



2021 / 2022 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 contributing to the future of the water management landscape while maintaining their cultural and spiritual connections.



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Statement by the Chair and Managing Director

We are pleased to present our annual report detailing the financial, business and operational performance for South Gippsland Water for the year ending 30 June 2022. We have seen some substantial achievements throughout the year as we continue to deliver safe and sustainable water and wastewater services across the region while navigating the ongoing impacts of coronavirus (COVID-19).

In partnership with our customers, planning for the future has been a key focus over the past 12 months as we remain committed to securing our services for future generations. Our Urban Water Strategy, completed in March 2022, is our 50-year strategy for water and wastewater services, recognising the variables and future impacts of climate change and growth. We are continually learning and getting smarter in how we operate. Development of the Urban Water Strategy has combined community feedback with the latest modelling tools to strengthen our ability to plan long-term for our systems remaining reliable and secure.

Building on the Urban Water Strategy, we have continued our engagement with customers to develop our Price Submission to the Essential Services Commission (ESC). This five-year plan will continue to balance affordability for our customers, and a sustainable path forward for current and future generations. The ESC will review the submission and provide a decision by mid-2023. Our customers have communicated that they do not want services to deteriorate and our proposed investments in infrastructure and services have been developed to deliver this outcome.

Understanding and protecting our environment continues to be a key focus. We are developing a Net-Zero strategy to meet our commitment to achieve net-zero emissions by 2035. The strategy will address greenhouse gas emissions from all sources, including imported electricity and emissions directly from transport and wastewater treatment systems. As part of our Net-Zero strategy we have continued to participate in the water industry's large-scale renewable project, Zero Emissions Water, which provides the opportunity for members to collaboratively purchase power and Large-Scale Generation Certificates.

From 1 July 2021 the new Environment Protection Act 2017 came into effect. This overarching legislation seeks to minimise the risks of harm to the environment and human health from pollution and waste. Protecting our environment and compliance with the Act have seen the progress of several major projects. The most significant being improvements to the Korumburra sewer network and planning for the replacement of the Venus Bay Outfall, a partnership with our major customers to support the regional economy.

We have delivered the second year of our Health, Safety and Wellbeing plan. This is building awareness and resilience across our workforce and communities by developing our mental health awareness and tools to manage stress. Our COVID-Safe team

continues to evolve our safe work practices to enable us to continue to deliver essential services to the communities across South Gippsland throughout the pandemic.

Our capital investment program of \$15.3M was completed, renewing and upgrading our water and wastewater systems for future generations. Delivery of the safe drinking water program continued with renewal of clear water storage covers (\$1.1 M) and disinfection upgrades (\$3.9 M) at water treatment plants across the region. Wastewater system upgrades have included increasing capacity of the Inverloch sewer network (\$4.5M) and Leongatha wastewater treatment plant to support growth (\$1.0M).

South Gippsland Water also continues to be an active member of several strategic partnerships, including the Gippsland Regional Water Alliance with neighbouring water corporations. The partnership provides the opportunity to collaborate in areas such as procurement, safety, information technology, customer and community and capability sharing. This has resulted in significant information sharing and savings through efficiency.

The Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) partnership has been active throughout the year and works towards strengthening community ties and shared regional objectives of local indigenous communities. The business has also continued to benefit from collaborations amongst the broader water sector including the Gippsland Integrated Water Management Forum, the Intelligence Water Network, Zero Emissions Water, VicWater and the Institute of Water Administration.

Our achievements have been delivered while experiencing many challenges. Weather patterns have been variable. There were several high rainfall events, including the significant storms that impacted electricity and general services for a period across our region and right across the State. We also issued a Boil Water Alert for the township of Inverloch in March 2022, as a cautious response to potential contamination of a clear water storage. At no time was the water unsafe to drink.

The past year has seen significant organisational change. After 20 years with South Gippsland Water, Managing Director Philippe du Plessis retired. David Shultz, our Board Chair of six years also retired, along with our General Manager of Operations, Ravi Raveendran, who had been with the organisation for 21 years. We thank our past colleagues for their valued service.

Our organisation continues to be an efficient and supportive workplace that works together to deliver excellent customer service. We have a strong emphasis on meeting stringent regulatory demands and satisfying customer expectations. We are privileged to service the people of South Gippsland and wish to thank all staff at South Gippsland Water for their continued dedication and professionalism.



Philip Clark
Chair



Robert Murphy
Managing Director

Organisational Structure

Table 1: SGW 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 Procurement	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 and Sampling	Works Design, Documentation and Construction	Communication and Community Engagement
Company Secretary	Environment	Asset Planning	



Phil Clark (Chair) welcomes Rob Murphy as new Managing Director.

The Board

Our Board Members - 1 October 2021 to 30 June 2022



Phil Clark

Appointed 1 October 2021 (Chair)

Phil Clark is an Engineer with a Masters of Business Administration and is a Graduate of the Australian Institute of Company Directors. He is also Chair of Inverloch & Districts Financial Enterprises Ltd – Inverloch's Community Bank. Phil was previously Chair at Westernport Water, ATEC Australia-International Limited and Engineers Without Borders Australia and a Director at City West Water. His earlier engineering and executive management career was with BHP, including extensive international experience.



Nicola Hepenstall

Appointed 1 October 2019 (Deputy Chair)

Nicola 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 developing strategies. Nicola is also on the boards of VicWater and 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.



Carly Moore

Appointed 1 October 2021

Carly Moore is a Certified Practising Accountant with over 20 years of experience across the public and private sectors. She is the founder of a consultancy business that provides strategic advice

and support to encourage and promote small business success. In 2016 Carly was elected to Hume City Council and served as its Deputy Mayor in 2017–18 and Mayor in 2018–19 and again in 2019–20. Carly is a Graduate of the Australian Institute of Company Directors (GAICD) and has served on the Broadmeadows Revitalisation Board and community-based boards including the Salvation Army 3064 Advisory Board.



Nick Fleming

Appointed 1 October 2019

Nick Fleming is a Chartered Engineer, Management Consultant and Executive Educator. He brings to the board 30 years of 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.



Diana Nestorovska

Appointed 1 October 2021

Diana Nestorovska is an experienced commercial and government Lawyer. Her experience includes private and in-house practice with a focus on consumer law, intellectual property and privacy, and government practice with a focus on regulatory law and litigation. In addition to her legal experience, Diana is a former Australian diplomat, having gained extensive experience in trade policy and international relations through various roles in the Department of Foreign Affairs and Trade. Diana is a graduate of the Australian Institute of Company Directors and is currently working towards a Master of Business Administration at Melbourne Business School. She has previously served on the University of Wollongong's University Council and is currently serving as a Non-executive Director of Family Planning Victoria and Melba Support Services.



Jennifer Ryan

Appointed 1 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.



Christopher Rose

Appointed 1 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 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.



Sumi Prabhakaran

Appointed 1 October 2021

Sumi Prabhakaran is a Civil Engineer with more than 30 years of senior management and consulting experience in the water, municipal and government sectors. As a management consultant for over 20 years, Sumi provides expert advice on strategic service reviews, asset management strategies and systems procurement to achieve sustainable and improved business outcomes. Prior to establishing her own consulting business, Sumi had executive management experience at City West Water. Sumi is currently a board member on the Boroondara Cemetery Trust in Kew and Chair of its Maintenance and Horticulture Committee. She is also on the governing committee of the Engineers Charity Foundation, involved in implementing overseas community development projects. Sumi holds a Bachelor of Engineering (Honours), post graduate qualifications in Technology Management and is a Fellow of the Institution of Engineers, Australia.

The Executive Team



Managing Director

Philippe du Plessis to 15 May 2022

Robert Murphy commenced on 16 May 2022

Robert is responsible for direction of the management team and the corporate and strategic functions of South Gippsland Water. These include strategic relationships, our performance and image, Occupational Health and Safety, awareness of future trends in the water industry and contact with our key stakeholders.



General Manager Operations

Ravi Raveendran to 12 December 2021

Clare Gibson commenced on 13 December 2021

Clare manages service delivery to our customers. She manages the operational and maintenance functions of water treatment plants, wastewater treatment plants and water and wastewater networks. Clare's 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 is Company Secretary and manages the finance, procurement, strategy, risk, governance, and ICT functions. The key responsibility of the General Manager Corporate Services is to ensure

ethical governance of the organisation and that of custodian of South Gippsland Water'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 communication and customer service functions. This includes enabling responsive local customer call centre and reception services, customer connections, issuing and managing customer accounts and revenue, and the Customer Support Program for customers experiencing changes and challenges.



General Manager Infrastructure and Planning

Mark Lynch

Mark is responsible for the planning, direction and management of South Gippsland Water's Capital Works Program covering a broad range of projects. Other functions under this role include

asset planning, managing the Urban Water Strategy including planning for future growth, climate change, drought response programs, and engineering and technical services.

Retiring Directors on 30 September 2021 were:

David Schultz (Chair)

Appointed 1 October 2011

Susan Friend (Deputy Chair)

Appointed 1 October 2017

Kate Young

Appointed 1 October 2015

Geoff Lake

Appointed 1 October 2015

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. We have, and continue to be, proactive in responding to the impacts of Coronavirus (COVID-19) while providing environmentally sustainable water and wastewater services.

Nature and range of services provided

Our service area covers some 4,000 square kilometres and operations in 2021–22 comprised:

Headworks

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

Water services

- 8 separate water supply systems
- 8 water treatment plants
- 735 km of water mains
- 13 reservoirs and 18 service storages
- 4,750 million litres (ML) annual volume of drinking water supplied to customers
- Servicing 22,780 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
- 525 km of wastewater mains
- 5 marine environment outfalls
- 3 inland water discharge points
- Collecting 4,550 ML and treating around 3,480 ML of wastewater
- Servicing 20,550 wastewater assessments (including trade waste) in 16 townships and surrounding districts

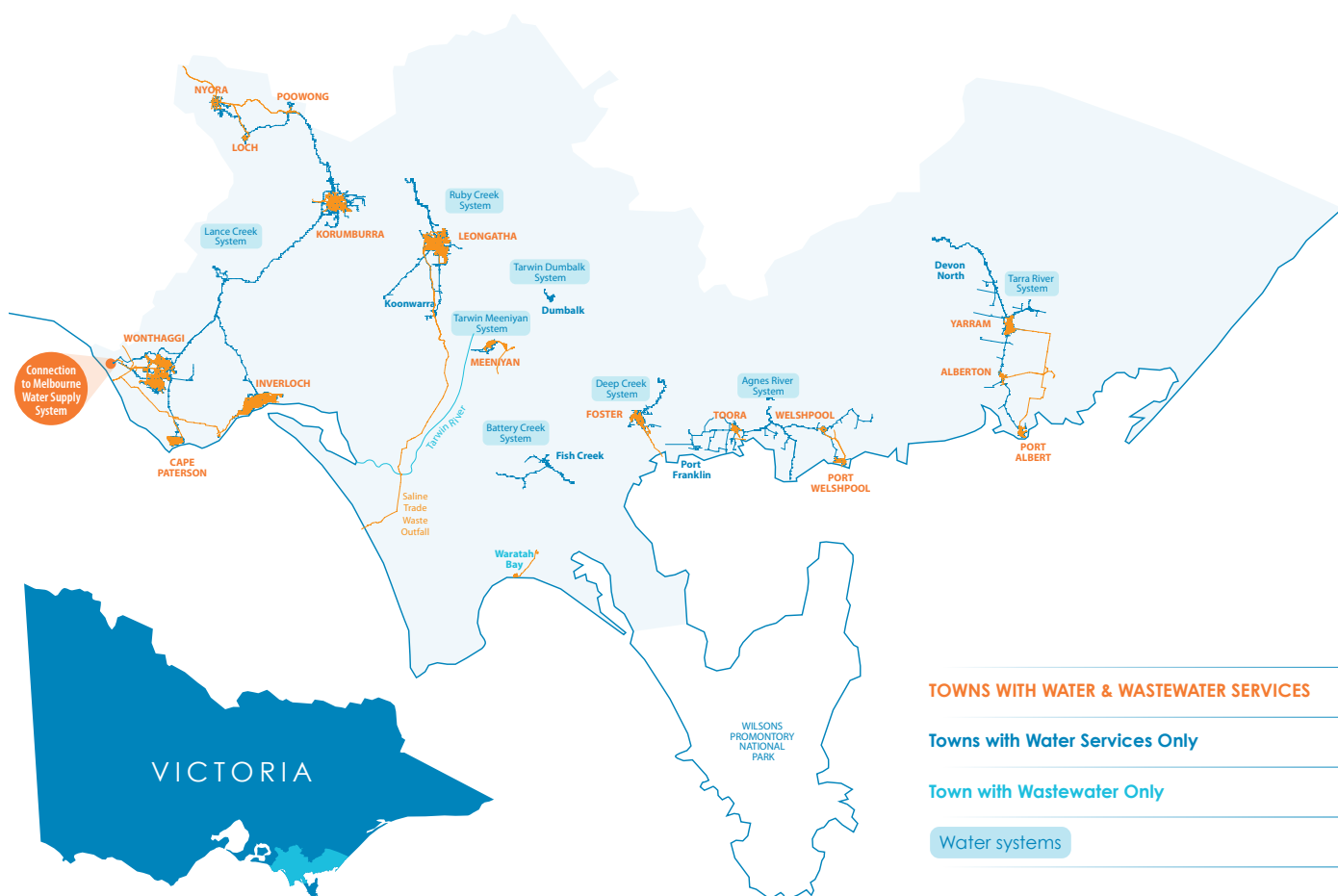


Table 2: SGW localities and services

Township	Population	Water customers	Supply system	Wastewater customers
Port Franklin	174	112	Agnes River	Not serviced
Port Welshpool	220	299	Agnes River	281
Toora, Agnes, Bennison	816	523	Agnes River	289
Welshpool, Hedley	469	221	Agnes River	137
Fish Creek	858	208	Battery Creek	Not serviced
Korumburra	4,749	2,414	Coalition Creek	2,089
Foster	2,044	963	Deep Creek / Foster Dam	876
Inverloch, Wattle Bank	6,776	4,958	Lance Creek	4,932
Cape Paterson	1,111	1,343	Lance Creek	1,330
Wonthaggi, South Dudley, Glen Alvie, Lance Creek	9,436	5,256	Lance Creek	5,037
Loch	707	162	Little Bass	122
Nyora	1,644	365	Little Bass	205
Poowong	717	213	Little Bass	148
Koonwarra	366	83	Ruby Creek	Not serviced
Leongatha, Kardella, Leongatha South, Ruby	6,841	3,380	Ruby Creek	3,201
Alberton	297	151	Tarra River	102
Devon North, Tarra Valley	437	125	Tarra River	Not serviced
Port Albert	403	406	Tarra River	345
Yarram	2,136	1,206	Tarra River	1,092
Dumbalk	455	109	Tarwin River	Not serviced
Meeniyar	840	279	Tarwin River	246
Waratah Bay	185	Not serviced	N/A	115
Total	41,681	22,776		20,547

Notes:

- ABS 2021 Census data puts Bass Coast Shire's estimated population at 40,789. South Gippsland Shire's estimated population is 30,577. Wellington Shire Council's estimated population is 45,639.
- Population served based on ABS 2021 Census data. The ABS method of calculation of population is based on the [Australian Statistical Geography Standard](#) Statistical Level 2 data and may not always reflect the exact sewer/water district.
- Wonthaggi includes North and South areas

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 change
Water	Provide safe, clean drinking water
Wastewater	Provide a safe wastewater service that contributes to the liveability 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 outlined 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 1 July 2021 to 30 June 2022. Details of drinking water compliance are reported separately in our Annual Drinking Water Quality Report. This report is submitted to the Department of Health and published on our website by 1 November every year.

Compliance with Safe Drinking Water Regulations 2015

Table 3: 2021–22 compliance with Safe Drinking Water Regulations 2015

Parameter	Drinking water quality standard	Compliance localities
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 less than 5.0 Nephelometric Turbidity Units (NTU)	100%
Trihalomethanes (total)	Less than or equal to 0.25 milligrams per litre (mg/L) of drinking water	95% ¹
Additional parameters and monitoring programs	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%

Note 1:

Non-compliance for trihalomethanes was due to an exceedance of the regulatory limit by 0.01 mg/L for a sample taken from the Fish Creek water supply in March 2022.

Learning from our experiences – Inverloch water quality event

Our customer commitment to provide safe, clean drinking water

In March 2022, a foreign object was located in a 3.5 megalitre clear-water storage that supplies the township of Inverloch. Our water quality testing program was in place for the area, and the water was at all times compliant with our safe drinking water regulations.

Safe drinking water is a key priority for us and following consultation with the Department of Health we enacted a Boil Water Advisory as a precautionary measure for the township of Inverloch.

We worked with the community and regional partners in our communications, and to provide alternative access to water across the township from 4 March 2022. We continued our water quality testing process and flushed the system to enable us to return to normal service by 9 March 2022.

Analysis found no indications that the supply was at any time contaminated, with the water meeting all required quality standards of safe drinking water legislation throughout the incident.

Our review process for the incident has resulted in a number of learnings:

- Safe drinking water remains our key priority and we do not take risks with respect to the safety of our communities.
- We have redesigned the seal mechanism for our clear-water storages.
- We have strengthened our SMS capability for quicker alerts for future incidents.
- We have committed to a community grant for Inverloch in response to the incident.
- We have proposed a new Guaranteed Service Level to be applied in future large-scale water quality events.

Water consumption 2021–22

Corporate water consumption for 2021–22 is based on the buildings associated with the Foster head office. The Foster office has the capacity to accommodate 60 full-time equivalent staff.

Corporate water consumption variance for 2021–22 is due to the impacts of staff continuing to work from home as a result of

COVID-19 as well as building maintenance issues.

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

Table 4: 2021–22 Foster office water consumption (kL)

Indicator	Target	Actual 2021–22	Variation %	Actual 2020–21	Actual 2019–20
Consumed [Kilolitre (kL) = 1,000 litres]	260 kL	77 kL	70%	53 kL	149 kL
Kilolitres consumed per full-time equivalent staff member	4.8 kL	1.28 kL	73%	0.88 kL	2.48 kL

Water Consumed per unit of office space

Water consumed per unit of office space (estimated 1,113 sqm) for 2021–22 was 69.18 litres.

