporting Directions		
MRD 01	Performance Reporting	34/35
MRD 02	Water Consumption and Drought response	10,15
MRD 03	Environmental and Social Sustainability	15-20
MRD 04	Bulk Entitlements and Compliance Activities	12
MRD 05	Major Non-Residential Water Users	11
MRD 06	Greenhouse Gas and Energy Reporting	17
MRD 07	Letters of Expectation	29
Compliance attestation and declaration		
SD 5.1.4	Attestation for Financial Management Compliance	32
SD 5.2.3	Responsible Body Declaration in report of operations	32
Legislation		
	<i>Freedom of Information Act 1982</i>	25
	<i>Building Act 1993</i>	25
	<i>Public Interest Disclosures Act 2012</i>	26
	<i>Local Jobs Act 2003</i>	26



HEAD OFFICE

14-18 Pioneer Street (PO Box 102)
FOSTER VIC 3960
Phone (03) 5682 0444
Fax (03) 5682 1199
Email sgwater@sgwater.com.au
Web sgwater.com.au

RESPONSIBLE MINISTER

The responsible Minister for the period from 1 July 2020 to 30 June 2021 was the Hon Lisa Neville MP, Minister for Water. The Hon Richard Wynne acted as the Minister for Water from 15 February 2021 to 30 June 2021

BANKERS

Westpac Bank
28 Bair Street
LEONGATHA VIC 3953

AUDITORS

Auditor General, Victoria
By Crowe Australasia, an affiliate of Findex (Aust) Pty Ltd

INSURANCE BROKER

Marsh Pty Ltd

SOLICITORS

Oakleys White and Russell Kennedy

INDUSTRY ASSOCIATIONS

Australian Water & Wastewater Association
Institute of Water Administration
Victorian Water Industry Association

OTHER ASSOCIATIONS

Business Management Health Services
Candowie-Lance Creek Catchment Management Group
South Gippsland Landcare Network
Victorian Employers Chamber of Commerce & Industry
West Gippsland Catchment Management Authority
Gunaikurnai Land and Water Aboriginal Corporation (GLaWAC)
Gunaikurnai Traditional Owner Land Management Board (GKTOLMB)
Bunurong Land Council

CHARITY

WaterAid Australia

Copyright:

State of Victoria, South Gippsland Water 2021. This publication is copyright. No part may be reproduced by any process except in accordance with the provisions of the Copyright Act 1968.