Water Services

Regional water consumption

Table 5: 2021–22 Total potable water consumption (ML) by location

	2021–22	2020–21	2019–20	2018–19	2017–18
Alberton/Port Albert Yarram/Devon North	330	356	362	393	350
Dumbalk	14	12	13	15	16
Fish Creek	76	57	59	64	58
Foster	129	133	128	136	129
Korumburra	735	715	698	641	662
Wonthaggi/Cape Paterson/Inverloch	1,424	1,364	1,307	1,372	1,384
Leongatha/Koonwarra	1,567	1,507	1,593	1,433	1,350
Meeniyan	42	44	44	46	54
Poowong/Loch/Nyora	182	151	168	174	97
Waratah Bay	0	0	0	0	0
Toora/Welshpool/Port Welshpool/Port Franklin	252	292	317	316	283
Total	4,751	4,631	4,689	4,590	4,483

Water consumption summary

Table 6: 2021–22 Water consumption by locality in ML

	Residential customer				Non-residential customer					Total potable water volume	Total recycled water volume	Total consumption	Average annual consumption	Weekly residential potable water consumption	Non-revenue water				Total all water sources
	Number	Potable water volume	Recycled wastewater volume	Recycled stormwater water volume	Number	Potable water volume	Recycled wastewater volume	Recycled stormwater water volume	Total number of customers						Leakage	Firefighting	Other	Total non-revenue water	
Devon North Alberton Yarram Port Albert	1,322	140	N/A	N/A	496	190	165	N/A	1,818	330	165	495	349	3	84	N/A	12	96	591
Dumbalk	80	9	N/A	N/A	21	5	N/A	N/A	101	14	N/A	14	13	0	4	N/A	1	5	19
Fish Creek	105	11	N/A	N/A	97	65	N/A	N/A	202	76	N/A	76	64	0	13	N/A	3	16	92
Foster	699	78	N/A	N/A	180	51	N/A	N/A	879	129	N/A	129	130	1	53	N/A	3	56	185
Korumburra	1,963	250	N/A	N/A	343	485	0	N/A	2,306	735	0	735	716	5	59	N/A	19	78	813
Wonthaggi Inverloch Cape Paterson	10,267	1,079	N/A	N/A	802	345	0	N/A	11,069	1,424	0	1,424	1,365	21	403	N/A	57	460	1,884
Leongatha Koonwarra	2,758	397	N/A	N/A	594	1,170	0	N/A	3,352	1,567	0	1,567	1,556	8	86	N/A	39	125	1,692
Meeniyan	215	29	N/A	N/A	59	13	7	N/A	274	42	7	49	43	1	3	N/A	10	13	62
Loch Poowong Nyora	579	83	N/A	N/A	142	99	N/A	N/A	751	182	N/A	182	167	2	125	N/A	4	129	642
Waratah Bay	0	0	N/A	N/A	0	0	16	N/A	0	0	16	16	0	0	N/A	N/A	N/A	N/A	16
Toora Port Franklin Welshpool Port Welshpool	689	67	N/A	N/A	407	185	1	N/A	1,096	252	1	253	287	1	163	N/A	13	176	429
Total	18,677	2,143	-	-	3,141	2,608	189	-	21,848	4,751	189	4,940	426	42	993	-	161	1,154	6,425

Water Services

Major Non-residential water users

Two organisations have been identified as Major Customers with water consumption in excess of 200 ML. 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 7: 2021–22 Major Customers by volume/range

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



South Gippsland Water partnership donation to South Gippsland Health Services promoting safe drinking water.

Bulk Entitlement compliance

South Gippsland Water holds 11 Bulk Entitlement Conversion Orders that define our legal rights to extract water to supply our water systems. A Bulk Entitlement Metering Plan is maintained to ensure repairs, replacements, operational processes and data control are conducted in accordance with bulk entitlement requirements.

A summary of our Bulk Entitlement Orders is provided below.

Table 8: 2021–22 Bulk Entitlement Orders

Bulk Entitlement Order	Water supply	Towns serviced	Bulk entitlement ML/year	Raw water volume taken ML ¹	Storages ²	Volume in storages at 30/06/22 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	441	N/A	N/A	Nil	Nil
Dumbalk	Tarwin River East	Dumbalk	100	19	N/A	N/A	Nil	Nil
Fish Creek	Battery Creek	Fish Creek	251	92	Battery Creek Reservoir	123	Nil	Nil
Foster	Deep Creek	Foster	326	186	Deep Creek Reservoir	238	Nil	Nil
Korumburra	Coalition Creek	Korumburra	1,000	0 ³	No. 1	0 ³	Nil	Nil
	Ness Creek				No. 2	0 ³		
	Bellview Creek				No. 3	0 ³		
Leongatha	Ruby Creek	Leongatha, Koonwarra	2,476	1,721	Reservoir 1	15	Nil	Nil
					Reservoir 2	76		
					Hyland Reservoir	475		
					Western Reservoir	1038		
	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
Meeniyan	Tarwin River	Meeniyan	200	54	N/A	N/A	Nil	Nil
Toora, Port Franklin, Welshpool, Port Welshpool	Agnes River	Toora, Port Franklin, Welshpool, Port Welshpool	1,617	459	Cooks Dam	58	Nil	Nil
Wonthaggi-Inverloch	Lance Creek	Wonthaggi, Inverloch, Cape Paterson	5,600 ⁶	3,003	Lance Creek Reservoir	3,663	Nil	673 ⁴
Greater Yarra System- Thomson River Pool- South Gippsland Water	Greater Yarra System- Thomson River Pool	Wonthaggi, Inverloch, Cape Patterson	1,000 ⁷	681 ⁵	NA	NA	673 ⁴	Nil

Notes:

1. Annual amount of water taken in ML for 2021–22 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 673 ML desalinated water and 7 ML 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 30 June 2022 is 2,010 ML.

Water Services

General reporting requirements

Table 9: Bulk entitlement reporting requirements 2021–22

Amendments to bulk entitlements	No amendments to bulk entitlements in 2021–22
New bulk entitlements	No new bulk entitlements in 2021–22
Failure to comply with provisions of bulk entitlements	All systems complied with the provisions of bulk entitlements
Difficulties experienced in complying with entitlement and remedial actions	All bulk entitlement conditions were met, and no difficulties were experienced in meeting these conditions
Compliance with making allowances	No proposals were submitted associated with making allowances
Compliance with environmental obligations	Environmental obligations were in place for all bulk entitlements and no changes were made to the programs
Compliance with metering obligations	Metering programs were in place for all bulk entitlements and no changes were made to the programs

Reciprocal Water Trading between South Gippsland Water and South East Water

In 2021–22, South East Water and South Gippsland Water undertook reciprocal trades of 681 ML of water allocation. This is part of an ongoing administrative process to enable South Gippsland Water to continue to access, by substitution, our water from the Melbourne surface water system 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 2021–22 reporting period.

Regional Catchment Management Strategy

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

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

Catchment risk management

South Gippsland Water is a strong advocate for catchment risk management and is represented in the Australian Water Association Catchment Management Specialisation Group as a committee member. We implement and practice the principles of the Health-Based Targets approach to assessing catchment risks to drinking water. This approach to catchment risk provides comprehensive information to assess risk to water quality for all water supplies in the South Gippsland drinking water catchments.

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

Victorian Waterway Management Strategy

South Gippsland Water supports the West Gippsland Waterway Strategy as a key planning document for river, estuary and wetland management in West Gippsland. We have been involved in the development of the latest revised 2022 strategy working in consultation where required with the West Gippsland Catchment Management Authority.

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



Portable drinking fountains at Inverloch Surf Life Saving Club.

Wastewater Services

Wastewater management

During 2021–22, South Gippsland Water was compliant with Environment Protection Authority (EPA) licence requirements at eight of its 10 wastewater systems. The two non-compliant systems were:

- *Meeniyan Wastewater Treatment Plant exceeded the median quality limits for phosphorus and ammonia due to an operational issue at the site.*
- *The Toora Wastewater Treatment Plant experienced an offsite discharge during a heavy rainfall event. A project to replace the inlet pumps and pipework was undertaken to prevent a recurrence.*

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

- *installing an additional aeration zone within the bioreactor at the Leongatha Wastewater Treatment Plant to assist with treatment of ammonia*
- *replacing inlet pumps and pipework at the Toora Wastewater Treatment Plant to reduce the risk of spills during heavy rainfall events*
- *upgrading a number of sewage pumping stations to improve efficiency and reduce the risk of spills*
- *targeted cleaning of sewer pipelines to reduce blockages and spills in higher risk areas including Leongatha, Inverloch and Wonthaggi*
- *implementing continued improvements to wastewater management systems particularly for monitoring, calibration, documentation and reporting*
- *assessing region-wide risks associated with all sites to inform future planning.*

Treated effluent and sustainable water re-use

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

Treated effluent re-use systems are in place at Tarraville, Welshpool, Toora, Inverloch, Waratah Bay, Meeniyan, Leongatha and Korumburra. A total of 189 ML (4.2%) of treated effluent was re-used during 2021–22.

South Gippsland Water continually looks for further opportunities to establish wastewater re-use schemes where beneficial and cost-effective outcomes can be secured. The majority of re-use is on agricultural land, and a small amount is used 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 re-use for applications such as road works and weed control.*
- *Korumburra Wastewater Treatment Plant: on-site standpipe enabling Class B re-use for applications such as road works and weed control.*
- *Meeniyan Wastewater Treatment Plant: the sewerage scheme constructed at Meeniyan has incorporated wetlands as the final treatment process. This provides treated effluent to multiple re-use sites within the area including the Stony Creek Football Oval, the Meeniyan Football Oval and the Meeniyan Golf Course, and provides for irrigation on South Gippsland Water's land surrounding the treatment plant.*
- *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 to Class A standard. It is then used by industry and agriculture in the Lang Lang, Koo Wee Rup South and Nyora areas.*

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

Investigating further opportunities – water re-use

The relatively wet South Gippsland climate limits demand for irrigation water, making recycling of all available treated wastewater challenging.

Our 2022 Urban Water Strategy has identified some opportunities for smaller volumes of beneficial re-use that we are progressing:

- *A program to use treated effluent for irrigation purposes at the Foster Recreation Reserve and Foster Golf Club.*
- *Irrigation of farmland and recreational areas for our largest wastewater system at Wonthaggi.*

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 focus 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 to protect our natural assets for future generations.

Greenhouse emissions

We will reduce our greenhouse gas emissions to minimise our contribution to climate change and we 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 our 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 we set our objectives and targets and reflects our 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 is 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 our activities. Key areas that have continued over 2021–22 include:

- *undertaking a review of waste management practices in line with the EPA's new waste duties*
- *reviewing controls for environmental risks*
- *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 our organisational decision making.

Urban Water Strategy

The 2022 Urban Water Strategy provides a 50-year forecast of water supply. It outlines plans to balance supply with forecast demand in future climate scenarios. The new strategy was submitted to the Victorian State Government in March 2022.

The strategy describes 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. Actions are required to improve water supply security and reduce the likelihood of restrictions for the Ruby Creek system (supplying Leongatha and Koonwarra) and Lance Creek system (supplying Wonthaggi, Inverloch, Cape Paterson, Korumburra, Poowong, Loch and Nyora). Actions to address forecast supply shortfalls include a range of water efficiency and supply upgrades.

The strategy included an assessment of water supply system resilience through events such as bushfires, power outages and blue-green algal blooms. The resilience assessment has been used to develop a range of actions required to reduce the likelihood of future outages. These actions include installation of emergency backup generators and targeted asset renewal.

The 2022 strategy also included a long-term forecast for wastewater services' demand relative to system capacity and considered further use (re-use) of treated wastewater as a resource.

A comprehensive action plan was developed as part of the strategy and the status of the actions will be reported annually as part of the Annual Water Security Outlooks.

Drought Preparedness Plan

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

The Drought Preparedness Plan is a dynamic document that is reviewed and refined periodically. 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*
- *evaluating the effectiveness of the Drought Preparedness Plan post-drought.*

There were no staged water restrictions across the South Gippsland Region for the 2021–22 period.

Environmental Sustainability

Built assets

The business has completed or progressed several projects and programs over the year that have accommodated potential climate change impacts on built assets, such as sewers, sewer pump stations and dams. These include:

- *Extreme weather and wet weather events create a risk of spills from sewer networks. In response, there is an ongoing program to upgrade networks to increase resilience by adding capacity and emergency storage for wet weather or unplanned power outages. Work has started on upgrading two sewer pump stations in Inverloch and parts of the Korumburra sewer network.*
- *An upgrade has been completed at Leongatha Wastewater Treatment Plant to improve effluent quality and the work also involves renewal of aeration blowers to maintain reliability and improve efficiency.*
- *A program to renew and upgrade sewer pump stations across the region has continued with installation of new electrical switchboards, and control and communications equipment at multiple sites. These upgrades maintain reliability and also improve control and communications from small remote sites to reduce the risk of sewer spills.*
- *Sewerage system condition assessment and renewal programs have continued to maintain customer service standards, and also identify and reduce stormwater infiltration into sewers.*

Natural environment

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

A project aiming to improve raw water quality in Lance Creek Reservoir is underway. A key objective of the project is to mitigate the potential for increased algal blooms (as a result of climate change). We aim to avoid adding extra treatment processes by managing raw water quality instead. The project has involved in-situ water quality monitoring in the reservoir and detailed studies of the catchment.

We are continuing to work with the Victorian State Government and other agencies to study coastal erosion that is impacting some areas in South Gippsland, primarily around Inverloch. The potential impact of coastal erosion on the business's existing assets has been considered as part of a regional plan.

People and workplace

South Gippsland Water is continually responding to climate change risks to our staff and workplaces. 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 is continuing a program of upgrades designed to improve service resilience during external events such as power interruptions, extreme weather or bushfire. These include:

- *Vulnerability to power supply interruptions is being addressed by purchasing or renewing emergency generators for critical sites, installation of automatic change-over switches and mobile generators.*
- *Load on the grid has been reduced by installation of behind-the-meter solar installations at several sites with approximately 1 MW of capacity commissioned in 2021–22.*
- *Emergency storages lagoon upgrades have been designed for three wastewater treatment plants and construction will start in 2022–23.*

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 2037 Strategy

We are committed to our responsibility to protect the biodiversity in our areas of operation for the benefit of the region and are working to support the delivery of the Victorian Government's Biodiversity 2037 Strategy. Activities we complete in integrating biodiversity conservation and management into our operating and management systems include:

- *integrating social, environmental and economic factors into decision-making and seeking to maximise net beneficial outcomes*
- *applying the precautionary principle in evaluating decisions and policies*
- *acting to conserve or reinstate the biodiversity and ecological integrity of land, aquatic and other natural assets in our area of management.*
- *maintaining biodiversity registers for land and aquatic systems in the vicinity of our operating areas and take these into account during planning and approval processes.*
- *ensuring staff appreciate and respect biodiversity values and recognise their role in protecting biodiversity from detrimental impacts as a result of their work activities.*
- *co-operating with other agencies in developing and implementing biodiversity conservation initiatives.*

Biosolids

The total of biosolids transferred for re-use in 2021–22 represents 44% of biosolids production for the year. We produced 329 dry tonnes of biosolids for 2021–22, which were stockpiled at the Biosolids Management Facility at the Leongatha Wastewater Treatment Plant.

In recent years we have transferred 100% of biosolids for re-use annually. A change in the Environmental Protection Authority classifications resulted in licensing and transport issues and saw the transfer process halt in January 2022.

For the 2021–22 financial year, 143 dry tonnes were transferred to the Pinegro Composting Facility at Bacchus Marsh to be processed for re-use. We are working with our partners to resume 100% biosolids transfer for the 2022–23 financial year.

Carbon Emissions Reduction Pledge

The Corporation is developing a Net-Zero Strategy to achieve net-zero emissions by 2035. This strategy will address greenhouse gas emissions from all sources, including imported electricity and emissions directly from transport and wastewater treatment systems. The strategy will evaluate options and is likely to include a combination of the following:

- *increased energy efficiency and reduction or avoidance of energy use for new projects*
- *more behind-the-meter solar installations*
- *further participation in industry-scale renewable projects*
- *community energy projects*
- *purchasing accredited offsets and GreenPower*
- *other options that become available as the Australian energy and offsets markets evolve*

Environmental Sustainability

Greenhouse gas emissions

The following table sets out our greenhouse gas emissions results for 2021–22.

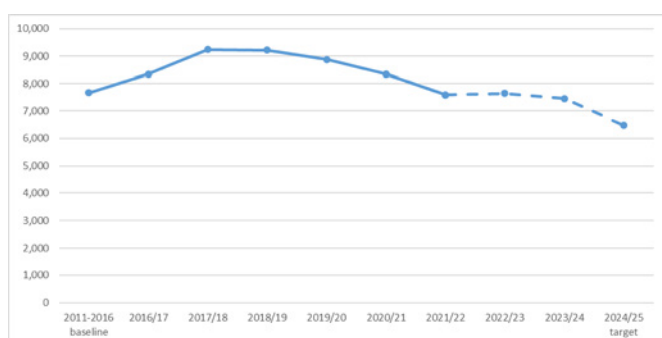
Table 10: 2021–22 Greenhouse gas emissions projections and results

Greenhouse gas emissions in tonnes of CO2-e					
2021–22 Result					
Performance Indicator	2021–22 Projected	Scope 1 Emissions	Scope 2 Emissions	Total emissions	Variance
Water treatment and supply	2,183	39	1,898	1,938	-11.2%
Sewage collection, treatment & recycling	5,296	2,449	2,495	4,944	-6.6%
Transport	485	554		554	+14.2%
Other	121		145	145	+19.7%
Total emissions	8,085	3,042	4,538	7,581	-6.2%
Offsets retired	-				
Net emissions	8,085			7,581	-6.2%

Variances to the 2021–22 projected greenhouse gas emissions are due to:

- installation and commissioning of solar systems for water and wastewater systems as per our Carbon Emissions Reduction Pledge, which resulted in greater renewable energy usage particularly at Lance Creek Water Treatment Plant and Korumburra Wastewater Treatment Plant
- a decrease in Scope 1 (fugitive) emissions (methane and nitrous oxide) released from wastewater treatment due to less tonnes of Chemical Oxygen Demand at 9 of 11 wastewater treatment plants
- an increase in South Gippsland Water transport and electricity use at offices and depots due to the easing of remote working restrictions. In addition to easing COVID-19 restrictions, Foster Office was reopened after being closed for an extended period due to maintenance.

Figure 1: 2021–22 SGW Greenhouse gas emissions overview



Net energy

Net energy consumption

Net energy consumption was 1,190 MJ/ML for potable water and 2,685 MJ/ML for 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 have included:

- 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
- motivating employees to be efficient with their energy use.

Table 11: 2021–22 Energy consumption and generation reporting

Total electricity use	2021–22 (MWh)	2020–21 (MWh)	Commentary
Water treatment and supply	1,978	2,318	Reduction due to behind-the-meter solar system at Lance Creek Water Treatment Plant
Sewage collection, treatment and recycling	2,599	2,588	More electricity used at Wonthaggi Wastewater Treatment Plant for aeration and treatment due to slightly higher inflows
Other (office, workshops, depots etc.)	151	136	More electricity used at Foster Office due to reopening after maintenance
TOTAL	4,728	5,038	

Table 12: 2021–22 Renewable electricity reporting

Renewable electricity used (MWh)			
Performance Indicator	2021–22	2020–21	Commentary
Solar	613	75	Three new large solar systems came online in 2021–22 as part of the Carbon Emissions Reduction Pledge.
Hydroelectric		N/A	
Wind		N/A	
Biogas		N/A	
GreenPower		N/A	
Other		N/A	
TOTAL	613	75	
Percentage renewable electricity (%)	13%	1.7%	



Social Sustainability

Social sustainability

'We will act with honesty, respect and strive to balance affordability, value-for-money and fairness' is one of our five core values, agreed with customers in 2017. The Integrity Customer Outcome sets a basis for our internal framework with respect to social sustainability.

In addition, 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 service providers in Victoria.

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

Aboriginal Cultural Values

South Gippsland Water predominantly works with two Traditional Owner groups. We have a collaborative process 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, Krautungalung 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 Training Program in conjunction with GLaWAC.

Due to COVID-19, GLaWAC partially suspended its cultural training programs in 2021–22. They have since resumed this training, to enable more employees to complete programs during 2022–23.

A South Gippsland Water representative attended six GEA-GLaWAC meetings during 2021–22. The agreement and action plan are currently under review, and expected to be finalised in 2022–23.

The Bunurong Land Council Aboriginal Corporation (BLCAC) is the Traditional Owner organisation that represents 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 of which the BLCAC is a founding member since its inception in 2019.

Social procurement practices are being strengthened and there is opportunity 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, billing systems and meter reading.

Programs that continued under the alliance in 2021–22 included zero emissions, our customer survey process and investigation into a joint project to deliver improved customer relationship platforms.

Water Utility Improvement Program

South Gippsland Water participated in the Australian Water Association (AWA) Indonesia-Australia Water Utility Improvement Program. Despite the challenges of COVID, the partnership with PD PAL Jays has proven to be effective.

One of the successful deliverables was PAL Jaya installing a new Supervisory Control and Data Acquisition (SCADA) system in their Manggarai Sewer Pump Station which is now operating autonomously.

The partnership allowed people from both countries to increase their skills and knowledge and assisted Indonesia in improving its wastewater infrastructure and services to support its growing population.

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 5 in the categories of value-for-money, reputation in the community, level of trust and overall satisfaction.

Those findings are also reflected in the independent annual survey run by InSync on behalf of South Gippsland Water and other regional water corporations. South Gippsland Water is a founding member of this long-standing, industry-leading partnership that commenced in 2014.

Community partnerships

South Gippsland Water supports local organisations and groups who are involved in community programs, education and those who encourage the consumption of tap water.

Table 13: 2021–22 Community partnership summary

Name	Activities	Type of support	
		Financial	In-kind
National Water Week (NWW)	Local primary schools participated in an online program of events during National Water Week (online due to COVID-19)	\$1,000	✓
H4O – Help For Water Efficient Organisations grants	Community grants for water efficiency, community strengthening or encouraging water consumption projects	\$1,100 ¹	✓
H2O – Hills To Oceans grants	Landholder and community grants to improve catchment health and environment	\$500 ²	✓
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. Bookings recommenced January 2022, once COVID-19 restrictions lifted. South Gippsland Water has since supported over 20 different community events across the region, including Disabled Surfers Association Inverloch, Foster Show, the Inverloch Expo, Stony Creek's Family Day, Leongatha Tennis Club and Experience Cape (Cape Paterson).	-	✓
Public water bottle refill and drinking fountain	Donation of permanent refill stations to community groups and public facilities.	\$7,500 ³	✓
South Coast Water Partnership	A partnership of nine health and community-based organisations that aims to improve health outcomes for local communities by promoting the health benefits of drinking water over sugar-sweetened beverages.	-	✓

1. Supporting Inverloch Autumn Festival, South Coast Health Partnership water bottle donation. In kind support to Wonthaggi Theatre Group, Foster Show and University of Third Age Wonthaggi/Bass Coast (U3A).
2. Poowong Landcare to rehabilitate Little Bass Reservoir, including site signs.
3. Drinking water fountain partnership with Bass Coast Shire Council.

Social Sustainability

Choose Tap Coalition

South Gippsland Water is one of 20 water utilities nationwide to sign on as partners to the Choose Tap Coalition. The coalition helps promote drinking tap water over bottled water. The coalition includes councils and water corporations from around Australia united together under the Choose Tap brand. It allows members to share resources, learn about experiences, and to benefit from a consistent and recognised brand and message.

The Choose Tap 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. We promote the Choose Tap message via our social media platforms, by supporting community events with our water trailer and by donating permanent drinking water fountains in partnership with our local shire councils.

Customer consultation

South Gippsland Water recognises that engaging, informing and consulting with our customers and stakeholders is pivotal to the effectiveness of our services and ensures that water management and planning for resilient and liveable communities delivers outcomes that our customers 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 with the International Association for Public Participation's Framework (IAP2) for Effective Public Participation.

Projects in 2021-22 included:

- working with Poowong Landcare to rehabilitate the Little Bass Reservoir
- working with Fish Creek community and RMIT University to find a solution to the town's wastewater problems
- Wonthaggi Wastewater Treatment Plant
- South Coast Water Partnership on a South Gippsland Healthy Communities action plan
- Inverloch sewer renewal project communications

During 2021–22 we did substantial consultation on our Urban Water Strategy and our Price Submission to the Essential Services Commission.

The Urban Water Strategy (UWS) included:

- a public survey
- face-to-face engagement in towns across the region
- establishing a Community Advisory Committee (CAC) to help oversee our engagement with the UWS and then the Price Submission
- engaged extensively with the CAC to develop a series of options for major capital works
- stakeholder engagement including with traditional owners.

The Price Submission included:

- a public survey with targeted questions on what our customers value about our services
- face-to-face drop-ins and events in towns across the region
- a deliberative engagement process including workshops to better understand and engage our customers
- meeting with the Community Advisory Committee to better engage with our communities on potential options for water and wastewater improvements
- a series of workshops to further develop our understanding of what customers value about our services.

Schools education and water efficiency programs

Education

Ongoing management of COVID-19 has limited our ability to deliver onsite learning experiences for primary and secondary school students. However, we have continued to facilitate school education programs throughout 2021–22, including:

- Participation in the Foster Secondary College Careers' Expo
- Encouraging all primary school children to participate in National Water Week's online program of events
- Yarram Primary School toured Devon North Water Treatment Plant in June 2022
- The South Gippsland Water website includes a dedicated education section featuring teaching resources and activities.

Water efficiency

Throughout 2021–22 we have supported the establishment of the Victorian Water Efficiency Strategy, a joint initiative of water corporations from across the Victorian Water Industry. A range of activities have been completed, including:

- promoting Permanent Water Saving Rules and Target your Water Use via traditional and social media
- participating with the Schools Water Efficiency Program (SWEP). Since 2012, 23 registered SWEP schools in South Gippsland Water's region have saved a total of 91.5 million litres of water. This is a saving of \$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 about 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
- invitations to comment and, at certain times, submit online surveys.

Customer support program – Coronavirus (COVID-19)

The South Gippsland Water customer support program was reviewed in anticipation of potentially significant economic impacts to our customers as a result of COVID-19. The program is in alignment with the wider water sector, as well as the National Cabinet Principles, and Essential Services Commission (ESC) requirements.

Key elements of the response include:

- extended period of operation for instalment plans from one to two years for all customers
- payment extension period increased from four to 12 weeks for all customers
- one-on-one facilitated support for assessing eligibility and, where confirmed, submitting Utility Relief Grants
- a dedicated customer support officer to assist customers who experience vulnerability.

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

- Key messages promoting our customer support program developed and published on external media channels.
- We re-worded Service Accounts to an easy English version that is more customer friendly.
- We engaged local support agencies and counselling services in the region to assist with referrals and support services for customers.
- Outbound calls were made 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 an opportunity for a deep dive insight analysis to help inform future program requirements.
- Vulnerability studies have been conducted and surveys completed as the 'voice of the customer'.

Social Sustainability

Management of social and economic impacts

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

- *engaging in discussions with customers to understand suitable payment options*
- *treating all customers with sensitivity and without making value judgments*
- *always respecting customer privacy in personal communications and in South Gippsland Water databases*
- *communicating in a way that is appropriate to the needs of the customer, including all resources being fully accessible to people with a disability, those who may have limitations in using or accessing digital technology, or social factors that impact interactions*
- *providing interpreter services upon request*
- *making all efforts to identify any need for additional support early and prior to accounts moving into arrears*
 - *reaching agreement with eligible customers on the most appropriate support for their circumstances, recognising financial pressures may be short-term or long-term and including information about, or referral to, relevant regional support agencies*
 - *not engaging in legal action, restriction of water supply, and additional debt recovery actions against customers who meet our hardship criteria and continue to make payments according to an agreed schedule*
 - *monitoring the operation of customer support agreements to proactively identify any issues as early as possible, and communicate with customers to establish alternative arrangements if necessary*
 - *detailing the circumstances in which access to support will cease*
 - *ensuring employees receive regular and broad training in working effectively with the range of customer circumstances and communication needs*
 - *providing customers with information about assistance programs and government concessions, including the Utility Relief Grant Scheme and Community Rebate Program*
 - *providing information and assistance to reduce water consumption*
 - *advising customers about their right to lodge a complaint with the Energy and Water Ombudsman if their affordability issue is not resolved with us.*

South Gippsland Water receives funds for the continued establishment of the Community Water Rebate Program. The funding was provided to 20 lower income customers in 2021–22 to support provision of water efficiency improvements including fixing leaks, replacing inefficient or faulty toilet cisterns and hot water systems.

Community Service Obligations – financial assistance

Financial assistance is provided to individuals, businesses and organisations as part of the Australian Government's Community Service Obligations. South Gippsland Water has 805 customers with instalment plans currently in place.

Table 14: 2021–22 Community assistance provided

Value of Community Service Obligation provided	2021–22	2020–21
Provision of concessions to concession card holders	\$1,813,244	\$1,819,496
Rebates paid to not-for-profit organisations (NPO) under the water and sewerage rebate scheme	\$148,982	\$149,812
Utility Relief Grants Scheme (URGs) payments	\$92,453	\$35,037
Hardship grants applied	\$ 0	\$1,000
Water concessions on life support machines – Haemodialysis	\$ 313	\$319
Community Rebate Program	\$ 9,724	\$ 5,701
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.

In 2021-22 we commenced developing a Social Procurement Policy with specific targets. Strengthening social and economic outcomes and increasing job opportunities across Gippsland was a key objective and outcome sought by SGW. An affiliation with Grow Gippsland has been made to achieve this.

South Gippsland Water's Social Procurement practices are maturing and being developed in alignment with the Victorian Government Procurement Board initiative to reach compliance. This year we have accessed State Purchasing Contracts eg: labour hire, fleet and fuel to pursue the social procurement opportunities embedded in these existing contracts. We also focused on reviewing our Social Procurement activities and continued to further develop Key Performance Indicators for reporting purposes.

Table 15: Summary of Key Focus Areas

Objective Prioritised	Outcome Sought	Progress
Opportunities for disadvantaged Victorians	Job readiness and employment for long term unemployed people	SGW has agreed to join with Grow Gippsland which supports creating jobs through local inclusive employment opportunities.
Supporting safe and fair workplaces	Purchasing from suppliers that comply with industrial relations laws and promote secure employment	SGW have accessed State Purchasing Contracts for Labour Hire to ensure compliance.
Environmentally sustainable outputs	Project specific requirements to manage waste and pollution	Sustainable procurement schedules were included in all Request for Quotation and Request for Tender templates.

Our People

Background

South Gippsland Water recognises our employees play a vital role in delivering outcomes for our customers. For the second year in a row, 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 continued, as did a priority focus on mental health and wellbeing delivered through year 2 of the organisation's inaugural Mental Health Strategy.

Investment in employee learning and development continued, including beginning the fourth iteration of the South Gippsland Water Leadership Program. We supported our people to further develop their skills in science, engineering, and plant and network operations and maintenance 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.

Employment and conduct principles

South Gippsland Water is committed to applying merit and equity principles to our recruitment processes and in staff management practices. Selection processes ensure applicants are assessed and evaluated fairly and equitably based on the key selection criteria and other accountabilities, without discrimination. South Gippsland Water communicates our 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 that 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 a review of the 2017–2020 Diversity and Inclusion Plan and targets occurring during the year. This resulted in the Equity, Inclusion and Diversity Strategic Plan 2021–2024 commencing 1 July 2021. The new plan builds on progress achieved against the 2017–2020 plan.

A key focus of the new plan, South Gippsland Water collaborated across the workforce to develop a focused Gender Equality Action Plan 2021–2025. Analysis across a range of indicators outlined in the *Gender Equality Act 2020* gave insights into where further progress is needed organisationally, to reduce systemic barriers to gender inequality. Commencing operation 1 July 2022 an internal employee network was established to enable input into:

- improvements in job design and work practices
- recruitment practices
- education about stereotypes and bias to open up further opportunities for participation across a range of roles, regardless of gender.

We continue 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 2021–2024** is available online via www.sgwater.com.au/about-us/corporate-policy-legislation.

Employee Assistance Program (EAP)

South Gippsland Water offers a confidential Employee Assistance Program to assist staff and their immediate family in times of stress and difficulty. The program provides employees and family

members with counselling, coaching and support for workplace and personal issues.

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

Enterprise Agreement

A new four-year Enterprise Agreement was negotiated during the year and was approved by the Fair Work Commission in April 2022. The Agreement will nominally expire on 19 June 2025.

Table 16: 2021–22 Equity, Inclusion and Diversity initiatives

Workforce Inclusion Policy initiative	Target (% FTE)	Performance 2021–22	Baseline ¹
Gender diversity	General Managers and Executive Officers 50% each male and female by June 2024	60% male 40% female	2015–16 80% male 20% female
	Senior managers ² 50% each male and female by June 2024	60% male 40% female	2015–16 73% male 27% female
	Engineering, maintenance and water and wastewater treatment 70% male 30% female by June 2024	N/A	To commence 2022–23
	Corporate support and customer service 40% male 60% female by June 2024	N/A	To commence 2022–23
2021 People Matter Survey			
Cultural and linguistic diversity	1% of our workforce identify as Aboriginal and/or Torres Strait Islander AND/OR partnership with regional organisations provide employment by 2024	0% 5% prefer not to say Nil partnerships	2015–16 1%
	5% of our workforce speak a language other than English at home by 2024	10% yes 8% prefer not to say	2015–16 13%
Age diversity	7% of staff age 25 or under by June 2024	6%	2015–16 3.8%
Flexible work arrangements	100% of workforce will work flexibly by 2024 ³	100%	2015–16 Data not available
Caring responsibilities	50% of our workforce identify as having caring responsibilities by 2024	45% 11% prefer not to say	2015–16 Data not available
LGBTQI+ diversity	4% of our workforce identify as belonging to the LGBTQI+ communities by 2024	3% 13% prefer not to say 1% doesn't know	2015–16 6%
All abilities	6% of our workforce identify as a person with a disability by 2024	6% 8% prefer not to say	2015–16 2% (May 2016)
	Necessary upgrades to facilities and technology are identified as part of the 2021–22 Capital Plan process and delivered as scheduled	Strategy is under review	N/A
Psychosocial Safety	The Psychosocial Climate Index score is sustained as 15+ (Positive Climate)	15	2018–19 12

1. Baseline years reflect the year the target was introduced.

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'.

Our People

Workforce data

Table 17: 2021–22 Workforce data

		All employees			Fixed-term and casual employees	
Employees (headcount)		Full-time (headcount)	Part-time (headcount)	FTE	Headcount	FTE
June 2022	130	106	24	123.8	28	25.9
June 2021	134	108	26	125.2	23	19.0

	June 2021–22				June 2020–21			
	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								
Men	67	65.5	17	16.5	73	71.6	14	12.6
Women	35	32.3	11	9.5	38	34.9	9	6.4
Self-described	0	0	0	0	0	0	0	0
Age								
Under 25	2	2	4	4	3	2.74	4	4
25–34	21	20.3	4	4	23	21.5	3	2.4
35–44	23	21.4	3	3	26	24.5	1	1
45–54	28	27.5	8	7.3	32	31.7	5	3.8
55–64	26	24.7	7	6.3	27	25.8	10	7.8
Over 64	2	2	2	1.3	0	0	0	0
Classification								
Trainee	0	0	2	2	0	0	0	0
Band 3	4	4	2	2	6	5.4	3	3
Band 4	16	14.9	4	3.2	17	16	3	1.2
Band 5	15	14.3	3	2.8	20	19.2	2	1.3
Band 6	24	23.5	4	3.8	23	21.9	4	4
Band 7	13	12	2	1.6	15	14.5	1	0.63
Band 8	17	16.8	0	0	16	15.6	2	2
SEO	13	12	5	4.5	14	13.5	3	2
Executives	0	0	4	4	0	0	4	4
Managing Director	0	0	2	2	0	0	1	1
	102	97.9	28	25.9	111	106.1	23	19.1
			130	123.82			134	125.21



South Gippsland Water staff consulting with customers.



South Gippsland Water's 3 Managing Directors. Rob Murphy appointed 2022, Philippe du Plessis 2011–2022 and Steve Evans 1995–2011.

Our People

Health, Safety and Wellbeing

Entering the second year of implementing its Strategic Plan, South Gippsland Water's Health, Safety and Wellbeing unit had a number of focus areas, including:

- *improving contractor management practices*
- *developing tools to help manage workload stress*
- *reviewing and expanding communication and reporting mechanisms.*

After several brief 'return to office' attempts, interspersed with COVID-19 lockdowns, a continuous presence in offices became possible from early 2022. This was enabled by applying thorough COVIDSafe Plans at all workplaces. The Plans included strict sanitising practices, positive case response protocols, maximising ventilation and using HEPA air filtration units. Resumption of critical training and work, involving multiple key personnel, was made possible through careful workforce bubble structures and use of Rapid Antigen Testing in order to minimise safety and operational risks.

The digitisation of our health, safety and wellbeing processes through apps and automation continued – a key addition was the Permit to Work app. This app formalised processes of communication and approval between site owners and the staff or contractors performing necessary work such as planning, initiation, job management and works completion. Automation and integration processes and notifications have improved vehicle and remote worker safety. For example, welfare checks are now triggered and responded to when vehicle crash alerts and other events occur.

Year 1 of the Mental Health and Wellbeing Strategy included a range of mandatory and optional training for all levels of the organisation. This has built up base level knowledge in all staff and gave those with specific areas of interest a platform. An example for 2021–22 is our resilience program.

As part of the successful launch of this strategy, staff were given the opportunity to receive a Trade Mutt Hi Viz work shirt to assist as a conversation starter. The offer received a high level of uptake and gave a very visible element to the launch as well making our staff highly visible across the region.

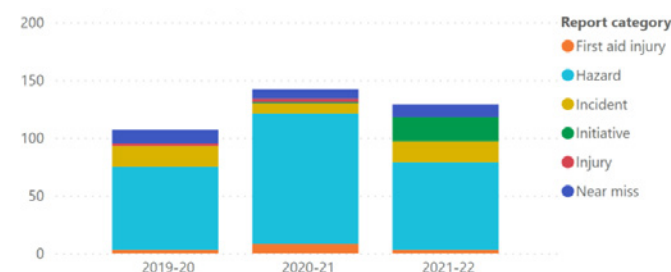
The staff OHS Consultative Committee maintained strong input on health, safety and wellbeing matters over the course of the year. Health and Safety Representatives were highly active, participating in voluntary work groups to help improve safety processes. They also actively implemented initiatives with their designated work groups, including more effective wet weather gear, hard hats and hearing protection.

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

Health and safety reporting

The total number of reports dropped slightly over the 2021–22 period. However, the ratio of proactive reports (hazards, initiatives and near misses) versus reactive reports (incidents and all types of injuries) remained above 5:1. A new report category of 'initiatives' was introduced in 2021 to help streamline processes to highlight a hazard that may be resolved without the need for an investigation.

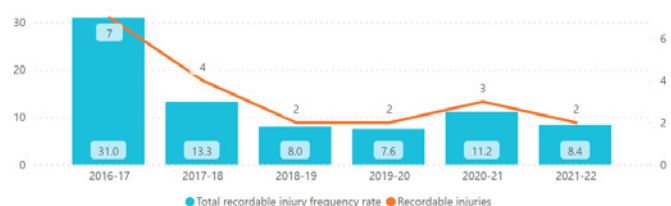
Figure 2: 2021–22 OHS reports by OHS category



Recordable injuries

The rate of recordable injuries per million hours worked dropped slightly with two such injuries occurring in 2021–22.

Figure 3: Total recordable injury frequency rate



Corporate Information

Role of the Board and membership

The Board of Directors, appointed by the Minister for Water, operates under the provisions of the Water Act 1989 and has responsibility for the governance of 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, seven Non-executive Directors and the Managing Director.

Remuneration of Non-Executive Directors and Executive Officers

Refer to the Notes to Accounts within the Financial Report.

Meetings, committees and composition of committees

The Board generally meets on the fourth Thursday of nominated months and as required. In order to effectively carry out its responsibilities, the Board has established the following committees:

1 July 2021 to 30 June 2022
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 1 July 2021 to 30 September 2021 the Committee was comprised of Sue Friend (Chair), Geoff Lake, Nick Fleming, Nicola Hepenstall and David Schultz. From 1 October 2021, the Committee comprised of Carly Moore (Chair), Nicola Hepenstall, Nick Fleming, Diana Nestorovska and Phil Clark. Vito Giudice has held the position of independent external member from the 22 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 1 July 2021 to 30 September 2021 the Committee was comprised of four Non-executive Directors – Geoff Lake (Chair), Kate Young, Jennifer Ryan and David Schultz. From 1 October 2021, the Committee comprised of five Non-executive Directors – Chris Rose (Chair), Carly Moore, Jennifer Ryan, Sumi Prabhakaran and Phil Clark.
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 1 July 2021 to 30 September 2021 the Committee was comprised of Kate Young (Chair), Chris Rose, Nicola Hepenstall, Jennifer Ryan and David Schultz. From 1 October 2021, the Committee comprised of Jennifer Ryan (Chair), Chris Rose, Nicola Hepenstall and Phil Clark.
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 1 July 2021 to 30 September 2021 the Committee was comprised of Chris Rose (Chair), Nick Fleming, Sue Friend and David Schultz. From 1 October 2021, the Committee comprised of Nicola Hepenstall (Chair), Diana Nestorovska, Sumi Prabhakaran, Nick Fleming and Phil Clark.

Director attendance at Board and Committee meetings

Table 18: 2021–22 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 Until 30 September 2021	2/3	2/2	1/2	1/2	1/1
Chris Rose Chair of Corporate Governance Committee to 30 September 2021 Chair of Engagement and Planning Committee from 1 October 2021	11/11	N/A	4/4	3/3	1/1
Geoff Lake Until 30 September 2021	3/3	1/2	2/2	N/A	N/A
Kate Young Until 30 September 2021	3/3	N/A	2/2	2/2	N/A
Susan Friend Until 30 September 2021	3/3	2/2	N/A	N/A	1/1
Nicola Hepenstall Deputy Chair of Board from 1 October 2021 Chair of Corporate Governance Committee from 1 October 2021	10/11	4/5	N/A	1/1	3/3
Nick Fleming	11/11	2/5	N/A	N/A	5/5
Jennifer Ryan Chair of People, Safety and Culture Committee from 1 October 2021	11/11	N/A	4/4	3/3	N/A
Phil Clark Chair of Board from 1 October 2021	8/8	3/3	3/4	1/1	3/3
Carly Moore from 1 October 2021 Chair of the Audit and Risk Management Committee from 1 October 2021	8/8	3/3	3/4	N/A	N/A
Diana Nestorovska from 1 October 2021	8/8	3/3	N/A	N/A	3/3
Sumi Prabhakaran from 1 October 2021	8/8	N/A	4/4	N/A	3/3

Statement of Availability of Other Information

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

- A 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.

Corporate Information

- d. Details of changes in prices, fees, charges, rates and levies charged by the Corporation for its services, including services that are administered.
- e. Details of any major external reviews carried out in respect of the operation of the Corporation.
- f. Details of any other research and development activities undertaken by the Corporation that are not otherwise covered either in the Report of Operations or in a document which contains the Financial Report and Report of Operations.
- g. Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit.
- h. Details of major promotional, public relations and marketing activities undertaken by the Corporation to develop community awareness of the services provided by the Corporation.
- i. Details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the Report of Operations.
- j. A general statement on industrial relations with the Corporation and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations.
- k. A list of major committees sponsored by the Corporation, the purposes of each committee and the extent to which the purposes have been achieved.

The information is available on request from:

South Gippsland Region Water Corporation, Company Secretary
PO Box 102, Foster, VIC, 3960
Phone: 03 5682 0444
Email: sgwater@sgwater.com.au

Declaration of pecuniary interests

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

Audit Programs

External

Crowe Australasia, an affiliate of Findex (Aust) Pty Ltd, as an agent for the Auditor-General Victoria, undertook the external audit for 2021–22.

Internal

Pitcher and Partners undertook four internal audits during 2021–22. Namely: Victorian Protective Data Security Standards (VPDSS) Compliance, Capital Planning, Standing Directions Attestation and Internal Audit Closed Recommendation.

Manner of establishment and the relevant Minister

South Gippsland Region Water Corporation (trading as South Gippsland Water) was constituted on 22 December 1994, under the *Water Act 1989*, by order of the Hon. Geoff Coleman, Minister for Natural Resources (Order No S102 published in the Government Gazette). The order took effect from 1 January 1995. The responsible Minister for the period from 1 July 2021 to 26 June 2022 was the Hon Lisa Neville MP, Minister for Water. The Hon Richard Wynne acted as the Minister for Water from 1 July 2021 to 22 August 2021. The Hon Harriet Shing was appointed Minister for Water from 27 June 2022.

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



South Gippsland Water staff at the Wonthaggi Depot

Corporate Information

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 was one application received by South Gippsland Water under the *Freedom of Information Act 1982* during 2021–22. The Corporation provided partial release for the request. An exemption was applied to a number of documents under 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 \$30.60 from 1 July 2022 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.

Events subsequent to balance date

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

Public Interest Disclosure Act 2012

Compliance with the Public Interest Disclosures Act 2012

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

What is a public interest disclosure?

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

How do I make a public interest disclosure?

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

South Gippsland Water is not able to receive public interest disclosures. We have established procedures to protect persons from detrimental action in reprisal for making a public interest disclosure about South Gippsland Water, its board members, officers or employees. You can access our procedures on the website at: www.sgwater.com.au/about-us/corporate-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

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 to incorporate the Major Project Skills Guarantee (MPSG) Policy. South Gippsland Water is required to apply the Local Jobs First Policy in all contracts valued at \$1m or more.

Contracts

During 2021–22, two contracts were awarded that exceeded the threshold for the Local Jobs First legislation. One was for detailed design and construction of pump station and sewer upgrades in Inverloch for \$4.3m. The objectives and fundamentals of the Local Jobs First Policy were applied during evaluation of tenders for the contract. The work, which started in June 2022, is expected to deliver 99.6% local content. The second contract was for design, fabrication and installation of vehicle service bodies for the maintenance vehicle fleet. This contract was worth \$1.3m, which was partly complete at the end of 2021–22, and is expected to deliver 91.5% local content.

Corporate Information

Two Local Jobs First contracts that started prior to the financial year were completed in 2021–22. The upgrade and renewal of the Wonthaggi Low-level Basin pump station, a contract of \$1.3m, had a commitment of 77.2% local content. The contract of \$2.2m for the installation of behind-the-meter solar power generation at four South Gippsland Water sites delivered 78.5% local content.

The sewer relining and rehabilitation contract, which was awarded in 2017–18, was a 3-year contract with an option for a further 3-year extension. An extension of this contract was awarded in 2020–21. The tender and contract for sewer relining was managed in accordance with VIPP (2003) requirements.

Details of consultancies

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.

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

In 2021–22, there were 66 consultancies where the total fees payable to each consultant was \$10,000 or greater. The total expenditure incurred during 2021–22 in relation to these consultancies was \$3,894,459 (excl. GST). The majority of expenditure on consultants is related to infrastructure engineering investigations and design.

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

In 2021–22, there were 37 consultancies engaged during the year, where the total fees payable to each consultant was less than \$10,000. The total expenditure incurred during 2021–22 in relation to these consultancies was \$140,315 (excl. GST).

Disclosure of major contracts

South Gippsland Water did not award any major contracts during 2021–22. A 'major contract' is a contract entered into during the reporting period valued at \$10 million or more.

Major projects 2021–22

The following summarises the major projects undertaken by South Gippsland Water during 2021–22, 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.

Provide safe, clean drinking water

Disinfection upgrades at water treatment plants

- To improve drinking water quality and safety, a range of disinfection upgrades were completed at three water treatment plants.
- The work was completed using a design and construct contract.
- The project cost was \$3.9m (including 2 disinfection upgrades at wastewater plants*.)

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 improved staff and contractor safety when working on and around the basins.
- Renewal of the Wonthaggi Low Level Basin cover and liner was completed in 2021–22 at a project cost of \$1.1m.
- Three of six basins have now been renewed.

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

Inverloch sewer upgrades

- The project will increase capacity of the network, supporting growth in the town.
- A \$4.3m contract for upgrade and renewal of two sewer pump stations was awarded in 2021–22.
- The scope of works includes capacity upgrades and installation of emergency storage and additional resilience to reduce the likelihood of sewer spills.

Leongatha Wastewater Treatment Plant upgrade

- The project increased the capacity of the plant to support growth in the town, and also aimed to improve plant reliability and improve treated water quality to protect the environment.
- The \$0.8m project also included renewal of aeration blowers that are critical for plant operation.
- The work was substantially complete and operational by June 2022.

*Disinfection upgrades at wastewater treatment plants**

- A disinfection upgrade was completed at Leongatha wastewater treatment plant to improve plant reliability and reduce safety risks.
- A similar upgrade was also completed at Korumburra wastewater treatment plant.

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. A second contract, with a value of \$0.6m, was substantially completed during 2021–22.

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

Sewer rehabilitation and relining

- Sewer blockages and spills are often caused by aged sewers blocked when tree roots grow into cracked and broken pipework.
- There is an ongoing program of cleaning, inspection by Closed Circuit Television (CCTV) and relining. Sewer manhole inspection and repair are part of the program of works. This year 1,173 metres have been relined and 225 manholes have been rehabilitated.
- The program value was \$0.7 m for 2021–22.

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.
- During 2021–22 significant renewals started at the Toora and Leongatha water treatment plants. At Toora a 1ML storage tank is being refurbished, including complete replacement of the roof. These works are designed to protect drinking water quality and improve on-site health and safety. At Leongatha two of the five filter banks are being refurbished to maintain drinking water quality and plant reliability.

Water distribution main renewals

This program of works is to renew and upgrade a range of aging assets to maintain water service reliability and water quality.

- Work has continued on this program since 2019 and will continue until 2022–23.
- During 2021–22 a major renewal and upgrade of distribution mains near the Wonthaggi Water Tower was started. The works, costing \$0.8m, will reduce the likelihood of bursts and leaks and the associated water supply interruptions. Part of the project involves upgrading some of the pipework to accommodate growth in Wonthaggi.

Corporate Information

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

Carbon emission reduction projects

Construction of four behind-the-meter solar power installations, with a total generation capacity just over 1MW, was substantially completed in 2020–21 and the systems were made operational in 2021–22.

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.

Behind-the-meter solar and the Power Purchasing Agreement will allow South Gippsland Water to meet its pledge to reduce emissions by 15% by 2025, relative to a baseline from 2011 to 2016. In addition, the business plans to import only renewable electricity by 2025, which will result in a carbon emission reduction of approximately 50% relative to the baseline. This reduction is significantly better than the original pledge.

Carbon neutrality

The Corporation is developing a strategy to achieve carbon neutrality by 2035. The strategy will address emissions created directly from wastewater treatment systems and fuel used for the business's fleet of vehicles.

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 (SDS) that was originally published in 2018–19 that describes the forum's objectives, regional opportunities and flagship projects. The SDS was updated in 2021–22 and publication of the updated document is expected late in the 2022 calendar year. Five of the key projects described in SDS are in the South Gippsland Water region. We are leading a project on the feasibility of stormwater capture and use in Leongatha to substitute drinking water with fit-for-purpose alternative sources. The project aims to determine whether stormwater can play a role in long-term efforts to secure water supplies for Leongatha in the context of climate variability and growth of the town.

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.

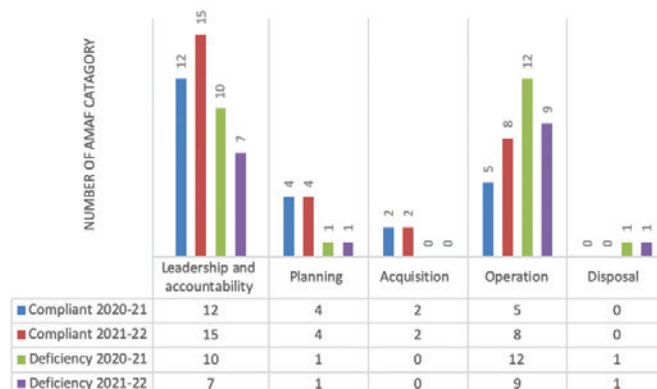
The Corporation is required to manage assets in accordance with the State Government Asset Management Accountability Framework (AMAF) which is based on the ISO 55000 Asset Management Series. In 2020–21 the business reported on an AMAF Maturity Rating for the first time. South Gippsland Water's target maturity rating is 'Competent', meaning systems and processes are fully in place, consistently applied and systematically meeting the AMAF requirement, including a continuous improvement process to expand system performance above AMAF minimum requirements. Table 19 summaries the current status against 41 AMAF Categories and actions completed in 2021–22 or underway in 2022–23 to address compliance deficiency. There is no Material non-compliance reported.

Compliance improved during 2021–22 mainly in Leadership and Accountability and Operation areas. Further improvement work is under progress for 2022–23.

Table 19: AMAF Compliance Status

Target	Performance
Leadership and accountability	(requirements 1-19) In the past year the business has developed performance KPI targets for various assets and service standards to improve compliance relative to the AMAF requirements. Implementation of organisational structure review is delayed due to new board and MD. Contract Review is complete and procedure STE-006d needs to be updated to reflect current contract requirements.
Planning	(requirements 20-23) In the past year the Corporation has established a risk management process to identify, monitor and control major asset system risks to improve compliance relative to AMAF requirements.
Acquisition	(requirements 24-25) The Corporation has met all compliance in this category.
Operation	(requirements 26-40) Developed process, procedure, and template / forms to update inaccurate or incomplete asset data in GIS and Infor IPS to address data quality. - refer to FAM007 and FAM014. In the past year the Corporation has reviewed and updated the Maintenance Management Strategy, Condition assessment manual and is working to improve critical spares availability. Developed an ICT Roadmap and Digital strategy, including various Asset Management system (INFOR IPS) upgrades.
Disposal	(requirement 41) The business is reviewing and updating asset disposal policies and procedures.

Figure 4: AMAF Compliance Status



Information and Communication Technology

The Information and Communication Technology (ICT) team continue to work on our digital transformation project, improving work process, upgrading core business applications, replacing aging equipment, supporting the business and ultimately improving support for our customers. We also have a strong focus on improving cyber security and business continuity. Cyber security has been of particular importance during 2021–22 and will remain a priority for the coming year and into the future.

For the 2021–22 reporting period, South Gippsland Water spent \$3,921,277 on Information Communication and Technology. Expenditure comprises two categories: Business As Usual and Non-business As Usual expenditure.

- *Non-business as Usual expenditure relates to extending or enhancing South Gippsland Water's current capabilities.*
- *Business as Usual expenditure is all remaining ICT expenditure, which primarily relates to ongoing activities to operate and maintain the current capability.*

The focus is on improving access to operational plant and implementing a standards-based approach. Operational plant improvements are focused on improving customer delivery.

Table 20: 2021–22 ICT Expenditure

Business As Usual (BAU)	Non-business As Usual (non-BAU)		Total expenditure
	Operational	Capital	
\$2,724,882	\$0	\$1,196,395	\$3,921,277

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 2021–22 and beyond via a Letter of Expectations (LOE) for water corporations. South Gippsland Water is committed to delivering upon the seven relevant policy areas set out in the Minister's Letter of Expectations.

Climate Change

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

Key Performance Indicator	Measure	Reference	Page
E1 Emission reductions Demonstration of reasonable progress toward achievement of the entity's emission reduction target specified in the Statement of Obligations.	E1 Total net greenhouse gas emissions in tonnes of CO2 equivalent.	Environmental sustainability Carbon Emissions Reduction Pledge Greenhouse gas emissions	15 – 17
E2 Energy and Renewable Electricity Consumption Demonstrate reasonable progress in contributing to sector achieving its renewable energy use target of 40% by 2025 as outlined in Victoria's water plan, Water for Victoria.	E2 Total electricity consumption, and total renewable electricity consumption, in megawatt hours.	Net energy	17
E3 Adaptation to Climate change and variability a. Application of the <i>Guidelines for Assessing the Impact of Climate Change on Water Availability in Victoria</i> – through application in drought preparedness and urban water strategies. b. Demonstration of reasonable progress in integrating climate change adaptation into planning and decision- making across the business (all sources of water, wastewater and where relevant, drainage and flood management).	E3 Qualitative description of how the guidelines will be used. Qualitative description of how adaption will be undertaken in each of the six business areas, including consideration of short, medium and long-term changes. <ul style="list-style-type: none"> • source waters and demand • built assets • natural environment • people and workplace • interdependencies • customer and product delivery 	Water Services Adaption to climate change variability	15

Customer and community outcomes

All aspects of service delivery will be customer and community centred 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 surveys 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 and partnerships with Traditional Owners and Aboriginal Victorians for involvement in business opportunities and access to water for, spiritual, customary, social, and economic purposes, and other self-determined purposes.	AC1.1 A strategy that demonstrates how the water corporation is addressing procurement barriers and providing procurement opportunities to Aboriginal enterprises to supply goods/services to water corporations and number of Aboriginal enterprises procured in the last year.	Corporate Information Aboriginal Cultural Values	18, 20 to 21
	AC1.12 Total number of tender requests received, total number of Aboriginal enterprise tenders received and total number of Aboriginal enterprises procured in FY.		
	AC 1.2 Number and description of offered and/or active sponsorships of Aboriginal people in relevant study and training courses	Aboriginal Cultural Values	18
	AC1.3 Number of staff within the water corporation who have undertaken a cross-cultural training course (by relevant Traditional Owner) in the last year and working towards development of mandatory cultural safety training program/policy.	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 and management documents for Aboriginal water related values and other self-determined priorities.	AC2.1 Number of effective engagements and partnerships with Traditional Owners in water planning and management including the number of water projects completed that led to improved outcomes for Aboriginal Communities.	Aboriginal Cultural Values	18
	AC2.2 Demonstrate that Traditional Owners have had the opportunity to review and/or endorse all sections of the Annual Report that include specific reference to traditional ecological knowledge, values and wellbeing.		
AC3 Aboriginal Inclusion Plan/Reconciliation Action Plan To be considered in conjunction with AC1 and AC2, taking into account the relevant local context.	AC3 Implementation of either an Aboriginal Inclusion Plan, Reconciliation Action Plan or a Self-determination Plan, reflecting measures AC1.1 to AC1.3 and AC2.1 as appropriate and report against number of actions achieved and ongoing.	South Gippsland Water Diversity and Inclusion Plan is available via www.sgwater.com.au/about-us/corporate-policy-legislations	18
	AC3.1 Demonstrate that Traditional Owners have had the opportunity to review and/or endorse, all sections of the Plans that include specific reference to Traditional ecological knowledge, values and wellbeing.		

Resilient and liveable cities and towns

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

Key Performance Indicator	Measure	Reference	Page
L1 Integrated Water Management In relevant IWM forum(s), actively facilitate and champion water's contribution to the resilience and liveability of 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, Water for Victoria and relevant sustainable and urban water strategies.	L2 Continue to collaborate on the Victorian Water Efficiency Strategy, delivering on water efficiency outcomes in Water for Victoria and relevant urban and sustainable water strategies including: <ul style="list-style-type: none"> water corporations working together 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 to 21
L3 Water bills	L3 Total residential bill based on: <ul style="list-style-type: none"> average consumption 200kl consumption. 		34 to 35
L4 Payment management and hardship. Overall improved access to instalment plans for management of payments. Understand year on year trends in hardship grants.	L4 Payment Management and hardship <ul 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 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 relating to management of waterways # of improvements to information sources (e.g. online) to help recreational users plan their activities. Collaboration with other organisations and government agencies 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.		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 including gender equity in both executive leadership and throughout the organisation. Diversity Inclusion plans to be based on best practice and include reference to identifying barriers to succession and meeting targets.	G1.1 Development and delivery of a Diversity Inclusion Plan/s and publication (via the water corporation's website) of the Inclusion Plan or equivalent explanation.	Our People South Gippsland Water's equity, inclusion and diversity plan is available via www.sgwater.com.au/about-us/corporate-policy-legislations	21 to 22
	G1.2 No. of females occupying senior executive positions over projected 5-year period.	Our People	22
	G1.3 Adopt strategies and actions to achieve a 1% target for Aboriginal people in the business, noting the Victorian Public Service has a 2% target and work to a stretch target of 3% by 2020	Our People	21
	G1.4 Actions taken to improve participation by Traditional Owners and Aboriginal Victorians in Board committees and other organisational committees.	Aboriginal Cultural Values	18
	G1.5 Number of respondents to Victorian Public Sector Commission (VPSC) People Matter Survey from each water corporation.	People Matter Survey	21
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 22, section 6.10.	Our People Health Safety and Wellbeing	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 F8 Credit rating	Performance Report	34

Report of Operations

South Gippsland Region Water Corporation Financial Management Compliance Attestation Statement

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

I am pleased to present South Gippsland Water's Annual Report for the year ending 30 June 2022.



Philip Clark

Chair

South Gippsland Water

Dated: 24 of October 2022

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 2022



Philip Clark

Chair

South Gippsland Water

Dated: 24 of October 2022

Summary of Financial Results

The full year operating result for 2021-22 was a loss before tax of \$4.6m. This result includes the impact of \$2.8m in asset disposals and \$2.3m in higher depreciation compared to the prior period due to the 2020-21 revaluation of assets. Net Cash Flow from Operations is \$0.1M better than last year.

Total revenue received for the period was \$38.67m, a reduction on the prior year of \$0.4m due to the very strong result in the prior period in capital income (\$6m this period vs \$8m last period). The strong performance in gifted assets is from various growth areas across the region. Residential assessments growth was stable in 2021-22, which has contributed to the \$1.5m increase in non-capital income growth over the prior period. Non-residential income growth has been impacted by COVID-19 on demand levels and a steady recovery has been observed in this period.

Total expenditure for the year increased by \$1m to \$40.4m. The current year expenditure is impacted by the additional \$2.3m depreciation from the asset revaluations in 2020-21. The drivers of cash-related operating expenditure in this period were higher repairs and maintenance, price submission costs and Victorian Government Purchasing Board (VGPB) alignment costs.

The Corporation achieved 95% of the planned capital expenditure, with \$15.1m spent relative to the \$15.9m in the Corporate Plan.

Cashflow from Operations for the period financed 53.5% of the net capital expenditure (\$17.2m in net investing cash outflows for the period) with the remainder of the program funded by increased debt. A larger capex program is expected in the forthcoming years as the Corporation continues to invest in water and wastewater assets to service major customers, meet growth needs, replace aging assets, and protect our environment.

Total assets have increased by \$1.9m in the period. Total liabilities have increased by \$2.9m from the prior year, primarily from increased debt (+\$8.3m), with \$4m of the additional debt serving as working capital for the capital program.

The current ratio is on par with the prior period at 0.7 (0.7 prior period) as the Corporation maintains a working capital reserve in cash and cash equivalents.

Report of Operations

Financial Result	2021-22 \$'000	2020-21 \$'000	2019-20 \$'000	2018-19 \$'000	2017-18 \$'000
Profit and loss - summary					
Core revenue	32,272	30,737	28,561	27,836	26,615
Developer contributions and gifted assets	6,054	8,011	4,353	3,487	997
Other revenue	344	398	172	933	1,550
Total revenue	38,670	39,146	33,086	32,256	29,162
Operating expenditure	20,541	24,038	21,711	23,052	18,176
Depreciation	14,476	11,913	11,528	14,379	11,112
Finance costs	2,844	2,789	2,744	2,608	2,586
Other	2,578	640	538	714	732
Total expenditure	40,439	39,380	36,521	40,753	32,606
Net profit (loss) before tax	(4,603)	(234)	(3,435)	(8,497)	(3,444)
Balance Sheet - Summary					
Current assets	10,566	9,931	6,930	6,713	6,020
Non-current assets	510,254	508,984	438,572	429,775	433,297
Total assets	520,820	518,915	445,502	436,488	439,317
Current liabilities	18,733	17,505	17,522	10,722	18,021
Non-current liabilities	167,168	165,484	137,158	138,115	129,290
Total liabilities	185,901	182,989	154,680	148,837	147,311
Net Assets	334,919	335,926	290,823	287,652	292,006
Net cash flows from operations	9,214	9,092	7,786	9,765	9,039
Payments for infrastructure, property, plant and equipment	16,669	22,423	18,924	17,734	33,468
Summary of Financial Performance					
Performance indicator	2021-22	2020-21	2019-20	2018-19	2017-18
Internal financing ratio	53.35%	39.9%	38.0%	53.1%	26.9%
Gearing ratio	18.0%	16.5%	15.4%	13.1%	12.5%
Interest cover (cash) - times	4.3	4.4	4.0	4.9	4.6
Return on assets	-0.3%	0.5%	-0.2%	-1.3%	-0.2%
Return on equity	-1.0%	-0.1%	-0.9%	-2.1%	-0.5%
Current ratio - times	0.7	0.7	0.5	0.8	0.4

Performance Report

For the year ended 30 June 2022

2021-2022 Performance Indicators

TABLE 1 - FINANCIAL PERFORMANCE INDICATORS								
KPI No.	Key Performance Indicator	2020/21	2021/22	2021/22	Variance to	Notes	Variance	Notes
		Result	Result	Target	prior year %		to Target %	
F1	Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	4.4	4.3	4.2	-2.3%		2.4%	
F2	Gearing Ratio (%) Total debt (including finance leases) / Total assets x 100	16.5%	18.0%	19.9%	9.1%		-9.5%	
F3	Internal Financing Ratio (%) (Net operating cash flow less dividends) / Net capital expenditure x 100	39.9%	53.5%	57.5%	34.1%	1 (a)	-7.0%	
F4	Current Ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	0.7	0.7	0.6	0.0%		16.7%	2 (a)
		times	times	times				
F5	Return on Assets (%) Earnings before net interest and tax / average assets x 100	0.5%	-0.3%	0.5%	-160.0%	3 (a)	-160.0%	3 (a)
F6	Return on Equity (%) Net profit after tax / average total equity x 100	-0.1%	-1.0%	-0.3%	-900.0%	3 (a)	-233.3%	3 (a)
F7	EBITDA Margin (%) Earnings before interest, tax, depreciation and amortisation / Total revenue x 100	37%	32.8%	38.1%	-11.4%	4 (a)	-13.9%	4 (a)

Notes:

- 1 (a) The favourable variance compared to last year is due to higher net operating cash inflows resulting from higher cash receipts for debtors. The net capital investment is lower in the current year with net cash inflows from operating activities remaining stable from 2020-2021 to 2021-2022, which has contributed to the favourable variance.
- 2 (a) The favourable variance compared to the 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.
- 3 (a) The unfavourable variance to target and prior year results is due to the \$2.8M loss on asset disposals in 2021-2022 (2020-2021: gain on asset disposals \$0.1M) and \$2.3M in higher depreciation due to the 2020-21 revaluation of assets. The result without these 2 impacts would be Return on Assets of 0.6% compared to the 0.5% target and prior year performance of 0.5%. Return on Equity would be +0.5% compared to the -0.3% target and prior year performance of -0.1%. The drivers of cash related operating expenditure in this period were higher repairs and maintenance, price submission costs and VGPB alignment costs. The Corporation is aiming to improve on the result though achieving the 2022-23 Corporate Plan operational cost targets.
- 4 (a) The unfavourable variance compared to the prior period and to target is due to a decrease in EBITDA due to higher asset disposals, higher spend from repairs & maintenance, utilities, labour costs associated with backfill for Covid absence, increased insurance premiums, and additional projects such as VGPB alignment and Price Submission. EBITDA would be 40.2% without the effect of the asset disposals.

Performance Report

For the year ended 30 June 2022

TABLE 2 - WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS								
KPI No.	Key Performance Indicator	2020/21 Result	2021/22 Result	2021/22 Target	Variance to prior year %	Notes	Variance to Target %	Notes
WS1	Unplanned Water Supply Interruptions No. of customers receiving 5 or more unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100.	0.0%	0.1%	0.0%	0.0%		0.0%	
WS2	Interruption Time Average duration of unplanned water supply interruptions (minutes).	80.9 minutes	77.9 minutes	110.0 minutes	-3.7%		-29.2%	5 (a)
WS3	Restoration of Unplanned Water Supply Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions * 100.	100.0%	100.0%	99.0%	0.0%		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	100.0%	100.0%	95.0%	0.0%		5.3%	6 (a)
SS2	Sewer Spills Interruptions No. of residential sewerage customers affected by sewerage interruptions restored within five hours.	100.0%	97.8%	100.0%	-2.2%		-2.2%	6 (b)

Notes:

- 5 (a) A concerted program of valve installations to minimise shut down times and the awareness of flushing times now being a part of an interruption have both led to an improved variance.
- 6 (a) Continual development in the Preventative Maintenance Program in known problem areas and pinpointed asset renewal are contributing to this score. Well managed and coordinated serious weather events saw potential spills prevented, whilst less events where infiltration overflows caused issues did not occur.
- 6 (b) The target has not been published in the Corporate Plan or other public document and the management established this as an internal target in the absence of a published target.

TABLE 3 - CUSTOMER RESPONSIVENESS INDICATORS								
KPI No.	Key Performance Indicator	2020/21 Result	2021/22 Result	2021/22 Target	Variance to prior year %	Notes	Variance to Target %	Notes
CR1	Water quality complaints No. of complaints per 1,000 customers.	3.6	2.5	6.0	-30.6%	7 (a)	-58.3%	7 (a)
CR4	Billing complaints No. of complaints per 1,000 customers.	0.3	0.3	2.0	0.0%		85.0%	8 (a)

Notes:

- 7 (a) Favourable variance compared to previous year and the target can be attributed to a year without major network disturbances. A relatively high number of colour complaints was received in previous year due to a major watermain break in Inverloch.
- 8 (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. The creation of a complaints handling process will allow a more efficient and effective way to manage complaints end to end with a well investigated resolution.

TABLE 4 - ENVIRONMENTAL PERFORMANCE INDICATORS								
KPI No.	Key Performance Indicator	2020/21 Result	2021/22 Result	2021/22 Target	Variance to prior year %	Notes	Variance to Target %	Notes
E1	Effluent reuse volume Percentage recycled for each category	4.5%	4.2%	4.0%	-6.7%	9 (a)	5.0%	9 (a)
E3	Total net CO2 emissions Net tonnes CO2 equivalent	8340	7581	8700	-9.1%	10 (a)	-12.9%	10 (a)

Notes:

- 9 (a) There was a slight reduction of 4ML of recycled water utilised compared to the previous year, along with an increase of 150ML of treated wastewater produced. This resulted in a slight drop in percentage reuse from the previous year.
- 10 (a) The positive variance to prior year and target is due to installation and commissioning of solar systems for water and wastewater systems as per our Carbon Emissions Reduction Pledge. This resulted in greater renewable energy usage particularly at Lance Creek Water Treatment Plant and Korumburra Wastewater Treatment Plant. In addition, a decrease in Scope 1 (fugitive) emissions (methane and nitrous oxide) released from wastewater treatment due to less tonnes of Chemical Oxygen Demand at nine of 11 wastewater treatment plants has contributed to the variance.



Statutory Certification

SOUTH GIPPSLAND REGION WATER CORPORATION

Certification of Performance Report for 2021/22

We certify that the accompanying Performance Report of South Gippsland Region Water Corporation in respect of the 2021/22 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 2021/22 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 "Philip Clark".

Philip Clark
Chair

A handwritten signature in black ink, appearing to read "Robert Murphy".

Robert Murphy
Managing Director

A handwritten signature in black ink, appearing to read "Liz Rowland".

Liz Rowland
Chief Financial Officer

Dated this day the 24 of October 2022



Victorian Auditor-General's Office

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 2022, 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 2022, 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’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
27 October 2022



Paul Martin
as delegate for the Auditor-General of Victoria

Financial Report

For The Year Ended 30 June 2022

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South Gippsland Region Water Corporation
Comprehensive operating statement
For the Financial Year Ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Revenue and income from transactions			
Revenue from contracts with customers	2.1	38,326	38,748
Government grants and contributions		-	7
Interest income		16	6
Other income		328	323
Total revenue and income from transactions		38,670	39,084
Expenses from transactions			
Finance cost	6.1.2	2,844	2,789
Depreciation	4.1.1	13,941	11,627
Amortisation	4.2	535	288
Environmental contribution	8.2	1,369	1,368
Employee benefits	3.1.1	11,615	11,570
Direct operating expenses and repairs & maintenance	3.2	4,177	6,882
Other expenses	3.3	5,958	4,856
Total expenses from transactions		40,439	39,380
Net Result from Transactions		(1,769)	(296)
Other economic flows included in net result			
Net gain/(loss) on disposal of non-financial assets	9.2	(2,830)	62
Net gain/(loss) on financial instruments	9.2	(4)	-
Total other economic flow included in net result		(2,834)	62
Net Result before income tax		(4,603)	(234)
Income tax expense	8.1.1	1,293	(9)
Net Result		(3,310)	(243)
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Change in physical asset revaluation surplus	9.1.1	-	57,408
Tax effect on revaluation	8.1.2 , 9.1.1	-	(14,926)
Movement in revaluation reserve due to tax change	8.1.2 , 9.1.1	2,302	2,866
Total other comprehensive income for the period		2,302	45,348
Comprehensive result		(1,008)	45,105

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

South Gippsland Region Water Corporation
Balance Sheet
As at 30 June 2022

Balance Sheet

	Notes	2022 \$'000	2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6.2	4,281	3,864
Receivables	5.1	2,205	2,070
Contract assets	5.2	2,519	2,321
Inventories		1,114	1,230
Assets held for sale		46	46
Prepayments		401	400
Total current assets		10,566	9,931
Non-current assets			
Receivables	5.1	241	245
ZEW Investment	9.6	5	5
Infrastructure, property, plant and equipment	4.1	485,149	482,966
Intangible assets	4.2	4,592	4,772
Deferred tax assets	8.1.2	20,267	20,996
Total non-current assets		510,254	508,984
TOTAL ASSETS		520,820	518,915
LIABILITIES			
Current liabilities			
Payables	5.3	6,060	5,206
Contract liabilities	5.4	1,019	1,220
Interest bearing liabilities	6.1.1	6,893	4,618
Employee benefits	3.1.2	3,757	3,778
Other provisions	5.7	966	2,645
Prepaid income		38	38
Total current liabilities		18,733	17,505
Non-current liabilities			
Interest bearing liabilities	6.1.1	86,800	80,800
Employee benefits	3.1.2	310	375
Other financial liabilities	5.6	74	-
Deferred tax liabilities	8.1.2	79,984	84,308
Total non-current liabilities		167,168	165,483
TOTAL LIABILITIES		185,901	182,988
NET ASSETS		334,919	335,927
EQUITY			
Contributed capital		95,333	95,333
Asset Revaluation Reserve	9.1	190,140	187,838
Accumulated Surplus		49,446	52,756
TOTAL EQUITY		334,919	335,927

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

South Gippsland Region Water Corporation

Cash Flow Statement

For the year ended 30 June 2022

Cash Flow Statement

	Notes	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges/Revenue from contract with customers		31,020	30,304
Receipts from other sources		3,282	3,205
Goods and Services Tax received from the ATO ⁽ⁱ⁾		2,363	2,706
Payments			
Payments to suppliers and employees		(23,230)	(23,082)
Interest paid		(2,798)	(2,690)
Income taxes paid		-	-
Goods and Services Tax paid to the ATO ⁽ⁱ⁾		(54)	(28)
Environmental contribution levy paid		(1,369)	(1,323)
Net cash inflow operating activities	6.2.1	9,214	9,092
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(16,669)	(22,423)
Payments for intangible assets		(767)	(561)
Proceeds from sale of motor vehicles		218	200
Net cash outflow from investing activities		(17,218)	(22,784)
Cash flows from financing activities			
Proceeds from borrowings		17,575	24,500
Repayment of borrowings		(9,300)	(7,900)
Net movements in contractor deposits		146	447
Net cash outflow from financing activities		8,421	17,047
Net (decrease)/increase in cash and cash equivalents		417	3,355
Cash and deposits at the beginning of the financial year		3,864	509
Cash and deposits at the end of the financial year	6.2	4,281	3,864

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.

South Gippsland Region Water Corporation
Statement of Changes in Equity
For the year ended 30 June 2022

Statement of Changes in Equity

		Contributed capital	Asset Revaluation Reserve	Accumulated Surplus	Total Equity
	Notes	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2020		95,333	142,489	52,999	290,820
Total comprehensive income for the year					
- Net result for the period		-	-	(243)	(243)
- Revaluation	9.1.1	-	42,483	-	42,483
- Income tax relating to other comprehensive income	8.1.2	-	2,866	-	2,866
Balance as at 30 June 2021		95,333	187,838	52,756	335,927
Balance as at 1 July 2021		95,333	187,838	52,756	335,927
Total comprehensive income for the year					
- Net result for the period		-	-	(3,310)	(3,310)
- Income tax relating to other comprehensive income	8.1.2	-	2,302	-	2,302
Balance as at 30 June 2022		95,333	190,140	49,446	334,919

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

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 1: BASIS OF PREPARATION

Introduction

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

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

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

1.1 Basis of preparation

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

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

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

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

Functional and presentation currency

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

South Gippsland Region Water Corporation

Notes to the financial statements

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);
- Estimated fair value of derivative financial instruments (Note 5.6 and Note 7.3);
- 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);
- 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);
- Determining transaction price and amounts allocated to performance obligations (Note 2);
- Recognition and measurement of Software as-a-Service (SaaS) arrangements (Note 4.2); and
- The timing of satisfaction of performance obligations (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 2022, South Gippsland Region Water Corporation recognised a net loss of \$3,310,000 after tax. South Gippsland Region Water Corporation's net current liabilities as at 30 June 2022 were \$8,167,000 and net assets were \$334,919,000. South Gippsland Region Water Corporation has \$4.3m 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 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.

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 1: BASIS OF PREPARATION (CONTINUED)

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.

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 2: FUNDING DELIVERY OF SERVICES

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

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

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

2.1 Revenue from contracts with customers

	Notes	2022 \$'000	2021 \$'000
Revenue from service, usage and trade waste charges	2.1.1	31,138	29,631
Developer contributions	2.1.2	6,054	8,011
Other revenue	2.1.3	1,134	1,106
Total revenue from contracts with customers		38,326	38,748

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

2.1.1 Service and usage charges

	2022 \$'000	2021 \$'000
Service charges		
Water service charges	7,352	7,045
Wastewater service charges	10,156	9,742
Trade waste service charges	292	274
Total service charges	17,800	17,061
Usage charges		
Water usage charges	10,144	9,374
Wastewater usage charges	418	389
Trade waste usage charges	2,776	2,807
Total usage charges	13,338	12,570

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

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 2: FUNDING DELIVERY OF SERVICES (CONTINUED)

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Service charges (trade waste, water and sewerage)	Service charges are recognised as revenue when the services have been provided or service charge has been made. Service charges are billed in advance and recognised evenly throughout the financial year to reflect continuous service being provided to customers. Service charges are based on fixed fee for access to water, 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

	2022 \$'000	2021 \$'000
Developer contributed assets	3,977	6,233
New customer contributions	2,077	1,778
Total developer contributions	6,054	8,011

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 2: FUNDING DELIVERY OF SERVICES (CONTINUED)

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Developer contributed assets	<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

	2022 \$'000	2021 \$'000
Fees and charges	1,134	1,106
	1,134	1,106

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

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 2: FUNDING DELIVERY OF SERVICES (CONTINUED)

2.1.4 Timing of recognition of revenue from customers

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

	Service charges - water \$'000	Usage charges - water \$'000	Service charges - sewerage \$'000	Disposal charges - sewerage \$'000	Developer contributions \$'000	New customer contributions \$'000	Other revenue* \$'000	Total revenue with customers \$'000
2021								
At a point in time	-	-	-	-	6,233	1,778	-	8,011
Over time	7,045	9,374	10,016	3,196	-	-	1,106	30,737
Total	7,045	9,374	10,016	3,196	6,233	1,778	1,106	38,748
2022								
At a point in time	-	-	-	-	3,977	2,077	-	6,054
Over time	7,352	10,144	10,448	3,194	-	-	1,134	32,272
Total	7,352	10,144	10,448	3,194	3,977	2,077	1,134	38,326

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 3: THE COST OF DELIVERY OF SERVICES

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

3.1 Expenses incurred in the delivery of services

	Note	2022 \$'000	2021 \$'000
Employee benefit expenses	3.1.1	11,615	11,570
Direct operating expenses	3.2	2,105	5,217
Repairs and maintenance	3.2	2,072	1,665
Operating expenses	3.3	5,958	4,856
Total expenses incurred in delivery of services		21,750	23,308

3.1.1 Employee benefits in the Comprehensive Operating Statement

	2022 \$'000	2021 \$'000
Salaries and wages, annual leave and long service leave	10,373	10,350
Defined contribution superannuation expense	993	900
Other employee	249	320
Total employee benefit costs	11,615	11,570

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

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)

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Corporation is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

South Gippsland Region Water Corporation

Notes to the financial statements

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

3.1.2 Employee benefits provision in the balance sheet

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

	2022 \$'000	2021 \$'000
Current provisions:		
Rostered days off	132	160
Time in lieu	6	10
<i>Annual Leave</i>		
Unconditional and expected to settle within 12 months	794	811
Unconditional and expected to settle after 12 months	464	398
<i>Long Service Leave</i>		
Unconditional and expected to settle within 12 months	133	133
Unconditional and expected to settle after 12 months	1,817	1,866
	3,346	3,378
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	118	117
Unconditional and expected to settle after 12 months	293	283
	411	400
Total current provisions for employee benefits	3,757	3,778
Non-current provisions:		
Long service leave - conditional	275	333
On-costs	35	42
Total non-current provisions for employee benefits	310	375
Total provisions for employee benefits	4,067	4,153

Reconciliation of movements in on-cost provisions

	2022 \$'000	2021 \$'000
Opening balance	442	428
Additional provisions recognised	49	134
Amounts utilised during the period	(107)	(93)
Effect of changes in the discount rate	62	(26)
Closing balance	446	443
Current	411	400
Non-current	35	42
Closing balance	446	442

South Gippsland Region Water Corporation

Notes to the financial statements

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

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and 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 South Gippsland Region Water Corporation does not expect to settle the liability within 12 months. South Gippsland Region Water Corporation does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

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

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

3.1.3 Superannuation

Superannuation contributions

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

South Gippsland Region Water Corporation makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (Vision Super). The Fund has two categories of membership, accumulation and defined benefit, 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.

South Gippsland Region Water Corporation

Notes to the financial statements

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

Contributions by South Gippsland Region Water Corporation (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2022 and 30 June 2021 are detailed below:

Scheme	Type of scheme	2022 Rate	2022 \$'000	2021 Rate	2021 \$'000
Vision Super	Defined benefits	15.50%	20	15.50%	29
Vision Super	Accumulation	10.00%	530	9.50%	508
Other	Accumulation	10.00%	649	9.50%	544

Defined benefit

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

Funding arrangements

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

The 2021 interim actuarial investigation surplus amounts

As at 30 June 2021, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) was 109.8%. Because the VBI was above 100%, the 2021 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.

Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year.

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

	2022	2021
Net investment returns	5.50%	5.60%
Salary information	2.50%	2.50%
Price inflation (CPI)	3.00%	2.00%

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

	2022 \$'000	2021 \$'000
VBI surplus/(deficit)	214,700	100,000
Total service liability surplus/(deficit)	270,300	200,000
Discounted accrued benefits surplus	285,200	217,800

South Gippsland Region Water Corporation

Notes to the financial statements

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

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 2021.

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 Region Water Corporation) are required to make an employer contribution to cover the shortfall.

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

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

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

2022 Interim actuarial investigation

The VBI of 102.2% as at 30 June 2022 satisfies APRA's Superannuation Prudential Standard 160 (SPS 160).

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2022 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2022. South Gippsland Region Water Corporation was notified of the 30 June 2022 VBI during August 2022.

South Gippsland Region Water Corporation

Notes to the financial statements

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

3.2 Direct operating expenses and repairs & maintenance

	2022 \$'000	2021 \$'000
Decommissioning expenses and reversal of provisions	(1,525)	529
Repairs and maintenance	2,072	1,665
Electricity	862	1,072
Melbourne Water bulk entitlement	505	733
Chemicals	893	1,036
Testing and sampling	542	621
Other direct costs	828	1,226
Total	4,177	6,882

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

South Gippsland Region Water Corporation

Notes to the financial statements

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

3.3 Other operating expenses

	2022 \$'000	2021 \$'000
Administrative expenses	3,408	2,595
Customer services expenses	334	468
Training and travel	486	402
Vehicle and fleet costs	680	522
Facility expenses	382	344
Initial recognition - derivative financial instruments	76	-
Miscellaneous expenses	592	525
Total	5,958	4,856

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

Expense	Description	Recognition policy
Administration expenses	All operating expenses, maintenance contracts, 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.
Expense from derivative financial instruments	The initial recognition expense represents the fair value of the expected future settlements at the initial recognition, currently in a liability position. Subsequent fair value measurement of the derivative financial instrument is recognised as an other economic flows included in the net result (Note 9.2).	Accruals basis. Recognised in the Comprehensive operating statement.
Miscellaneous expenses	Includes postage, courier, stationary, membership/subscriptions, bank charges, printing, legal and internal audit.	Accruals basis. Recognised in the Comprehensive operating statement.

South Gippsland Region Water Corporation

Notes to the financial statements

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

Expense from derivative financial instruments

Expense from derivative financial instruments relates to the Corporation's investment in Zero Emissions Water Limited (ZEW). Refer Note 5.5 for further details on the arrangement between the Corporation and ZEW.

The Corporation pays or receives the difference between the floating electricity price and the fixed price set under the agreement for the units of energy supplied into the National Electricity Market by the solar farm. The future settlements of Contract for Difference (CfD) are classified as derivative financial instruments.

The Corporation has initially recognised the CfD derivative financial instrument and is measured at fair value based on the best available information. The initial recognition expense represents the fair value of the expected future settlements at the initial recognition, currently in a liability position.

The initial recognition of the CfD derivative is treated as a "transaction" for the purposes of annual financial statements on the basis that it is an interaction between two entities by mutual agreement in respect to which no cash flows take place on effective date.

Refer to Note 7.1 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

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

4.1 Infrastructure, property, plant, and equipment

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

	Land	Buildings	Motor vehicles	Plant and equipment	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Infrastructure Sewer treatment and disposal	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2022											
Opening net book amount - 1 July 2021	14,524	1,831	1,565	4,072	165,154	53,466	31,460	119,986	71,980	18,928	482,966
Additions	-	-	-	-	1,984	-	-	1,027	-	15,809	18,820
Disposals (net)	-	-	(13)	(137)	(386)	(617)	(304)	(712)	(527)	-	(2,696)
Transfer between asset classes	-	397	991	1,005	2,748	703	2,983	3,568	2,172	(14,567)	-
Depreciation	-	(118)	(739)	(718)	(4,250)	(1,067)	(1,260)	(3,786)	(2,003)	-	(13,941)
Closing net book amount	14,524	2,110	1,804	4,222	165,250	52,485	32,879	120,083	71,622	20,170	485,149
At 30 June 2022											
Gross book value	14,524	2,231	5,098	8,343	169,552	53,534	34,140	124,053	73,686	20,170	505,331
Accumulated depreciation	-	(121)	(3,294)	(4,121)	(4,302)	(1,049)	(1,261)	(3,970)	(2,064)	-	(20,182)
Net book amount	14,524	2,110	1,804	4,222	165,250	52,485	32,879	120,083	71,622	20,170	485,149

South Gippsland Region Water Corporation

Notes to the financial statements

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

	Land	Buildings	Motor vehicles	Plant and equipment	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Infrastructure Sewer treatment and disposal	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2021											
Opening net book amount - 1 July 2020	13,197	1,715	1,632	4,169	138,144	59,308	23,676	99,418	52,481	17,067	410,807
Additions	-	-	-	-	873	-	-	5,359	-	20,276	26,508
Disposals (net)	-	(27)	(59)	-	-	-	(42)	-	-	-	(128)
Revaluation	1,327	221	-	-	26,108	(4,926)	6,889	10,208	17,581	-	57,408
Transfer between asset classes	-	17	566	467	3,925	60	2,100	8,013	3,265	(18,415)	(2)
Depreciation	-	(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
At 30 June 2021											
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

South Gippsland Region Water Corporation

Notes to the financial statements

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

4.1.2 Initial recognition and subsequent measurement

Infrastructure, property, plant and equipment

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

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

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

Motor Vehicles

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

Revaluation of infrastructure, property, plant and equipment

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

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

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

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

South Gippsland Region Water Corporation assets relating to land, buildings, infrastructure 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.

South Gippsland Region Water Corporation

Notes to the financial statements

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

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

4.1.4 Depreciation and impairment

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

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

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

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

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

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

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

Impairment

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

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

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

South Gippsland Region Water Corporation

Notes to the financial statements

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

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

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

4.2 Intangible assets

	Software costs	Access rights	Water entitlements	Large-scale generation certificates	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2021						
Opening net book amount	1,005	2,400	563	-	702	4,670
Additions	-	-	-	5	385	390
Transfer between asset class	696	-	-	-	(696)	-
Amortisation	(145)	(143)	-	-	-	(288)
Closing net book amount	1,556	2,257	563	5	391	4,772
At 30 June 2021						
Cost of fair value	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
Year ended 30 June 2022						
Opening net book amount	1,556	2,257	563	5	391	4,772
Additions	-	-	-	6	692	698
Transfer between asset classes	434	-	-	-	(434)	-
Impairment of assets	(343)	-	-	-	-	(343)
Amortisation	(387)	(142)	(6)	-	-	(535)
Closing net book amount	1,260	2,115	557	11	649	4,592
At 30 June 2022						
Cost of fair value	5,416	3,200	563	11	649	9,839
Accumulated amortisation	(4,156)	(1,085)	(6)	-	-	(5,247)
Carrying amount	1,260	2,115	557	11	649	4,592

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:

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

South Gippsland Region Water Corporation

Notes to the financial statements

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

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

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

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

Software costs

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

Software as-a-Service (SaaS) arrangements

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

Please refer to Note 9.9 for the change in accounting policy relating to SaaS arrangements.

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

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

- Fee for use of application software

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

- Training costs

South Gippsland Region Water Corporation

Notes to the financial statements

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

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

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

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received.

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

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

During the financial year, the Corporation recognised \$0 (2021: \$0) as prepayments in respect of configuration and customisation activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS application software over the contract term.

Capitalisation of configuration and customisation costs in SaaS arrangements

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

Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets. During the financial year, the Corporation recognised \$262k (2021: \$0) as intangible assets in respect of customization and configuration costs incurred in implementing SaaS arrangements..

Permanent Water Entitlements

Permanent water entitlements purchased after 1 July 2011 are treated as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109A Intangible Assets), and 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.

Large-scale Generation Certificates

Large-scale Generation Certificates are recognised as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109A Intangible Assets), and will not be subject to amortisation, as the Large-scale Generation Certificates have an indefinite life.

Access Rights

South Gippsland Region Water Corporation 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 section 4.1.4.

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 5: OTHER ASSETS AND LIABILITIES

Introduction

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

5.1 Receivables

	2022 \$'000	2021 \$'000
Current		
Contractual		
Service and usage charges	1,946	1,861
Allowance for expected credit losses	(122)	(105)
Sewer scheme receivables	21	30
Statutory		
GST recoverable	360	283
Total current receivables	2,205	2,070
Non-current		
Contractual		
Sewer scheme receivables-non current	256	292
Allowance for expected credit losses	(15)	(47)
Total non-current receivables	241	245
Total receivables	2,446	2,315

Receivables consist of:

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

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

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.1.1 Impairment of contractual and statutory receivables

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

On that basis, the loss allowance as at 30 June 2022 and 30 June 2021, was determined as follows for receivables – service and usage charges and other receivables:

	Current	More than 30 days past due	More than 180 days past due	More than 365 days past due	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2022					
Expected loss rate - Owners	0%	0%	0%	10.00%	
Expected loss rate - Alberton Scheme	0%	0%	0%	100.00%	
Expected loss rate - Other	0%	0%	0%	90.00%	
Gross carrying amount - receivables from service and usage charges - Owners	522	92	52	210	876
Gross carrying amount - receivables from service and usage charges - Alberton Scheme	-	-	-	47	47
Gross carrying amount - receivables from service and usage charges - Other	1,177	41	5	77	1,300
Gross carrying amount - other receivables	-	-	-	-	-
Total	1,699	133	57	334	2,223
Loss allowance	-	-	-	137	137
	Current	More than 30 days past due	More than 180 days past due	More than 365 days past due	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2021					
Expected loss rate - Owners	0%	0%	0%	10.00%	
Expected loss rate - Alberton Scheme	0%	0%	0%	100.00%	
Expected loss rate - Other	0%	0%	0%	90.00%	
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	1,233
Gross carrying amount - other receivables	1	-	-	-	1
Total	1,263	128	471	325	2,184
Less Allowance	-	-	-	152	152

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

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

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

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

5.1.2 Reconciliation of expected credit loss allowance

	2022 \$'000	2021 \$'000
Opening balance 1 July	152	80
Expected credit losses from transactions	-	72
Expected credit losses written off	(15)	-
Balance as at 30 June	137	152

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. However, we are no longer mandated as part of COVID-19 measures to not collect debt. We have re-commenced the debt collection process. 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%.

Since commencement of debt collection in 2021-22 financial year post covid lock-downs, we have decreased the allowance for doubtful debts by \$15,000.

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.

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.2 Contract assets

	2022 \$'000	2021 \$'000
Current		
Service and usage charges	2,519	2,321
Total current contract assets	2,519	2,321
Total contract assets	2,519	2,321
	Service and usage charges \$'000	Total \$'000
Opening balance as at 1 July 2021	2,321	2,321
Less: Amounts billed during the year	(2,320)	(2,320)
Add: Amount accrued at year end (to be billed)	2,518	2,518
Carrying amount as at 30 June 2022	2,519	2,519

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

5.3 Payables

	2022 \$'000	2021 \$'000
Current payables		
Contractual		
Trade creditors	2,520	1,778
Accrued expenses	1,178	1,238
Accrued borrowing expense	497	451
Security deposits / retentions	1,844	1,698
Total	6,039	5,165
Statutory		
Taxes payable	21	41
Total payables	6,060	5,206

Payables for supplies and services have an average credit period of 30 days, (2021: 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.

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.3.1 Ageing analysis of contractual payables

	Maturity dates						
	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	1 - 3 months \$'000	3 months - 1 year \$'000	Over 1 year \$'000	Total \$'000
2022							
Trade creditors	2,520	2,520	2,295	127	98	-	2,520
Accrued expenses, accrued borrowing expense and security deposits / retentions	3,519	3,519	1,675	-	1,844	-	3,519
Total	6,039	6,039	3,970	127	1,942	-	6,039
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

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 2020	436	558	994
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)
Closing balance at 30 June 2021	499	721	1,220
Add: payments received in advance for provision of goods and services	1,511	2,057	3,568
Less: revenue recognised in the reporting period for the completion of performance obligations	(1,451)	(2,318)	(3,769)
Total contract liabilities at 30 June 2022	559	460	1,019
Represented by			
Current contract liabilities	559	460	1,019
Non-current contract liabilities	-	-	-

South Gippsland Region Water Corporation

Notes to the financial statements

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 South Gippsland Region Water Corporation to settle the terms of receipt of income.	Recognised as revenue, once it has performed the performance obligations associated with the payments
Contract liabilities relating to developer contributions - Unearned Income	Payments received for developer contributed assets, new customer contributions and application fees in the reporting period, where the performance obligations are outstanding at balance date.	Recognised as revenue, once it has performed the performance obligations associated with the payments

5.5 ZEW transactions and balances

South Gippsland Region Water Corporation is one of 12 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 South Gippsland Region Water Corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria and to reduce emissions.

On 30 October 2018, a Members' Agreement was entered into between the water South Gippsland Region Water Corporation 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 South Gippsland Region Water Corporation as a member is limited to \$10 in the event of a winding up. As required by Australian accounting standards, South Gippsland Region Water Corporation has assessed the nature of its relationship with ZEW, and has concluded that it does not have control, joint control or significant influence over ZEW. South Gippsland Region Water Corporation will account for its investment in ZEW as a financial instrument within the scope of AASB 9 Financial Instruments. ZEW is a related party of South Gippsland Region Water Corporation

The Members' Agreement specifies that ZEW may call on the Corporation to make a loan available to ZEW amounting to \$73k. The loan, if requested by ZEW, would meet the definition of a financial asset as it gives rise to a contractual right for us to receive cash from ZEW at the end of the loan term. At 30 June 2022, ZEW had requested and received a loan payment of \$0. As this loan is concessional, it has been treated as an investment in ZEW and measured at amortised cost.

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

The 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).

Along with the settlement funds, the Corporation was also able to purchase 147 replacement LGCs at the PPA price which have been recognised as intangible assets (refer note 4.2).

On 22 January 2021, the conditions precedent in the PPA was completed and the CFD derivative was recognised as a financial liability measured at its fair value. Subsequent changes in the derivative's fair value have been recognised as an other economic flow included in the net result. Refer to Note 7.3 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

The Corporation now has an obligation to purchase its percentage of energy allocation under the Members' Agreement, via the CFD derivative. The financial impact of the Members' Agreement with ZEW has resulted in increased revenue and expenses, and the recognition of a derivative financial instruments and LGCs as intangible assets.

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.6 Other financial liabilities

	2022 \$'000	2021 \$'000
Non-current		
Derivative financial instrument	74	-
Total	74	-

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

5.7 Other provisions

	2022 \$'000	2021 \$'000
Non-current		
Asset decommissioning costs	966	2,645
Total other provisions	966	2,645

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

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 dams are now out of service and some of the water treatment plant assets repurposed or demolished. One of the dams has been identified for decommissioning. Three of the dams are 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.

5.7.1 Reconciliation of movements in other provisions

	2022 \$'000	2021 \$'000
Opening balance	2,645	2,306
Additional provisions recognised	195	-
(Reductions)/Increases resulting from reassessment	(1,874)	339
Closing balance	966	2,645
Current	966	2,645
Non-current	-	-

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 6: HOW WE FINANCED OUR OPERATIONS

Introduction

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

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

6.1 Interest bearing liabilities

	2022 \$'000	2021 \$'000
Current loans from Treasury Corporation Victoria	6,893	4,618
Non - current loans from Treasury Corporation Victoria	86,800	80,800
Total interest-bearing liabilities	93,693	85,418

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 Region Water Corporation has classified borrowings which mature within 12 months as non-current liabilities on the basis that the entity will and has discretion to refinance or rollover these loans with the Treasury Corporation of Victoria, 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

	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	3 months or less \$'000	3 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	>5 years \$'000
30 June 2022								
Financial liabilities								
Loans from TCV	93,693	93,693	6,893	1,000	6,500	8,300	27,500	43,500
Total	93,693	93,693	6,893	1,000	6,500	8,300	27,500	43,500
30 June 2021								
Loans from TCV	85,418	85,418	4,618	-	1,000	17,000	21,300	41,500
Total	85,418	85,418	4,618	-	1,000	17,000	21,300	41,500

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

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.1.2 Interest expense

	2022 \$'000	2021 \$'000
Interest on government loans	1,841	1,897
Financial accommodation levy	1,003	892
Total interest expense	2,844	2,789

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.

	2022 \$'000	2021 \$'000
Cash at bank and on hand	4,281	3,864
Balance as per cash flow statement	4,281	3,864

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

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

	2022 \$'000	2021 \$'000
Net Result	(3,310)	(243)
Non-cash movements		
Income tax expense/(benefit)	-	9
Depreciation and amortisation of non-current assets	14,476	11,913
(Gain)/loss on sale or disposal of non-current assets	2,830	(62)
Resources provided free of charge or for nominal consideration	(3,977)	(6,233)
Increase/(decrease) in loss allowance	(15)	110
Initial recognition - expense from derivative financial instruments	74	-
Movements in assets and liabilities		
(Increase)/decrease in receivables & contract assets	1,269	2,569
(Increase)/decrease in inventory	116	(95)
(Increase)/decrease in prepayments	(1)	(96)
(Increase)/decrease in deferred tax assets	729	-
Increase/(decrease) in payables and contract liabilities	656	203
Increase/(decrease) in other provisions	(1,525)	529
Increase/(decrease) in employee benefits	(86)	339
Increase/(decrease) in deferred tax liabilities	(2,022)	149
Net cash flows from operating activities	9,214	9,092

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.3 Commitments for Expenditure

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

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

6.3.1 Total commitments payable

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
2022				
Capital expenditure commitments payable	5,066	-	-	5,066
Environmental contribution levy commitments	1,369	1,369	-	2,738
Operating lease commitments payable	72	-	-	72
Total commitments (inclusive of GST)	6,507	1,369	-	7,876
Less GST receivable	467	-	-	467
Total commitments exclusive of GST	6,040	1,369	-	7,409
	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
2021				
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

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

7.1 Interest bearing financial instruments

Introduction

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

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

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Payables:
Receivables:	<ul style="list-style-type: none"> For supplies and services Other payables
<ul style="list-style-type: none"> Trade receivables Sale of goods and services Other receivables 	Interest bearing liabilities:
Term deposits	<ul style="list-style-type: none"> Loans from TCV
Investment in Zero Emission Water (ZEW)	Derivative financial liability
Derivative financial asset	

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

South Gippsland Region Water Corporation

Notes to the financial statements

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

Categories of financial instruments

Financial instrument	Initial measurement	Subsequent measurement
Financial assets at amortised cost		
Financial assets include: <ul style="list-style-type: none"> Loans and receivables cash and deposits; receivables; term deposits; Investment in ZEW; 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		
Investments in ZEW	Fair value through net result.	Fair value through net result.
Derivative Instruments	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.
Derivative financial instruments		
Derivative financial instruments	Fair value on the date on which a derivative contract is entered into.	Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an 'other economic flow' included in the net result.

Offsetting financial instruments

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

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

South Gippsland Region Water Corporation

Notes to the financial statements

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

Derecognition of financial assets and liabilities

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

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

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

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

Impairment of financial assets

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

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

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

Derivative financial instruments

Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which all contractual obligations under Conditions Precedent are met and on subsequent measurement. The initial expense recognised represents the fair value of the expected future settlements at initial recognition (refer note 3.3).

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

South Gippsland Region Water Corporation

Notes to the financial statements

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

7.1.1 Financial instruments: Categorisation

2022	Notes	Cash and deposits	Financial assets / liabilities designated at fair value through profit / loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Contractual financial assets						
Cash and deposits	6.2	4,281	-	-	-	4,281
Receivables						
Service and usage charges	5.1	-	-	1,824	-	1,824
Other receivables	5.1	-	-	262	-	262
Derivative financial assets						
Investment in Zero Emissions Water (ZEW) Ltd		-	5	-	-	5
Total contractual financial assets		4,281	5	2,086	-	6,372
Contractual financial liabilities						
Payables						
Trade creditors		-	-	-	2,520	2,520
Accrued expenses		-	-	-	1,675	1,675
Other- security deposits & retention		-	-	-	1,844	1,844
Borrowings						
Loans from Treasury Corporation of Victoria (TCV)	6.1	-	-	-	93,693	93,693
Derivative financial liabilities						
Financial liabilities designated at fair value through profit or loss		-	74	-	-	74
Total contractual financial liabilities		-	74	-	99,732	99,806

South Gippsland Region Water Corporation

Notes to the financial statements

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

2021	Notes	Cash and deposits	Financial assets / liabilities designated at fair value through profit / loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Contractual financial assets						
Cash and deposits		3,864	-	-	-	3,864
Receivables						
Service and usage charges		-	-	1,757	-	1,757
Other receivables		-	-	275	-	275
Derivative financial assets						
Investment in Zero Emissions Water (ZEW) Ltd		-	5	-	-	5
Total contractual financial assets		3,864	5	2,032	-	5,901
Contractual financial liabilities						
Payables						
Trade creditors		-	-	-	1,778	1,778
Accrued expenses		-	-	-	1,689	1,689
Other- security deposits & retention		-	-	-	1,698	1,698
Borrowings						
Loans from Treasury Corporation of Victoria (TCV)		-	-	-	85,418	85,418
Derivative financial liabilities						
Financial liabilities designated at fair value through profit or loss		-	-	-	-	-
Total contractual financial liabilities		-	-	-	90,583	90,583

South Gippsland Region Water Corporation

Notes to the financial statements

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

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

	Net holding gain / (loss) \$'000	Total interest income / (expense) \$'000	Total \$'000
2022			
Contractual financial liabilities			
Financial liabilities at amortised cost	-	2,844	2,844
Financial liabilities designated at fair value through profit/loss	4	-	-
Total contractual financial liabilities	-	2,844	2,844
2021			
Contractual financial liabilities			
Financial liabilities at amortised cost	-	2,789	2,789
Total contractual financial liabilities	-	2,789	2,789

7.1.3 Financial risk management objectives and policies

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

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

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

Credit risk

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

South Gippsland Region Water Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant. South Gippsland Region Water Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables (refer to section 5.1.1).

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

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

South Gippsland Region Water Corporation is continuously monitoring and assessing its credit risk profile due to the current economic impacts affecting customers. As a result, the Corporation has adjusted the credit risk profile in assessing the expected loss allowance in 2021-22.

South Gippsland Region Water Corporation

Notes to the financial statements

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

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

At 30 June 2022, South Gippsland Region Water Corporation has no other significant credit risk. There has been no material change to the South Gippsland Region Water Corporation's credit risk profile in 2021-22.

Credit quality of financial assets

	Financial institution (triple-A credit rating) \$'000	Other (min triple-B credit rating) \$'000	Non-rated \$'000	Total \$'000
2022				
Financial assets				
Cash and deposits (not assessed for impairment due to materiality)	4,281	-	-	4,281
Statutory receivables (with no impairment loss recognised)	-	-	360	360
Contractual receivables applying the simplified approach for impairment	-	-	2,086	2,086
Total financial assets	4,281	-	2,446	6,727
2021				
Financial assets				
Cash and deposits (not assessed for impairment due to materiality)	3,864	-	-	3,864
Statutory receivables (with no impairment loss recognised)	-	-	283	283
Contractual receivable applying the simplified approach for impairment	-	-	2,032	2,032
Total financial assets	3,864	-	2,315	6,179

South Gippsland Region Water Corporation

Notes to the financial statements

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

Climate related risk

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

South Gippsland Region Water Corporation is primarily exposed to climate change risk through the need to have the suitable investment in infrastructure and technology to address climate change effects. South Gippsland Region Water Corporation addresses this risk through planning through the Urban Water Strategy, review of assets to meet changes in climate, targeted emissions reductions and a planned drought response. As at 30 June 2022, the Corporation considered climate-related risk in the preparation of the financial statements.

Liquidity risk

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

South Gippsland Region Water Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

South Gippsland Region Water Corporation manages its liquidity risk by:

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

South Gippsland Region Water Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. 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.

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

				Maturity dates			
	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	1 - 3 months \$'000	3 months - 1 year \$'000	Over 1 year \$'000	Total \$'000
2022							
Derivative liability	74	74	-	-	-	-	-
Total	74	74	-	-	-	-	-
2021							
Derivative liability	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

South Gippsland Region Water Corporation

Notes to 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 South Gippsland Region Water Corporation's financial instruments. Market risk comprises of interest rate risk, foreign exchange risk and other price risk. South Gippsland Region Water Corporation's exposure to market risk is primarily though interest rate risk, there is insignificant exposure to foreign exchange risk and insignificant exposure to other price risks.

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

a) Interest Rate Risk

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

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

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

	Weighted average interest rate %	Total carrying amount \$'000	Variable interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000
2022					
Contractual financial assets					
Cash at bank	2.11%	4,281	4,281	-	-
Receivables	-	2,086	-	2,086	-
Contract Assets	-	2,519	-	-	2,519
Total	-	8,886	4,281	2,086	2,519
Contractual financial liabilities					
Borrowings - TCV	3.48%	93,693	6,893	86,800	-
Payables	-	6,039	-	-	6,039
Contract Payables	-	1,019	-	-	1,019
Total	-	100,751	6,893	86,800	7,058
Total financial (liabilities) assets	-	(91,865)	(2,612)	(84,714)	(4,539)
2021					
Contractual financial assets					
Cash at bank	0.10%	3,864	3,864	-	-
Receivables	-	2,032	-	2,032	-
Contract Assets	-	2,321	-	-	2,321
Total	-	8,217	3,864	2,032	2,321
Contractual financial liabilities					
Borrowings -TCV	3.34%	85,418	4,618	80,800	-
Payables	-	5,165	-	-	5,165
Contract Payables	-	1,220	-	-	1,220
Total	-	91,803	4,618	80,800	6,385
Total financial (liabilities) assets	-	(83,586)	(754)	(78,768)	(4,064)

South Gippsland Region Water Corporation

Notes to the financial statements

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

Interest rate risk sensitivity

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

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

South Gippsland Region Water Corporation's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. South Gippsland Region Water Corporation cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. A movement of 100 basis points up and down in market interest rates (AUD) is 'reasonably possible'.

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

2022	Carrying amount \$'000	Net Result (+100) basis points \$'000	Equity (+100) basis points \$'000	Net Result (- 100) basis points \$'000	Equity (-100) basis points \$'000
Cash and Cash Equivalents	4,281	43	43	(43)	(43)
Interest bearing liabilities - variable	6,893	(69)	(69)	69	69
Total		(26)	(26)	26	26

2021	Carrying amount \$'000	Net Result (+100) basis points \$'000	Equity (+100) basis points \$'000	Net Result (- 100) basis points \$'000	Equity (-100) basis points \$'000
Cash and Cash Equivalents	3,864	39	39	(39)	(39)
Interest bearing liabilities - variable	4,618	(46)	(46)	46	46
Total		(7)	(7)	7	7

b) Foreign exchange risk

South Gippsland Region Water Corporation has no significant exposure to changes in the foreign exchange rate.

c) Other price risk

The Corporation uses the Contract for Difference derivative financial instrument to manage energy related commodities purchased in the normal course of business, and therefore entered into this PPA to minimise a portion of the price risk to the Corporation. South Gippsland Region Water Corporation has no significant exposure to other price risks.

South Gippsland Region Water Corporation

Notes to the financial statements

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

7.2 Contingent assets and contingent liabilities

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

South Gippsland Region Water Corporation was not aware of any contingent assets or contingent liabilities at the time of finalising the financial report (2021 \$Nil).

7.3 Fair value determination

This section sets out information on how South Gippsland Region Water Corporation determined fair value for financial reporting purposes.

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

The following assets and liabilities are carried at fair value:

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

The Corporation determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is the Corporation's independent valuation agency (or) the Corporation, in conjunction with, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

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

South Gippsland Region Water Corporation determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

Fair value hierarchy

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

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

For the purpose of fair value disclosures, South Gippsland Region Water Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Valuer-General Victoria (VGV) is the Corporation's independent valuation agency. The Corporation, in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

How this section is structured

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

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

This section is divided between disclosures in connection with fair value determination for financial instruments (refer to Note 7.3.1), non-financial physical assets (refer to Note 7.3.2) and derivatives (refer to Note 7.3.3).

South Gippsland Region Water Corporation

Notes to the financial statements

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

7.3.1 Fair value of financial instruments measured at amortised cost

	Carrying amount 2022 \$'000	Fair value 2022 \$'000	Carrying amount 2021 \$'000	Fair value 2021 \$'000
Financial liabilities				
Loans from TCV	93,693	93,693	85,418	85,418

7.3.2 Fair value determination – Non-financial physical assets

	Carrying amount as at 30 June 2022 \$'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	1,399	-	1,399	-
Specialised land	13,125	-	-	13,125
Total of land at fair value	14,524	-	1,399	13,125
Buildings at fair value				
Specialised buildings	2,110	-	-	2,110
Total of buildings at fair value	2,110	-	-	2,110
Infrastructure at fair value				
Infrastructure - water distribution	165,250	-	-	165,250
Infrastructure - water harvesting and major transfers	52,485	-	-	52,485
Infrastructure - water quality	32,879	-	-	32,879
Infrastructure - sewer collection	120,083	-	-	120,083
Infrastructure - sewer treatment and major disposal	71,622	-	-	71,622
Total infrastructure at fair value	442,319	-	-	442,319
Plant and equipment at fair value				
Motor vehicles	1,804	-	-	1,804
Plant and equipment	4,222	-	-	4,222
Total of plant and equipment at fair value	6,026	-	-	6,026
Total of infrastructure at fair value	464,979	-	1,399	463,580

South Gippsland Region Water Corporation

Notes to the financial statements

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

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

	Carrying amount as at 30 June 2021 \$'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	1,399	-	1,399	-
Specialised land	13,125	-	-	13,125
Total of land at fair value	14,524	-	1,399	13,125
Buildings at fair value				
Specialised buildings	1,831	-	-	1,831
Total of buildings at fair value	1,831	-	-	1,831
Infrastructure at fair value				
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
Plant and equipment at fair value				
Motor vehicles	1,565	-	-	1,565
Plant and equipment	4,072	-	-	4,072
Total of plant and equipment at fair value	5,637	-	-	5,637
Total of infrastructure at fair value	464,038	-	1,399	462,639

There have been no transfers between the levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2022.

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

The South Gippsland Region Water Corporation, in conjunction with VGV monitors changes in the fair value of land and buildings through relevant data sources to determine whether revaluation is required. The fair value of infrastructure is monitored by the South Gippsland Region Water Corporation with reference to relevant data to identify whether an interim revaluation is required.

Although it is intended that asset valuations will be based on a five year cycle, FRD 103I Non financial physical assets requires entities to perform annual fair value assessments for each class of non financial physical assets to determine whether additional revaluations need to be undertaken between revaluation cycles. Management perform interim valuations when the triggers of FRD103I are met.

Non-specialised land and non-specialised buildings

Non-specialised land and non-specialised buildings are valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value. An independent valuation was performed by the Valuer General of Victoria to determine fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From this analysis, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2021.

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

South Gippsland Region Water Corporation

Notes to the financial statements

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

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 specialized 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 South Gippsland Region Water Corporation's specialised buildings, the current replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

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

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 2022.

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 South Gippsland Region Water Corporation's water and sewer infrastructure was carried out by the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation was 30 June 2021. These assets are classified as Level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable.

Climate change factors

Market participants' views of potential climate-related matters, including legislation, may affect the fair value measurement of assets and liabilities in the financial statements. Where relevant, climate-related matters may also affect the disclosure of fair value measurements, particularly those categorised within Level 3 of the fair value hierarchy. AASB 13 requires disclosure of unobservable inputs used in fair value measurements. Those inputs should reflect the assumptions that market participants would use, including assumptions about climate related risk.

South Gippsland Region Water Corporation

Notes to the financial statements

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

Reconciliation of Level 3 fair value movements

2022	Specialised land	Specialised buildings	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Sewer treatment and disposal	Motor vehicles	Plant equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	13,125	1,831	165,154	53,466	31,460	119,986	71,980	1,565	4,072	462,639
Additions	-	397	4,732	703	2,983	4,595	2,172	991	1,005	17,578
Disposals	-	-	(386)	(617)	(304)	(712)	(527)	(13)	(137)	(2,696)
Depreciation	-	(118)	(4,250)	(1,067)	(1,260)	(3,786)	(2,003)	(739)	(718)	(13,941)
Closing balance	13,125	2,110	165,250	52,485	32,879	120,083	71,622	1,804	4,222	463,580

2021	Specialised land	Specialised buildings	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Sewer treatment and disposal	Motor vehicles	Plant equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	11,874	1,715	138,144	59,308	23,676	99,418	52,481	1,632	4,169	392,417
Additions	-	17	4,798	60	2,100	13,372	3,265	566	467	24,645
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	1,831	165,154	53,466	31,460	119,986	71,980	1,565	4,072	462,639

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

South Gippsland Region Water Corporation

Notes to the financial statements

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

Significant unobservable inputs in Level 3 valuations

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

7.3.3 Fair value determination – Financial instruments

	Carrying amount as at 30 June 2022 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Derivative instruments at fair value				
Derivative instrument - Zero Emissions Water	74	-	-	74
Total of derivative instruments at fair value	74	-	-	74

	Carrying amount as at 30 June 2021 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Derivative instruments at fair value				
Derivative instrument - Zero Emissions Water	-	-	-	-
Total of derivative instruments at fair value	-	-	-	-

South Gippsland Region Water Corporation

Notes to the financial statements

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

Derivative financial liabilities

The fair value of derivative instruments is based on the discounted cash flow technique. The selection of variables requires significant judgement and assumptions in estimating the fair value of derivatives. In the absence of an active market, the fair value of the Corporation's CfD derivative is valued using unobservable inputs such as future wholesale electricity prices provided by DELWP's independent advisor and comparable risk free rates of zero coupon government bonds obtained from the Reserve Bank of Australia. The assumptions underpinning the estimate of future wholesale electricity prices included factors influencing supply and demand fluctuations, and the economic impact of coronavirus (COVID-19). In addition, assumptions are applied to forecast the renewable energy generation volumes over the life of the derivative instrument.

To the extent that the significant inputs are unobservable, the Corporation categorises these derivatives as Level 3 within the fair value hierarchy.

A reconciliation from the opening balances to the closing balances for fair value measurements is set out within the following table categorised within Level 3 of the fair value hierarchy for financial instruments, disclosing separately changes during the period.

	Derivative financial instrument \$'000
2022	
Opening balance	-
Initial recognition of derivative financial instruments	73
Gains/(losses) recognised in profit or loss	4
Net cash settlements paid/(received)	(3)
Closing balance	74
2021	
Opening balance	-
Initial recognition of derivative financial instruments	-
Gains/(losses) recognised in profit or loss	-
Net cash settlements paid/(received)	-
Closing balance	-

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 8: STATUTORY OBLIGATIONS

Introduction

This section included disclosures in relation to South Gippsland Region Water Corporation's statutory obligations.

8.1 Tax

8.1.1 Income tax

South Gippsland Region Water Corporation is subject to the National Tax Equivalent Regime (NTER), pursuant to section 88(1) of the *State Owned Enterprises Act 1992*, which is administered by the Australian Taxation Office. The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 25% (2021: 26%), 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 2022 income year, entities that are classified as base rate entities are eligible for the reduced tax rate of 25% (2021:26%).

This applies to corporate entities that:

- Have an aggregated turnover less than the \$50 million for the 2022 income year.
- 80% or less of their assessable income is base rate entity passive income, which includes passive incomes such as rent, interest capital gains and corporate distributions.

As South Gippsland Region Water Corporation turnover is less than \$50million for the year ended 30 June 2022 it will be eligible for the reduced tax rate of 25% based on the competitive neutrality principle. The reduced rate has been applied when preparing the tax calculations.

The differences are reconciled as follows:

Notes	2022 \$'000	2021 \$'000
Income Statement		
Current income tax expense (paid or payable)	-	-
Adjustments to prior years	-	-
Deferred income tax expense		
Temporary differences	(1,426)	(62)
Adjustment for prior years - tax rate change	133	71
Income tax reported in the comprehensive operating statement	(1,293)	9
Statement of changes in equity		
Net deferred tax - credited directly to equity - tax rate change	2,302	2,866
Income tax reported in equity	2,302	2,866
Tax reconciliation		
Net result before income tax	(4,603)	(234)
Tax at the Australian tax rate of 25% (2021: 26%)	(1,151)	(61)
Non-deductible expenses	1	2
Deferred only movement in building	(10)	(7)
Adjustment for prior years - tax rate change	(133)	71
Temporary difference on property, plant & equipment not affecting Profit (Loss)	-	4
Income tax on profit/(loss) before tax	(1,293)	9

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 8. STATUTORY OBLIGATIONS (CONTINUED)

8.1.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

	2022 \$'000	2021 \$'000
Amounts recognised in Comprehensive Operating Statement		
Doubtful debts	34	40
Employee benefits	1,017	1,080
Tax losses	18,853	18,991
Other	363	885
Total deferred tax assets	20,267	20,996
Movements:		
Opening balance at 1 July	20,996	22,792
Credited/(debited) to the Comprehensive Operating Statement	(729)	(1,796)
Closing balance at 30 June	20,267	20,996
Deferred tax asset expected to be recovered after more than 12 months	78	98
Deferred tax asset expected to be recovered within 12 months	1,336	1,907
Tax losses	18,853	18,991
Ending balance at 30 June	20,267	20,996

Deferred tax liabilities

	2022 \$'000	2021 \$'000
Amounts recognised in Comprehensive Operating Statement		
Depreciation	(14,274)	(16,295)
Amounts recognised directly in equity		
Revaluation of infrastructure, property, plant and equipment	(65,710)	(68,013)
Total deferred tax liabilities	(79,984)	(84,308)
Movements		
Opening balance at 1 July	(84,308)	(74,035)
Credited/(debited) to the Comprehensive Operating Statement	2,022	1,787
Deferred tax liabilities due to revaluations	-	(14,926)
Credited/(debited) to the Other Comprehensive Income due to tax rate changed from 26% to 25% (2021: 27.5% to 26%)	2,302	2,866
Closing balance at 30 June	(79,984)	(84,308)
Deferred tax liabilities expected to be settled after more than 12 months	(79,984)	(84,308)
Deferred tax liabilities expected to be settled within 12 months	-	-
Ending balance at 30 June	(79,984)	(84,308)

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 8. STATUTORY OBLIGATIONS (CONTINUED)

8.2 Environmental contribution

The Water Industry (Environmental Contributions) Act 2004 (the Act) amended the Water Industry Act 1994 to make provision for environmental contributions to be paid by water authorities. The Act establishes an obligation for authorities to pay into a consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each South Gippsland Region Water Corporation. The contribution period has been extended until 30 June 2024.

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

The Corporation has a statutory obligation to pay an environmental contribution to the Department of Environment, Land, Water and Planning.

This contribution is recognised as an expense during the reporting period as incurred.

	2022 \$'000	2021 \$'000
Environmental contribution levy	1,369	1,368

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 9: OTHER DISCLOSURES

Introduction

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

9.1 Reserves

9.1.1 Physical asset revaluation surplus

Asset revaluation surplus

	2022 \$'000	2021 \$'000
Physical asset revaluation surplus		
Opening balance	187,838	142,490
Revaluation increment for year	-	57,408
Tax effect on revaluation	-	(14,926)
Effect of tax rate change (2022, 26% to 25%; 2021, 27.5% to 26%)	2,302	2,866
Closing balance	190,140	187,838

9.2 Other economic flows included in net results

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- reclassified amounts relating to available-for-sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or 'other transfers' of assets.
- The revaluation gain or loss on the fair value of derivative financial instrument.

	2022 \$'000	2021 \$'000
Net gain/(loss) on non-financial assets		
Net gain/(loss) on disposal of infrastructure, property, plant and equipment	(2,830)	62
Total net gain/(loss) on non-financial assets	(2,830)	62
Net gain/(loss) on financial instruments		
Net gain/(loss) arising from revaluation of derivative financial liabilities	(4)	-
Total net gain/(loss) on financial instruments	(4)	-
Total other gains/(losses) from other economic flows	(2,834)	62

(Gain)/Loss on the fair value of derivative financial instrument represents the movement in the fair value of the financial instrument compared to initial recognition. This net gain/loss reflects a positive/negative fair value movement in the Corporation's electricity derivative in the PPA as a result of higher/lower floating electricity prices. Any gain/loss is recognised as an other economic flow included in net result.

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

9.3 Events occurring after the balance 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 South Gippsland Region Water Corporation the results of those operations, or state of affairs of the South Gippsland Region Water Corporation in future financial years.

9.4 Responsible persons

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

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

Name	Title	Period of appointment
The Hon. Lisa Neville MP	Minister for Water	1 July 2021 to June 2022
The Hon. Harriet Shing MP	Minister for Water	From 27 June 2022
Mr Philip Clark	Chair	1 October 2021 - 30 June 2022
Mrs Nicola Hepenstall	Deputy Chair	1 July 2021 - 30 June 2022
Mr Robert Murphy	Managing Director	16 May 2022 - 30 June 2022
Ms Diana Nestorovska	Director	1 October 2021 - 30 June 2022
Mrs Sumi Prabhakaran	Director	1 October 2021 - 30 June 2022
Mr Chris Rose	Director	1 July 2021 - 30 June 2022
Ms Carly Moore	Director	1 October 2021 - 30 June 2022
Ms Jennifer Ryan	Director	1 July 2021 - 30 June 2022
Mr Nicholas Fleming	Director	1 July 2021 - 30 June 2022
Mr David Schultz	Chair	1 July 2021 - 30 September 2021
Ms Susan Friend	Deputy Chair	1 July 2021 - 30 September 2021
Mr Philippe du Plessis	Managing Director	1 July 2021 - 15 May 2022
Mrs Kate Young	Director	1 July 2021 - 30 September 2021
Mr Geoff Lake	Director	1 July 2021 - 30 September 2021

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of South Gippsland Region Water Corporation during the reporting period was in the range: \$310,000 – \$319,999 (2021: \$310,000 – \$319,999).

	2022	2021
Income band (\$)		
5,000-9,999	3	-
10,000-19,999	4	-
20,000-29,999	4	7
30,000-39,999	1	-
50,000-59,999	1	1
310,000-319,999	1	1
Total responsible persons	14	9
Total remuneration (\$'000)	588	581

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

9.5 Remuneration of executives

The number of executive officers, other than the Minister and Accountable Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period. An additional executive officer was appointed in 2021-22, due to long service leave of an executive officer.

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. South Gippsland Region Water Corporation does not provide post-employment benefits or share based payments.

Other long-term benefits only refer to long service leave. There are no other long-service benefits or deferred compensation. Termination benefits include termination of employment payments, such as severance packages.

	2022 \$'000	2021 \$'000
Short-term employee benefits	1,014	845
Post-employment benefits	88	70
Other long-term benefits	20	15
Total remuneration	1,122	930
Total number of executives	5	5
Total annualised employee equivalents	4.7	3.8

- 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 9.6).

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

9.6 Related parties

South Gippsland Region Water Corporation is a wholly owned and controlled entity of the State of Victoria.

Related parties of South Gippsland Region Water Corporation include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the South Gippsland Region Water Corporation, directly or indirectly, this comprises independent Directors and the Managing Director.

Key management personnel (as defined in AASB 124 Related Party Disclosures) includes the Portfolio Minister and all Directors listed under responsible persons in note 9.4 who have the authority and responsibility for planning, directing and controlling the activities of the South Gippsland Region Water Corporation directly or indirectly, during the financial year.

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

Remuneration of key management personnel

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

	2022 \$'000	2021 \$'000
Compensation of key management personnel		
Short-term employee benefits	541	531
Post-employment benefits	46	43
Other long-term benefits	1	7
Total remuneration	588	581

Significant transactions with government-related entities

During the year, South Gippsland Region Water Corporation had the following government-related entity transactions:

Government-related entity receipts

Entity name	Brief description of main activity	2022 \$'000	2021 \$'000
Department of Families, Fairness and Housing (DFFH)	Refund of concession rebates	1,835	3,025
State Revenue Office	Refund of charities rebates	149	100
Zero Emissions Water Limited	Rates and charges	74	9
Treasury Corporation of Victoria	Borrowings	17,575	24,500

Government-related entity payments

Entity name	Brief description of main activity	2022 \$'000	2021 \$'000
Treasury Corporation of Victoria	Interest on borrowings	1,841	1,897
Department of Environment, Land, Water and Planning (DELWP)	Environmental contribution	1,369	1,368
Department of Treasury and Finance	Financial accommodation levy	1,003	892
Environment Protection Authority	Licence fees and levies	49	50
Treasury Corporation of Victoria	Loan repayments	9,300	7,900

Transactions with key management personnel and other related parties

Given the breadth and depth of South Gippsland Region Water Corporation's activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. water, wastewater and related services. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004 and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with South Gippsland Region Water Corporation there were no related party transactions that involved Key Management Personnel and their close family members.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

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.

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

ZEW transactions

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

ZEW is a related party of the South Gippsland Region Water Corporation. Below is a summary of transactions and holdings with ZEW.

	2022 \$'000	2021 \$'000
Sales to ZEW	6	19
Purchases from ZEW	10	10
Loans to/from ZEW	5	5

9.7 Remuneration of auditors

		2022 \$'000	2021 \$'000
Audit Services - Victorian Auditor-General's Office (VAGO)	Annual external audit fee	38	38
Non-VAGO audit and assurance services	Internal audit	95	36
Total remuneration of auditors		133	74

9.8 Ex-gratia payments

South Gippsland Region Water Corporation did not make any ex-gratia payments during 2022 (2021: \$Nil). In accordance with FRD 11A Disclosure of Ex-Gratia Expenses South Gippsland Region Water Corporation must disclose in aggregate the total amount of material (greater than \$5,000).

9.9 Changes in accounting policies

Initial application of the International Financial Reporting Standards Interpretations Committee (IFRS IC) Agenda decisions

Software-as-a-Service (SaaS) arrangements

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

- Customer's right to receive access to the supplier's software hosted on the cloud (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- Configuration or customisation costs in a cloud computing arrangement (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Corporation's accounting policy has historically been to recognise all access fees related to SaaS arrangements as an operating expense in the Comprehensive Operating Statement. Therefore the adoption of the above agenda decisions has not resulted in a reclassification of intangible assets to either a prepaid asset in the Statement of Financial Position and/or recognition as an expense in the Statement of Comprehensive Income and has not impacted both the current and/or prior periods presented.

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

9.10 Australian Accounting Standards issued that are not yet effective

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

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2022 reporting period. DTF assesses the impact of all these new standards and advises the South Gippsland Region Water Corporation of their applicability and early adoption where applicable.

Topic	Key requirements	Effective date	Estimated impact
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non- Current	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	South Gippsland Region Water Corporation is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.
	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 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	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. <i>AASB 137 Provisions, Contingent Liabilities and Contingent Assets</i> - to specify the costs that an entity includes when assessing whether a contract will be loss-making. <i>AASB 141 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	South Gippsland Region Water Corporation is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Statutory Certificate



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 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 2022 and the financial position of the Corporation as at 30 June 2022.

At the time of signing we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on the 24th October 2022.

A handwritten signature in dark ink, appearing to read "Philip Clark".

Philip Clark
Chair

A handwritten signature in dark ink, appearing to read "Robert Murphy".

Robert Murphy
Managing Director

A handwritten signature in dark ink, appearing to read "Liz Rowland".

Liz Rowland
Chief Financial Officer

Dated this day, the 24th October 2022



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 2022 • 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 2022 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor General's Report

**Auditor's
responsibilities
for the audit
of the financial
report**

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

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

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

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

MELBOURNE
27 October 2022



Paul Martin
as delegate for the Auditor-General of Victoria

Disclosure Index Checklist

The 2021–22 Annual Report of South Gippsland Water is prepared in accordance with all relevant Victorian legislations. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

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RESPONSIBLE MINISTER

The responsible Minister for the period from 1 July 2021 to 26 June 2022 was the Hon Lisa Neville MP, Minister for Water. The Hon Richard Wynne acted as the Minister for Water from 1 July 2021 to 22 August 2021. The Hon Harriet Shing was appointed Minister for Water from 27 June 2022

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

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